

NEW ISSUES
Book-Entry-Only

Electric Ratings: S&P: “AA-”
Moody’s: “Aa2”
Water Ratings: S&P: “AAA”
Moody’s: “Aa1”
(See “MISCELLANEOUS: Ratings” herein)

PRELIMINARY OFFICIAL STATEMENT

\$45,000,000*
CITY OF KNOXVILLE, TENNESSEE

\$27,000,000* Electric System Revenue Bonds, Series RR-2026

OFFERED FOR SALE AT
10:15 A.M. E. S. T.
Wednesday, January 14, 2026

\$18,000,000* Water System Revenue Bonds, Series PP-2026

OFFERED FOR SALE AT
10:45 A.M. E. S. T.
Wednesday, January 14, 2026

Cumberland Securities Company, Inc.
Municipal Advisor

December 22, 2025

*Subject to Change

This *Preliminary Official Statement* and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the *Official Statement* is delivered in final form. Under no circumstances shall this *Preliminary Official Statement* constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED DECEMBER 19, 2025

NEW ISSUES Book-Entry-Only

Electric Ratings: S&P: "AA-"
Moody's: "Aa2"
Water Ratings: S&P: "AAA"
Moody's: "Aa1"
(See "MISCELLANEOUS: Ratings" herein)

In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the Knoxville Utilities Board ("KUB"), interest on the Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest on the Bonds may be taken into account for the purpose of computing the alternative minimum tax imposed on certain corporations. Under existing law and subject to certain exceptions, the Bonds and the income therefrom will be exempt from state, county and municipal taxation in the State of Tennessee. See the section entitled "LEGAL MATTERS-Tax Matters" herein.

\$45,000,000* **CITY OF KNOXVILLE, TENNESSEE** **\$27,000,000* Electric System Revenue Bonds, Series RR-2026** **\$18,000,000* Water System Revenue Bonds, Series PP-2026**

Dated: Date of Issuance (assume February __, 2026)

Due: As shown herein

The \$27,000,000* Electric System Revenue Bonds, Series RR-2026 ("Electric Bonds" or "Series RR-2026 Bonds") and the \$18,000,000* Water System Revenue Bonds, Series PP-2026 ("Water Bonds" or "Series PP-2026 Bonds"), collectively, referred to as the "Bonds" are issuable in book-entry-only form. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as the nominee for DTC, principal and interest with respect to the Bonds shall be payable to Cede & Co., as nominee for DTC, which will, in turn, remit such principal and interest to the DTC participants for subsequent disbursements to the Beneficial Owners of the Bonds. Individual purchases of the Bonds will be made in book-entry-only form only, in denominations of \$5,000 or integral multiples thereof and will bear interest at the annual rates as shown on the inside cover. Interest on the Electric Bonds will be payable semi-annually on January 1 and July 1 each year, commencing July 1, 2026. Interest on the Water Bonds will be payable semi-annually on March 1 and September 1 each year, commencing September 1, 2026. Beneficial Owners of the Bonds will not receive physical delivery of Bond certificates. (See "The Bonds" - Book-Entry-Only System herein.)

The Bonds are being issued to provide funds to pay the costs of extensions and improvements to the Electric System and the Water System, as described herein, and to pay the cost of issuing the Bonds as more fully described in a subsequent part of this *Preliminary Official Statement*.

The Bonds will be issued pursuant to and secured by bond resolutions of the City of Knoxville ("City") and will be payable solely from the net revenues of the Electric System and the Water System, respectively, of the City, which are operated by the Knoxville Utilities Board ("KUB"). The Bonds do not constitute a debt of the City within the meaning of any constitutional, City Charter or statutory limitation, and neither the faith and credit of the State of Tennessee nor the faith and credit of the City or any other political subdivision are pledged to the payment of the principal of or premium or interest on the Bonds.

A portion of the Bonds are subject to optional redemption prior to maturity as described herein.

Bonds are offered when, as and if issued by the City subject to the approval of the legality thereof by Bass, Berry & Sims PLC, Knoxville, Tennessee, Bond Counsel, whose opinions will be delivered with the Bonds. Certain legal matters will be passed upon for Knoxville Utilities Board by Hodges, Doughty & Carson, PLLC, Knoxville, Tennessee, General Counsel to the Knoxville Utilities Board. It is expected the Bonds will be available for delivery in book-entry-only form, through the facilities of The Depository Trust Company, New York, New York on or about February __, 2026.

Cumberland Securities Company, Inc.
Municipal Advisor

January __, 2026

* Subject to change.

ELECTRIC SYSTEM REVENUE BONDS
SERIES RR-2026

<u>Maturity (July 1)</u>	<u>Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP**</u>	<u>Maturity (July 1)</u>	<u>Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP**</u>
2027	\$425,000				2042	\$900,000			
2028	445,000				2043	945,000			
2029	470,000				2044	990,000			
2030	495,000				2045	1,045,000			
2031	520,000				2046	1,095,000			
2032	545,000				2047	1,150,000			
2033	575,000				2048	1,210,000			
2034	600,000				2049	1,275,000			
2035	635,000				2050	1,340,000			
2036	665,000				2051	1,410,000			
2037	700,000				2052	1,480,000			
2038	735,000				2053	1,555,000			
2039	775,000				2054	1,635,000			
2040	810,000				2055	1,720,000			
2041	855,000								

(Accrued Interest to be Added)

WATER SYSTEM REVENUE BONDS
SERIES PP-2026

<u>Maturity (March 1)</u>	<u>Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP**</u>	<u>Maturity (March 1)</u>	<u>Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP**</u>
2027	\$215,000				2042	\$565,000			
2028	285,000				2043	595,000			
2029	300,000				2044	625,000			
2030	315,000				2045	655,000			
2031	330,000				2046	685,000			
2032	345,000				2047	720,000			
2033	365,000				2048	755,000			
2034	380,000				2049	795,000			
2035	400,000				2050	835,000			
2036	420,000				2051	875,000			
2037	445,000				2052	920,000			
2038	465,000				2053	965,000			
2039	490,000				2054	1,015,000			
2040	515,000				2055	1,065,000			
2041	540,000				2056	1,120,000			

(Accrued Interest to be Added)

*Subject to Change.

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This *Preliminary Official Statement* speaks only as of its date, and the information contained herein is subject to change.

This *Preliminary Official Statement* may contain forecasts, projections, and estimates that are based on current expectations but are not intended as representations of fact or guarantees of results. If and when included in this *Preliminary Official Statement*, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," and analogous expressions are intended to identify forward-looking statements as defined in the Securities Act of 1933, as amended, and any such statements inherently are subject to a variety of risks and uncertainties, which could cause actual results to differ materially from those contemplated in such forward-looking statements. These forward-looking statements speak only as of the date of this *Preliminary Official Statement*. The Issuer disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Issuer's expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

This *Preliminary Official Statement* and the Appendices hereto contain brief descriptions of, among other matters, KUB, the Bonds, the Resolution, the Disclosure Certificate (as defined herein), and the security and sources of payment for the Bonds. Such descriptions and information do not purport to be comprehensive or definitive. The summaries of various constitutional provisions and statutes, the Resolution, the Disclosure Certificate, and other documents are intended as summaries only and are qualified in their entirety by reference to such documents and laws, and references herein to the Bonds are qualified in their entirety to the forms thereof included in the Resolution.

The Bonds have not been registered under the Securities Act of 1933, and the Resolution has not been qualified under the Trust Indenture Act of 1939, in reliance on exemptions contained in such Acts. This *Preliminary Official Statement* does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

No dealer, broker, salesman, or other person has been authorized by the Issuer or the Underwriter to give any information or to make any representations other than those contained in this *Preliminary Official Statement*, and, if given or made, such other information or representations should not be relied upon as having been authorized by the Issuer or the Underwriter. Except where otherwise indicated, all information contained in this *Preliminary Official Statement* has been provided by KUB. The information set forth herein has been obtained by KUB from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of the Underwriter. The information contained herein is subject to change without notice, and neither the delivery of this *Preliminary Official Statement* nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Issuer, or the other matters described herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

CITY OF KNOXVILLE, TENNESSEE
KNOXVILLE UTILITIES BOARD

COMMISSIONERS

Cynthia Gibson, Chair	Kathy Hamilton
Claudia Caballero, Vice Chair	Celeste Herbert
Ron Feinbaum	Phyllis Nichols
Dr. Craig Pickett, Jr.	

OFFICERS

Gabriel J. Bolas II, President and Chief Executive Officer
Mark A. Walker, Senior Vice President and Chief Financial Officer
John W. Williams III, Senior Vice President and Chief Infrastructure and Compliance Officer
Jamie Davis, Senior Vice President Fiber and Chief Technology Officer
Tiffany Martin, Senior Vice President and Chief Customer and Talent Officer
Kurt Stafford, Vice President and Engineering and Operations
Erin Gill, Vice President Communications and External Relations

GENERAL COUNSEL

Hodges, Doughty & Carson, PLLC
Knoxville, Tennessee

MUNICIPAL ADVISOR

Cumberland Securities Company, Inc.
Knoxville, Tennessee

BOND COUNSEL

Bass, Berry & Sims PLC
Knoxville, Tennessee

INDEPENDENT ACCOUNTANTS

Mauldin & Jenkins, LLC
Chattanooga, Tennessee

REGISTRATION AND PAYING AGENT

Regions Bank
Nashville, Tennessee

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SUMMARY STATEMENT

The information set forth below is provided as a summary for convenient reference only; the information is not and does not purport to be complete and is qualified in its entirety by the information and financial statements appearing elsewhere in this *Preliminary Official Statement*. No person is authorized to distribute or rely upon all or any part of the information in this “Summary Statement” without the balance of this *Preliminary Official Statement*, including, all exhibits and appendices hereto.

The Bonds.....City of Knoxville, Tennessee (the “City”) \$27,000,000* Electric System Revenue Bonds, Series RR-2026 (“Electric Bonds” or “Series RR-2026 Bonds”) and the \$18,000,000* Water System Revenue Bonds, Series PP-2026 (“Water Bonds” or “Series PP-2026 Bonds”), dated the date of issuance (assume February 6, 2026). The Electric Bonds and the Water Bonds will be collectively referred to as the “Bonds”.

Purpose The Bonds are being issued to provide funds to pay the costs of extensions and improvements to the Electric System and the Water System (collectively, the “Systems”), as described herein, and to pay the cost of issuing the Bonds.

Security.....The Bonds will be issued pursuant to and secured by bond resolutions of the City and will be payable solely from the net revenues of the Systems, respectively, as further described herein.

Redemption.....The Electric Bonds maturing on and after July 1, 2034 will be subject to redemption prior to maturity at the option of the Board on or after July 1, 2033 at the redemption price of par plus accrued interest as provided herein. The Water Bonds maturing on and after March 1, 2034 will be subject to redemption prior to maturity at the option of the Board on or after March 1, 2033 at the redemption price of par plus accrued interest as provided herein.

Rates Rates and fees for services provided by the Systems are established by the Board of Commissioners of the Knoxville Utilities Board (the “Board”). The Electric System and the Water System are not otherwise subject to rate regulation, and KUB is not aware of any pending legislation which would make its rates and fees subject to regulation.

Rate Covenants.....The bond resolutions require the Board to fix rates as to each System to provide revenues sufficient to pay related expenses and obligations and to meet a 1.20 debt service coverage ratio, all as more fully hereinafter described.

Additional Electric

Revenue Bonds.....The City, acting by and through KUB may issue additional bonds, notes or other obligations pursuant to the Electric Bond Resolution provided that all payments required to be made to the Electric Debt Service Fund and into any reserve fund which may be required under resolutions authorizing parity indebtedness are current as of the date of issuance of the additional bonds, notes or other obligations, on a parity and equality of lien with the outstanding parity indebtedness under the Electric Bond Resolution, with respect to the lien and claim of such additional bonds, notes or other obligations to the net revenues of the Electric System and the money on deposit in the Electric Debt Service Fund (i) for the purpose of refunding any outstanding parity indebtedness, subordinate bonds, notes, loan agreements or other obligations, provided that after the issuance of such additional parity indebtedness, the Aggregate Debt Service (as defined in the Electric Bond Resolution) on all outstanding parity indebtedness, including the additional parity indebtedness to be issued, in any fiscal year shall not increase by more than ten percent (10%) after the issuance of such additional parity indebtedness; (ii) for the purpose of financing the completion or equipping of improvements to the Electric System for which outstanding parity indebtedness have previously been issued but only to the extent necessary to complete such improvements in the manner contemplated at the time of the issuance of the outstanding parity indebtedness that financed such improvements; and (iii) for the purposes of refunding any outstanding parity indebtedness or any prior lien bonds, subordinated bonds, notes or other obligations or extending, improving or replacing the Electric System or for any other lawful purpose under applicable law, if one of the following conditions shall have been met: (A) the Net Revenues (as defined in the Electric Bond Resolution) for any

twelve-month period selected by the Board ending within the twelve months prior to the date of the issuance of the additional parity indebtedness must have been equal to at least 120% of the Maximum Annual Aggregate Debt Service (as defined in the Electric Bond Resolution) on outstanding parity indebtedness plus the Debt Service on the additional parity indebtedness proposed to be issued or (B) the estimated Net Revenues of the Electric System for each of the three fiscal years next succeeding the issuance of the additional parity indebtedness, must be equal at least to 120% of Maximum Annual Aggregate Debt Service, any other outstanding parity indebtedness and all outstanding prior lien bonds plus the Debt Service on the additional parity indebtedness proposed to be issued; provided, however, that if the additional parity indebtedness is to be issued for the acquisition or construction of any extension, improvement or replacement to the Electric System, then the estimate of Net Revenues may be for the three fiscal years ensuing after the time that such improvement, extension or replacement is expected to be placed in service.

Additional Water

Revenue Bonds.....The City, acting by and through KUB, or KUB may issue additional bonds, notes or other obligations pursuant to the Water Bond Resolution (as defined herein), provided that all payments required to be made to the Water Debt Service Fund and into any reserve fund which may be required under resolutions authorizing parity indebtedness are current as of the date of issuance of the additional bonds, notes or other obligations, on a parity and equality of lien with the outstanding parity indebtedness with respect to the lien and claim of such additional bonds, notes or other obligations to the net revenues of the Water System and the money on deposit in the Water Debt Service Fund for the purpose of (i) refunding any outstanding parity indebtedness, subordinate bonds, notes, loan agreements or other obligations, provided that after the issuance of such additional parity indebtedness, the Aggregate Debt Service (as defined in the Water Bond Resolution) on all outstanding parity indebtedness, including the additional parity indebtedness to be issued, in any fiscal year shall not increase by more than ten percent (10%) after the issuance of such additional parity indebtedness; (ii) for the purpose of financing the completion or equipping of improvements to the Water System for which outstanding parity indebtedness have previously been issued but only to the extent necessary to complete such improvements in the manner contemplated at the time of the issuance of the outstanding parity indebtedness that financed such improvements; and (iii) for the purposes of refunding any outstanding parity indebtedness or any prior lien bonds, subordinated bonds, notes or other obligations or extending, improving or replacing the Water System or for any other lawful purpose under applicable law, if one of the following conditions shall have been met: (A) the Net Revenues (as defined in the Water Bond Resolution) for any twelve-month period selected by the Board ending within the twelve months prior to the date of the issuance of the additional parity indebtedness must have been equal to at least 120% of the Maximum Annual Aggregate Debt Service (as defined in the Water Bond Resolution) on outstanding parity indebtedness plus the Debt Service on the additional parity indebtedness proposed to be issued or (B) the estimated Net Revenues of the Water System for each of the three fiscal years next succeeding the issuance of the additional parity indebtedness, must be equal at least to 120% of Maximum Annual Aggregate Debt Service, any other outstanding parity indebtedness and all outstanding prior lien bonds plus the Debt Service on the additional parity indebtedness proposed to be issued; provided, however, that if the additional parity indebtedness is to be issued for the acquisition or construction of any extension, improvement or replacement to the Water System, then the estimate of Net Revenues may be for the three fiscal years ensuing after the time that such improvement, extension or replacement is expected to be placed in service.

Combined Operation of Any System Permitted in the Future.....

To the extent permitted by law, the Board may combine any or all the City's utility systems into a single unified operation (the "Combined System") and commingle the revenues of the System in the Combined System without keeping separate accounts of the funds of each of such System, provided payments from the funds of the Combined System are required to be made into the respective Debt Service Funds from time to time in amounts sufficient to pay the principal of and interest as such principal and interest becomes due. Bonds and notes ("Parity Bonds") payable from revenues of the Combined System may be issued on a parity with outstanding bonds secured by a System's revenues provided at the time of the issuance of any such Parity

Bonds, among other things, the net earnings of the Combined System after making provision for the payment of periodic installments of principal and interest on any bonds having a superior lien on a system or the revenues of any such system, for a period of twelve consecutive months (the “Twelve-Month Period”) out of the fifteen months immediately preceding the issuance of such Parity Bonds shall be equal to at least 1.2 times the highest combined principal and interest requirement for any period of twelve consecutive months beginning on July 1 of any succeeding calendar year on all bonds outstanding and to be then issued directly payable from the revenues of the Combined System.

If within twelve months prior to the issuance of the Parity Bonds, the Board shall have put into effect a revised schedule of rates for the Combined System or any part thereof, then the net earnings of the Combined System for the Twelve-Month Period, as certified by independent consultants, that would have resulted from such revised rates had they been in effect for the Twelve-Month Period, may be used in lieu of the actual net earnings for such Twelve-Month Period.

Tax Matters.....In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants by KUB, interest on the Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”) and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest on the Bonds may be taken into account for the purpose of computing the alternative minimum tax imposed on certain corporations. Under existing law and subject to certain exceptions, the Bonds and the income therefrom will be exempt from state, county and municipal taxation in the State of Tennessee. See the section entitled “LEGAL MATTERS-Tax Matters” herein.

Registration and

Paying Agent Regions Bank, Nashville, Tennessee.

Bond Counsel Bass, Berry & Sims PLC, Knoxville, Tennessee.

Municipal Advisor.....Cumberland Securities Company, Inc.

General.....The Bonds will be issued pursuant to Chapter 34, Title 7, and Chapter 21, Title 9, *Tennessee Code Annotated*, as amended (the “Act”). See the sections entitled SECURITIES OFFERED, herein. The Bonds will be issued with CUSIP numbers through the facilities of The Depository Trust Company, New York, New York.

Disclosure In accordance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as amended, the City, acting by and through KUB, will provide the Municipal Securities Rulemaking Board (“MSRB”) through the operation of the Electronic Municipal Market Access system (“EMMA”) and the State Information Depository (“SID”) established in Tennessee, if any, annual financial statements and other pertinent credit information, including the Comprehensive Annual Financial Reports of KUB for the Systems. For additional information, see the section entitled “MISCELLANEOUS - Continuing Disclosure” for additional information.

Other Information.....The information in the *Preliminary Official Statement* is deemed “final” within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as of the date which appears on the cover hereof except for the omissions of certain pricing information allowed to be omitted pursuant to such Rule 15c2-12. For more information concerning the City and the Board or the *Preliminary Official Statement*, Cumberland Securities Company, Inc., Knoxville, Tennessee, Telephone: (865) 988-2663. Additional information regarding [BiDCOMP™/PARITY™](#) may be obtained from [PARITY™](#), 1359 Broadway - 2nd Floor, New York, NY 10018, Telephone: 800.850.7422.

ELECTRIC DIVISION
For the Years Ended June 30

	<u>2021**</u>	<u>2022***</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Operating Revenues	\$553,897,585	\$606,335,419	\$660,231,612	\$657,034,681	\$734,797,909
Operating Expenses*	<u>(451,148,965)</u>	<u>(504,767,353)</u>	<u>(561,730,147)</u>	<u>(540,174,024)</u>	<u>(589,634,583)</u>
Net Income Before Depreciation & Taxes	\$102,748,620	\$101,568,066	\$98,501,465	\$116,860,657	\$145,163,326
Other Revenue	236,934	716,419	4,879,006	6,686,576	8,526,790
FICA Tax Expense	<u>(2,256,238)</u>	<u>(2,502,307)</u>	<u>(2,742,935)</u>	<u>(2,885,211)</u>	<u>(3,116,699)</u>
Income Available for Debt Service	\$100,729,316	\$99,782,178	\$100,637,536	\$120,662,022	\$150,573,417
Debt Service on Senior Bonds	\$26,715,582	\$24,583,195	\$24,786,078	\$30,118,930	\$35,400,225
Bond Coverage	3.77x	4.06x	4.06x	4.01x	4.25x

Source: The above amounts have been derived from the Annual Audited Financial Statements for the Knoxville Utilities Board and Electric Divisions and should be read in conjunction therewith.

* Excluding Provision for Depreciation and Taxes.

** Restated per GASB 87. For more information, see the notes to the Financial Statements included herein.

*** Restated per GASB 96. For more information, see the notes to the Financial Statements included herein.

WATER DIVISION
For the Years Ended June 30

	<u>2021**</u>	<u>2022***</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Operating Revenues	\$61,799,439	\$64,558,346	\$68,702,749	\$72,896,489	\$77,461,933
Operating Expenses*	<u>(26,475,168)</u>	<u>(27,887,150)</u>	<u>(34,464,952)</u>	<u>(36,813,331)</u>	<u>(37,195,675)</u>
Net Income Before Depreciation & Taxes	\$35,324,271	\$36,671,196	\$34,237,797	\$36,083,158	\$40,266,258
Other Revenue	143,931	179,724	1,361,782	1,904,641	2,828,950
FICA Tax Expense	<u>(965,973)</u>	<u>(1,061,454)</u>	<u>(1,071,217)</u>	<u>(1,114,829)</u>	<u>(1,173,373)</u>
Income Available for Debt Service	\$34,502,229	\$35,789,466	\$34,528,362	\$36,872,970	\$41,921,835
Debt Service on Senior Bonds	\$14,836,825	\$13,889,992	\$13,878,353	\$14,306,604	\$15,504,250
Bond Coverage	2.33x	2.58x	2.49x	2.58x	2.70x

Source: The above amounts have been derived from the Annual Audited Financial Statements for the Knoxville Utilities Board and Water Divisions and should be read in conjunction therewith.

* Excluding Provision for Depreciation and Taxes.

** Restated per GASB 87. For more information, see the notes to the Financial Statements included herein.

*** Restated per GASB 96. For more information, see the notes to the Financial Statements included herein.

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SUMMARY NOTICE OF SALE

\$45,000,000*

CITY OF KNOXVILLE, TENNESSEE

\$27,000,000* Electric System Revenue Bonds, Series RR-2026

\$18,000,000* Water System Revenue Bonds, Series PP-2026

NOTICE IS HEREBY GIVEN that separate electronic or written bids will be received by the President and CEO of KUB, at the offices of Cumberland Securities Company, Inc., Knoxville, Tennessee, until **10:15 a.m. E.S.T. on Wednesday, January 14, 2026**, on behalf of the City for the purchase of \$27,000,000* Electric System Revenue Bonds, Series RR-2026 (“Electric Bonds” or “Electric Series RR-2026 Bonds”). Prior to accepting bids, the Board, or the President and CEO of KUB, as its designee, reserves the right to postpone the sale to a later date, or to cancel the sale based upon market conditions via munihub at the internet website address (www.prospectushub.com) and/or the **BIDCOMP™/PARITY™** System not later than 9:45 a.m., Eastern Standard Time, on the day of the bid opening. Such notice will specify the revised principal amounts, if any, and any later date selected for the sale, which may be postponed or cancelled in the same manner. If the sale is postponed, a later public sale may be held at the hour and place and on such date as communicated upon at least forty-eight hours’ notice via munihub at the internet website address (www.prospectushub.com) and/or the **BIDCOMP™/PARITY™** System.

NOTICE IS HEREBY GIVEN that separate electronic or written bids will be received by the President and CEO of KUB, at the offices of Cumberland Securities Company, Inc., Knoxville, Tennessee, **10:45 a.m. E.S.T. on Wednesday, January 14, 2026**, on behalf of the City for the purchase of \$18,000,000* Water System Revenue Bonds, Series PP-2026 (“Water Bonds” or “Series PP-2026 Bonds”). Prior to accepting bids, the Board, or the President and CEO of KUB, as its designee, reserves the right to postpone the sale to a later date, or to cancel the sale based upon market conditions via munihub at the internet website address (www.prospectushub.com) and/or the **BIDCOMP™/PARITY™** System not later than 10:15 a.m., Eastern Standard Time, on the day of the bid opening. Such notice will specify the revised principal amounts, if any, and any later date selected for the sale, which may be postponed or cancelled in the same manner. If the sale is postponed, a later public sale may be held at the hour and place and on such date as communicated upon at least forty-eight hours’ notice via munihub at the internet website address (www.prospectushub.com) and/or the **BIDCOMP™/PARITY™** System.

The Electric Bonds and the Water Bonds are collectively referred to herein as the “Bonds”.

Electronic bids for the Bonds must be submitted through **BIDCOMP™/PARITY™** and no other provider of electronic bidding services will be accepted. Subscription to the i-Deal LLC Dalcomp Division’s **BIDCOMP™** Competitive Bidding System is required in order to submit an electronic bid. Neither the City nor KUB will confirm any subscription nor be responsible for the failure of any prospective bidders to subscribe. For the purposes of the bidding process, the time as maintained by **BIDCOMP™/PARITY™** shall constitute the official time with respect to all bids whether in electronic or written form. To the extent any instructions or directions set forth in **BIDCOMP™/PARITY™** conflict with the terms of the Detailed Notice of Sale, such Notice shall prevail.

The Electric Bonds will be dated the date of issuance (assume February 6, 2026). The Electric Bonds will mature on July 1 in the years 2027 through 2055, inclusive, and will be subject to optional redemption prior to maturity on or after July 1, 2033. The approving opinion for the Electric Bonds will be furnished at the expense of KUB by Bass, Berry & Sims PLC, Bond Counsel, Knoxville, Tennessee. **No rate or rates bid for the Electric Bonds shall be less than four percent (4.00%) or exceed five percent (5.00%) per annum. Additionally, each maturity must have a minimum reoffering price of at least ninety-eight percent (98.0%) of par.** No bid will be considered for the Electric Bonds for less than one hundred percent (100.00%) of par and accrued interest or more than one hundred and twenty-five percent (125%) of par and accrued interest. Unless bids are rejected, the Electric Bonds will be awarded separately by the President and CEO on the sale date to the bidder whose bid result in the lowest true interest rate on the Electric Bonds.

The Water Bonds will be dated the date of issuance (assume February 6, 2026). The Water Bonds will mature on March 1 in the years 2027 through 2056, inclusive, and will be subject to optional redemption prior to maturity on or after March 1, 2033. The approving opinion for the Water Bonds will be furnished at the expense of KUB by Bass, Berry & Sims PLC, Bond Counsel, Knoxville, Tennessee. **No rate or rates bid for the Water Bonds shall be less than four percent (4.00%) or exceed five percent (5.00%) per annum. Additionally, each maturity must have a minimum**

reoffering price of at least ninety-eight percent (98.0%) of par. No bid will be considered for the Water Bonds for less than one hundred percent (100.00%) of par and accrued interest or more than one hundred and twenty-five percent (125%) of par and accrued interest. Unless bids are rejected, the Water Bonds will be awarded separately by the President and CEO on the sale date to the bidder whose bid result in the lowest true interest rate on the Water Bonds.

In the event that the competitive sale requirements of applicable Treasury Regulations are not met as to a series of the Bonds, the City will require bidders to comply with the “hold-the-offering-price rule” for purposes of determining the issue price for such series of the Bonds as described in the Detailed Notice of Sale. Bids will not be subject to cancellation in the event that the competitive sale requirements of applicable Treasury Regulations are not satisfied.

Electronic bids made through the facilities of ***BIDCOMP™/PARITY™*** shall be deemed an offer to purchase in response to the Detailed Notice of Sale and shall be binding upon the bidders as if made by signed, written bids delivered to KUB. KUB, Bond Counsel and the Municipal Advisor shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by ***BIDCOMP™/PARITY™***. The use of the ***BIDCOMP™/PARITY™*** facility is at the sole risk of the prospective bidders.

Additional information, including the *Preliminary Official Statement* in near final form and the Detailed Notice of Sale, may be obtained through www.prospectushub.com or Gabriel J. Bolas II, President and CEO, Knoxville Utilities Board, 445 South Gay Street, Knoxville, Tennessee 37902 or from KUB’s Municipal Advisor, Cumberland Securities Company, Inc., Knoxville, Tennessee (865) 988-2663 or Munihub at (www.prospectushub.com). Further information regarding ***BIDCOMP™/PARITY™*** may be obtained from ***PARITY™***, 1359 Broadway - 2nd Floor, New York, NY 10018, Telephone: 800.850.7422.

CITY OF KNOXVILLE, TENNESSEE
By and Through
KNOXVILLE UTILITIES BOARD

By: Gabriel J. Bolas II
President and CEO
Knoxville Utilities Board

DETAILED NOTICE OF SALE

\$45,000,000*

CITY OF KNOXVILLE, TENNESSEE

\$27,000,000* Electric System Revenue Bonds, Series RR-2026

\$18,000,000* Water System Revenue Bonds, Series PP-2026

NOTICE IS HEREBY GIVEN that separate electronic or written bids will be received by the President and CEO of KUB, at the offices of Cumberland Securities Company, Inc., Knoxville, Tennessee, until **10:15 a.m. E.S.T. on Wednesday, January 14, 2026**, on behalf of the City for the purchase of \$27,000,000* Electric System Revenue Bonds, Series RR-2026 (“Electric Bonds” or “Electric Series RR-2026 Bonds”). Prior to accepting bids, the Board, or the President and CEO of KUB, as its designee, reserves the right to postpone the sale to a later date, or to cancel the sale based upon market conditions via munihub at the internet website address (www.prospectushub.com) and/or the **BIDCOMP™/PARITY™** System not later than 9:45 a.m., Eastern Standard Time, on the day of the bid opening. Such notice will specify the revised principal amounts, if any, and any later date selected for the sale, which may be postponed or cancelled in the same manner. If the sale is postponed, a later public sale may be held at the hour and place and on such date as communicated upon at least forty-eight hours’ notice via munihub at the internet website address (www.prospectushub.com) and/or the **BIDCOMP™/PARITY™** System.

NOTICE IS HEREBY GIVEN that separate electronic or written bids will be received by the President and CEO of KUB, at the offices of Cumberland Securities Company, Inc., Knoxville, Tennessee, **10:45 a.m. E.S.T. on Wednesday, January 14, 2026**, on behalf of the City for the purchase of \$18,000,000* Water System Revenue Bonds, Series PP-2026 (“Water Bonds” or “Series PP-2026 Bonds”). Prior to accepting bids, the Board, or the President and CEO of KUB, as its designee, reserves the right to postpone the sale to a later date, or to cancel the sale based upon market conditions via munihub at the internet website address (www.prospectushub.com) and/or the **BIDCOMP™/PARITY™** System not later than 10:15 a.m., Eastern Standard Time, on the day of the bid opening. Such notice will specify the revised principal amounts, if any, and any later date selected for the sale, which may be postponed or cancelled in the same manner. If the sale is postponed, a later public sale may be held at the hour and place and on such date as communicated upon at least forty-eight hours’ notice via munihub at the internet website address (www.prospectushub.com) and/or the **BIDCOMP™/PARITY™** System.

The Electric Bonds and the Water Bonds are collectively referred to herein as the “Bonds”.

Description of the Bonds.

The Electric Bonds are being issued pursuant to Chapter 34, Title 7, and Chapter 21, Title 9, *Tennessee Code Annotated*, as amended (the “Act”), the Charter of the City (the “City Charter”), other applicable statutes, and pursuant to Resolution No. 1644 adopted by the City on January 4, 1949 as amended and supplemented by Resolution No. 2171 adopted February 22, 1955; Resolution No. 3491 adopted by the City on February 21, 1967; Resolution R-317-90 adopted by the City on October 30, 1990; Resolution No. R-422-98 adopted by the City on October 20, 1998; Resolution No. R-149-01 adopted by the City on March 20, 2001; Resolution No. R-332-2010 adopted by the City on November 2, 2010; and Resolution No. R-230-2018 adopted by the City on June 20, 2018; and as supplemented by Resolution No. R-243-2025 adopted by the City on August 19, 2025 and as otherwise supplemented prior to the date hereof (collectively, the “Electric Bond Resolutions”). All Electric System Revenue Bonds issued pursuant to such Electric Bond Resolutions are hereinafter referred to as the “Electric System Bonds.”

The Water Bonds are being issued pursuant to the Act, the City Charter, other applicable statutes, and pursuant to Resolution No. 2075 duly adopted by the City Council of the City on April 20, 1954, as amended and supplemented by Resolution No. 3633 duly adopted by the City on March 19, 1968; Resolution No. R-26-88 duly adopted by the City on February 9, 1988; Resolution No. R-8-98 duly adopted by the City on January 27, 1998; Resolution No. R-151-01 duly adopted by the City on March 20, 2001; and Resolution No. R-228-2018 adopted by the City on June 20, 2018; and as supplemented by Resolution No. R-242-2025 adopted by the City on August 19, 2025 and as otherwise supplemented prior to the date hereof (collectively, the “Water Bond Resolutions”). All Water System Revenue Bonds issued pursuant to such Water Bond Resolutions are hereinafter referred to as the “Water System Bonds.”

*Subject to Change.

The Bonds will be issued in fully registered book-entry-only form without coupons, be dated the date of issuance, be issued, or reissued upon transfer, in \$5,000 denominations or multiples thereof, as shall be requested by the purchaser or registered owner thereof, as applicable, and will mature (subject to the right of redemption as hereinafter set forth) and be payable as listed on below:

ELECTRIC BONDS				WATER BONDS			
<u>Maturity</u> <u>(July 1)</u>	<u>Amount*</u>	<u>Maturity</u> <u>(July 1)</u>	<u>Amount*</u>	<u>Maturity</u> <u>(March 1)</u>	<u>Amount*</u>	<u>Maturity</u> <u>(March 1)</u>	<u>Amount*</u>
2027	\$425,000	2042	\$900,000	2027	\$215,000	2042	\$ 565,000
2028	445,000	2043	945,000	2028	285,000	2043	595,000
2029	470,000	2044	990,000	2029	300,000	2044	625,000
2030	495,000	2045	1,045,000	2030	315,000	2045	655,000
2031	520,000	2046	1,095,000	2031	330,000	2046	685,000
2032	545,000	2047	1,150,000	2032	345,000	2047	720,000
2033	575,000	2048	1,210,000	2033	365,000	2048	755,000
2034	600,000	2049	1,275,000	2034	380,000	2049	795,000
2035	635,000	2050	1,340,000	2035	400,000	2050	835,000
2036	665,000	2051	1,410,000	2036	420,000	2051	875,000
2037	700,000	2052	1,480,000	2037	445,000	2052	920,000
2038	735,000	2053	1,555,000	2038	465,000	2053	965,000
2039	775,000	2054	1,635,000	2039	490,000	2054	1,015,000
2040	810,000	2055	1,720,000	2040	515,000	2055	1,065,000
2041	855,000			2041	540,000	2056	1,120,000

*Subject to change

Registration and Depository Participation. The Bonds will be issued by means of a Book-Entry-Only System and no physical distribution of bond certificates will be made to the public. One Bond certificate for each maturity will be issued to the Depository Trust Company, New York, New York (“DTC”), and immobilized in its custody. The Book-Entry-Only System will evidence beneficial ownership interests of the Bonds in the principal amount of \$5,000 and any integral multiple of \$5,000, with transfers of beneficial ownership interest effected on the records of DTC participants and, if necessary, in turn by DTC pursuant to rules and procedures established by DTC and its participants. The successful bidder for each series of the Bonds, as a condition to delivery of the Bonds, shall be required to deposit the bond certificates with DTC, registered in the name of Cede & Co., nominee of DTC. Interest on the Bonds will be payable semiannually and principal of the Bonds will be payable, at maturity or upon redemption, to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC, and transfer of principal and interest payments to Beneficial Owners of the Bonds by Participants of DTC, will be the responsibility of such participants and of the nominees of Beneficial Owners. Neither the City nor KUB will be responsible or liable for such transfer of payments or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. Notwithstanding the foregoing, if the successful bidder for a series of Bonds certifies that it intends to hold the Bonds for its own account and has no present intent to re-offer the Bonds, then the use of the Book-Entry-Only System is not required.

In the event that the Book-Entry-Only System for the Bonds is discontinued and a successor securities depository is not appointed by the Board, Bond Certificates in fully registered form will be delivered to, and registered in the names of, the DTC participants or such other persons as such DTC participants may specify (which may be the indirect participants or Beneficial Owners), in authorized denominations of \$5,000 or integral multiples thereof. The ownership of Bonds so delivered shall be registered in registration books to be kept by the Registration Agent (named herein), and KUB and the Registration Agent shall be entitled to treat the registered owners of the Bonds, as their names appear in such registration books as of the appropriate dates, as the owners thereof for all purposes described herein and in the resolutions authorizing the Bonds.

Security Pledged. The Electric Bonds and the Water Bonds will be issued pursuant to and secured by the Electric Bond Resolution and the Water Bond Resolution, respectively, and will be payable solely from the net revenues of the applicable System, as further described herein.

Rate Covenants. The bond resolutions require the Board to fix rates as to each Systems to provide revenues sufficient to pay related expenses and obligations and to meet a 1.20 debt service coverage ratio, all as more fully hereinafter described.

Purpose. The Bonds are being issued to provide funds to pay the costs of extension to and improvements to the Electric System and the Water System (the “Systems”), and the payment of legal, fiscal, administrative and engineering costs incident thereto and incident to the issuance and sale of the Bonds.

Optional Redemption. The Electric Bonds maturing on and after July 1, 2034 will be subject to redemption prior to maturity at the option of the Board on or after July 1, 2033 at the redemption price of par plus accrued interest as provided herein. The Water Bonds maturing on and after March 1, 2034 will be subject to redemption prior to maturity at the option of the Board on or after March 1, 2033 at the redemption price of par plus accrued interest as provided herein.

If less than all the Bonds shall be called for redemption, the Board, in its discretion, shall designate the maturity or maturities which will be redeemed. If less than all of the Bonds within a single maturity shall be called for redemption, the interests within the maturity to be redeemed shall be selected as follows:

- (i) if the Bonds are being held under a Book-Entry-Only System by DTC, or a successor Depository, the Bonds to be redeemed shall be determined by DTC, or such successor Depository, by lot or such other manner as DTC, or such successor Depository, shall determine; or
- (ii) if the Bonds are not being held under a Book-Entry-Only System by DTC, or a successor Depository, the Bonds within the maturity to be redeemed shall be selected by the Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall determine.

Term Bond Option; Mandatory Redemption. Bidders shall have the option to designate certain consecutive serial maturities of each series of the Bonds as one or more term bonds (“Term Bonds”) bearing a single interest rate. If the successful bidder for a series of the Bonds designates certain consecutive serial maturities of such series of Bonds to be combined as one or more Term Bonds as allowed herein, then each Term Bond shall be subject to mandatory sinking fund redemption by the Board at a redemption price equal to one hundred percent (100%) of the principal amount thereof, together with accrued interest to the date fixed for redemption at the rate stated in the Term Bonds to be redeemed. Each such mandatory sinking fund redemption shall be made on the date on which a consecutive maturity included as part of a Term Bond is payable in accordance with the proposal of the successful bidder for such series of the Bonds and in the amount of the maturing principal installment for such series of the Bonds listed herein for such principal payment date.

Bidding Instructions. Bidders are requested to name the interest rate or rates the Bonds are to bear in multiples of one-eighth of one percent and/or one-hundredth of one percent (.01%) or one (1) basis point. No rate specified shall be less than four percent (4.00%) or in excess of five percent (5.00%) per annum for the Electric Bonds. No rate specified shall be less than four percent (4.00%) or in excess of five percent (5.00%) per annum for the Water Bonds. There will be no limitation on the number of rates of interest that may be specified in a single bid for the Bonds, but a single rate shall apply to all Bonds of a single maturity. Bidders must bid not less than one hundred percent (100.00%) of par or more than one hundred and twenty-five percent (125%) of par for all of the Bonds. Additionally, each maturity must have a minimum reoffering price of at least ninety-eight percent (98.0%) of par.

Electronic bids for the Bonds must be submitted through **BiDCOMP™/PARITY™** and no other provider of electronic bidding services will be accepted. Subscription to i-Deal LLC Dalcomp Division’s **BiDCOMP™** Competitive Bidding System is required in order to submit an electronic bid. Neither the City nor KUB will not confirm any subscription nor be responsible for the failure of any prospective bidders to subscribe. For the purposes of the bidding process, the time as maintained by **BiDCOMP™/PARITY™** shall constitute the official time with respect to all bids whether in electronic or written form. To the extent any instructions or directions set forth in **BiDCOMP™/PARITY™** conflict with the terms of this Detailed Notice of Sale, this Notice shall prevail. Electronic bids made through the facilities of **BiDCOMP™/PARITY™** shall be deemed an offer to purchase in response to this Detailed Notice of Sale and shall be binding upon the bidders as if made by signed, written bids delivered to KUB. KUB, the Board, the Bond Counsel and the Municipal Advisor shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by **PARITY™**. The use of the **BiDCOMP™/PARITY™** facilities is at the sole risk of the prospective bidders. For further information regarding **PARITY™**, potential bidders may contact **BiDCOMP™/PARITY™** at 1359 Broadway - 2nd Floor, New York, NY 10018, Telephone: 800-850-7422.

In the event of a system malfunction in the electronic bidding process, bidders may submit bid(s) prior to the established date and time by FACSIMILE transmission sent to KUB's Municipal Advisor, Cumberland Securities Company, Inc. at 865-988-1863. Any facsimile submission is made at the sole risk of the prospective bidder. KUB and the Municipal Advisor shall not be responsible for confirming receipt of any facsimile bid or for any malfunction relating to the transmission and receipt of such bids.

Any written bids should be submitted by facsimile to the President and CEO of KUB at the offices of KUB's Municipal Advisor at 865-988-1863. Written bids must be submitted on the Bid Forms included with the *Preliminary Official Statement*.

KUB reserves the right to reject all bids for either series of the Bonds or any series of the Bonds and to waive any informalities in the bids accepted.

Unless all bids for a series of the Bonds are rejected, each series of the Bonds will be awarded to the bidder(s) whose bid complies with this notice and results in the lowest true interest rate on such series of the Bonds to be calculated as that rate that, when used in computing the present worth of all payments of principal and interest on such series of the Bonds (compounded semi-annually from the date of such series of the Bonds), produces an amount equal to the purchase price of such series of the Bonds. For purposes of calculating the true interest cost, the principal amount of Term Bonds scheduled for mandatory sinking fund redemption as part of the Term Bond shall be treated as a serial maturity in such year. In the event that two or more bidders offer to purchase a series of the Bonds at the same lowest true interest rate, the President and CEO shall determine in his sole discretion which of the bidders shall be awarded such series of the Bonds.

After receipt of the bids, the Board, or the President and CEO of KUB, as its designee, reserves the right to make adjustments and/or revisions to the Bonds, as described below.

Bidder Certification Regarding Non-Engagement in a Boycott of Israel. By submitting a bid, each bidder shall be deemed to have certified to the Issuer that, to the extent that the award of the Bonds would constitute a "contract with a company to acquire or dispose of service", as described by Tenn. Code Ann. Section 12-4-119, neither the bidder, nor any of its wholly owned subsidiaries, majority-owned subsidiaries, parent companies or affiliates, are currently engaged in nor will they engage in a boycott of Israel through the issue date of the Bonds, as described by Section 12-4-119. For purposes of Section 12-4-119, "boycott of Israel" shall mean engaging in refusals to deal, terminating business activities, or other commercial actions that are intended to limit commercial relations with Israel, or companies doing business in or with Israel or authorized by, licensed by, or organized under the laws of the State of Israel to do business, or persons or entities doing business in Israel, when such actions are taken (i) in compliance with, or adherence to, calls for a boycott of Israel, or (ii) in a manner that discriminates on the basis of nationality, national origin, religion, or other unreasonable basis, and is not based on a valid business reason. The winning bidder shall be required to include a written certification to such effect as a condition to the issuance of the Bonds. The provisions of this paragraph shall not apply, and a bidder shall not be required to provide a written certification as provided above, if the bidder's compensation as a result of the purchase of a series of the Bonds is less than \$250,000.

Adjustment and/or Revision. While it is KUB's intention to sell and issue the approximate par amounts of each respective series of the Bonds as offered herein, there is no guarantee that adjustment and/or revision may not be necessary in order to properly size each series of Bonds. The Municipal Advisor has assumed a premium structure in sizing the par amount of each series. Accordingly, the President and CEO, as the Board's designee, reserves the right, in his sole discretion, to adjust up or down the original par amount of each series of the bonds by up to twenty-five percent (25.0%). The primary factor that will be considered in adjusting the par amount is the amount of premium, if any, that is bid. Among other factors the President and CEO as its designee, may (but shall be under no obligation to) consider in sizing the par amounts and individual maturities of each series of the Bonds is the size of individual maturities or sinking fund installments and/or other preferences of KUB. KUB also reserves the right to change the dated date of the Bonds.

In the event of any such adjustment and/or revision with respect to the Bonds, no rebidding will be permitted, and the portion of such premium or discount (as may have been bid for series of the Bonds) shall be adjusted in the same proportion as the amount of such revision in par amount of series of the Bonds bears to the original par amount of such series of Bonds offered for sale.

The successful bidder for a series of the Bonds will be tentatively notified by not later than 5:00 p.m. (Eastern Daylight Time), on the sale date of the exact revisions and/or adjustments required, if any.

Good Faith Deposit. No good faith check will be required to accompany any bid submitted. Each successful bidder for a series of Bonds shall be required to deliver to KUB's Municipal Advisor (wire transfer) the amount of up to two percent (2%) of the aggregate principal amount of the applicable series of the Bonds offered for sale which will secure the faithful performance of the terms of the bid. A certified check or wire transfer must be received by KUB's Municipal Advisor no later than the close of business on the day following the competitive sale. The winning bidders will be emailed wiring instructions after the sale.

The good faith deposit shall be applied (without interest) to the purchase price of the series of Bonds. If the successful bidder(s) should fail to accept or pay for the series of Bonds when tendered for delivery and payment, the good faith deposit will be retained by KUB as liquidated damages.

In the event of the failure of KUB to deliver a series of the Bonds to the purchaser in accordance with the terms of this Notice within forty-five (45) days after the date of the sale, the good-faith deposit for such series will be promptly returned to the purchaser unless the purchaser directs otherwise.

Establishment of Issue Price

Undertakings of the Successful Bidder. The successful bidder for each series of Bonds shall make a bona fide public offering of such series of the Bonds and shall, within 30 minutes after being notified of the award of such series of the Bonds, advise KUB in writing (via facsimile transmission or electronic mail) of the initial public offering prices of such series of the Bonds (the "Initial Reoffering Prices"). The successful bidder for such series must, by facsimile transmission or delivery received by KUB within 24 hours after award, furnish the following information to KUB to complete the *Official Statement* in final form, as described below:

- A. Selling compensation (aggregate total anticipated compensation to the underwriters expressed in dollars, based on the expectation that all the Bonds of such series are sold at the prices or yields at which the successful bidder advised KUB that the Bonds were initially offered to the public).
- B. The identity of the other underwriters if the successful bidder is part of a group or syndicate.
- C. Any other material information that KUB determines is necessary to complete the *Official Statement* in final form.

After the award of the Bonds, KUB will prepare copies of the final *Official Statement* and will include therein such additional information concerning the reoffering of the Bonds as the successful bidder may reasonably request; provided, however, that KUB will not include in the final *Official Statement* a "NRO" ("not reoffered") designation with respect to any maturity of the Bonds. The successful bidder will be responsible to KUB in all aspects for the accuracy and completeness of information provided by such successful bidders with respect to such reoffering.

KUB expects the successful bidders to deliver copies of such *Official Statement* in final form (the "Final Official Statement") to persons to whom such bidders initially sell the Bonds and the Municipal Securities Rulemaking Board ("MSRB") via the MSRB's Electronic Municipal Market Access System ("EMMA"). The successful bidders will be required to acknowledge receipt of the Final Official Statement, to certify that each has made delivery of the Final Official Statement to the MSRB, to acknowledge that KUB expects the successful bidders to deliver copies of such Final Official Statement to persons to whom such bidder initially sells the Bonds and to certify that the applicable series of the Bonds will only be offered pursuant to the Final Official Statement and only in states where the offer is legal.

Establishment of Issue Price

- a. The successful bidders shall assist KUB in establishing the issue price of the Bonds and shall execute and deliver to KUB, on or prior to the date of issuance and delivery of the Bonds (the "Closing Date"), an "issue price" or similar certificate setting forth the reasonably expected initial offering prices to the public or the sales price or prices of the Bonds, as is provided herein. All actions to be taken by KUB under this Detailed Notice of Bond Sale to establish the issue price of the Bonds may be taken on behalf of KUB by the Municipal Advisor and any notice or report to be provided to KUB may be provided to the Municipal Advisor.
- b. KUB intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of each series of the Bonds (the "Competitive Sale Requirements") because:

1. KUB shall disseminate this Detailed Notice of Bond Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
2. All bidders shall have an equal opportunity to bid;
3. KUB expects to receive bids for each series of the Bonds from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds;
4. KUB anticipates awarding the sale of each series of the Bonds to the bidder who submits a firm offer to purchase the series of Bonds at the highest price (or lowest interest cost), as set forth in this Detailed Notice of Bond Sale; and

Any bid submitted pursuant to this Detailed Notice of Bond Sale shall be considered a firm offer for the purchase of the applicable series of Bonds, as specified in the bid.

- c. In the event that the Competitive Sale Requirements are not satisfied as to a series of Bonds, KUB shall so advise the successful bidder for such series. In such event, KUB may determine to treat (i) the first price at which 10% of a maturity of a series of the Bonds (the “10% Test”) is sold to the public as the issue price of that maturity and/or (ii) the initial offering price to the public as of the sale date of any maturity of the Bonds as the issue price of that maturity (the “Hold-the-Offering-Price Rule”), in each case applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity). The winning bidder shall advise KUB promptly after the award of the Bonds if any maturity of the Bonds satisfy the 10% Test as of the date and time of the award of the Bonds. The Hold-the-Offering-Price Rule shall apply to all maturities that do not satisfy the 10% Test as of the sale date. KUB shall promptly advise the successful bidder, at or before the time of award of the Bonds, which maturities (and if different interest rates apply within a maturity, which separate CUSIP number within that maturity) of Bonds shall be subject to the 10% Test or shall be subject to the Hold-the-Offering-Price Rule. Bids will not be subject to cancellation in the event that KUB determines to apply the Hold-the-Offering-Price Rule to a series of the Bonds. Bidders should prepare their bids on the assumption that each series of the Bonds will be subject to the Hold-the-Offering-Price Rule in order to establish the issue price of the Bonds.
- d. By submitting a bid, in the event of application of the Hold-the-Offering-Price Rule, the successful bidder for a series of Bonds shall be deemed to have (i) confirm that the underwriters have offered or will offer such Bonds to the public on or before the date of award at the offering price or prices (the “Initial Offering Price”), or at the corresponding yield or yields, set forth in the bid submitted by the successful bidder and (ii) agree, on behalf of the underwriters participating in the purchase of such Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the Hold-the-Offering-Price Rule shall apply to any person at a price that is higher than the Initial Offering Price to the public during the period starting on the sale date and ending on the earlier of the following:
 1. the close of the fifth (5th) business day after the sale date; or
 2. the date on which the underwriters have sold at least 10% of that maturity of the applicable series of Bonds to the public at a price that is no higher than the Initial Offering Price to the public.

In the event of application of the Hold-the-Offering-Price Rule, any successful bidder will advise KUB promptly after the close of the fifth (5th) business day after the sale date whether it has sold 10% of that maturity of the applicable series of Bonds to the public at a price that is no higher than the Initial Offering Price to the public.

- e. By submitting a bid, each bidder confirms that:
 - (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the applicable series of Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable:

- (A) (1) to report the prices at which it sells to the public any unsold Bonds of each maturity allocated to it to which the Hold-the-Offering-Price Rule applies until the close of the fifth (5th) business

day after the sale date and (2) comply with the Hold-the-Offering-Price Rule, if applicable, if and for so long as directed by the successful bidder and as set forth in the related pricing wires,

(B) to promptly notify the successful bidder of any series of Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public, and

(C) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the successful bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public.

(ii) any agreement among underwriters or selling group agreement relating to the initial sale of a series of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter or dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds of such series to the public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity to which the Hold-the-Offering-Price Rule applies allocated to it until the close of the fifth (5th) business day after the sale date and (B) comply with the Hold-the-Offering-Price Rule, if applicable, if and for so long as directed by the successful bidder or the underwriter and as set forth in the related pricing wires.

- f. KUB acknowledges that, in making the representations set forth above, each successful bidder will rely on (i) the agreement of each underwriter to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a third-party distribution agreement that was employed in connection with the initial sale of the applicable series of Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the applicable series of the Bonds.
- g. Sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public shall not constitute sales to the public for purposes of this Detailed Notice of Bond Sale. Further, for purposes of this Detailed Notice of Bond Sale:

1. “public” means any person other than an underwriter or a related party;
2. “underwriter” means (A) any person that agrees pursuant to a written contract with KUB (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of a series of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of a series of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of a series of the Bonds to the public);
3. a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other); and

4. “sale date” means the date that a series of the Bonds are awarded by KUB to the successful bidder.

Issue Price Certificate. Each winning bidder will be required to provide KUB, at closing, with an issue price certificate consistent with the foregoing and meeting the requirements of the bond counsel. The form of the issue price certificate is attached to this Detailed Notice of Sale as Exhibit A if the Competitive Sale Requirements are met and the form of the issue price certificate is attached to this Detailed Notice of Sale as Exhibit B if the Competitive Sale Requirements are not met.

Legal Opinions. The approving opinions of Bass, Berry & Sims PLC, Knoxville, Tennessee, Bond Counsel along with other certificates including, but not limited to, tax certificates and a continuing disclosure certificates dated as of the date of delivery of the Bonds will be furnished to the purchaser at the expense of KUB. As set forth in the *Preliminary Official Statement*, Bond Counsel's opinion with respect to the Bonds will state that interest on the Bonds will be excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal law alternative minimum tax. As set forth in the *Preliminary Official Statement*, the owners of the Bonds, however, may be subject to certain additional taxes or tax consequences arising with respect to ownership of the Bonds, reference is hereby made to the *Preliminary Official Statement* and the form of the opinion contained in Appendix A.

Continuing Disclosure. At the time the Bonds are delivered, KUB will execute a Continuing Disclosure Certificate in which it will covenant for the benefit of holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to KUB by not later than twelve months after each of KUB's fiscal years, (the “Annual Report”), and to provide notice of the occurrence of certain enumerated events. The Annual Report (and audited financial statements, if filed separately) will be filed with the Municipal Securities Rulemaking Board (the “MSRB”) through the operation of the Electronic Municipal Market Access system (the “EMMA”) and any State Information Depository established in the State of Tennessee (the “SID”). If KUB is unable to provide the Annual Report to the MSRB and the SID by the date required, notice of each failure will be sent to the MSRB and the SID on or before such date. The notices of material events will be filed by KUB either with the MSRB and the SID. The specific nature of the information to be contained in the Annual Report or the notices of events are summarized in *Preliminary Official Statement*.

Delivery of Bonds. Delivery of the Bonds is expected within forty-five (45) days. At least five (5) days' notice will be given each successful bidder of such delivery. Delivery will be made in book-entry-only form through the facilities of The Depository Trust Company, New York, New York. Payment for the Bonds must be made in *Federal Funds* or other immediately available funds.

CUSIP Numbers. CUSIP numbers will be assigned to the Bonds at the expense of KUB. KUB will assume no obligation for assignment of such numbers or the correctness of such numbers, and neither failure to record such numbers on Bonds nor any error with respect thereto shall constitute cause for failure or refusal by the purchaser thereof to accept delivery of and make payment for the Bonds.

Official Statements; Other. The Board has deemed the *Preliminary Official Statement* to be final as of its date within the meaning of Rule 15c2-12 of the Securities and Exchange Commission (the “SEC”) except for the omission of certain pricing and other information. KUB will furnish the successful bidder(s) at the expense of KUB a reasonable number of copies of *Official Statement* in final form, containing the pricing and other information to be supplied by such successful bidder(s) and to be dated the date of the sale, to be delivered by the successful bidder(s) to the persons to whom each such bidder and members of its bidding group initially sell the applicable series of Bonds. Acceptance of a bid as to a series of Bonds will constitute a contract between KUB and the successful bidder for the provision of such copies within seven business days of the sale date.

Further Information. Additional information, including the *Preliminary Official Statement*, the Detailed Notice of Sale and the Official Bid Form, may be obtained from munihub at (www.prospectushub.com) or KUB's Municipal Advisor, Cumberland Securities Company, Inc., Knoxville, Tennessee, Telephone: 865-988-2663. Further information regarding *BIDCOMP™/PARITY™* may be obtained from *BIDCOMP™/PARITY™*, 1359 Broadway - 2nd Floor, New York, NY 10018, Telephone: 800.850.7422.

CITY OF KNOXVILLE, TENNESSEE
By and Through
KNOXVILLE UTILITIES BOARD
By: Gabriel J. Bolas II
President and CEO
Knoxville Utilities Board

EXHIBIT A

CITY OF KNOXVILLE, TENNESSEE

[\$ _____] Electric System Revenue Bonds, Series RR-2026]
[\$ _____] Water System Revenue Bonds, Series PP-2026]

ISSUE PRICE CERTIFICATE (if Competitive Sale Requirements are met)

The undersigned, on behalf of [NAME OF UNDERWRITER] (“[SHORT NAME OF UNDERWRITER]”), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the “Bonds”) of the City of Knoxville, Tennessee (the “Issuer”).

1. *Reasonably Expected Initial Offering Price.*

- (a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by [SHORT NAME OF UNDERWRITER] are the prices listed in Schedule A (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Bonds used by [SHORT NAME OF UNDERWRITER] in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by [SHORT NAME OF UNDERWRITER] to purchase the Bonds.
- (b) [SHORT NAME OF UNDERWRITER] was not given the opportunity to review other bids prior to submitting its bid.
- (c) The bid submitted by [SHORT NAME OF UNDERWRITER] constituted a firm offer to purchase the Bonds.

2. *Defined Terms.*

- (a) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.
- (b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter.
- (c) *Related party* means an entity that shares with another entity (1) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (2) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (3) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interest of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interest by one entity of the other).
- (d) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is January 14, 2026.
- (e) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or

indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [SHORT NAME OF UNDERWRITER]'s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate with respect to the Bonds and with respect to compliance with the federal income tax rules affecting the Bonds, and by Bass, Berry & Sims PLC in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: _____

[NAME OF UNDERWRITER]

By: _____

Name: _____

Title: _____

EXHIBIT B

CITY OF KNOXVILLE, TENNESSEE

[\$ _____] **Electric System Revenue Bonds, Series RR-2026]**
[\$ _____] **Water System Revenue Bonds, Series PP-2026]**

ISSUE PRICE CERTIFICATE (if Competitive Sale Requirements are NOT met)

The undersigned, on behalf of [NAME OF UNDERWRITER] (“[SHORT NAME OF UNDERWRITER]”) [and the other members of the underwriting syndicate (together, the “Underwriting Group”)], hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”) of the City of Knoxville, Tennessee (the “Issuer”).

1. ***Sale of the General Rule Maturities.*** As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.

2. ***Initial Offering Price of the Hold-the-Offering-Price Maturities.***

(a) [SHORT NAME OF UNDERWRITER] [The Underwriting Group] offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.

(b) As set forth in the Detailed Notice of Sale and bid award, [SHORT NAME OF UNDERWRITER] agreed in writing on or prior to the Sale Date that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, [it][they] would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “Hold-the-Offering-Price Rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any third-party distribution agreement shall contain the agreement of each broker-dealer who is a party to the third-party distribution agreement, to comply with the Hold-the-Offering-Price Rule. Pursuant to such agreement, no Underwriter (as defined below) offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

3. ***Defined Terms.***

(a) *General Rule Maturities* means those Maturities of the Bonds listed in Schedule A hereto as the “General Rule Maturities.”

(b) *Hold-the-Offering-Price Maturities* means those Maturities of the Bonds listed in Schedule B hereto as the “Hold-the-Offering-Price Maturities.”

(c) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which [SHORT NAME OF UNDERWRITER] sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

- (d) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.
- (e) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter.
- (f) *Related party* means an entity that shares with another entity (1) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (2) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (3) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interest of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interest by one entity of the other).
- (g) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is January 14, 2026.
- (f) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [SHORT NAME OF UNDERWRITER]'s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate with respect to the Bonds and with respect to compliance with the federal income tax rules affecting the Bonds, and by Bass, Berry & Sims PLC in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: _____

[NAME OF UNDERWRITER]

By: _____

BID FORM – ELECTRIC BONDS

Mr. Gabriel J. Bolas II, President and CEO
Knoxville Utilities Board
445 Gay Street
Knoxville, Tennessee 37902

January 14, 2026

Dear Mr. Bolas:

For your legally issued, properly executed \$27,000,000* Electric System Revenue Bonds, Series RR-2026 ("Electric Bonds" or "Series RR-2026 Bonds") of the City of Knoxville, Tennessee, in all respects as more fully outlined in your Detailed Notice of Sale, which by reference are made a part hereof, we will pay you a sum of _____ (\$_____).

The Electric Bonds shall be dated the date of issuance (assume February 6, 2026) and shall be callable in accordance with the Detailed Notice of Sale. The Electric Bonds shall mature on July 1 and bear interest at the following rates:

Maturity (July 1)	Amount*	Rate	Maturity (July 1)	Amount*	Rate
2027	\$425,000	_____	2042	\$900,000	_____
2028	445,000	_____	2043	945,000	_____
2029	470,000	_____	2044	990,000	_____
2030	495,000	_____	2045	1,045,000	_____
2031	520,000	_____	2046	1,095,000	_____
2032	545,000	_____	2047	1,150,000	_____
2033	575,000	_____	2048	1,210,000	_____
2034	600,000	_____	2049	1,275,000	_____
2035	635,000	_____	2050	1,340,000	_____
2036	665,000	_____	2051	1,410,000	_____
2037	700,000	_____	2052	1,480,000	_____
2038	735,000	_____	2053	1,555,000	_____
2039	775,000	_____	2054	1,635,000	_____
2040	810,000	_____	2055	1,720,000	_____
2041	855,000	_____			

We have the option to designate two or more consecutive serial maturities as term bond maturities as indicated:

Term Bond 1 includes the following maturities: From July 1, 20__ to July 1, 20__; at the rate of ____%.

Term Bond 2 includes the following maturities: From July 1, 20__ to July 1, 20__; at the rate of ____%.

Term Bond 3 includes the following maturities: From July 1, 20__ to July 1, 20__; at the rate of ____%.

Term Bond 4 includes the following maturities: From July 1, 20__ to July 1, 20__; at the rate of ____%.

Term Bond 5 includes the following maturities: From July 1, 20__ to July 1, 20__; at the rate of ____%.

It is our understanding that the Electric Bonds are offered for sale subject to the final approving opinion of Bass, Berry & Sims PLC, Knoxville, Tennessee, as Bond Counsel, whose opinion together with the executed Electric Bonds will be furnished by KUB without cost to us.

If our bid is accepted, we agree to provide a good faith deposit of up to 2% of the Electric Bonds on which we have bid by the close of business on the day following the competitive public sale. Should for any reason we fail to comply with the terms of this bid, this good faith deposit shall be forfeited by us as full liquidated damages. Otherwise, this good faith deposit shall be applied to the purchase price of the Electric Bonds on which we have bid.

This bid is a firm offer for the purchase of the Bonds identified in the Notice of Sale, on the terms set forth in this bid form and the Notice of Sale, and is not subject to any conditions, except as permitted by the Notice of Sale. By submitting this bid, we confirm that we have an established industry reputation for underwriting new issuances of municipal bonds. [If the bidder cannot confirm an established industry reputation for underwriting new issuances of municipal bonds, the preceding sentence should be crossed out.]

ACCEPTED this 14th day of January 2026,
by the Knoxville Utilities Board.

Very truly yours,

(Name)

(Firm)

(Mailing Address)

()

(Telephone)

Mark Walker, Senior Vice President and CFO

Total interest cost from date of bonds to maturity \$ _____

Less premium bid, if any, or plus discount, if any \$ _____

Net Interest Cost..... \$ _____

True Interest Rate..... % (four decimals)

The above computations of net interest cost and true interest rate are for comparison purposes only and are not to be considered as part of this proposal.

*Subject to change.

BID FORM – WATER BONDS

Mr. Gabriel J. Bolas II, President and CEO
Knoxville Utilities Board
445 Gay Street
Knoxville, Tennessee 37902

Janaury 14, 2026

Dear Mr. Bolas:

For your legally issued, properly executed the \$18,000,000* Water System Revenue Bonds, Series PP-2026 (“Water Bonds” or “Series PP-2026 Bonds”) of the City of Knoxville, Tennessee, in all respects as more fully outlined in your Detailed Notice of Sale, which by reference are made a part hereof, we will pay you a sum of _____ (\$_____).

The Water Bonds shall be dated the date of issuance (assume February 6, 2026) and shall be callable in accordance with the Detailed Notice of Sale. The Water Bonds shall mature on March 1 and bear interest at the following rates:

<u>Maturity</u> <u>(March 1)</u>	<u>Amount*</u>	<u>Rate</u>	<u>Maturity</u> <u>(March 1)</u>	<u>Amount*</u>	<u>Rate</u>
2027	\$215,000	_____	2042	\$ 565,000	_____
2028	285,000	_____	2043	595,000	_____
2029	300,000	_____	2044	625,000	_____
2030	315,000	_____	2045	655,000	_____
2031	330,000	_____	2046	685,000	_____
2032	345,000	_____	2047	720,000	_____
2033	365,000	_____	2048	755,000	_____
2034	380,000	_____	2049	795,000	_____
2035	400,000	_____	2050	835,000	_____
2036	420,000	_____	2051	875,000	_____
2037	445,000	_____	2052	920,000	_____
2038	465,000	_____	2053	965,000	_____
2039	490,000	_____	2054	1,015,000	_____
2040	515,000	_____	2055	1,065,000	_____
2041	540,000	_____	2056	1,120,000	_____

We have the option to designate two or more consecutive serial maturities as term bond maturities as indicated:

Term Bond 1 includes the following maturities:	From March 1, 20__ to March 1, 20__ ; at the rate of ____%.
Term Bond 2 includes the following maturities:	From March 1, 20__ to March 1, 20__ ; at the rate of ____%.
Term Bond 3 includes the following maturities:	From March 1, 20__ to March 1, 20__ ; at the rate of ____%.
Term Bond 4 includes the following maturities:	From March 1, 20__ to March 1, 20__ ; at the rate of ____%.
Term Bond 5 includes the following maturities:	From March 1, 20__ to March 1, 20__ ; at the rate of ____%.

It is our understanding that the Water Bonds are offered for sale subject to the final approving opinion of Bass, Berry & Sims PLC, Knoxville, Tennessee, as Bond Counsel, whose opinion together with the executed Water Bonds will be furnished by KUB without cost to us.

If our bid is accepted, we agree to provide a good faith deposit of up to 2% of the Water Bonds on which we have bid by the close of business on the day following the competitive public sale. Should for any reason we fail to comply with the terms of this bid, this good faith deposit shall be forfeited by us as full liquidated damages. Otherwise, this good faith deposit shall be applied to the purchase price of the Water Bonds on which we have bid.

This bid is a firm offer for the purchase of the Bonds identified in the Notice of Sale, on the terms set forth in this bid form and the Notice of Sale, and is not subject to any conditions, except as permitted by the Notice of Sale. By submitting this bid, we confirm that we have an established industry reputation for underwriting new issuances of municipal bonds. [If the bidder cannot confirm an established industry reputation for underwriting new issuances of municipal bonds, the preceding sentence should be crossed out.]

ACCEPTED this 14th day of Janaury 2026
by the Knoxville Utilities Board.

Very truly yours,

(Name)

(Firm)

(Mailing Address)

()

(Telephone)

Gabriel J. Bolas II, President and CEO

Mark Walker, Senior Vice President and CFO

Total interest cost from date of bonds to maturity	\$ _____
Less premium bid, if any, or plus discount, if any	\$ _____
Net Interest Cost.....	\$ _____
True Interest Rate.....	_____ % (four decimals)

The above computations of net interest cost and true interest rate are for comparison purposes only and are not to be considered as part of this proposal.

*Subject to change.

\$45,000,000*
CITY OF KNOXVILLE, TENNESSEE

\$27,000,000* Electric System Revenue Bonds, Series RR-2026
\$18,000,000* Water System Revenue Bonds, Series PP-2026

SECURITIES OFFERED

AUTHORITY AND PURPOSE

This *Preliminary Official Statement*, which includes the cover page and “Summary Statement” hereof and the appendices hereto, is furnished in connection with the offering by the City of Knoxville, Tennessee (the “City”) of its \$27,000,000* Electric System Revenue Bonds, Series RR-2026 (“Electric Bonds” or “Electric Series RR-2026 Bonds”), and the \$18,000,000* Water System Revenue Bonds, Series PP-2026 (“Water Bonds” or “Water Series PP-2026 Bonds”). The Electric Bonds and the Water Bonds will be collectively referred to as the “Bonds”.

The Electric Bonds are being issued pursuant to Chapter 34, Title 7, and Chapter 21, Title 9, *Tennessee Code Annotated*, as amended (the “Act”), the Charter of the City (the “City Charter”), other applicable statutes, and pursuant to Resolution No. 1644 adopted by the City on January 4, 1949 as amended and supplemented by Resolution No. 2171 adopted February 22, 1955; Resolution No. 3491 adopted by the City on February 21, 1967; Resolution R-317-90 adopted by the City on October 30, 1990; Resolution No. R-422-98 adopted by the City on October 20, 1998; Resolution No. R-149-01 adopted by the City on March 20, 2001; Resolution No. R-332-2010 adopted by the City on November 2, 2010; Resolution No. R-230-2018 adopted by the City on June 20, 2018; and as supplemented by Resolution No. R-243-2025 adopted by the City on August 19, 2025 and as otherwise supplemented prior to the date hereof (collectively, the “Electric Bond Resolutions”). All Electric System Revenue Bonds issued pursuant to such Electric Bond Resolutions are hereinafter referred to as the “Electric System Bonds.”

The Water Bonds are being issued pursuant to the Act, the City Charter, other applicable statutes, and pursuant to Resolution No. 2075 duly adopted by the City Council of the City on April 20, 1954, as amended and supplemented by Resolution No. 3633 duly adopted by the City on March 19, 1968; Resolution No. R-26-88 duly adopted by the City on February 9, 1988; Resolution No. R-8-98 duly adopted by the City on January 27, 1998; Resolution No. R-151-01 duly adopted by the City on March 20, 2001; Resolution No. R-228-2018 adopted by the City on June 20, 2018; and as supplemented by Resolution No. R-242-2025 adopted by the City on August 19, 2025 and as otherwise supplemented prior to the date hereof (collectively, the “Water Bond Resolutions”). All Water System Revenue Bonds issued pursuant to such Water Bond Resolutions are hereinafter referred to as the “Water System Bonds.”

In 1939 the City Charter was amended to create the Knoxville Electric Power and Water Board which name was changed in 1947 to the Knoxville Utilities Board (“KUB”). KUB provides electric, fiber, gas, water and wastewater utility services through separate City owned electric, fiber, gas, water, and wastewater systems (collectively, the “Systems”), and is governed by a seven-member Board of Commissioners (the “Board”).

The Bonds are being issued to provide funds to pay the costs of extensions and improvements to the Electric System and the Water System (collectively, the “Systems”), as described herein and incident to the issuance and sale of the Bonds.

DESCRIPTION OF THE BONDS

General Terms

The Bonds will be initially dated the date of issuance (assume February 6, 2026) and will be issued in book-entry-only form, without coupons, in denominations of \$5,000 each and integral multiples thereof.

The Electric Bonds will bear interest from their dated date at the rate or rates per annum set forth on the inside cover page hereof, such interest (computed on the basis of a 360-day year of twelve 30-day months) being payable semi-annually on the first days of January and July of each year, commencing on July 1, 2026.

The Water Bonds will bear interest from their dated date at the rate or rates per annum set forth on the inside cover page hereof, such interest (computed on the basis of a 360-day year of twelve 30-day months) being payable semi-annually on the first days of March and September of each year, commencing on September 1, 2026.

The Bonds will be initially registered only in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Bonds. Regions Bank, Nashville, Tennessee (the “Registration Agent”) will make all interest payments with respect to the Bonds on each interest payment date directly to Cede & Co., as nominee of DTC, the registered owner as shown on the Bond registration records maintained by the Registration Agent as of the close of business on the fifteenth day of the month next preceding the interest payment date (the “Regular Record Date”) by check or draft mailed to such owner at its address shown on said Bond registration records, without, except for final payment, the presentation or surrender of such registered Bonds, and all such payments shall discharge the obligations of KUB in respect of such Bonds to the extent of the payments so made. Payment of principal of the Bonds shall be made upon presentation and surrender of such Bonds to the Registration Agent as the same shall become due and payable.

Any interest on any Bond which is payable but is not punctually paid or duly provided for on any interest payment date (hereinafter “Defaulted Interest”) shall forthwith cease to be payable to the registered owner on the relevant Regular Record Date; and, in lieu thereof, such Defaulted Interest shall be paid by KUB to the persons in whose names the Bonds are registered at the close of business on a date (the “Special Record Date”) for the payment of such Defaulted Interest, which shall be fixed in the following manner: KUB shall notify the Registration Agent in writing of the amount of Defaulted Interest proposed to be paid on each Bond and the date of the proposed payment, and at the same time KUB shall deposit with the Registration Agent an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Registration Agent for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the persons entitled to such Defaulted Interest. Thereupon, not less than ten (10) days after the receipt by the Registration Agent of the notice of the proposed payment, the Registration Agent shall fix a Special Record Date for the payment of such Defaulted Interest which date shall be not more than fifteen (15) nor less than ten (10) days prior to the date of the proposed payment to the registered owners. The Registration Agent shall promptly notify KUB of such Special Record Date and, in the name and at the expense of KUB, not less than ten (10) days prior to such Special Record Date, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first class postage prepaid, to each registered owner at the address thereof as it appears in the Bond registration records maintained by the Registration Agent as of the date of such notice. Nothing contained in the Electric Bond Resolutions or the Water Bond Resolutions (collectively, the “Resolutions”) or in the Bonds shall impair any statutory or other rights in law or in equity of any registered owner arising as a result of the failure of KUB to punctually pay or duly provide for the payment of principal of, premium, if any, and interest on the Bonds when due.

So long as Cede & Co. is the Registered Owner of the Bonds, as nominee of DTC, references herein to the Bondholders, Holders or Registered Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds. See “The Book-Entry-Only System.”

Optional Redemption

The Electric Bonds maturing on and after July 1, 2034 will be subject to redemption prior to maturity at the option of the Board on or after July 1, 2033 at the redemption price of par plus accrued interest as provided herein. The Water Bonds maturing on and after March 1, 2034 will be subject to redemption prior to maturity at the option of the Board on or after March 1, 2033 at the redemption price of par plus accrued interest as provided herein.

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Mandatory Redemption of the Bonds

Electric Bonds. Subject to the credit hereinafter provided, the City, acting by and through KUB, shall redeem Electric Bonds maturing July 1, 20__ on the redemption dates set forth on the following table, in aggregate principal amounts equal to the respective dollar amounts set forth below opposite the respective redemption dates at a price of par plus accrued interest thereon to the date of redemption. DTC, as securities depository for the Electric Bonds or such Person as shall then be serving as the securities depository for the Bonds, shall determine the interest of each Participant in the Electric Bonds to be redeemed using its procedures generally in use at that time. If DTC, or another securities depository is no longer serving as securities depository for the Electric Bonds, the Electric Bonds to be redeemed within a maturity shall be selected by the Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall select. The dates of redemption and principal amount of Electric Bonds to be redeemed on said dates are as follows:

<u>Final Maturity</u>	<u>Redemption Date</u>	<u>Principal Amount of Electric Bonds Redeemed</u>

*Final Maturity of Electric Bonds

Water Bonds. Subject to the credit hereinafter provided, the City, acting by and through KUB, shall redeem Water Bonds maturing March 1, 20__ on the redemption dates set forth on the following table, in aggregate principal amounts equal to the respective dollar amounts set forth below opposite the respective redemption dates at a price of par plus accrued interest thereon to the date of redemption. DTC, as securities depository for the Water Bonds or such Person as shall then be serving as the securities depository for the Bonds, shall determine the interest of each Participant in the Water Bonds to be redeemed using its procedures generally in use at that time. If DTC, or another securities depository is no longer serving as securities depository for the Water Bonds, the Water Bonds to be redeemed within a maturity shall be selected by the Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall select. The dates of redemption and principal amount of Water Bonds to be redeemed on said dates are as follows:

<u>Final Maturity</u>	<u>Redemption Date</u>	<u>Principal Amount of Water Bonds Redeemed</u>

*Final Maturity of Water Bonds

At its option, to be exercised on or before the forty-fifth (45th) day next preceding any such redemption date, the City, acting by and through KUB, may (i) deliver to the Registration Agent for cancellation Bonds of the applicable series to be redeemed, in any aggregate principal amount desired, and/or (ii) receive a credit in respect of its redemption obligation under this mandatory redemption provision for any Bonds of the maturity to be redeemed which prior to said date have been purchased or redeemed (otherwise than through the operation of this mandatory sinking fund redemption provision) and canceled by the Registration Agent and not theretofore applied as a credit against any redemption obligation under this mandatory sinking fund provision. Each Bond so delivered or previously purchased or redeemed shall be credited by the Registration Agent at 100% of the principal amount thereof on the obligation of KUB on such payment date and any excess shall be credited on future redemption obligations in chronological order, and the principal amount of Bonds to be redeemed by operation of this mandatory sinking fund provision shall be accordingly reduced.

Selection of Bonds for Redemption and Notice of Redemption

If less than all the Bonds of a series shall be called for redemption, the maturities to be redeemed shall be designated by the Board, in its discretion. If less than all the principal amount of the Bonds of a maturity shall be called for redemption, the interests within the maturity to be redeemed shall be selected as follows:

- (i) if the Bonds are being held under a Book-Entry-Only System by DTC, or a successor Depository, the amount of the interest of each DTC Participant in the Bonds to be redeemed shall be determined by

DTC, or such successor Depository, by lot or such other manner as DTC, or such successor Depository, shall determine; or

(ii) if the Bonds are not being held under a Book-Entry-Only System by DTC, or a successor Depository, the Bonds within the maturity to be redeemed shall be selected by the Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall determine.

Notice of call for redemption, whether optional or mandatory, shall be given by the Registration Agent not less than twenty (20) nor more than sixty (60) days prior to the date fixed for redemption by sending an appropriate notice to the registered owners of the Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the Bond registration records of the Registration Agent as of the date of the notice; but neither failure to mail such notice nor any defect in any such notice so mailed shall affect the sufficiency of the proceedings for the redemption of any of the Bonds for which proper notice was given. The notice may state that it is conditioned upon the deposit of moneys in an amount equal to the amount necessary to effect the redemption with the Registration Agent no later than the redemption date ("Conditional Redemption"). As long as DTC, or a successor Depository, is the registered owner of the Bonds, all redemption notices shall be mailed by the Registration Agent to DTC, or such successor Depository, as the registered owner of the Bonds, as and when above provided, and neither the District nor the Registration Agent shall be responsible for mailing notices of redemption to DTC Participants or Beneficial Owners. Failure of DTC, or any successor Depository, to provide notice to any DTC Participant will not affect the validity of such redemption. From and after any redemption date, all Bonds called for redemption shall cease to bear interest if funds are available at the office of the Registration Agent for the payment thereof and if notice has been duly provided as set forth in the Resolution. In the case of a Conditional Redemption, the failure of the Board to make funds available in part or in whole on or before the redemption date shall not constitute an event of default, and the Registration Agent shall give immediate notice to the Depository or the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain outstanding.

ESTIMATED SOURCES AND USES OF FUNDS

The tables on the following pages set forth the estimated sources and uses of funds in connection with the issuance of the Bonds.

The Electric Bonds

Sources:

Principal amount of the Electric Bonds	\$
Net Reoffering Premium	\$
Total Sources	\$

Uses:

Underwriter's Discount	\$
Cost of Issuance	\$
Deposit to the Construction Fund	\$
Total Uses:	\$

The Water Bonds

Sources:

Principal amount of the Water Bonds	\$
Net Reoffering Premium	\$
Total Sources	\$

Uses:

Underwriter's Discount	\$
Cost of Issuance	\$
Deposit to the Construction Fund	\$
Total Uses:	\$

PAYMENT OF BONDS

The Bonds will bear interest from their date or from the most recent interest payment date to which interest has been paid or duly provided for, on the dates provided herein, such interest being computed upon the basis of a 360-day year of twelve 30-day months. Interest on each Bond shall be paid by check or draft of the Registration Agent to the person in whose name such Bond is registered at the close of business on the 15th day of the month next preceding the interest payment date. The principal of and premium, if any, on the Bonds shall be payable in lawful money of the United States of America at the designated trust office of the Registration Agent.

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SECURITY FOR THE BONDS

SECURITY FOR THE ELECTRIC SYSTEM REVENUE BONDS, SERIES RR-2026

Pledge Under the Bond Resolutions.

The Electric Bonds constitute and, when issued, will be part of an issue of bonds known as “Electric System Revenue Bonds” under the Electric Bond Resolutions. All Electric Bonds are limited obligations of the City payable solely and ratably from the net revenues of the Electric System and are on a parity and equality of lien with the City’s outstanding: (i) Electric System Revenue Refunding Bonds, Series EE-2015, dated May 1, 2015, (ii) Electric System Revenue Bonds, Series GG-2016, dated August 5, 2016, (iii) Electric System Revenue Refunding Bonds, Series HH-2017, dated April 7, 2017, (iv) Electric System Revenue Bonds, Series II-2017, dated September 15, 2017, (v) Electric System Revenue Bonds, Series JJ-2018, dated September 14, 2018, (vi) Electric System Revenue Refunding Bonds, Series KK-2020, dated May 22, 2020, (vii) Electric System Revenue Refunding Bonds, Series LL-2021, dated April 19, 2021, (viii) Electric System Revenue Bonds, Series MM-2022, dated April 29, 2022, (ix) Electric System Revenue Refunding Bonds, Series NN-2022, dated May 13, 2022, (x) Electric System Revenue Bonds, Series OO-2022, dated December 16, 2022, (xi) Electric System Revenue Bonds, Series PP-2023, dated December 8, 2023, and (xii) Electric System Revenue Bonds, Series QQ-2024, dated August 29, 2024 (collectively, the “Outstanding Electric System Bonds”) issued pursuant to the Electric Bond Resolutions in addition to the Electric Bonds. The Electric Bonds, the Outstanding Electric Bonds and any future parity bonds are sometimes hereinafter referred to as the “Electric System Bonds”.

Neither the Electric Bonds nor any of the Outstanding Electric System Bonds are general obligations of the City, and no owner thereof shall have the right to compel the City to exercise its taxing power to pay principal of or premium or interest on the Electric Bonds or any other Outstanding Electric System Bonds of the City.

Rate Covenant

The Electric Bond Resolutions provide that the Board will fix rates and collect charges for electric energy and the services, facilities and commodities furnished by the Electric System to provide revenues sufficient to pay expenses and obligations related to the Electric System and to meet a 1.20 debt service coverage ratio. See APPENDIX E “Summary of Certain Provisions of the Electric Bond Resolutions – Rate Covenant” for additional information.

Additional Electric Bonds

The City and the Board have covenanted in the Electric Bond Resolutions that no indebtedness will be incurred payable from the revenues of the Electric System having priority over the Electric System Bonds, including the Electric Bonds.

The City, acting by and through KUB, or KUB may issue additional bonds, notes or other obligations pursuant to the Electric Bond Resolutions provided that all payments required to be made to the Electric Debt Service Fund and into any reserve fund which may be required under resolutions authorizing parity indebtedness are current as of the date of issuance of the additional bonds, notes or other obligations, on a parity and equality of lien with the outstanding parity indebtedness under the Electric Bond Resolution with respect to the lien and claim of such additional bonds, notes or other obligations to the net revenues of the Electric System and the money on deposit in the Electric Debt Service Fund (i) for the purpose of refunding any outstanding parity indebtedness, subordinate bonds, notes, loan agreements or other obligations, provided that after the issuance of such additional parity indebtedness, the Aggregate Debt Service (as defined in the Electric Bond Resolutions) on all outstanding parity indebtedness, including the additional parity indebtedness to be issued, in any fiscal year shall not increase by more than ten percent (10%) after the issuance of such additional parity indebtedness; (ii) for the purpose of financing the completion or equipping of improvements to the Electric System for which outstanding parity indebtedness have previously been issued but only to the extent necessary to complete such improvements in the manner contemplated at the time of the issuance of the outstanding parity indebtedness that financed such

improvements; and (iii) for the purposes of refunding any outstanding parity indebtedness or any prior lien bonds, subordinated bonds, notes or other obligations or extending, improving or replacing the Electric System or for any other lawful purpose under applicable law, if one of the following conditions shall have been met: (A) the Net Revenues (as defined in the Electric Resolution) for any twelve-month period selected by the Board ending within the twelve months prior to the date of the issuance of the additional parity indebtedness must have been equal to at least 120% of the Maximum Annual Aggregate Debt Service (as defined in the Electric Resolution) on outstanding parity indebtedness plus the Debt Service on the additional parity indebtedness proposed to be issued or (B) the estimated Net Revenues of the Electric System for each of the three fiscal years next succeeding the issuance of the additional parity indebtedness, must be equal at least to 120% of Maximum Annual Aggregate Debt Service, any other outstanding parity indebtedness and all outstanding prior lien bonds plus the Debt Service on the additional parity indebtedness proposed to be issued; provided, however, that if the additional parity indebtedness is to be issued for the acquisition or construction of any extension, improvement or replacement to the Electric System, then the estimate of Net Revenues may be for the three fiscal years ensuing after the time that such improvement, extension or replacement is expected to be placed in service. **See APPENDIX E “Summary of Certain Provisions of the Electric Bond Resolutions – Additional Indebtedness” for additional information.**

SECURITY FOR THE WATER SYSTEM REVENUE BONDS, SERIES PP-2026

Pledge Under the Water Bond Resolutions

The Water Bonds constitute and, when issued, will be part of an issue known as “Water System Revenue Bonds” under the Water Bond Resolutions. All Water Bonds are limited obligations of the City payable solely and ratably from the net revenues of the Water System of the City and are on a parity and equality of lien with the City's outstanding: (i) Water System Revenue Refunding Bonds, Series BB-2015, dated May 1, 2015; (ii) Water System Revenue Bonds, Series CC-2015, dated May 20, 2015, (iii) Water System Revenue Bonds, Series DD-2016, dated August 5, 2016; (iv) Water System Revenue Refunding Bonds, Series EE-2016, dated August 5, 2016; (v) Water System Revenue Refunding Bonds, Series FF-2017, dated April 7, 2017; (vi) Water System Revenue Bonds, Series GG-2017, dated September 15, 2017; (vii) Water System Revenue Bonds, Series HH-2018, dated September 14, 2018; (viii) Water System Revenue Bonds, Series II-2019, dated August 20, 2019; (ix) Water System Revenue Refunding Bonds, Series JJ-2020, dated May 22, 2020; (x) Water System Revenue Bonds, Series KK-2020, dated October 30, 2020, (xi) Water System Revenue Refunding Bonds, Series LL-2021, dated April 19, 2021, (xii) Water System Revenue Refunding Bonds, Series MM-2022, dated May 13, 2022, (xiii) Water System Revenue Bonds, Series NN-2023, dated December 8, 2023, and (xiv) Water System Revenue Bonds, Series OO-2024, dated August 29, 2024 (collectively, the “Outstanding Water System Bonds”). The Water Bonds, the Outstanding Water System Bonds and any future parity Water Bonds are sometimes hereinafter referred to as the “Water System Bonds”.

Neither the Water Bonds nor any of the Outstanding Water System Bonds are general obligations of the City, and no owner thereof shall have the right to compel the City to exercise its taxing power to pay principal of or premium or interest on the Water Bonds or any Outstanding Water System Bonds of the City.

Rate Covenant

The Water Bond Resolutions provide that the Board will fix rates and collect charges for water and the services, facilities and commodities furnished by the Water System to provide revenues sufficient to pay expenses and obligations related to the Water System and to meet a 1.20 debt service coverage ratio. See APPENDIX F “Summary of Certain Provisions of the Water Bond Resolutions – Rate Covenant” for additional information.

Additional Water Bonds

The City, acting through the Board, has covenanted in the Water Bond Resolutions that it will incur no indebtedness payable from the revenues of the Water System having priority over the Water System Bonds, including the Water Bonds.

The City, acting by and through KUB, or KUB may issue additional Water Bonds, notes or other obligations pursuant to the Water Bond Resolutions, provided that all payments required to be made to the Water Debt Service Fund and into any reserve fund which may be required under resolutions authorizing parity indebtedness are current as of the date of issuance of the additional Water Bonds, notes or other obligations, on a parity and equality of lien with the outstanding parity indebtedness with respect to the lien and claim of such additional Water Bonds, notes or other obligations to the net revenues of the Water System and the money on deposit in the Water Debt Service Fund for the purpose of (i) refunding any outstanding parity indebtedness, subordinate Water Bonds, notes, loan agreements or other obligations, provided that after the issuance of such additional parity indebtedness, the Aggregate Debt Service (as defined in the Water Bond Resolutions) on all outstanding parity indebtedness, including the additional parity indebtedness to be issued, in any fiscal year shall not increase by more than ten percent (10%) after the issuance of such additional parity indebtedness; (ii) for the purpose of financing the completion or equipping of improvements to the Water System for which outstanding parity indebtedness have previously been issued but only to the extent necessary to complete such improvements in the manner contemplated at the time of the issuance of the outstanding parity indebtedness that financed such improvements; and (iii) for the purposes of refunding any outstanding parity indebtedness or any prior lien Water Bonds, subordinated Water Bonds, notes or other obligations or extending, improving or replacing the Water System or for any other lawful purpose under applicable law, if one of the following conditions shall have been met: (A) the Net Revenues (as defined in the Water Bond Resolutions) for any twelve-month period selected by the Board ending within the twelve months prior to the date of the issuance of the additional parity indebtedness must have been equal to at least 120% of the Maximum Annual Aggregate Debt Service (as defined in the Water Bond Resolutions) on outstanding parity indebtedness plus the Debt Service on the additional parity indebtedness proposed to be issued or (B) the estimated Net Revenues of the Water System for each of the three fiscal years next succeeding the issuance of the additional parity indebtedness, must be equal at least to 120% of Maximum Annual Aggregate Debt Service, any other outstanding parity indebtedness and all outstanding prior lien Water Bonds plus the Debt Service on the additional parity indebtedness proposed to be issued; provided, however, that if the additional parity indebtedness is to be issued for the acquisition or construction of any extension, improvement or replacement to the Water System, then the estimate of Net Revenues may be for the three fiscal years ensuing after the time that such improvement, extension or replacement is expected to be placed in service. **See APPENDIX F “Summary of Certain Provisions of the Water Bond Resolution – Additional Indebtedness” for additional information.**

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BASIC DOCUMENTATION

BOOK-ENTRY-ONLY SYSTEM

The Bonds, when issued, will be registered in the name of Cede & Co., DTC's partnership nominee. When the Bonds are issued, ownership interests will be available to purchasers only through a book-entry-only system maintained by DTC (the **"Book-Entry-Only System"**). One or more fully-registered bond certificates will be issued for each maturity, in the entire aggregate principal amount of the Bonds and will be deposited with DTC.

DTC and its Participants. DTC is a limited-purpose trust company organized under the New York Bank Law, a **"banking organization"** within the meaning of the New York Banking Law, a member of the Federal Reserve System, a **"clearing corporation"** within the meaning of the New York Uniform Commercial Code, and a **"clearing agency"** registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for securities that its participants (the **"Direct Participants"**) deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry-only changes in DTC Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (**"DTCC"**). DTCC, in turn, is owned by a number of its Direct Participants and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (the **"NSCC"**, **"GSCC"**, **"MBSCC"**, and **"EMCC"**, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc. (the **"NYSE"**), the American Stock Exchange LLC and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others, such as both U.S. and non-U.S. securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct DTC Participant, either directly or indirectly (the **"Indirect Participants"** and, together with the Direct Participants, the **"Participants"**). The rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchase of Ownership Interests. Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (a **"Beneficial Owner"**) is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through whom such Beneficial Owners entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except as specifically provided in the Bonds in the event that use of the Book-Entry-Only System is discontinued.

Payments of Principal and Interest. Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Registration Agent on the payable date in accordance with their respective holdings shown on DTC's records, unless DTC has reason to believe it will not receive payment on such date. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with municipal securities held for the accounts of customers in bearer form or registered in **"street name"**, and will be the responsibility of such Participant and not of DTC, the City or the Registration Agent subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, tender price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Registration Agent,

disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

Notices. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, or in the alternative, Beneficial Owners may wish to provide their names and addresses to the Registration Agent and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as practicable after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

NONE OF THE CITY, KUB, THE MUNICIPAL ADVISOR, THE UNDERWRITER OR THE REGISTRATION AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENT TO, OR THE PROVIDING OF NOTICE FOR, SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES.

Transfers of Bonds. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

None of the City, KUB, the Municipal Advisor, the Registration Agent or the Underwriter will have any responsibility or obligation, legal or otherwise, to any party other than to the registered owners of any Bond on the registration books of the Registration Agent.

NO ASSURANCE REGARDING DTC PRACTICES

The foregoing information in this section concerning DTC and DTC's Book-Entry-Only System has been obtained from sources that the City acting by and through KUB, believes to be reliable, but the City, KUB, the Registration Agent and the Underwriter do not take any responsibility for the accuracy thereof.

So long as Cede & Co. is the registered owner of the Bonds as nominee of DTC, references herein to the holders or registered owners of the Bonds will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds.

None of the City, KUB, the Registration Agent, the Municipal Advisor or the Underwriter will have any responsibility or obligation to the Participants, DTC or the persons for whom they act with respect to (i) the

accuracy of any records maintained by DTC or by any Direct or Indirect Participant of DTC, (ii) payments or the providing of notice to Direct Participants, the Indirect Participants or the Beneficial Owners or (iii) any other action taken by DTC or its partnership nominee as owner of the Bonds.

For more information on the duties of the Registration Agent, please refer to the Resolution.

DEBT LIMITATIONS

Pursuant to Title 7, Chapter 34, Tennessee Code Annotated, as amended, there is no limit on the amount of bonds that may be issued when the City uses the statutory authority granted therein to issue bonds.

DISPOSITION OF BOND PROCEEDS

Electric Bonds

The proceeds of the sale of the Electric Bonds shall be used to pay the costs of the construction of improvements to and extensions to the Electric System, cost related to the issuance and sale of the Electric Bonds, including necessary legal, accounting and fiscal expenses, printing, engraving, advertising and similar expenses, administrative and clerical costs, rating agency fees, Registration Agent Fees and other necessary miscellaneous expenses incurred in connection with the issuance and sale of the Electric Bonds;

Water Bonds

The proceeds of the sale of the Water Bonds shall be used to pay the costs of the construction of improvements to and extensions to the Water System, cost related to the issuance and sale of the Water Bonds, including necessary legal, accounting and fiscal expenses, printing, engraving, advertising and similar expenses, administrative and clerical costs, rating agency fees, Registration Agent Fees and other necessary miscellaneous expenses incurred in connection with the issuance and sale of the Water Bonds; and

DISCHARGE AND SATISFACTION OF BONDS

The respective series of Bonds may be discharged and deemed paid as described in Appendix E and Appendix F which are “Summaries of Resolutions”.

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LEGAL MATTERS

LITIGATION

There are no suits pending or, to KUB's knowledge, threatened challenging the legality or validity of the Bonds or the right of KUB to sell or issue the Bonds, or that will have an adverse impact on KUB's ability to pay debt service on the Bonds.

TAX MATTERS

Federal

General. Bass, Berry & Sims PLC, Knoxville, Tennessee, is Bond Counsel for the Bonds. Their opinion under existing law, relying on certain statements by KUB and assuming compliance by KUB with certain covenants, is that interest on the Bonds:

- is excluded from a bondholder's federal gross income pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and
- is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest on the Bonds may be taken into account for the purpose of computing the alternative minimum tax imposed on certain corporations.

The Code imposes requirements on the Bonds that KUB must continue to meet after the Bonds are issued. These requirements generally involve the way that Bond proceeds must be invested and ultimately used. If KUB does not meet these requirements, it is possible that a bondholder may have to include interest on the Bonds in its federal gross income on a retroactive basis to the date of issue. KUB has covenanted to do everything necessary to meet these requirements of the Code.

A bondholder who is a particular kind of taxpayer may also have additional tax consequences from owning the Bonds. This is possible if a bondholder is:

- an S corporation,
- a United States branch of a foreign corporation,
- a financial institution,
- a property and casualty or a life insurance company,
- an individual receiving Social Security or railroad retirement benefits,
- an individual claiming the earned income credit, or
- a borrower of money to purchase or carry the Bonds.

If a bondholder is in any of these categories, it should consult its tax advisor.

Bond Counsel is not responsible for updating its opinion in the future. It is possible that future events or changes in applicable law could change the tax treatment of the interest on the Bonds or affect the market price of the Bonds. See also the section "CHANGES IN FEDERAL AND STATE LAWS" below.

Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel on the federal income tax treatment of interest on the Bonds, or under State, local or foreign tax law.

Bond Premium. If a bondholder purchases a Bond for a price that is more than the principal amount, generally the excess is "bond premium" on that Bond. The tax accounting treatment of bond premium is complex. It is amortized over time and as it is amortized a bondholder's tax basis in that Bond will be reduced. The holder of a Bond that is callable before its stated maturity date may be required to amortize the premium over a shorter period, resulting in a lower yield on such Bonds. A bondholder in certain circumstances may realize a taxable gain upon the sale of a Bond with bond premium, even though the Bond is sold for an amount less than or equal to the

owner's original cost. If a bondholder owns any Bonds with bond premium, it should consult its tax advisor regarding the tax accounting treatment of bond premium.

Original Issue Discount. A Bond will have "original issue discount" if the price paid by the original purchaser of such Bond is less than the principal amount of such Bond. Bond Counsel's opinion is that any original issue discount on these Bonds as it accrues is excluded from a bondholder's federal gross income under the Internal Revenue Code. The tax accounting treatment of original issue discount is complex. It accrues on an actuarial basis and as it accrues a bondholder's tax basis in these Bonds will be increased. If a bondholder owns one of these Bonds, it should consult its tax advisor regarding the tax treatment of original issue discount.

Information Reporting and Backup Withholding. Information reporting requirements apply to interest on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

State Taxes

Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) Tennessee excise taxes on interest on the Bonds during the period the Bonds are held or beneficially owned by any organization or entity, or other than a sole proprietorship or general partnership doing business in the State of Tennessee, and (b) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

CHANGES IN FEDERAL AND STATE TAX LAW

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

CLOSING CERTIFICATES

Upon delivery of the Bonds, the Board and / or KUB will execute in a form satisfactory to Bond Counsel, certain closing certificates (which may be combined into one or more certificates) including the following: (i) A certificate as to the *Official Statement*, in final form, signed by the President & Chief Executive Officer and the Chief Financial Officer of KUB acting in their official capacity to the effect that to the best of their knowledge and belief, and after reasonable investigation, (a) neither the *Official Statement*, in final form, nor any amendment or supplement thereto, contains any untrue statements of material fact or omits to state any material fact necessary to make statements therein, in light of the circumstances in which they are made, misleading, (b) since the date of the *Official Statement*, in final form, no event has occurred which should have been set forth in such a memo or supplement, (c) there has been no material adverse change in the operation or the affairs of KUB since the date of the *Official Statement*, in final form, and having attached thereto a copy of the *Official Statement*, in final form, and (d) there is no litigation of any nature pending or threatened seeking to restrain the issuance, sale, execution and delivery of the Bonds, or contesting the validity of the Bonds or any proceeding taken pursuant to which the Bonds were authorized; (ii) a non-arbitrage certificate which supports the conclusions that based upon facts, estimates and circumstances in effect, upon delivery of the Bonds, the proceeds of the Bonds will not be used in a manner which would cause the Bonds to be arbitrage Bonds; (iii) certificates as to the delivery and payment, signed by the President and CEO and the CFO acting in their official capacity, evidencing delivery of and payment for the Bonds; and (iv) a signature identification and incumbency certificate, signed by the President and Chief Executive Officer and the CFO of KUB acting in their official capacities certifying as to the due execution of the Bonds.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters relating to the authorization and the validity of the Bonds are subject to the approval of Bass, Berry & Sims PLC, Knoxville, Tennessee, Bond Counsel. Bond counsel has not prepared the *Preliminary Official Statement* or the *Official Statement*, in final form, or verified their accuracy, completeness or fairness. Accordingly, bond counsel expresses no opinion of any kind concerning the *Preliminary Official Statement* or *Official Statement*, in final form, except for the information under the caption “LEGAL MATTERS-Tax Matters”. The opinion of Bond Counsel will be limited to matters relating to authorization and validity of the Bonds and to the tax-exemption of interest on the Bonds under present federal income tax laws, both as described above. The legal opinion will be delivered with the Bonds and is included in APPENDIX A, hereto.

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MISCELLANEOUS

RATINGS

S&P Global Ratings (“S&P”) and Moody’s Investor Services, Inc. (“Moody’s”) have given the Electric Bonds the ratings of “AA-” and “Aa2”, respectively. S&P and Moody’s have given the Water Bonds the ratings of “AAA” and “Aa1”, respectively.

KUB furnished S&P and Moody’s with certain information and materials concerning the Bonds, the City and KUB. Generally, S&P and Moody’s base their ratings on such information and materials and also on such investigations, studies and assumptions that they may undertake independently. Such ratings reflect only the views of such organizations and explanations of the significance of such ratings should be obtained from such agencies.

There is no assurance that such ratings will continue for any given period of time or that the ratings may not be suspended, lowered or withdrawn entirely by S&P and Moody’s, if circumstances so warrant. Due to the ongoing uncertainty regarding the economy of the United States of America, including, without limitation, matters such as the future political uncertainty regarding the United States debt limit, obligations issued by state and local governments, such as the Bonds, could be subject to a rating downgrade. Additionally, if a significant default or other financial crisis should occur in the affairs of the United States or of any of its agencies or political subdivisions, then such event could also adversely affect the market for and ratings, liquidity, and market value of outstanding debt obligations, including the Bonds. Any such downward change in or withdrawal of the ratings may have an adverse effect on the secondary market price of the Bonds.

Any explanation of the significance of the ratings may be obtained only from S&P and Moody’s.

COMPETITIVE PUBLIC SALE

The Bonds will be offered for sale at competitive public bidding on the sale date indicated in the *Official Notice of Sale*. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* dated December 22, 2025.

The successful bidder for the Electric Bonds was an account led by _____, _____, _____ (the “Electric Underwriter”) who contracted with the City, acting by and through KUB, subject to the conditions set forth in the Official Notice of Sale and Bid Form, to purchase the Electric Bonds at a purchase price of \$ _____ (consisting of the par amount of the Electric Bonds, less an underwriter’s discount of \$ _____) or _____% of par.

The successful bidder for the Water Bonds was an account led by _____, _____, _____ (the “Water Underwriter”) who contracted with the City, acting by and through KUB, subject to the conditions set forth in the Official Notice of Sale and Bid Form, to purchase the Water Bonds at a purchase price of \$ _____ (consisting of the par amount of the Water Bonds, plus a reoffering premium of \$ _____ and less an underwriter’s discount of \$ _____) or _____% of par.

After the Bonds have been awarded, KUB will prepare an *Official Statement* in final form to be dated as of the sale date. The *Official Statement* in final form will include, among other matters, the identity of the winning bidders, the expected selling compensation to such underwriters and other information on the interest rates and offering prices or yields of the Bonds, all as supplied by the successful bidders. For additional information, see the section entitled LEGAL MATTERS - Closing Certificates contained herein.

MUNICIPAL ADVISOR; RELATED PARTIES; OTHER

Municipal Advisor. Cumberland Securities Company, Inc. has served as Municipal Advisor (the “Municipal Advisor”) to KUB for purposes of assisting with the development and implementation of a bond structure in connection with the issuance of the Bonds. The Municipal Advisor has not been engaged by KUB

to compile, create, or interpret any information in the *Preliminary Official Statement* and *Official Statement* relating to KUB, including without limitation any of KUB's financial and operating data, whether historical or projected. Any information contained in the *Preliminary Official Statement* and *Official Statement* concerning KUB, any of its affiliates or contractors and any outside parties has not been independently verified by the Municipal Advisor, and inclusion of such information is not, and should not be construed as, a representation by the Municipal Advisor as to its accuracy or completeness or otherwise. The Municipal Advisor is not a public accounting firm and has not been engaged by KUB to review or audit any information in the *Preliminary Official Statement* and *Official Statement* in accordance with accounting standards.

Regions Bank. Regions Bank (the "Bank") is a wholly-owned subsidiary of Regions Financial Corporation. The Bank provides, among other services, commercial banking, investments and corporate trust services to private parties and to State and local jurisdictions, including serving as registration, paying agent, filing agent or escrow agent related to debt offerings. The Bank will receive compensation for its role in serving as Registration and Paying Agent for the Bonds. In instances where the Bank serves KUB in other normal commercial banking capacities, it will be compensated separately for such services.

Official Statements. Certain information relative to the location, economy and finances of the Issuer is found in the *Preliminary Official Statement*, in final form and the *Official Statement*, in final form. Except where otherwise indicated, all information contained in this *Preliminary Official Statement* has been provided by KUB. The information set forth herein has been obtained by KUB from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Municipal Advisor or the Underwriter. The information contained herein is subject to change without notice, and neither the delivery of this *Preliminary Official Statement* nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of KUB, or the other matters described herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

Cumberland Securities Company, Inc. distributed the *Preliminary Official Statement*, in final form, and the *Official Statement*, in final form on behalf of KUB and will be compensated and/or reimbursed for such distribution and other such services.

Bond Counsel. From time to time, Bass, Berry & Sims PLC has represented the Bank on legal matters unrelated to KUB and may do so again in the future.

Other. Among other services, Cumberland Securities Company, Inc. and the Bank may also assist local jurisdictions in the investment of idle funds and may serve in various other capacities, including Cumberland Securities Company's role as serving as KUB's Dissemination Agent. If KUB chooses to use one or more of these other services provided by Cumberland Securities Company, Inc. and/or the Bank, then Cumberland Securities Company, Inc. and/or the Bank may be entitled to separate compensation for the performance of such services.

INDEPENDENT ACCOUNTANTS

The financial statements of the Electric Division and the Water Division of KUB, as of June 30, 2025 for the year then ended, included in this *Preliminary Official Statement*, have been audited by Mauldin & Jenkins, independent accountants, as stated in their report appearing herein.

FUTURE BONDS

KUB has authorized the refinancing of outstanding debt for savings in the Electric System and the Water System. Additionally, KUB does expect to occasionally sell, from time to time, additional bonds to finance normal and customary extensions and improvements to such Systems, and to refinance certain outstanding bonds at lower interest rates.

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CONTINUING DISCLOSURE

KUB will at the time the Bonds are delivered execute a Continuing Disclosure Certificate as to each System under which it will covenant for the benefit of holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to KUB by not later than twelve months after the end of each fiscal year commencing with the fiscal year ending June 30, 2026 (the "Annual Report"), and to provide notice of the occurrence of certain significant events not later than ten business days after the occurrence of the events and notice of failure to provide any required financial information of KUB. The issuer will provide notice in a timely manner to the MSRB of a failure by KUB to provide the annual financial information on or before the date specified in the continuing disclosure agreement. The Annual Report (and audited financial statements if filed separately) and notices described above will be filed by KUB with the Municipal Securities Rulemaking Board ("MSRB") at www.emma.msrb.org and with any State Information Depository which may be established in Tennessee (the "SID"). The specific nature of the information to be contained in the Annual Report or the notices of events is summarized below. These covenants have been made in order to assist the Underwriters in complying with Securities Exchange Act Rule 15c2-12(b), as it may be amended from time to time (the "Rule 15c2-12").

Five-Year History of Filing. For the past five years, KUB is unaware of any instances in which it has not complied in all material respects with its existing continuing disclosure agreements in accordance with Rule 15c2-12.

Content of Annual Reports. KUB's Annual Report shall contain or incorporate by reference the audited financial statements of each System for the prior fiscal year, prepared in accordance with accounting principles generally accepted in the United States of America, and audited in accordance with auditing standards generally accepted in the United States of America; provided, however, if KUB's audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained herein, and the audited financial statements shall be filed when available. The Annual Report shall also include in a similar format the following information included in APPENDIX B entitled "SUPPLEMENTAL INFORMATION STATEMENT."

Electric System.

1. Electric Rates of the Electric Division;
2. Condensed Statements of Revenues, Expenses and Changes in Net Position - Knoxville Utilities Board Electric Division for the fiscal year;
3. Operating and Financial History of the Electric Division;
4. The Ten Largest Electric Customers of the Electric Division;
5. Summary of Bonds Outstanding;
6. Summary of Bonded Debt Service Requirements; and
7. Historical Debt Service Coverages.

Water System.

1. Water Rates of the Water Division;
2. Operating Statistics and Number of Customers for such year;
3. Condensed Statements of Revenues, Expenses and Changes In Net Position - Knoxville Utilities Board Water Division for the fiscal year;

4. Operating and Financial History of the Water Division;
5. The Ten Largest Water System Customers;
6. Bonds Outstanding;
7. Debt Service Requirements; and
8. Historical Debt Service Coverage on Outstanding Water Bonds.

Any or all of the items listed above may be incorporated by reference from other documents, including *Official Statements* in final form for debt issues of KUB or the City or related public entities, which have been submitted to the MSRB's EMMA site. If the document incorporated by reference is a final *Official Statement*, in final form, it will be available from the Municipal Securities Rulemaking Board. KUB or the City shall clearly identify each such other document so incorporated by reference.

Reporting of Significant Events. KUB will file notice regarding material events with the MSRB and the SID, if any, as follows:

1. Upon the occurrence of a Listed Event (as defined in (3) below), KUB shall in a timely manner, but in no event more than ten (10) business days after the occurrence of such event, file a notice of such occurrence with the MSRB and SID, if any.
2. For Listed Events where notice is only required upon a determination that such event would be material under applicable Federal securities laws, KUB shall determine the materiality of such event as soon as possible after learning of its occurrence.
3. The following are the Listed Events:
 - a. Principal and interest payment delinquencies;
 - b. Non-payment related defaults, if material;
 - c. Unscheduled draws on debt service reserves reflecting financial difficulties;
 - d. Unscheduled draws on credit enhancements reflecting financial difficulties;
 - e. Substitution of credit or liquidity providers, or their failure to perform;
 - f. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
 - g. Modifications to rights of Bondholders, if material;
 - h. Bond calls, if material, and tender offers;
 - i. Defeasances;
 - j. Release, substitution, or sale of property securing repayment of the securities, if material;
 - k. Rating changes;

- l. Bankruptcy, insolvency, receivership or similar event of the obligated person;
- m. The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- n. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- o. Incurrence of a financial obligation (which includes a debt obligation, a derivative instrument entered into connection with, or pledged as security or as a source of payment for, an existing or planned debt obligation, or a guarantee of debt obligation or derivative instrument) of KUB, if material, or agreement as to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of KUB, any of which affect security holders, if material; and
- p. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation (as described above) of KUB, any of which reflect financial difficulties.

Termination of Reporting Obligation. KUB's obligations under the Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

Amendment; Waiver. Notwithstanding any other provision of a Disclosure Certificate, KUB may amend any Disclosure Certificate, and any provision of a Disclosure Certificate may be waived, provided that the following conditions are satisfied:

- (a) If the amendment or waiver relates to the provisions concerning the Annual Report and reporting of material significant events it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;
- (b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (c) The amendment or waiver either (i) is approved by the holders of the applicable Bonds, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of a Disclosure Certificate, KUB shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by KUB. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Default. In the event of a failure of KUB to comply with any provision of a Disclosure Certificate, any holder or any beneficial owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause KUB to comply with its obligations under the Disclosure Certificate. A default under a Disclosure Certificate shall not be deemed an event of default, if any, under any Resolution and the sole remedy under each Disclosure Certificate in the event of any failure of KUB to comply with the Disclosure Certificate shall be an action to compel performance.

BONDHOLDER RISK

CLIMATE CHANGE. Planning for climate change in the State and its impact on the City's and KUB's operation is an unknown challenge. The State of Tennessee's climate is exceedingly variable and projections of future conditions range significantly. While projections in the State of Tennessee indicate rising average temperatures, precipitation projections are much less clear and often contradictory. Other potential impacts include changes in the length, intensity, and frequency of droughts and floods. The financial impact of the climate change is not yet known and therefore its future impact on the City and KUB cannot be quantified reliably at this time.

CYBER-SECURITY. Computer networks and data transmission and collection are vital to the efficient operations of the City and KUB. Despite security measures, information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise networks and the information stored there could be disrupted, accessed, publicly disclosed, lost or stolen. Any such disruption, access, disclosure or other loss of information could result in disruptions in operations and the services provided by the City and KUB, legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties and the services provided, and cause a loss of confidence in the City's and KUB's operations, which could materially affect the City and KUB and its operations. KUB maintain insurance to mitigate any potential financial losses from cyber-security threats.

ADDITIONAL INFORMATION

Use of the words "shall," "must," or "will" in the *Preliminary Official Statement* and *Official Statement* in summaries of documents or laws to describe future events or continuing obligations is not intended as a representation that such event will occur or obligation will be fulfilled but only that the document or law contemplates or requires such event to occur or obligation to be fulfilled.

Any statements made in the *Preliminary Official Statement* and *Official Statement* involving estimates or matters of opinion, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates or matters of opinion will be realized. Neither the *Preliminary Official Statement* and *Official Statement* nor any statement which may have been made orally or in writing is to be construed as a contract with the owners of the Bonds.

The references, excerpts and summaries contained herein of certain provisions of the laws of the State of Tennessee, and any documents referred to herein, do not purport to be complete statements of the provisions of such laws or documents, and reference should be made to the complete provisions thereof for a full and complete statement of all matters of fact relating to the Bonds, the security for the payment of the Bonds, and the rights of the holders thereof.

The *Preliminary Official Statement* and *Official Statement*, in final form, and any advertisement of the Bonds, is not to be construed as a contract or agreement between the City and the purchasers of any of the Bonds. Any statements or information printed in this *Preliminary Official Statement* or the *Official Statement*, in final form, involving matters of opinions or of estimates, whether or not expressly so identified, is intended merely as such and not as representation of fact.

KUB, on behalf of the City, has deemed this *Preliminary Official Statement* as “final” as of its date within the meaning of Rule 15c2-12 except for the omission of certain pricing information allowed to be omitted pursuant to Rule 15c2-12.

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CERTIFICATION OF ISSUER

On behalf of the City and KUB, we hereby certify that to the best of our knowledge and belief, the information contained herein as of this date is true and correct in all material respects, and does not contain an untrue statement of material fact or omit to state a material fact required to be stated where necessary to make the statement made, in light of the circumstance under which they were made, not misleading.

KNOXVILLE UTILITIES BOARD

/s/ _____
President and CEO

/s/ _____
Senior Vice President and CFO

APPENDIX A

LEGAL OPINIONS

**LAW OFFICES OF
BASS, BERRY & SIMS PLC
900 SOUTH GAY STREET, SUITE 1700
KNOXVILLE, TENNESSEE 37902**

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Knoxville, Tennessee (the "Issuer") of \$_____ Electric System Revenue Bonds, Series RR-2026, dated _____, 2026 (the "Bonds"). In such capacity, we have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify such facts by independent investigation.

Based on the foregoing, we are of the opinion, as of the date hereof, as follows:

1. The Bonds have been duly authorized, executed and issued in accordance with the constitution and laws of the State of Tennessee and are valid and binding obligations of the Issuer.

2. Resolution No. R-243-2025 of the City Council of the Issuer authorizing the Bonds has been duly and lawfully adopted, is in full force and effect and is a valid and binding agreement of the Issuer enforceable in accordance with its terms.

3. The principal of, premium, if any, and interest on the Bonds are payable solely from and secured by a pledge of the income and revenues to be derived from the operation of the electric system of the Issuer, subject only to the payment of the reasonable and necessary costs of operating, maintaining, repairing, and insuring said system and on a parity and equality of lien with the Issuer's outstanding Electric System Revenue Refunding Bonds, Series EE-2015, dated May 1, 2015, maturing July 1, 2026 and thereafter, its outstanding Electric System Revenue Bonds, Series GG-2016, dated August 5, 2016, maturing July 1, 2026 and thereafter, its outstanding Electric System Revenue Refunding Bonds, Series HH-2017, dated April 7, 2017, maturing July 1, 2026 and thereafter, its outstanding Electric System Revenue Bonds, Series II-2017, dated September 15, 2017, maturing July 1, 2026 and thereafter, its Electric System Revenue Bonds, Series JJ-2018, dated September 14, 2018, maturing July 1, 2026 and thereafter, its outstanding Electric System Revenue Refunding Bonds, Series KK-2020, dated May 22, 2020, maturing July 1, 2026 and thereafter, its outstanding Electric System Revenue Refunding Bonds, Series LL-2021, dated April 19, 2021, maturing July 1, 2026 and thereafter, its outstanding Electric System Revenue Bonds, Series MM-2022, dated April 29, 2022, maturing July 1, 2026 and thereafter, its outstanding Electric System Revenue Refunding Bonds, Series NN-2022, dated May 13, 2022, maturing July 1, 2026 and thereafter, its outstanding Electric System Revenue Bonds, Series OO-2022, dated December 16, 2022, maturing July 1, 2026 and thereafter, its outstanding Electric System Revenue Bonds, Series PP-2023, dated December 8, 2023, maturing July 1, 2026 and thereafter, and its outstanding Electric System Revenue Bonds, Series QQ-2024, dated August 29, 2024, maturing July 1, 2026 and thereafter. We express no

opinion as to the sufficiency of such revenues for the payment of principal of, premium, if any, or interest on the Bonds. The owners of the Bonds shall have no recourse to the power of taxation of the Issuer.

4. Interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest on the Bonds may be taken into account for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion set forth in the first sentence of this Paragraph is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer has covenanted to comply with all such requirements. Failure to comply with certain of such requirements could cause interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. Except as set forth in this Paragraph 4, we express no opinion regarding other federal tax consequences arising with respect to the Bonds.

5. Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxation in Tennessee except (a) Tennessee excise taxes on all or a portion of the interest on any of the Bonds during the period such Bonds are held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee, and (b) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base or any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds and the resolution authorizing the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

This opinion is given as of the date hereof and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or changes in law that may hereafter occur.

Very truly yours,

**LAW OFFICES OF
BASS, BERRY & SIMS PLC
900 SOUTH GAY STREET, SUITE 1700
KNOXVILLE, TENNESSEE 37902**

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Knoxville, Tennessee (the "Issuer"), acting by and through the Knoxville Utilities Board, of \$_____ Water System Revenue Bonds, Series PP-2026, dated _____, 2026 (the "Bonds"). In such capacity, we have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify such facts by independent investigation.

Based on the foregoing, we are of the opinion, as of the date hereof, as follows:

1. The Bonds have been duly authorized, executed and issued in accordance with the constitution and laws of the State of Tennessee and are valid and binding obligations of the Issuer.

2. Resolution No. R-242-2025 of the City Council of the Issuer authorizing the Bonds has been duly and lawfully adopted, is in full force and effect and is a valid and binding agreement of the Issuer enforceable in accordance with its terms.

3. The principal of, premium, if any, and interest on the Bonds are payable solely from and secured by a pledge of the income and revenues to be derived from the operation of the water distribution and treatment system of the Issuer, subject only to the payment of the reasonable and necessary costs of operating, maintaining, repairing, and insuring said system and on a parity and equality of lien with the Issuer's outstanding Water System Revenue Refunding Bonds, Series BB-2015, dated May 1, 2015, maturing March 1, 2026 and thereafter, its outstanding Water System Revenue Bonds, Series CC-2015, dated May 20, 2015, maturing March 1, 2026 and thereafter, its outstanding Water System Revenue Bonds, Series DD-2016, dated August 5, 2016, maturing March 1, 2026 and thereafter, its outstanding Water System Revenue Refunding Bonds, Series EE-2016, dated August 5, 2016, maturing March 1, 2026 and thereafter, its outstanding Water System Revenue Refunding Bonds, Series FF-2017, dated April 7, 2017, maturing March 1, 2026 and thereafter, its outstanding Water System Revenue Bonds, Series GG-2017, dated September 15, 2017, maturing March 1, 2026 and thereafter, its outstanding Water System Revenue Bonds, Series HH-2018, dated September 14, 2018, maturing March 1, 2026 and thereafter, its outstanding Water System Revenue Bonds, Series II-2019, dated August 20, 2019, maturing March 1, 2026 and thereafter, its outstanding Water System Revenue Refunding Bonds, Series JJ-2020, dated May 22, 2020, maturing March 1, 2026 and thereafter, its outstanding Water System Revenue Bonds, Series KK-2020, dated October 30, 2020, maturing March 1, 2026 and thereafter, its outstanding Water System Revenue Refunding Bonds, Series LL-2021, dated April 19, 2021, maturing March 1, 2026 and thereafter, its outstanding Water System Revenue Refunding Bonds, Series MM-2022, dated May 13, 2022,

maturing March 1, 2026 and thereafter, its outstanding Water System Revenue Bonds, Series NN-2023, dated December 8, 2023, maturing March 1, 2026 and thereafter, and its outstanding Water System Revenue Bonds, Series OO-2024, dated August 29, 2024, maturing March 1, 2026 and thereafter. We express no opinion as to the sufficiency of such revenues for the payment of principal of, premium, if any, or interest on the Bonds. The owners of the Bonds shall have no recourse to the power of taxation of the Issuer.

4. Interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest on the Bonds may be taken into account for the purpose of computing the alternative minimum tax imposed on certain corporations.

The opinion set forth in the first sentence of this Paragraph is subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer has covenanted to comply with all such requirements. Failure to comply with certain of such requirements could cause interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. Except as set forth in this Paragraph 4, we express no opinion regarding other federal tax consequences arising with respect to the Bonds.

5. Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxation in Tennessee except (a) Tennessee excise taxes on all or a portion of the interest on any of the Bonds during the period such Bonds are held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee, and (b) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base or any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds and the resolution authorizing the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

This opinion is given as of the date hereof and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or changes in law that may hereafter occur.

Very truly yours,

THE ELECTRIC DIVISION
(CUSIP 499746)

THE ELECTRIC DIVISION

INTRODUCTION

Knoxville Utilities Board (“KUB”) was established in 1939 and, under terms of the current City Charter, is vested with the authority to purchase, produce, sell and distribute utility services both inside and outside the city limits. All of the facilities used to provide these services are under the jurisdiction, control and management of the Board of Commissioners of KUB.

SOURCE OF ELECTRIC POWER

KUB does not generate any electric power. KUB purchases its entire power supply requirements from the Tennessee Valley Authority (“TVA”) pursuant to a power contract dated May 11, 1988 as supplemented and amended (the “Power Contract”). The Power Contract is the fourth to be entered into between KUB and TVA. Under the Power Contract, TVA agrees to supply the amount of electric power required for service to KUB’s electric customers and KUB agrees to purchase all of its electric power from TVA, about 6.1 million megawatt hours annually.

The Power Contract provides that TVA shall make every reasonable effort to increase the generating capacity of its system and to provide transmission facilities required to deliver the output thereof so as to be in a position to supply additional power when and to the extent needed by KUB. Neither TVA nor KUB is liable for breach of contract if the availability or use of power is interrupted or curtailed or if either party is prevented from performing under the Power Contract by circumstances reasonably beyond its control. The amount of power supplied by TVA and the contractual obligation to supply such power are limited by the capacity of TVA’s generating and transmission facilities and the customary purchases from other companies on the power grid.

The Power Contract provides that KUB may sell power to all customers in its service area, except certain federal installations and large customers, which TVA may serve directly. At the present time, TVA does not directly serve any customers located within KUB’s electric service territory.

The initial term of the contract was for twenty years, with an automatic one-year extension beginning on the tenth anniversary of the contract. In May 2002, KUB and TVA amended the contract in several ways to provide more flexibility to both parties. First, KUB’s contract termination notification requirement was reduced from ten years to five years. Also, TVA relinquished its regulatory authority over KUB’s electric retail rates (prior to May 2002, the Power Contract specified the retail rates to be charged by KUB, and KUB was obligated to adjust these rates in response to any adjustment in TVA wholesale rates. The adjustment of retail rates to cover changes in KUB cost also had to be approved by TVA).

In March 2020, KUB executed a new Long-Term Partnership Agreement with TVA, extending the term of its five-year evergreen power supply contract with TVA to a 20-year evergreen contract.

In September 2023, KUB elected to participate in TVA's Power Supply Expanded Flexibility Program which will allow KUB to produce up to 5 percent of KUB's electric energy supply. The goals of this program include achieving significant power cost savings, advancing the goal to generate 400 megawatts of renewable energy by 2030, and demonstrating KUB's commitment to a cleaner environment. During the fiscal year, KUB contracted three TVA Flexibility projects. These include a TVA Green Invest Flexibility Conversion for 20 megawatts which began January 2025, a joint project with EPB and SR Durhamville for 33 megawatts beginning June 2028, and a short-term Biomass contract that will scale down as future solar resources come online.

In April 1996, the Federal Energy Regulatory Commission (FERC) issued Order 888 which effectively ordered public interstate transmission companies to provide open access to their transmission systems. TVA, which is not presently subject to FERC jurisdiction, cannot be ordered by FERC to transmit (wheel) power on behalf of others for use inside its legislatively defined service territory (the "Fence"). Consequently, this "Anti-Cherry Picking" provision of federal law combined with KUB's long-term power contract with TVA has essentially precluded KUB from having the opportunity to purchase power from alternative sources.

THE TENNESSEE VALLEY AUTHORITY

TVA was established as a wholly-owned corporate agency and instrumentality of the United States of America by the Tennessee Valley Authority Act of 1933 (the "TVA Act"), as amended. TVA Act's objective is the development of the resources of the Tennessee Valley and adjacent areas in order to strengthen the regional and national economy and the national defense. Its specific purposes include: (1) flood control on the Tennessee River and its tributaries, and assistance to flood control on the lower Ohio and the Mississippi Rivers; (2) a modern navigable channel for the Tennessee River; (3) ample supply of power within an area of 80,000 square miles in most of Tennessee and parts of Alabama, Mississippi, Kentucky, Georgia, North Carolina and Virginia; (4) development and introduction of more efficient soil fertilizers; and (5) greater agricultural and industrial development and improved forestry in the region.

TVA is primarily a wholesaler of power. TVA manages 16,400 miles of transmission line to deliver 99.999% reliability that connects supplies power to 153 local power providers. power companies that supply electricity to approximately 10 million people across seven Southeastern states with 61 directly served customers, including 54 industrial customers and 7 military and federal installations. These include coal, gas, nuclear, and hydroelectric plants as well as renewable resources.

About 80 percent of the nation paid more for energy than customers served by TVA. TVA's industrial rates are lower than more than 95 percent of the nation. As of 2024, TVA has ranked the top utility for economic development for 19 consecutive years. Projected capital investments in the region are expected to be 326,000 jobs in \$45.9 billion with investment.

TVA's generation portfolio is 39% nuclear, 14% coal, 34% natural gas, 9% hydro, and 4% wind and solar with a total capacity of 32,190 megawatts as of 2024.

TVA'S GENERATING ASSETS

(as of 2024)

Located Over Seven States

3 Nuclear Sites
 4 Coal-Fired Sites
 29 Hydroelectric Sites
 1 Pumped-Storage Site
 9 Combustion Turbine Gas Site
 8 Combined Cycle Gas Sites
 9 Solar Energy Sites
 1 Diesel Generation Site

Located in Tennessee

2 Nuclear Sites
 3 Coal-Fired Plants
 19 Hydroelectric Dams
 1 Pumped-Storage Hydroelectric Plant
 8 Natural Gas-Fueled Facilities
 13 Non-Power Dams
 9,455 Miles of Transmission Line
 298 Substations & Switchyards

Tennessee

TVA supplies energy for over 7 million people through 82 local power companies and for 26 large, direct-served customers in Tennessee. TVA also manages 33 reservoirs, 179,510 acres of public land, and 7,700 miles of shoreline within the state. Projected capital investments for Tennessee are expected to be 30,760 jobs with \$3.6 billion in investment. TVA employs 7,592 people in the state as of 2024.

Rates

The power contracts between TVA and the distributor customers such as the System provide for purchase of power by the distributor customers at the wholesale rates established by the TVA Board. Under section 10 of the TVA Act, the TVA Board is authorized to regulate the municipal and cooperative distributors of TVA power to carry out the purposes of the TVA Act through contract terms and conditions as well as through rules and regulations. TVA regulates distributor customers primarily through the provisions of TVA's wholesale power contracts. All power contracts between TVA and the distributor customers require that power purchased from TVA be sold and distributed to the ultimate consumer without discrimination among consumers of the same class, and prohibit direct or indirect discriminatory rates, rebates, or other special concessions. In addition, there are a number of wholesale power contract provisions through which TVA seeks to ensure that the electric system revenues of the distributor customers are used only for electric system purposes. Furthermore, almost all these contracts specify the specific resale rates and charges at which the distributor customers must resell TVA power to their customers. These rates are revised from time-to-time, subject to TVA approval, to reflect changes in costs, including changes in the wholesale cost of power. The regulatory provisions in TVA's wholesale power contracts are designed to carry out the objectives of the TVA Act, including the objective of providing for an adequate supply of power at the lowest feasible rates.

The TVA Act gives the TVA Board sole responsibility for establishing the rates TVA charges for power. These rates are not subject to judicial review or to review or approval by any state or federal regulatory body. In setting TVA's rates, the TVA Board is charged by the TVA

Act to have due regard for the primary objectives of the TVA Act, including the objective that power shall be sold at rates as low as are feasible.

Source: The Tennessee Valley Authority.

THE ELECTRIC SYSTEM

KUB continued to make progress on the construction of its fiber network during fiscal year 2025, marking the fourth year of the planned seven-year deployment.

KUB serves 226,224 electric customers over a 689 square mile service area and maintains 5,570 miles of service lines and 64 electric substations to provide 6.1 million megawatt hours to its customers annually.

In December 2023, KUB energized a new infeed substation at Western Avenue, adding electric system capacity of 330 megavolt-amperes (MVAs). The peak capacity of the system is 3,359,500 kVa. The electric system's record peak demand remains 1,350.5 megawatts, set in January 2024.

The typical residential customer's average monthly electric bill was \$134.68 as of June 30, 2025, representing an increase of \$10.44 compared to June 30, 2024. Bill levels are based on 1,000 kwh of monthly power use. The increase in the monthly bill during fiscal year 2025 was the result of the flow through of TVA wholesale rate adjustments, increased residential volume, and both the April 2024 and the April 2025 rate increases.

Century II is KUB's proactive long-range program to improve and maintain its electric, natural gas, water, and wastewater systems for its customers. It includes maintenance and asset replacement strategies for each utility system and establishes sustainable replacement cycles. Century II moves KUB into its second century of service by improving each system through sound planning, resource allocation, and continued investment.

In September 2021, the Board approved three electric rate increases to support the Century II program and the expanded fiber network. The three approved 3 percent electric rate increases went into effect April 2022, April 2023, April 2024, generating \$16.7 million, \$17.4 million, and \$18 million in additional annual Electric Division revenue, respectively.

In June 2024, as part of KUB's Inflation Response Plan, the Board approved the next phase of electric rate increases to support the Century II program and the expanded fiber network. The first of three approved electric rate increases took effect in April 2025 generating additional annual Electric Division revenue of \$26 million. The remaining rate increases, effective April 2026 and April 2027, are expected to provide \$20.7 million and \$14.2 million in additional annual Electric Division revenue, respectively.

During the fiscal year, KUB replaced 8 miles of transmission lines, and 5.3 miles of underground cable.

FIBER NETWORK

During fiscal year 2021, KUB developed a Fiber to the Home Business Plan for the provision of broadband services to customers within its electric system service territory. In accordance with state law and KUB's wholesale power supply contract with TVA, the Business Plan was submitted to the Office of the Comptroller of the Treasury for Tennessee and TVA for review. The Office of the Comptroller found KUB's Business Plan to be financially feasible, and TVA approved it, finding no cross-subsidization exists between the proposed Fiber Division and the Electric Division.

After gaining the required approvals from TVA, the State of Tennessee, KUB's Board, and City Council, KUB launched its new Fiber Division. Broadband services are provided by a high-speed fiber optic network that is owned and maintained by the Electric Division. The Fiber Division shares in the cost of building and operating the Fiber network by paying the Electric Division an annual access fee based on the year-end value of those assets and the related expenses. The Fiber Division also pays the Electric Division an annual utilization fee based on attachments to the network. In addition to providing broadband services, the fiber network is also allowing KUB to implement new advanced technologies to improve the reliability of its electric system.

As a component of the Fiber Division's start-up financing plan, approved by KUB's Board and TVA, the Electric Division will provide \$55 million of interdivisional loans. The first \$10 million was provided in October 2021, \$7 million was provided in August 2022, \$13 million was provided in February 2023, and \$5 million was provided in May 2024, all maturing in June 2030. The Electric Division issued a \$2 million loan in May 2024, and a \$7 million loan in December 2024 to the Fiber Division, both maturing in June 2032.

In fiscal year 2022, KUB began the seven-year buildout on extending fiber infrastructure to make broadband service available to electric customers. The first broadband customers began receiving service in September 2022.

The Tennessee Emergency Broadband Fund selected KUB for a grant of \$15.3 million to assist in the provision of broadband access to Grainger, Jefferson, Sevier, and Union Counties. As of June 30, 2025, KUB has received \$10.6 million in reimbursements.

The fiber network is an integral component of a \$702 million ten-year Enhanced Grid Modernization effort for the Electric Division. The program will be funded by a combination of electric rate increases, new bonds, grant funds, and projected payments from the Fiber Division.

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PENSION PLAN

Description of Plan

The Knoxville Utilities Board Pension Plan (the Plan) is a governmental plan as defined by the Employee Retirement Income Security Act of 1974 (ERISA or the Act), is not subject to any of the provisions of the Act, and was revised January 1, 2020, to include all prior approved amendments. The Plan is a single employer contributory, defined benefit pension plan established by Knoxville Utilities Board Resolution No. 980 dated February 18, 1999, effective July 1, 1999, as authorized by the Charter of the City of Knoxville §1107(J). KUB Board Resolution No. 979, effective July 1, 1999, as amended by Resolution No. 1037, establishing the KUB Retirement System, was amended effective June 18, 2020, to amend the term “Trustee” to include both custodians and/or trustees, in order to provide flexibility should KUB choose to change from its current Pension trustee. The Plan is designed to provide retirement, disability, and death benefits to KUB employees. KUB administers the Plan through an Administrative Committee consisting of seven KUB employees that are appointed by KUB’s President and CEO. Any amendments to the Plan involving costs not approved in the operating budget must be adopted by KUB’s Board of Commissioners, upon recommendation by KUB’s President and CEO. All other amendments to the Plan may be approved by KUB’s President and CEO upon 60 days notification to the Board’s Audit and Finance Committee. The Plan issues a financial report, which includes financial statements and required supplementary information. The report may be obtained by writing the Knoxville Utilities Board Retirement System, P.O. Box 59017, Knoxville, TN 37950-9017. For purposes of this disclosure, presentation is on a consolidated basis unless division’s share is specified.

Effective January 1, 2011, KUB closed the Plan such that persons employed or re-employed by KUB on or after January 1, 2011, are not eligible to participate, but that eligible employees hired prior to January 1, 2011, who have not separated from service, shall continue as Participants and to accrue benefits under the Plan.

Participants in the Plan consisted of the following as of December 31:

	2024	2023
Inactive plan members:		
Terminated vested participants	10	9
Retirees and beneficiaries	589	602
Active plan members	<u>359</u>	<u>389</u>
Total	<u>958</u>	<u>1,000</u>

Retirement Benefits

The Plan provides three benefit arrangements for KUB participants, retirees, and beneficiaries.

The Plan provides pension benefits through the Career Equity Program (“CEP”) for eligible employees hired on or after January 1, 1999, and for eligible former “City System Plan A” participants who elected CEP coverage as of July 1, 1999. The guaranteed pension benefit payable to a participant who has completed five or more years of service (or reached the normal retirement date, if earlier) upon termination of KUB employment shall be a lump sum equal to

the participant's average compensation times their benefit percentage, as defined in the Plan document, or an annuity may be chosen by the participant.

In addition, the Plan provided retirement benefits through "Plan A" for former City System Plan A participants who elected not to participate in the CEP. Plan A is a closed plan and is not available to KUB employees hired after July 1, 1999. Plan A provides for early retirement benefits with 25 years of service and normal retirement benefits at age 62 or later. Benefits provided to Plan A participants include several different forms of monthly annuity payments.

The Plan also provides retirement benefits through "Plan B" for former "City System Plan B" participants. Plan B is a closed plan providing benefits to participants not covered by Social Security. Benefits provided to Plan B participants include several different forms of monthly annuity payments available to participants.

Effective January 1, 2012, KUB began to provide for additional monthly supplements, which are not subject to cost-of-living adjustments, to certain former employees and surviving dependents of former employees who are eligible for and have elected coverage under the KUB retiree medical plan and are eligible for Medicare. This was done to compensate for the elimination of drug coverage under the KUB retiree medical plan and to assist such individuals in obtaining prescription drug coverage under Medicare Part D.

Contributions

Participation in Plan A requires employee contributions of three percent of the first \$4,800 of annual earnings and five percent of annual earnings in excess of \$4,800. KUB contributions are determined by the enrolled actuary of the Plan and equal the amount necessary to provide the benefits under the Plan determined by the application of accepted actuarial methods and assumptions. The method of funding shall be consistent with Plan objectives.

Plan Funding

KUB maintains a Funding Policy for the Plan in accordance with Tennessee State Law. The primary goal of the Policy is to document the method KUB has adopted to provide assurance that future KUB and employee contributions and current Plan assets will be sufficient to fund all benefits expected to be paid to current active, inactive and retired Plan participants and their beneficiaries. Per the Funding Policy, KUB fully funds its annual Actuarially Determined Contribution.

Investments

The Plan's investments are held by State Street Bank and Trust Company (the "Trustee"). The Plan's policy in regard to the allocation of invested assets is established by the Retirement System Investment Committee and approved by the KUB Board of Commissioners and may only be amended by the KUB Board of Commissioners. It is the policy of the Retirement System Investment Committee to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following was the Plan's adopted asset allocation policy as of December 31, 2024:

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Asset Class	Target Allocation
Domestic equity – large cap	20% - 50%
Domestic equity – small/mid cap	0% - 30%
Multi-asset credit	0% - 20%
Non-U.S. equity	0% - 20%
U.S. core real estate	0% - 10%
Fixed income	20% - 40%
Cash and deposits	0% - 5%

Contributions of \$2,210,234 and \$1,108,147 for 2023 and 2022, respectively, were made during the Plan sponsor's fiscal years ended June 30, 2025, and 2024, respectively. Of these amounts, \$1,076,254 and \$528,956 are attributable to the Electric Division. The fiscal year 2025 contribution was determined as part of the January 1, 2023, valuation using the Individual Entry Age Normal funding method. The objective under this method is to fund each participant's benefits under the Plan as payments which are level as a percentage of salary, starting on the original participation date (employment date) and continuing until the assumed retirement, termination, disability, or death.

The Pension Plan actuarial valuation resulted in an actuarially determined contribution of \$2,793,313 for the fiscal year ending June 30, 2026, based on the Plan's current funding policy. The Electric Division's portion of this contribution will be determined as part of the actuarial analysis for the December 31, 2025, measurement date. Subsequent to June 30, 2025, an actuarial valuation was completed and resulted in an actuarially determined contribution of \$2,939,593 for the fiscal year ending June 30, 2027, based on the Plan's current funding policy. The Electric Division's portion of this contribution will be determined as part of the actuarial analysis for the December 31, 2026, measurement date. For the Plan year beginning January 1, 2025, the Plan's actuarial funded ratio is 103.9 percent, and the market value funded ratio is 100.3 percent.

See Appendix B-2 for additional pension plan information.

QUALIFIED EXCESS BENEFIT ARRANGEMENT (QEBA)

Description

In fiscal year 2017, KUB implemented a qualified governmental excess benefit arrangement (QEBA) under IRC section 415(m), which was created by Congress to allow the payment of pension benefits that exceed the IRC section 415(b) limits (and therefore cannot be paid from a qualified retirement plan). The QEBA is a single employer defined benefit pension plan administered by KUB. The number of participants in any given year for the QEBA is determined by the number of KUB Pension Plan participants who exceed the current year's section 415(b) limitations, as calculated by the KUB Pension Plan actuary. The amount of QEBA benefit will be the amount specified by the terms of the KUB Pension Plan without regard to Section 415(b) limitations minus the amount payable from the KUB Pension Plan as limited by Section 415(b). QEBA benefits are subject to cost-of-living adjustments.

As of June 30, 2025, there are 341 active employees eligible for the KUB Pension Plan who are potentially eligible to receive QEBA benefits. The KUB Pension Plan was closed effective January 1, 2011, such that persons employed or re-employed by KUB on or after January 1, 2011, are not eligible to participate, but that eligible employees hired prior to January 1, 2011, who have not separated from service, shall continue as Participants and accrue benefits under the KUB Pension Plan. The KUB Pension Plan was amended to include the provision of QEBA benefits; therefore, amendments to the QEBA require the same authority as amendments to the KUB Pension Plan. As required by federal tax law, the QEBA is unfunded within the meaning of the federal tax laws. KUB may not pre-fund the QEBA to cover future liabilities beyond the current year. KUB has established procedures to pay for these benefits on a pay-as-you-go basis. There are no assets accumulated in a trust that meets the GASB's criteria.

Total Pension Liability of the QEBA

The below summarizes the disclosures of GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 ("GASB 73"). GASB 73 extends a similar approach of financial reporting to plans meeting specific criteria that are not administered through trusts that GASB 68 established for pension plans. GASB 73 requires measurement of the total pension liability of the QEBA. The amounts reported as of June 30 must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2025, and 2024, are based on a December 31, 2024, and 2023, measurement date, respectively. The total pension liability of the QEBA is \$21,226 (Division's share \$9,976) as of June 30, 2025, and \$0 as of June 30, 2024.

GASB 73 requires certain disclosures related to the total pension liability of the QEBA, as disclosed below:

	2024	2023
Total pension liability	\$21,226	\$0
Deferred outflows	(14,151)	(2,051)
Deferred inflows	-	1,704
Net impact on Statement of Net Position	<u>\$7,075</u>	<u>(\$347)</u>
Covered payroll	\$34,776,504	\$35,604,464
Total pension liability as a % of covered payroll	0.06%	0.00%

Changes in total pension liability of the QEBA are as follows:

	<u>Increase (Decrease)</u>
	Total Pension Liability
Balances at December 31, 2023	\$ -
Changes for the year:	
Service cost	-
Interest	-
Changes of Benefits	-
Differences between Expected and Actual Experience	21,226
Changes of Assumptions	-
Benefit payments	-
Net changes	<u>21,226</u>
Balances at December 31, 2024	<u>\$ 21,226</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2025, KUB recognized pension expense of \$7,422 (Division's share \$3,492) for the QEBA. This amount is not expected to be the same as KUB's contribution to the QEBA (\$-), but instead represents the change in the net impact on KUB's Statement of Net Position plus employer contributions [\$7,075 – (\$347)+ \$-].

The impact of experience gains or losses and assumption changes on the total pension liability are recognized in the pension expense over the average expected remaining service life of all active and inactive members, determined as of the beginning of the measurement period. As of December 31, 2023, this average was three years.

During the measurement year, there was an experience loss of \$21,226 with \$7,075 recognized in the current year and the remaining deferred outflow of \$14,151 (Division's share \$6,651) to be recognized over the next two years. Unrecognized experience losses from prior periods were \$2,033, with the full amount recognized as an increase in pension expense in the current year. Unrecognized experience gains from prior periods were \$1,704, with the full amount recognized as a decrease in pension expense in the current year.

Unrecognized assumption change losses from prior periods were \$19, with the full amount recognized as an increase in pension expense in the current year.

The following table summarizes the current balances of deferred outflows and deferred inflows of resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 14,151	\$ -
Changes in assumptions	-	-
Total	<u>\$ 14,151</u>	<u>\$ -</u>
Division's share	<u>\$ 6,651</u>	<u>\$ -</u>

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

Year ended June 30:

2026	\$ 7,075
2027	7,076
2028	-
2029	-
2030	-
Thereafter	-

For the year ended June 30, 2024, KUB recognized pension expense of \$3,024 (Division's share \$1,452) for the QEBA. This amount is not expected to be the same as KUB's contribution to the QEBA (\$-), but instead represents the change in the net impact on KUB's Statement of Net Position plus employer contributions [(\$347) – (\$3,371)+ \$-].

The impact of experience gains or losses and assumption changes on the total pension liability are recognized in the pension expense over the average expected remaining service life of all active and inactive members, determined as of the beginning of the measurement period. As of December 31, 2020, this average was four years. There was a deferred inflow at the end of the measurement year of \$1,717 (Division's share \$829) from experience gains in prior years and a deferred outflow of \$2,033 (Division's share \$976) from experience losses in prior years.

There was a deferred outflow of \$18 (Division's share \$7) from assumption changes in prior years.

The following table summarizes the current balances of deferred outflows and deferred inflows of resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,033	\$ 1,717
Changes in assumptions	18	-
Total	<u>\$ 2,051</u>	<u>\$ 1,717</u>
Division's share	<u>\$ 983</u>	<u>\$ 835</u>

OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Description of Trust

The Knoxville Utilities Board Other Post-Employment Benefits Trust (the Trust) is a single employer trust established by the KUB Board of Commissioners through Resolution No. 1168, as amended, dated October 18, 2007. The Trust, along with the KUB Health Plan, make up a Voluntary Employee Beneficiary Association ("VEBA") and are intended to be tax-exempt pursuant to Code §501(c)(9). The purpose of the Trust is to fund KUB's post-employment health care plan (the "Plan"), which provides certain medical benefits for qualifying KUB retirees and beneficiaries. The applicable documentation was submitted to the State Funding Board and, in December 2007, the State Funding Board approved the Trust. The Trust was also approved by the Internal Revenue Service in June 2008. KUB administers the Trust through a Board of Trustees consisting of seven KUB employees that are appointed by KUB's President and CEO. Any amendments to the Trust involving costs not approved in the operating budget must be approved by KUB's Board of Commissioners, upon recommendation by KUB's President and CEO. All other amendments to the Trust may be approved by KUB's President and CEO upon 60 days notification to the Board's Audit and Finance Committee. The investment of all deposits to the Trust is governed by an Investment Policy, which was adopted by the KUB Board and approved by the State Funding Board. The Trust issues a financial report, which includes financial statements and required supplementary information. The report may be obtained by writing the Knoxville Utilities Board Retirement System, P.O. Box 59017, Knoxville, TN 37950-9017. For purposes of this disclosure, presentation is on a consolidated basis unless division's share is specified.

Effective January 1, 2022, the Plan was expanded to two benefit offerings. Employees with a benefit service date prior to July 1, 1999, will continue to be eligible for the Retiree Medical Benefit, while those with a later benefit service date will participate in a new Retiree Health Reimbursement Arrangement (HRA), given that each eligible employee meets the "Rule of 80", the sum of age and at least 20 years of qualified service equal to or exceeding 80, at retirement.

Participants in the Plan consisted of the following as of June 30:

	HRA		Retiree Medical Benefit	
	2025	2024	2025	2024
Retirees	16	9	707	722
Dependents of retirees	16	7	385	401
Eligible active employees	1,109	1,127	128	144
Total	1,141	1,143	1,220	1,267

Benefits

Benefits for pre-July 1, 1999, eligible participants may include, but shall not be limited to, medical, prescription drugs, dental, vision, hearing, Medicare Part B or Part D premiums, life insurance, long-term care, and long-term disability. Post-July 1, 1999, eligible participants are eligible for HRA benefits which include up to \$50,000 to be used exclusively for reimbursement of qualified medical expenses of the retiree and his or her spouse and dependents. Any unused HRA amounts will remain assets of the OPEB Trust.

Contributions and Funding

The primary goal of the Funding Policy for the Trust is to document the method KUB has adopted to provide assurance that future KUB and retiree contributions and current Trust assets will be sufficient to fund all benefits expected to be paid to Trust beneficiaries. Per the Funding Policy, KUB's current practice is to fully fund its annual Actuarially Determined Contribution, which is determined by actuarial valuation.

Contributions are authorized by the terms of the Trust as established by KUB Resolution No. 1168, as amended, as approved by the Tennessee State Funding Board. KUB shall have the right at any time to amend, in whole or in part, the provisions of this Trust; however, no such amendment shall authorize or permit the assets of the Trust to be used for or diverted to purposes other than those expressed in the Declaration of Trust.

It shall be the sole and exclusive responsibility of KUB to determine the level of contributions KUB will make to the Trust for the purpose of financing other post-employment benefits accrued by its respective participants. Neither the Trust, nor the Trust's Board, shall be responsible for collecting or otherwise determining the level of contributions needed by KUB to finance any other post-employment benefits offered by KUB. The assets of the Trust shall be expended solely to make payments for other post-employment benefits pursuant to, and in accordance with, the terms of the Trust and to pay the cost of administration.

Based on the date of retirement, certain retired members are required to contribute specified amounts monthly to maintain health insurance. Those who retired prior to July 1983 have no required monthly premiums for themselves or dependents. The retirees, or their surviving dependents, who retired between August 1983 and January 1998 are required to pay \$275 per month for pre-Medicare family health insurance. For individuals who retired after January 1998, the required monthly premium for pre-Medicare health insurance is \$275 for single coverage and \$550 for family coverage. There is currently no premium for Medicare

eligible retirees or dependents. KUB is responsible for determining the level of retired plan member contributions on an annual basis as part of its review of healthcare cost sharing.

Participants in the Health Reimbursement Arrangement are not eligible for health insurance and are not required to make contributions.

Investments

The Trust holds investments in a balanced fund, which invests in passively managed common trust index funds, managed and sponsored by State Street Global Advisors (SSgA), with an asset allocation mirroring the asset allocation of the Trust and rebalanced monthly. The Trust's Investment Policy was established and may only be amended by the KUB Board of Commissioners. The Trust's Investment Policy is to invest in a manner that will provide sufficient investment return to meet current and future retiree health benefits, while conforming to all governing State and Federal statutes. It allows investment of Trust assets in any type of security instrument allowed for in T.C.A 8-50-1203. The following was the Trust's adopted investment target allocations as set forth in the Trust's Investment Policy as of June 30, 2025:

Asset Class	Target Allocation
Domestic Equity:	
Large Cap	30%
Small Cap	8%
International Equity:	
Developed	16%
Emerging	8%
Real Estate Equity	8%
Debt Securities	30%
Total	100%

Actuarially determined contributions for the Electric Division of \$621,143 and \$557,271 were made to the OPEB Trust in fiscal years ended June 30, 2025 and 2024, respectively. These were based on the OPEB actuarial valuations as of January 1, 2023, and 2022.

The OPEB Plan actuarial valuation resulted in an actuarially determined contribution of \$1,217,234 for the fiscal year ending June 30, 2026, based on the Plan's current funding policy. The Electric Division's portion of this contribution will be determined as part of the actuarial analysis for the June 30, 2026, measurement date. Subsequent to June 30, 2025, an actuarial valuation was completed and resulted in an actuarially determined contribution of \$968,538 for the fiscal year ending June 30, 2027, based on the Plan's current funding policy. The Electric Division's portion of this contribution will be determined as part of the actuarial analysis for the June 30, 2027, measurement date. For the Plan year beginning January 1, 2025, the Plan's actuarial funded ratio is 96.3 percent, and the market value funded ratio is 93.8 percent.

See Appendix B-2 for additional OPEB information.

FISCAL YEAR 2026 FINANCIAL UPDATE

As of September 30, 2025, the Electric Division had \$466.6 million in outstanding debt, representing a debt to capitalization ratio of 41.8 percent. The Electric Division's current maximum debt service coverage ratio is projected to be 4.13.

For the three months ending September 30, 2025, KUB's Electric Division recorded earnings of \$32.3 million, representing an increase of \$14 million over the same period last fiscal year. This increase is the result of the April 2025 rate increase and a 1.4 percent increase in billed sales volumes compared to the same period last fiscal year.

Capital investment in the electric system infrastructure is projected to be \$166.5 million for fiscal year 2026, with \$62.7 million going to the construction of the fiber network and services for KUB's new broadband rollout. KUB's capital plan represents its continued commitment to the timely replacement of critical electric system assets, including poles, underground cable, and substation transformers, in addition to key overhead line and substation improvement projects.

As a component of the Fiber Division's start-up financing plan, the Electric Division will provide \$55 million of interdivisional loans. To date, \$44 million has been issued to the Fiber Division. A \$3 million loan is anticipated during fiscal year 2026.

ELECTRIC RATES

The rate schedules of the Electric Division are subject to the approval of the KUB Board of Commissioners. In October 2002, the Board established a Purchased Power Adjustment (the "PPA") mechanism, which provides for the adjustment of applicable electric rates to changes in TVA's wholesale power costs. In October 2006, TVA incorporated a Fuel Cost Adjustment that is evaluated on a quarterly basis to reflect change in the TVA's fuel costs. These fuel cost adjustments are flowed through the KUB's electric customers via the PPA mechanism. In October of 2009, TVA's Fuel Cost Adjustments were changed to a monthly evaluation.

In April 2011, TVA modified its wholesale rate structure to demand and energy billing for its distributors. In response, KUB revised its PPA to include a deferred accounting component to ensure appropriate matching of revenue and expense and cost recovery. KUB will adjust its retail rates on an annual basis to flow any over or under recovery of wholesale power costs through to its customers via the PPA.

In March 2020, KUB executed a new Long-Term Partnership Agreement with TVA, extending the term of its five-year evergreen power supply contract with TVA to a 20-year evergreen contract. In return for signing the longer-term agreement with TVA, KUB will receive an annual partnership credit of 3.1% on TVA's wholesale base rates, estimated to be around \$9.3 million per year. Among other things, the new partnership agreement also provides KUB with the flexibility to self-generate up to five percent of its annual power supply through renewable sources.

On August 24, 2024, TVA’s board voted to approve a 5.25 percent electric base rate increase effective October 1, 2024. The increase flowed directly to KUB’s electric customers.

In September 2023, KUB elected to participate in TVA’s Power Supply Expanded Flexibility Program which will allow KUB to produce up to 5 percent of KUB’s electric energy supply. The goals of this program include achieving a significant power cost savings, advancing the goal to generate 400 megawatt of renewable energy by 2030, and demonstrating KUB’s commitment to a cleaner environment. During the fiscal year, KUB contracted three TVA Flexibility projects. These include a TVA Green Invest Flexibility Conversion for 20 megawatts which began January 2025, a joint project with EPB and SR Durhamville for 33 megawatts beginning June 2028, and a short-term Biomass contract that will scale down as future solar resources come online.

In the fall of 2024, KUB completed installation of two public fast-charging stations for electric vehicles in Downtown Knoxville and Seymour. These stations were installed as part of TVA’s Fast Charge Tennessee Network. Since going live, they have provided over 3,000 charging sessions for electric vehicle drivers in the Knoxville region.

The current rate schedules of the Electric Division are as follows:

RESIDENTIAL RATE SCHEDULE RS

Availability

Service under this rate schedule shall be available only to residential customers served individually through a separate meter or through a KUB-approved multiple meter configuration designed as a single billing point.

Character of Service

Alternating current, single-phase, 60 hertz. Power shall be delivered at a service voltage available in the vicinity or agreed to by KUB. Multi-phase service shall be supplied in accordance with KUB’s standard policy.

Rates

Basic Service Charge:	\$20.50 per month
Monthly Energy Charge:	
Summer Period -	\$0.11740 per kWh
Winter Period -	\$0.11699 per kWh
Transition Period -	\$0.11699 per kWh

Adjustment

Charges under this rate schedule may be increased or decreased to reflect changes in purchased power costs as determined by any purchased power adjustment adopted by the Board. Rates shown above are inclusive of the Purchased Power Adjustment for the current month.

Determination of Seasonal Periods

Summer Period shall mean the June, July, August, and September billing months. Winter Period shall mean the December, January, February, and March billing months. Transition Period shall mean the April, May, October, and November billing months.

Minimum Monthly Bill

The basic service charge constitutes the minimum monthly bill for all customers served under this rate schedule except those customers for which a higher minimum monthly bill is required under KUB's standard policy because of special circumstances affecting the cost of rendering service.

Single Point Delivery

The charges under this rate schedule are based upon the supply of service through a single delivery and at a single voltage.

Rules and Regulations

Service is subject to Rules and Regulations of KUB.

RESIDENTIAL TIME-OF-USE RATE SCHEDULE RS-TOU

Availability

Service under this rate schedule shall be available only to residential customers served individually through a separate meter or through a KUB-approved multiple meter configuration designed as a single billing point.

Character of Service

Alternating current, single-phase, 60 hertz. Power shall be delivered at a service voltage available in the vicinity or agreed to by KUB. Multi-phase service shall be supplied in accordance with KUB's standard policy.

Rates

Basic Service Charge:	\$20.50 per month
Monthly Energy Charge:	
Onpeak	\$0.22419 per kWh
Offpeak	\$0.08827 per kWh

Adjustment

Charges under this rate schedule may be increased or decreased to reflect changes in purchased power costs as determined by any purchased power adjustment adopted by the Board. Rates shown above are inclusive of the Purchased Power Adjustment for the current month.

Determination of Onpeak and Offpeak Hours

All hours stated in Eastern Prevailing Time

Weekdays (Monday - Friday)

Onpeak	2 PM to 8 PM calendar months April through October 5 AM to 11 AM calendar months November through March
Offpeak	All other hours

Weekends (Saturday – Sunday) and Holidays - all hours are Offpeak

Holidays include the weekdays that are observed as holidays:

New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day

Minimum Bill

The basic service charge constitutes the minimum monthly bill for all customers served under this rate schedule except those customers for which a higher minimum monthly bill is required under KUB's standard policy because of special circumstances affecting the cost of rendering service.

Single Point Delivery

The charges under this rate schedule are based upon the supply of service through a single delivery and at a single voltage.

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Rules and Regulations

Service is subject to Rules and Regulations of KUB.

GENERAL POWER RATE SCHEDULE GSA

Availability

This rate shall be available for the firm power requirements for electric service to non-residential customers, where a customer's contract demand is 5,000 kW or less. This rate shall also apply to customers to whom service is not available under any other resale rate schedule.

Character of Service

Alternating current, single or three-phase, 60 hertz. Power shall be delivered at a service voltage available in the vicinity or agreed to by KUB.

Rates

1. If (a) the higher of (i) the customer's currently effective contract demand, if any, or (ii) its highest billing demand during the latest 12-month period is not more than 50 kW and (b) the customer's monthly energy takings for any month during such period do not exceed 15,000 kWh:

Customer Charge:	\$33.00 per month
Monthly Demand Charge:	
Summer Period -	\$0.50 per kW of billing demand
Winter Period -	\$0.50 per kW of billing demand
Transition Period -	\$0.50 per kW of billing demand
Monthly Energy Charge:	
Summer Period -	\$0.13697 per kWh
Winter Period -	\$0.13656 per kWh
Transition Period -	\$0.13656 per kWh

2. If (a) the higher of (i) the customer's currently effective contract demand or (ii) its highest billing demand during the latest 12-month period is greater than 50 kW but not more than 1,000 kW or (b) the customer's billing demand is less than 50 kW and its energy takings for any month during such period exceed 15,000 kWh:

Customer Charge:	\$125.00 per month
Monthly Demand Charge:	
Summer Period -	First 50 kW of billing demand at \$0.50 per kW Over 50 kW of billing demand at \$19.22 per kW
Winter Period -	First 50 kW of billing demand at \$0.50 per kW

Transition Period -	Over 50 kW of billing demand at \$18.43 per kW First 50 kW of billing demand at \$0.50 per kW Over 50 kW of billing demand at \$18.43 per kW
Monthly Energy Charge:	
Summer Period -	First 15,000 kWh at \$0.17000 per kWh Additional kWh at \$0.07674 per kWh
Winter Period -	First 15,000 kWh at \$0.16959 per kWh Additional kWh at \$0.07674 per kWh
Transition Period -	First 15,000 kWh at \$0.16959 per kWh Additional kWh at \$0.07674 per kWh

3. If the higher of (a) the customer's currently effective contract demand or (b) its highest billing demand during the latest 12-month period is greater than 1,000 kW:

Customer Charge:	\$313.00 per month
Monthly Demand Charge:	
Summer Period -	First 1,000 kW of billing demand at \$20.10 per kW Over 1,000 kW of billing demand at \$20.84 per kW Excess kW of billing demand at \$20.84 per kW
Winter Period -	First 1,000 kW of billing demand at \$19.34 per kW Over 1,000 kW of billing demand at \$20.08 per kW Excess kW of billing demand at \$20.08 per kW
Transition Period -	First 1,000 kW of billing demand at \$19.34 per kW Over 1,000 kW of billing demand at \$20.08 per kW Excess kW of billing demand at \$20.08 per kW

Monthly Excess Demand Charges are applicable to the amount by which the customer's billing demand exceeds the higher of 2,500 kW or its contract demand.

Monthly Energy Charge:	
Summer Period -	\$0.08821 per kWh
Winter Period -	\$0.08821 per kWh
Transition Period -	\$0.08821 per kWh

Adjustment

Charges under this rate schedule may be increased or decreased to reflect changes in purchased power costs as determined by any purchased power adjustment adopted by the Board. Rates shown above are inclusive of the Purchased Power Adjustment for the current month.

Determination of Seasonal Periods

Summer Period shall mean the June, July, August, and September billing months. Winter Period shall mean the December, January, February, and March billing months. Transition Period shall mean the April, May, October, and November billing months.

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Determination of Demand

KUB shall meter the demands in kW of all GSA customers. The metered demand for any month shall be the highest average during any 30-consecutive-minute period of the month of the load metered in kW. The measured demand for any month shall be the higher of the highest average during any 30-consecutive-minute period of the month of (a) the load metered in kW or (b) 85 percent of the load in kVA plus an additional 10 percent for that part of the load over 5,000 kVA, and such measured demand shall be used as the billing demand, except that the billing demand for any month shall in no case be less than 30 percent of the higher of the currently effective contract demand or the highest billing demand established during the preceding 12 months.

Minimum Bill

The monthly bill under this rate schedule shall not be less than the sum of (a) the base customer charge, (b) the base demand charge, as adjusted, applied to the customer's billing demand, and (c) the base energy charge, as adjusted, applied to the customer's energy takings; provided, however, that, under (2.) of the Base Charges, the monthly bill shall in no event be less than the sum (a) the base customer charge and (b) 20 percent of the portion of the base demand charge, as adjusted, applicable to the second block (excess over 50kW) of billing demand, multiplied by the higher of the customer's currently effective contract demand or its highest billing demand established during the preceding 12 months.

KUB may require minimum bills higher than those stated above.

Contract Requirements

KUB shall require contracts for service provided under this rate schedule to customers whose demand requirements exceed 1,000 kW and such contracts shall be for an initial term of at least one year. The customer shall contract for its maximum requirements, which shall not exceed the amount of power capable of being used by customer, and KUB shall not be obligated to supply power in greater amount at any time than the customer's currently effective contract demand. If the customer uses any power other than that supplied by KUB under this rate schedule, the contract may include other special provisions. The rate schedule in any power contract shall be subject to adjustment, modification, change, or replacement from time to time as approved by the Board.

Single – Point Delivery

The charges under this rate schedule are based upon the supply of service through a single delivery and at a single voltage. If service is supplied to the same customer through more than one point of delivery or at different voltages, the supply of service at each delivery point at each different voltage shall be separately metered and billed.

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Rules and Regulations

Service is subject to Rules and Regulations of KUB.

GENERAL POWER TIME-OF-USE RATE SCHEDULE GSA-TOU

Availability

This rate shall be available for the firm power requirements for electric service to non-residential customers, where a customer's contract demand is 1,000 kW or less.

Character of Service

Alternating current, single or three-phase, 60 hertz. Power shall be delivered at a service voltage available in the vicinity or agreed to by KUB.

Rates

1. If the higher of (a) the customer's currently effective contract demand, if any, or (b) its highest billing demand during the latest 12-month period is not more than 50 kW:

Customer Charge:	\$33.00 per delivery point per month
Monthly Demand Charge:	\$2.27 per kW of maximum billing demand
Monthly Energy Charge:	
Onpeak	\$0.23038 per kWh
Offpeak	\$0.09391 per kWh

- 2A. If the higher of (a) the customer's currently effective contract demand or (b) its highest billing demand during the latest 12-month period is greater than 50 kW but not more than 100 kW:

Customer Charge:	\$125.00 per delivery point per month
Monthly Demand Charge:	\$5.16 per kW of maximum billing demand
Monthly Energy Charge:	
Onpeak	\$0.24427 per kWh
Offpeak	\$0.10780 per kWh

- 2B. If the higher of (a) the customer's currently effective contract demand or (b) its highest billing demand during the latest 12-month period is greater than 100 kW but not more than 1,000 kW:

Customer Charge:	\$143.00 per delivery point per month
Monthly Demand Charge:	\$7.58 per kW of maximum billing demand
Monthly Energy Charge:	

Onpeak	\$0.21788 per kWh
Offpeak	\$0.08141 per kWh

3. If the higher of (a) the customer's currently effective contract demand or (b) its highest billing demand during the latest 12-month period is greater than 1,000 kW, these customers are not eligible for the GSA-TOU rate schedule. The customer will be removed from this rate and billed under the default General Power Rate – Schedule GSA unless the customer qualifies and selects TDGSA or TDMSA rates.

Adjustment

Charges under this rate schedule may be increased or decreased to reflect changes in purchased power costs as determined by any purchased power adjustment adopted by the Board. Rates shown above are inclusive of the Purchased Power Adjustment for the current month.

Determination of Onpeak and Offpeak Hours

All hours stated in Eastern Prevailing Time

Weekdays (Monday - Friday)

Onpeak	2 PM to 8 PM calendar months April through October 5 AM to 11 AM calendar months November through March
Offpeak	All other hours

Weekends (Saturday – Sunday) and Holidays - all hours are Offpeak

Holidays include the weekdays that are observed as holidays:

New Year's Day, Memorial Day, Independence Day, Labor Day,
Thanksgiving Day, and Christmas Day

Determination of Demand

KUB shall meter the demands in kW of all customers served under the GSA-TOU rate schedule. The Metered Demand for any month shall be the highest average during any 30-minute-consecutive period of the month of the load metered in kW. The Measured Demand for any month shall be the higher of (a) or (b) below.

The Billing Demand for any month shall be the higher of the following:

- (a) Metered Demand
- (b) 85 percent of the load in kVA
- (c) 30 percent of the higher of the currently effective contract demand or the highest billing demand established during the preceding 12 months.

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Minimum Bill

The monthly bill under this rate schedule shall not be less than the sum of (a) the customer charge, (b) the demand charge, as adjusted, applied to the customer's billing demand, and (c) the energy charges, as adjusted, applied to the customer's energy takings.

KUB may require minimum bills higher than those stated above.

Contract Requirements

At its sole discretion, KUB may require contracts for service provided under this rate schedule and such contracts shall be for an initial term of at least one year. The customer shall contract for its maximum requirements, which shall not exceed the amount of power capable of being used by customer, and KUB shall not be obligated to supply power in greater amount at any time than the customer's currently effective contract demand. If the customer uses any power other than that supplied by KUB under this rate schedule, the contract may include other special provisions. The rate schedule in any power contract shall be subject to adjustment, modification, change, or replacement from time to time as approved by the Board.

Single – Point Delivery

The charges under this rate schedule are based upon the supply of service through a single delivery and at a single voltage. If service is supplied to the same customer through more than one point of delivery or at different voltages, the supply of service at each delivery and metering point at each different voltage shall be separately metered and billed.

Rules and Regulations

Service is subject to Rules and Regulations of KUB

OUTDOOR LIGHTING RATE SCHEDULE LS

Availability

Available for service to street and park lighting systems, traffic signal systems, athletic field lighting installations, and outdoor lighting for individual customers.

Determination of Seasonal Periods

Summer Period shall mean the June, July, August, and September billing months. Winter Period shall mean the December, January, February, and March billing months. Transition Period shall mean the April, May, October, and November billing months.

PART A - CHARGES FOR STREET AND PARK LIGHTING SYSTEMS, TRAFFIC SIGNAL SYSTEMS, AND ATHLETIC FIELD LIGHTING INSTALLATIONS

I. Monthly Energy Charge:

Summer Period -	\$0.10667 per kWh
Winter Period -	\$0.10667 per kWh
Transition Period -	\$0.10667 per kWh

II. Facility Charge

The annual facility charge shall be 13.00 percent of the installed cost to KUB's electric system of the facilities devoted to street and park lighting service specified in this Part A. Such installed cost shall be recomputed on July 1 of each year, or more often if substantial changes in the facilities are made. Each month, one-twelfth of the then total annual facility charge shall be billed to the customer. If any part of the facilities has not been provided at the electric system's expense or if the installed cost of any portion thereof is reflected on the books of another municipality or agency or department, the annual facility charge shall be adjusted to reflect properly the remaining cost to be borne by the electric system.

Traffic signal systems and athletic field lighting installations shall be provided, owned, and maintained by and at the expense of the customer, except as KUB may agree otherwise in accordance with the provisions of the paragraph next following in this Section II. The facilities necessary to provide service to such systems and installations shall be provided by and at the expense of KUB's electric system, and the annual facility charge provided for first above in this Section II shall apply to the installed cost of such facilities.

When so authorized by policy duly adopted by the Board, traffic signal systems and athletic field lighting installations may be provided, owned, and maintained by KUB's electric system for the customer's benefit. In such cases KUB may require reimbursement from the customer for a portion of the initial installed cost of any such system or installation and shall require payment by the customer of a facility charge sufficient to cover all of KUB's costs (except reimbursed costs), including appropriate overheads, of providing, owning, and maintaining such system or installation; provided that, for athletic field lighting installations, such facility charge shall be 12.00 percent per year of such costs. Said facility charge shall be in addition to the annual facility charge on the facilities necessary to provide service to such system or installation as provided for in the preceding paragraph. Replacement of lamps and related glassware for traffic signal systems and athletic field lighting installations provided under this paragraph shall be paid for under the provisions of paragraph A in section IV.

III. Customer Charge – Traffic Signal Systems and Athletic Field Lighting Installations.

KUB shall apply a uniform monthly customer charge of \$2.50 for service to each traffic signal system or athletic field lighting installation.

IV. Replacement of Lamps and Related Glassware – Street and Park Lighting

Customer shall be billed and shall pay for replacements as provided in paragraph A below, which shall be applied to all service for street and park lighting.

- (a) KUB shall bill the customer monthly for such replacements during each month at KUB's cost of materials, including appropriate storeroom expense.
- (b) KUB shall bill the customer monthly for one-twelfth of the amount by which KUB's cost of materials, including appropriate storeroom expenses, exceeds the products of 3 mills multiplied by the number of kilowatt-hours used for street and park lighting during the fiscal year immediately preceding the fiscal year in which such month occurs.

Metering

For any billing month or part of such month in which the energy is not metered or for which a meter reading is found to be in error or a meter is found to have failed, the energy for billing purposes for that billing month or part of such month shall be computed from the rated capacity of the lamps (including ballast) plus 3 percent of such capacity to reflect secondary circuit losses, multiplied by the number of hours of use.

Revenue and Cost Review

KUB's costs of providing service under Part A of this rate schedule are subject to review at any time to determine if KUB's revenues from the charges being applied are sufficient to cover its costs. (Such costs, including applicable overheads, include, but are not limited to, those incurred in the operation and maintenance of the systems provided and those resulting from depreciation and payments for taxes, tax equivalents and interest). If any such review discloses that revenues are either less or more than sufficient to cover said costs, the Board shall revise the above facility charges so that revenues will be sufficient to cover said costs.

PART B - Outdoor Lighting for Individual Customers

Monthly Charges by Lamp Type				
(a) <u>Type of Fixture</u>	<u>Lamp Size</u>	<u>Rated kWh</u>	<u>Facility Charge</u>	<u>Total Lamp Charge</u>
Light-Emitting Diode (LED)	100WE	21	\$6.62	\$ 8.86
	250WE	58	\$8.20	\$14.39
	400WE	79	\$11.26	\$19.69
High Pressure Sodium (HPS)	100W	42	\$5.76	\$10.24
	250W	105	\$6.83	\$18.03
	400W	165	\$8.04	\$25.64
	1,000W*	385	\$12.87	\$53.94
Decorative	100W	42	\$6.57	\$11.05

** 1,000 watt fixtures not offered for new service.*

(b) Monthly Energy Charge for each lamp size above:

Summer Period -	\$0.10667 per kWh
Winter Period -	\$0.10667 per kWh
Transition Period -	\$0.10667 per kWh

Additional Facilities

The above charges in this Part B are limited to service from a photoelectrically controlled standard lighting fixture installed on a pole already in place. If the customer wishes to have the fixture installed at a location other than on a pole already in place, the customer shall pay an additional monthly charge of \$5.80 per pole for additional poles required to serve the fixture from KUB's nearest available source. (This section does not apply to Decorative Lighting Fixtures).

Adjustment

Charges under this rate schedule may be increased or decreased to reflect changes in purchased power costs as determined by any purchased power adjustment adopted by the Board. Rates shown above are inclusive of the Purchased Power Adjustment for the current month.

Lamp Replacements

Replacements of lamps and related glassware will be made in accordance with replacement policies of KUB.

Special Outdoor Lighting Installations

When so authorized by policy duly adopted by the Board, special outdoor lighting installations (other than as provided for under Parts A and B above) may be provided, owned, and maintained by KUB's electric system. In such cases, KUB may require reimbursement from the customer for a portion of the initial installed cost of any such installation and shall require payment by the customer of monthly charges sufficient to cover all of KUB's costs (except reimbursed costs), including appropriate overheads of providing, owning, and maintaining such installations, and making lamp replacements.

Rules and Regulations

Service is subject to Rules and Regulations of KUB.

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GENERAL POWER RATE SCHEDULE TDGSA

Availability

This rate, subject to availability from TVA, shall be available for firm electric power requirements where the higher of a customer's currently effective onpeak or offpeak contract demand is greater than 1,000 kW but not more than 5,000 kW for electric service to commercial, industrial, and governmental customers, and to institutional customers, including, without limitation, churches, clubs, fraternities, orphanages, nursing homes, rooming or boarding houses, and like customers, provided that the other conditions of this section are met.

For a customer requesting that its onpeak contract demand be different from its offpeak contract demand, this rate schedule shall be available only for (1) a new contract, (2) a replacement or renewal contract following expiration of the existing contract, or (3) a replacement or renewal contract or an amended existing contract in which the customer is increasing its demand requirements above the existing contract demand level, but under this item (3) neither the new onpeak nor the new offpeak contract demand shall be lower than the customer's existing contract demand.

Prior to participation in this rate, contract amendments may be required for continued participation in certain other programs and rate overlays as determined at KUB's sole discretion.

Character of Service

Alternating current, single or three-phase, 60 hertz. Power shall be delivered at a transmission voltage of 161 kV or, if such transmission voltage is not available, at the highest voltage available in the vicinity, unless at the customer's request a lower standard voltage is agreed upon.

Rates

Customer Charge:	\$1,500 per delivery point per month.
Administrative Charge:	\$700 per delivery point per month.
Demand Charge:	
Summer Period -	Onpeak Demand is \$12.03 per kW per month of the customer's onpeak billing demand
	Maximum Demand is \$8.64 per kW per month of the customer's maximum billing demand
	Excess Demand is \$20.67 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher

Winter Period -	Onpeak Demand is \$10.98 per kW per month of the customer's onpeak billing demand Maximum Demand is \$8.64 per kW per month of the customer's maximum billing demand Excess Demand is \$19.62 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher
Transition Period -	Onpeak Demand is \$10.98 per kW per month of the customer's onpeak billing demand Maximum Demand is \$8.64 per kW per month of the customer's maximum billing demand Excess Demand is \$19.62 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher
Energy Charge:	
Summer Period -	Onpeak is \$0.12946 per kWh per month for all metered onpeak kWh Offpeak <u>Block 1</u> \$0.09264 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy <u>Block 2</u> \$0.04598 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy <u>Block 3</u> \$0.04266 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy
Winter Period -	Onpeak is \$0.11266 per kWh per month for all metered onpeak kWh Offpeak <u>Block 1</u> \$0.09591 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy <u>Block 2</u> \$0.04598 per kWh per month for the next 200 hours use onpeak metered demand multiplied by the ratio of offpeak energy to total energy <u>Block 3</u> \$0.04266 per kWh per month for the hours use of onpeak metered demand in excess of 400

hours multiplied by the ratio of offpeak energy to total energy

Transition Period - Onpeak is \$0.09723 per kWh per month for all metered onpeak kWh

Offpeak

Block 1 \$0.09723 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy

Block 2 \$0.04598 per kWh per month for the next 200 hours use onpeak metered demand multiplied by the ratio of offpeak energy to total energy

Block 3 \$0.04266 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy

For the Summer Period, Winter Period, and Transition Period, Offpeak Block 1 energy rates less fuel rate of \$0.01995 per kWh per month shall be applied to the portion, if any, of the minimum offpeak energy takings amount that is greater than the metered energy.

Facilities Rental Charge

There shall be no facilities rental charge under this rate schedule for delivery at bulk transmission voltage levels of 161kV or higher. For delivery at less than 161kV, there shall be added to the customer's bill a facilities rental charge. This charge shall be 37 cents per kW per month except for delivery at voltages below 46 kV, in which case the charge shall be 97 cents per kW per month for the first 10,000 kW and 76 cents per kW per month for the excess over 10,000 kW. Such charge shall be applied to the higher of (1) the highest billing demand established during the latest 12-consecutive-month period or (2) the higher of the customer's currently effective onpeak or offpeak contract demand and shall be in addition to all other charges under this rate schedule, including minimum bill charges.

Reactive Demand Charge

If the reactive demand (in kVAR) is lagging during the 30-consecutive-minute period beginning or ending on a clock hour of the month in which the customer's highest metered demand occurs, there shall be added to the customer's bill a reactive charge of \$1.46 per kVAR of the amount, if any, by which the reactive demand exceeds 33 percent of such metered demand. If the reactive demand (in kVAR) is leading during the 30-consecutive-minute period beginning or ending on a clock hour of the month in which the customer's lowest metered demand (excluding any metered demands which are less than 25 percent of the highest metered demand) occurs, there shall be added to the customer's bill a reactive charge of \$1.14 per kVAR of the amount of reactive demand. Such charges shall be in addition to all other charges under this rate schedule, including minimum bill charges.

Adjustment

Charges under this rate schedule may be increased or decreased to reflect changes in purchased power costs as determined by any purchased power adjustment adopted by the Board. Rates shown above are inclusive of the Purchased Power Adjustment for the current month.

Determination of Seasonal Periods

Summer Period shall mean the June, July, August, and September billing months. Winter Period shall mean the December, January, February, and March billing months. Transition Period shall mean the April, May, October, and November billing months. The Seasonal Periods under this rate schedule are subject to change by KUB. In the event KUB determines that changed Seasonal Periods are appropriate, such decision shall be made at least 11 months prior to the effective date of such changed periods, and KUB shall promptly notify customer.

Determination of Onpeak and Offpeak Hours

Except for Saturdays, Sundays, November 1, and the weekdays that are observed as Federal holidays for New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day, onpeak hours for each day shall for purposes of this rate schedule be 1 p.m. to 7 p.m. during the months of April, May, June, July, August, September and October and from 4 a.m. to 10 a.m. during the months of January, February, March, November, and December. All other hours of each day that are not otherwise defined as onpeak hours and all hours of such excepted days shall be offpeak hours. Such times shall be Central Standard Time or Central Daylight Time, whichever is then in effect. Said onpeak and offpeak hours are subject to change by KUB. In the event KUB determines that such changed onpeak and offpeak hours are appropriate, such decision shall be made at least 11 months prior to the effective date of such changed hours, and KUB shall promptly notify customer.

Determination of Onpeak and Offpeak Demands, Maximum Metered Demand, and Energy Amounts

The onpeak and offpeak kWh for any month shall be the energy amounts taken during the respective hours of the month designated under this rate schedule as onpeak and offpeak hours; provided, however, that notwithstanding the metered energy amount, the offpeak energy for any month shall in no case be less than the product of (1) the offpeak billing demand as calculated in the last sentence of the paragraph below and (2) 110 hours (reflecting a 15 percent load factor applied to the average number of hours in a month).

KUB shall meter the onpeak and offpeak demands in kW of all customers taking service under this rate schedule. The onpeak metered demand and offpeak metered demand for any month shall be determined separately for the respective hours of the month designated under this rate schedule as onpeak and offpeak hours and in each case shall be the highest average during any 30-consecutive-minute period beginning or ending on a clock hour of the month of the load metered in kW, and, except as provided below in this section, such amounts shall be used as the onpeak and offpeak billing demands.

The maximum billing demand for any month shall be the higher of (1) the highest onpeak billing demand in the month or (2) the highest offpeak billing demand in the month. The onpeak billing demand shall in no case be less than the sum of (1) 30 percent of the first 5,000 kW and (2) 40 percent of any kW in excess of 5,000 kW of the higher of the currently effective onpeak contract demand or the highest onpeak billing demand established during the preceding 12 months. The offpeak billing demand shall in no case be less than the sum of (1) 30 percent of the first 5,000 kW and (2) 40 percent of any kW in excess of 5,000 kW of the higher of the currently effective offpeak contract demand or the highest offpeak billing demand established during the preceding 12 months.

Minimum Bill

The monthly bill under this rate schedule, excluding any facilities rental charges and any reactive charges, shall not be less than the sum of (1) the base customer charge and administrative charge, (2) the portion of the base demand charge, as adjusted (but excluding the additional portion thereof applicable to excess of billing demand over contract demand) applicable to onpeak billing demand applied to the customer's onpeak billing demand, (3) the portion of the base demand charge, as adjusted, (but excluding the additional portion thereof applicable to excess of billing demand over contract demand) applicable to maximum billing demand applied to the customer's maximum billing demand, (4) the base onpeak energy charge, as adjusted, applied to the customer's onpeak energy takings, and (5) the base offpeak energy charge, as adjusted, applied to the higher of customer's actual offpeak energy takings or the minimum offpeak energy takings amount provided for in the first paragraph of the section of this rate schedule entitled "Determination of Onpeak and Offpeak Demands, Maximum Metered Demand, and Energy Amounts". Notwithstanding the foregoing, any fuel cost that is included in any purchased power adjustment adopted by the Board shall not be applied to any billed offpeak energy that exceeds the metered offpeak energy.

KUB may require minimum bills higher than those stated above.

Contract Requirement

KUB shall require contracts for all service provided under this rate schedule. The contract shall be for an initial term of at least five years and any renewals or extensions of the initial contract shall be for a term of at least one year; after ten years of service, any such contract for the renewal or extension of service may provide for termination upon not less than four months notice. The customer shall contract for its maximum requirements, which shall not exceed the amount of power capable of being used by customer, and KUB shall not be obligated to supply power in greater amount at any time than the customer's currently effective onpeak or offpeak contract demand. If the customer uses any power other than that supplied by KUB under this rate schedule, the contract may include other special provisions. The rate schedule in any power contract shall be subject to adjustment, modification, change, or replacement from time to time as approved by the Board.

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Single Point Delivery

The charges under this rate schedule are based upon the supply of service through a single delivery point and at a single voltage. If service is supplied to the same customer through more than one point of delivery or at different voltages, the supply of service at each delivery point and at each different voltage shall be separately metered and billed.

Rules and Regulations

Service is subject to Rules and Regulations of KUB.

GENERAL POWER RATE SCHEDULE GSB

Availability

This rate, subject to availability from TVA, shall be available for firm electric power requirements where the higher of a customer's currently effective onpeak or offpeak contract demand is greater than 5,000 kW but not more than 15,000 kW; provided that the other conditions of this section are met.

For a customer requesting that its onpeak contract demand be different from its offpeak contract demand, this rate schedule shall be available only for (1) a new contract, (2) a replacement or renewal contract following expiration of the existing contract, or (3) a replacement or renewal contract or an amended existing contract in which the customer is increasing its demand requirements above the existing contract demand level, but under this item (3) neither the new onpeak nor the new offpeak contract demand shall be lower than the customer's existing contract demand.

Prior to participation in this rate, contract amendments may be required for continued participation in certain other programs and rate overlays as determined at KUB's sole discretion.

Character of Service

Alternating current, single or three-phase, 60 hertz. Power shall be delivered at a transmission voltage of 161 kV or, if such transmission voltage is not available, at the highest voltage available in the vicinity, unless at the customer's request a lower standard voltage is agreed upon.

Rates

Customer Charge:	\$1,500 per delivery point per month.
Administrative Charge:	\$700 per delivery point per month.
Demand Charge:	

Summer Period -	Onpeak Demand is \$11.81 per kW per month of the customer's onpeak billing demand Maximum Demand is \$6.87 per kW per month of the customer's maximum billing demand Excess Demand is \$18.68 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher
Winter Period -	Onpeak Demand is \$10.77 per kW per month of the customer's onpeak billing demand Maximum Demand is \$6.87 per kW per month of the customer's maximum billing demand Excess Demand is \$17.64 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher
Transition Period -	Onpeak Demand is \$10.77 per kW per month of the customer's onpeak billing demand Maximum Demand is \$6.87 per kW per month of the customer's maximum billing demand Excess Demand is \$17.64 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher
Energy Charge:	
Summer Period -	Onpeak is \$0.09580 per kWh per month for all metered onpeak kWh Offpeak <u>Block 1</u> \$0.06870 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy <u>Block 2</u> \$0.03110 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy <u>Block 3</u> \$0.02739 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy
Winter Period -	Onpeak is \$0.08345 per kWh per month for all metered onpeak kWh

Offpeak

Block 1 \$0.07111 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy

Block 2 \$0.03110 per kWh per month for the next 200 hours use onpeak metered demand multiplied by the ratio of offpeak energy to total energy

Block 3 \$0.02739 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy

Transition Period - Onpeak is \$0.06835 per kWh per month for all metered onpeak kWh

Offpeak

Block 1 \$0.06835 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy

Block 2 \$0.03110 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy

Block 3 \$0.02739 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy

For the Summer Period, Winter Period, and Transition Period, Offpeak Block 1 energy rates less fuel rate of \$0.01919 per kWh per month shall be applied to the portion, if any, of the minimum offpeak energy takings amount that is greater than the metered energy.

Facilities Rental Charge

There shall be no facilities rental charge under this rate schedule for delivery at bulk transmission voltage levels of 161kV or higher. For delivery at less than 161kV, there shall be added to the customer's bill a facilities rental charge. This charge shall be 37 cents per kW per month except for delivery at voltages below 46 kV, in which case the charge shall be 97 cents per kW per month for the first 10,000 kW and 76 cents per kW per month for the excess over 10,000 kW. Such charge shall be applied to the higher of (1) the highest billing demand established during the latest 12-consecutive-month period or (2) the higher of the customer's currently effective onpeak or offpeak contract demand and shall be in addition to all other charges under this rate schedule, including minimum bill charges.

Reactive Demand Charge

If the reactive demand (in kVAR) is lagging during the 30-consecutive-minute period beginning or ending on a clock hour of the month in which the customer's highest metered demand occurs, there shall be added to the customer's bill a reactive charge of \$1.46 per kVAR

of the amount, if any, by which the reactive demand exceeds 33 percent of such metered demand. If the reactive demand (in kVAR) is leading during the 30-consecutive-minute period beginning or ending on a clock hour of the month in which the customer's lowest metered demand (excluding any metered demands which are less than 25 percent of the highest metered demand) occurs, there shall be added to the customer's bill a reactive charge of \$1.14 per kVAR of the amount of reactive demand. Such charges shall be in addition to all other charges under this rate schedule, including minimum bill charges.

Adjustment

Charges under this rate schedule may be increased or decreased to reflect changes in purchased power costs as determined by any purchased power adjustment adopted by the Board. Rates shown above are inclusive of the Purchased Power Adjustment for the current month.

Determination of Seasonal Periods

Summer Period shall mean the June, July, August, and September billing months. Winter Period shall mean the December, January, February, and March billing months. Transition Period shall mean the April, May, October, and November billing months. The Seasonal Periods under this rate schedule are subject to change by KUB. In the event KUB determines that changed Seasonal Periods are appropriate, such decision shall be made at least 11 months prior to the effective date of such changed periods, and KUB shall promptly notify customer.

Determination of Onpeak and Offpeak Hours

Except for Saturdays, Sundays, November 1, and the weekdays that are observed as Federal holidays for New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day, onpeak hours for each day shall for purposes of this rate schedule be 1 p.m. to 7 p.m. during the months of April, May, June, July, August, September and October and from 4 a.m. to 10 a.m. during the months of January, February, March, November, and December. All other hours of each day that are not otherwise defined as onpeak hours and all hours of such excepted days shall be offpeak hours. Such times shall be Central Standard Time or Central Daylight Time, whichever is then in effect. Said onpeak and offpeak hours are subject to change by KUB. In the event KUB determines that such changed onpeak and offpeak hours are appropriate, such decision shall be made at least 11 months prior to the effective date of such changed hours, and KUB shall promptly notify customer.

Determination of Onpeak and Offpeak Demands, Maximum Metered Demand, and Energy Amounts

The onpeak and offpeak kWh for any month shall be the energy amounts taken during the respective hours of the month designated under this rate schedule as onpeak and offpeak hours; provided, however, that notwithstanding the metered energy amount, the offpeak energy for any month shall in no case be less than the product of (1) the offpeak billing demand as calculated in the last sentence of the paragraph below and (2) 110 hours (reflecting a 15 percent load factor applied to the average number of hours in a month).

KUB shall meter the onpeak and offpeak demands in kW of all customers taking service under this rate schedule. The onpeak metered demand and offpeak metered demand for any month shall be determined separately for the respective hours of the month designated under this rate schedule as onpeak and offpeak hours and in each case shall be the highest average during any 30-consecutive-minute period beginning or ending on a clock hour of the month of the load metered in kW, and, except as provided below in this section, such amounts shall be used as the onpeak and offpeak billing demands.

The maximum billing demand for any month shall be the higher of (1) the highest onpeak billing demand in the month or (2) the highest offpeak billing demand in the month. The onpeak billing demand shall in no case be less than the sum of (1) 30 percent of the first 5,000 kW and (2) 40 percent of any kW in excess of 5,000 kW of the higher of the currently effective onpeak contract demand or the highest onpeak billing demand established during the preceding 12 months. The offpeak billing demand shall in no case be less than the sum of (1) 30 percent of the first 5,000 kW and (2) 40 percent of any kW in excess of 5,000 kW of the higher of the currently effective offpeak contract demand or the highest offpeak billing demand established during the preceding 12 months.

Minimum Bill

The monthly bill under this rate schedule, excluding any facilities rental charges and any reactive charges, shall not be less than the sum of (1) the base customer charge and administrative charge, (2) the portion of the base demand charge, as adjusted (but excluding the additional portion thereof applicable to excess of billing demand over contract demand) applicable to onpeak billing demand applied to the customer's onpeak billing demand, (3) the portion of the base demand charge, as adjusted, (but excluding the additional portion thereof applicable to excess of billing demand over contract demand) applicable to maximum billing demand applied to the customer's maximum billing demand, (4) the base onpeak energy charge, as adjusted, applied to the customer's onpeak energy takings, and (5) the base offpeak energy charge, as adjusted, applied to the higher of customer's actual offpeak energy takings or the minimum offpeak energy takings amount provided for in the first paragraph of the section of this rate schedule entitled "Determination of Onpeak and Offpeak Demands, Maximum Metered Demand, and Energy Amounts". Notwithstanding the foregoing, any fuel cost that is included in any purchased power adjustment adopted by the Board shall not be applied to any billed offpeak energy that exceeds the metered offpeak energy.

KUB may require minimum bills higher than those stated above.

Contract Requirement

KUB shall require contracts for all service provided under this rate schedule. The contract shall be for an initial term of at least five years and any renewals or extensions of the initial contract shall be for a term of at least one year; after ten years of service, any such contract for the renewal or extension of service may provide for termination upon not less than four months notice. The customer shall contract for its maximum requirements, which shall not exceed the

amount of power capable of being used by customer, and KUB shall not be obligated to supply power in greater amount at any time than the customer's currently effective onpeak or offpeak contract demand. If the customer uses any power other than that supplied by KUB under this rate schedule, the contract may include other special provisions. The rate schedule in any power contract shall be subject to adjustment, modification, change, or replacement from time to time as approved by the Board.

Single Point Delivery

The charges under this rate schedule are based upon the supply of service through a single delivery point and at a single voltage. If service is supplied to the same customer through more than one point of delivery or at different voltages, the supply of service at each delivery point and at each different voltage shall be separately metered and billed.

Rules and Regulations

Service is subject to Rules and Regulations of KUB.

GENERAL POWER RATE SCHEDULE GSC

Availability

This rate, subject to availability from TVA, shall be available for firm electric power requirements where the higher of a customer's currently effective onpeak or offpeak contract demand is greater than 15,000 kW but not more than 25,000 kW; provided that the other conditions of this section are met.

For a customer requesting that its onpeak contract demand be different from its offpeak contract demand, this rate schedule shall be available only for (1) a new contract, (2) a replacement or renewal contract following expiration of the existing contract, or (3) a replacement or renewal contract or an amended existing contract in which the customer is increasing its demand requirements above the existing contract demand level, but under this item (3) neither the new onpeak nor the new offpeak contract demand shall be lower than the customer's existing contract demand.

Prior to participation in this rate, contract amendments may be required for continued participation in certain other programs and rate overlays as determined at KUB's sole discretion.

Character of Service

Alternating current, single or three-phase, 60 hertz. Power shall be delivered at a transmission voltage of 161 kV or, if such transmission voltage is not available, at the highest voltage available in the vicinity, unless at the customer's request a lower standard voltage is agreed upon.

Rates

Customer Charge:	\$1,500 per delivery point per month.
Administrative Charge:	\$700 per delivery point per month.
Demand Charge:	
Summer Period -	Onpeak Demand is \$11.81 per kW per month of the customer's onpeak billing demand Maximum Demand is \$6.71 per kW per month of the customer's maximum billing demand Excess Demand is \$18.52 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher
Winter Period -	Onpeak Demand is \$10.77 per kW per month of the customer's onpeak billing demand Maximum Demand is \$6.71 per kW per month of the customer's maximum billing demand Excess Demand is \$17.48 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher
Transition Period -	Onpeak Demand is \$10.77 per kW per month of the customer's onpeak billing demand Maximum Demand is \$6.71 per kW per month of the customer's maximum billing demand Excess Demand is \$17.48 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher
Energy Charge:	
Summer Period -	Onpeak is \$0.09578 per kWh per month for all metered onpeak kWh Offpeak <u>Block 1</u> \$0.06868 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy <u>Block 2</u> \$0.03108 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy

	<u>Block 3</u> \$0.02737 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy
Winter Period -	Onpeak is \$0.08343 per kWh per month for all metered onpeak kWh Offpeak <u>Block 1</u> \$0.07109 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy <u>Block 2</u> \$0.03108 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy <u>Block 3</u> \$0.02737 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy
Transition Period -	Onpeak is \$0.06833 per kWh per month for all metered onpeak kWh Offpeak <u>Block 1</u> \$0.06833 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy <u>Block 2</u> \$0.03108 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy <u>Block 3</u> \$0.02737 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy

For the Summer Period, Winter Period, and Transition Period, Offpeak Block 1 energy rates less fuel rate of \$0.01919 per kWh per month shall be applied to the portion, if any, of the minimum offpeak energy takings amount that is greater than the metered energy.

Facilities Rental Charge

There shall be no facilities rental charge under this rate schedule for delivery at bulk transmission voltage levels of 161kV or higher. For delivery at less than 161kV, there shall be added to the customer's bill a facilities rental charge. This charge shall be 37 cents per kW per month except for delivery at voltages below 46 kV, in which case the charge shall be 97 cents per kW per month for the first 10,000 kW and 76 cents per kW per month for the excess over 10,000 kW. Such charge shall be applied to the higher of (1) the highest billing demand established during the latest 12-consecutive-month period or (2) the higher of the customer's currently effective onpeak or offpeak contract demand and shall be in addition to all other charges under this rate schedule, including minimum bill charges.

Reactive Demand Charge

If the reactive demand (in kVAR) is lagging during the 30-consecutive-minute period beginning or ending on a clock hour of the month in which the customer's highest metered demand occurs, there shall be added to the customer's bill a reactive charge of \$1.46 per kVAR of the amount, if any, by which the reactive demand exceeds 33 percent of such metered demand. If the reactive demand (in kVAR) is leading during the 30-consecutive-minute period beginning or ending on a clock hour of the month in which the customer's lowest metered demand (excluding any metered demands which are less than 25 percent of the highest metered demand) occurs, there shall be added to the customer's bill a reactive charge of \$1.14 per kVAR of the amount of reactive demand. Such charges shall be in addition to all other charges under this rate schedule, including minimum bill charges.

Adjustment

Charges under this rate schedule may be increased or decreased to reflect changes in purchased power costs as determined by any purchased power adjustment adopted by the Board. Rates shown above are inclusive of the Purchased Power Adjustment for the current month.

Determination of Seasonal Periods

Summer Period shall mean the June, July, August, and September billing months. Winter Period shall mean the December, January, February, and March billing months. Transition Period shall mean the April, May, October, and November billing months. The Seasonal Periods under this rate schedule are subject to change by KUB. In the event KUB determines that changed Seasonal Periods are appropriate, such decision shall be made at least 11 months prior to the effective date of such changed periods, and KUB shall promptly notify customer.

Determination of Onpeak and Offpeak Hours

Except for Saturdays, Sundays, November 1, and the weekdays that are observed as Federal holidays for New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day, onpeak hours for each day shall for purposes of this rate schedule be 1 p.m. to 7 p.m. during the months of April, May, June, July, August, September and October and from 4 a.m. to 10 a.m. during the months of January, February, March, November, and December. All other hours of each day that are not otherwise defined as onpeak hours and all hours of such excepted days shall be offpeak hours. Such times shall be Central Standard Time or Central Daylight Time, whichever is then in effect. Said onpeak and offpeak hours are subject to change by KUB. In the event KUB determines that such changed onpeak and offpeak hours are appropriate, such decision shall be made at least 11 months prior to the effective date of such changed hours, and KUB shall promptly notify customer.

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Determination of Onpeak and Offpeak Demands, Maximum Metered Demand, and Energy Amounts

The onpeak and offpeak kWh for any month shall be the energy amounts taken during the respective hours of the month designated under this rate schedule as onpeak and offpeak hours; provided, however, that notwithstanding the metered energy amount, the offpeak energy for any month shall in no case be less than the product of (1) the offpeak billing demand as calculated in the last sentence of the paragraph below and (2) 110 hours (reflecting a 15 percent load factor applied to the average number of hours in a month).

KUB shall meter the onpeak and offpeak demands in kW of all customers taking service under this rate schedule. The onpeak metered demand and offpeak metered demand for any month shall be determined separately for the respective hours of the month designated under this rate schedule as onpeak and offpeak hours and in each case shall be the highest average during any 30-consecutive-minute period beginning or ending on a clock hour of the month of the load metered in kW, and, except as provided below in this section, such amounts shall be used as the onpeak and offpeak billing demands.

The maximum billing demand for any month shall be the higher of (1) the highest onpeak billing demand in the month or (2) the highest offpeak billing demand in the month. The onpeak billing demand shall in no case be less than the sum of (1) 30 percent of the first 5,000 kW, (2) 40 percent of the next 20,000 kW, and (3) 50 percent of any kW in excess of 25,000 kW of the higher of the currently effective onpeak contract demand or the highest onpeak billing demand established during the preceding 12 months. The offpeak billing demand shall in no case be less than the sum of (1) 30 percent of the first 5,000 kW, (2) 40 percent of the next 20,000 kW, and (3) 50 percent of any kW in excess of 25,000 kW of the higher of the currently effective offpeak contract demand or the highest offpeak billing demand established during the preceding 12 months.

Minimum Bill

The monthly bill under this rate schedule, excluding any facilities rental charges and any reactive charges, shall not be less than the sum of (1) the base customer charge and administrative charge, (2) the portion of the base demand charge, as adjusted (but excluding the additional portion thereof applicable to excess of billing demand over contract demand) applicable to onpeak billing demand applied to the customer's onpeak billing demand, (3) the portion of the base demand charge, as adjusted, (but excluding the additional portion thereof applicable to excess of billing demand over contract demand) applicable to maximum billing demand applied to the customer's maximum billing demand, (4) the base onpeak energy charge, as adjusted, applied to the customer's onpeak energy takings, and (5) the base offpeak energy charge, as adjusted, applied to the higher of customer's actual offpeak energy takings or the minimum offpeak energy takings amount provided for in the first paragraph of the section of this rate schedule entitled "Determination of Onpeak and Offpeak Demands, Maximum Metered Demand, and Energy Amounts". Notwithstanding the foregoing, any fuel cost that is included in any purchased power adjustment adopted by the Board shall not be applied to any billed offpeak energy that exceeds the metered offpeak energy.

KUB may require minimum bills higher than those stated above.

Contract Requirement

KUB shall require contracts for all service provided under this rate schedule. The contract shall be for an initial term of at least five years and any renewals or extensions of the initial contract shall be for a term of at least one year; after ten years of service, any such contract for the renewal or extension of service may provide for termination upon not less than four months notice. The customer shall contract for its maximum requirements, which shall not exceed the amount of power capable of being used by customer, and KUB shall not be obligated to supply power in greater amount at any time than the customer's currently effective onpeak or offpeak contract demand. If the customer uses any power other than that supplied by KUB under this rate schedule, the contract may include other special provisions. The rate schedule in any power contract shall be subject to adjustment, modification, change, or replacement from time to time as approved by the Board.

Single Point Delivery

The charges under this rate schedule are based upon the supply of service through a single delivery point and at a single voltage. If service is supplied to the same customer through more than one point of delivery or at different voltages, the supply of service at each delivery point and at each different voltage shall be separately metered and billed.

Rules and Regulations

Service is subject to Rules and Regulations of KUB.

GENERAL POWER RATE SCHEDULE GSD

Availability

This rate, subject to availability from TVA, shall be available for firm electric power requirements where the higher of a customer's currently effective onpeak or offpeak contract demand is greater than 25,000 kW; provided that the other conditions of this section are met.

For a customer requesting that its onpeak contract demand be different from its offpeak contract demand, this rate schedule shall be available only for (1) a new contract, (2) a replacement or renewal contract following expiration of the existing contract, or (3) a replacement or renewal contract or an amended existing contract in which the customer is increasing its demand requirements above the existing contract demand level, but under this item (3) neither the new onpeak nor the new offpeak contract demand shall be lower than the customer's existing contract demand.

Prior to participation in this rate, contract amendments may be required for continued participation in certain other programs and rate overlays as determined at KUB's sole discretion.

Character of Service

Alternating current, single or three-phase, 60 hertz. Power shall be delivered at a transmission voltage of 161 kV or, if such transmission voltage is not available, at the highest voltage available in the vicinity, unless at the customer's request a lower standard voltage is agreed upon.

Rates

Customer Charge:	\$1,500 per delivery point per month.
Administrative Charge:	\$700 per delivery point per month.
Demand Charge:	
Summer Period -	Onpeak Demand is \$11.81 per kW per month of the customer's onpeak billing demand Maximum Demand is \$6.58 per kW per month of the customer's maximum billing demand Excess Demand is \$18.39 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher
Winter Period -	Onpeak Demand is \$10.77 per kW per month of the customer's onpeak billing demand Maximum Demand is \$6.58 per kW per month of the customer's maximum billing demand Excess Demand is \$17.35 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher
Transition Period -	Onpeak Demand is \$10.77 per kW per month of the customer's onpeak billing demand Maximum Demand is \$6.58 per kW per month of the customer's maximum billing demand Excess Demand is \$17.35 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher

Energy Charge:

Summer Period -	Onpeak is \$0.09578 per kWh per month for all metered onpeak kWh Offpeak <u>Block 1</u> \$0.06868 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy <u>Block 2</u> \$0.02983 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy <u>Block 3</u> \$0.02737 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy
Winter Period -	Onpeak is \$0.08343 per kWh per month for all metered onpeak kWh Offpeak <u>Block 1</u> \$0.07109 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy <u>Block 2</u> \$0.02983 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy <u>Block 3</u> \$0.02737 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy
Transition Period -	Onpeak is \$0.06833 per kWh per month for all metered onpeak kWh Offpeak <u>Block 1</u> \$0.06833 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy <u>Block 2</u> \$0.02983 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy <u>Block 3</u> \$0.02737 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy

For the Summer Period, Winter Period, and Transition Period, Offpeak Block 1 energy rates less fuel rate of \$0.01919 per kWh per month shall be applied to the portion, if any, of the minimum offpeak energy takings amount that is greater than the metered energy.

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Facilities Rental Charge

There shall be no facilities rental charge under this rate schedule for delivery at bulk transmission voltage levels of 161kV or higher. For delivery at less than 161kV, there shall be added to the customer's bill a facilities rental charge. This charge shall be 37 cents per kW per month except for delivery at voltages below 46 kV, in which case the charge shall be 97 cents per kW per month for the first 10,000 kW and 76 cents per kW per month for the excess over 10,000 kW. Such charge shall be applied to the higher of (1) the highest billing demand established during the latest 12-consecutive-month period or (2) the higher of the customer's currently effective onpeak or offpeak contract demand and shall be in addition to all other charges under this rate schedule, including minimum bill charges.

Reactive Demand Charge

If the reactive demand (in kVAR) is lagging during the 30-consecutive-minute period beginning or ending on a clock hour of the month in which the customer's highest metered demand occurs, there shall be added to the customer's bill a reactive charge of \$1.46 per kVAR of the amount, if any, by which the reactive demand exceeds 33 percent of such metered demand. If the reactive demand (in kVAR) is leading during the 30-consecutive-minute period beginning or ending on a clock hour of the month in which the customer's lowest metered demand (excluding any metered demands which are less than 25 percent of the highest metered demand) occurs, there shall be added to the customer's bill a reactive charge of \$1.14 per kVAR of the amount of reactive demand. Such charges shall be in addition to all other charges under this rate schedule, including minimum bill charges.

Adjustment

Charges under this rate schedule may be increased or decreased to reflect changes in purchased power costs as determined by any purchased power adjustment adopted by the Board. Rates shown above are inclusive of the Purchased Power Adjustment for the current month.

Determination of Seasonal Periods

Summer Period shall mean the June, July, August, and September billing months. Winter Period shall mean the December, January, February, and March billing months. Transition Period shall mean the April, May, October, and November billing months. The Seasonal Periods under this rate schedule are subject to change by KUB. In the event KUB determines that changed Seasonal Periods are appropriate, such decision shall be made at least 11 months prior to the effective date of such changed periods, and KUB shall promptly notify customer.

Determination of Onpeak and Offpeak Hours

Except for Saturdays, Sundays, November 1, and the weekdays that are observed as Federal holidays for New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day, onpeak hours for each day shall for purposes of this rate schedule be 1 p.m. to 7 p.m. during the months of April, May, June, July, August, September and

October and from 4 a.m. to 10 a.m. during the months of January, February, March, November, and December. All other hours of each day that are not otherwise defined as onpeak hours and all hours of such excepted days shall be offpeak hours. Such times shall be Central Standard Time or Central Daylight Time, whichever is then in effect. Said onpeak and offpeak hours are subject to change by KUB. In the event KUB determines that such changed onpeak and offpeak hours are appropriate, such decision shall be made at least 11 months prior to the effective date of such changed hours, and KUB shall promptly notify customer.

Determination of Onpeak and Offpeak Demands, Maximum Metered Demand, and Energy Amounts

The onpeak and offpeak kWh for any month shall be the energy amounts taken during the respective hours of the month designated under this rate schedule as onpeak and offpeak hours; provided, however, that notwithstanding the metered energy amount, the offpeak energy for any month shall in no case be less than the product of (1) the offpeak billing demand as calculated in the last sentence of the paragraph below and (2) 110 hours (reflecting a 15 percent load factor applied to the average number of hours in a month).

KUB shall meter the onpeak and offpeak demands in kW of all customers taking service under this rate schedule. The onpeak metered demand and offpeak metered demand for any month shall be determined separately for the respective hours of the month designated under this rate schedule as onpeak and offpeak hours and in each case shall be the highest average during any 30-consecutive-minute period beginning or ending on a clock hour of the month of the load metered in kW, and, except as provided below in this section, such amounts shall be used as the onpeak and offpeak billing demands.

The maximum billing demand for any month shall be the higher of (1) the highest onpeak billing demand in the month or (2) the highest offpeak billing demand in the month. The onpeak billing demand shall in no case be less than the sum of (1) 30 percent of the first 5,000 kW, (2) 40 percent of the next 20,000 kW; (3) 50 percent of the next 25,000 kW, (4) 60 percent of the next 50,000 kW, (5) 70 percent of the next 100,000 kW, (6) 80 percent of the next 150,000 kW, and (7) 85 percent of all kW in excess of 350,000 kW of the higher of the currently effective onpeak contract demand or the highest onpeak billing demand established during the preceding 12 months. The offpeak billing demand shall in no case be less than the sum of (1) 30 percent of the first 5,000 kW, (2) 40 percent of the next 20,000 kW, (3) 50 percent of the next 25,000 kW, (4) 60 percent of the next 50,000 kW, (5) 70 percent of the next 100,000 kW, (6) 80 percent of the next 150,000 kW, and (7) 85 percent of all kW in excess of 350,000 kW of the higher of the currently effective offpeak contract demand or the highest offpeak billing demand established during the preceding 12 months.

Minimum Bill

The monthly bill under this rate schedule, excluding any facilities rental charges and any reactive charges, shall not be less than the sum of (1) the base customer charge and administrative charge, (2) the portion of the base demand charge, as adjusted (but excluding the additional portion thereof applicable to excess of billing demand over contract demand)

applicable to onpeak billing demand applied to the customer's onpeak billing demand, (3) the portion of the base demand charge, as adjusted, (but excluding the additional portion thereof applicable to excess of billing demand over contract demand) applicable to maximum billing demand applied to the customer's maximum billing demand, (4) the base onpeak energy charge, as adjusted, applied to the customer's onpeak energy takings, and (5) the base offpeak energy charge, as adjusted, applied to the higher of customer's actual offpeak energy takings or the minimum offpeak energy takings amount provided for in the first paragraph of the section of this rate schedule entitled "Determination of Onpeak and Offpeak Demands, Maximum Metered Demand, and Energy Amounts". Notwithstanding the foregoing, any fuel cost that is included in any purchased power adjustment adopted by the Board shall not be applied to any billed offpeak energy that exceeds the metered offpeak energy.

KUB may require minimum bills higher than those stated above.

Contract Requirement

KUB shall require contracts for all service provided under this rate schedule. The contract shall be for an initial term of at least five years and any renewals or extensions of the initial contract shall be for a term of at least one year; after ten years of service, any such contract for the renewal or extension of service may provide for termination upon not less than four months notice. The customer shall contract for its maximum requirements, which shall not exceed the amount of power capable of being used by customer, and KUB shall not be obligated to supply power in greater amount at any time than the customer's currently effective onpeak or offpeak contract demand. If the customer uses any power other than that supplied by KUB under this rate schedule, the contract may include other special provisions. The rate schedule in any power contract shall be subject to adjustment, modification, change, or replacement from time to time as approved by the Board.

Single Point Delivery

The charges under this rate schedule are based upon the supply of service through a single delivery point and at a single voltage. If service is supplied to the same customer through more than one point of delivery or at different voltages, the supply of service at each delivery point and at each different voltage shall be separately metered and billed.

Rules and Regulations

Service is subject to Rules and Regulations of KUB.

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MANUFACTURING SERVICE RATE SCHEDULE TDMSA

Availability

This rate, subject to availability from TVA, shall be available for firm electric power requirements where (a) a customer's currently effective onpeak or offpeak contract demand, whichever is higher, is greater than 1,000 kW but not more than 5,000 kW, and (b) the major use of electricity is for activities conducted at the delivery point serving that customer which are classified with a 2-digit Standard Industrial Classification Code between 20 and 39, inclusive, or classified with 2002 North American Industry Classification System (NAICS) code 5181, or 2007 NAICS codes 5182, 522320, and 541214.

Prior to initially taking any service under this schedule, and from time to time thereafter as may be required by KUB, a customer shall certify to KUB that it meets the requirements set forth in condition (b) above. The certification form to be used shall be furnished by KUB to the customer, and signed and promptly returned by the customer to KUB. Further, such customer shall promptly certify any change in the status of any of the information contained in the certification form.

Service during any period for which a customer does not meet the eligibility requirements set forth in condition (b) above will be made available by KUB under, and billed in accordance with, the applicable General Power schedule.

For a customer requesting that its onpeak contract demand be different from its offpeak contract demand, this rate schedule shall be available only for (1) a new contract, (2) a replacement or renewal contract following expiration of the existing contract, or (3) a replacement or renewal contract or an amended existing contract in which the customer is increasing its demand requirements above the existing contract demand level, but under this item (3) neither the new onpeak nor the new offpeak contract demand shall be lower than the customer's existing contract demand.

Prior to participation in this rate, contract amendments may be required for continued participation in certain other programs and rate overlays as determined at KUB's sole discretion.

Character of Service

Alternating current, single or three-phase, 60 hertz. Power shall be delivered at a transmission voltage of 161 kV or, if such transmission voltage is not available, at the highest voltage available in the vicinity, unless at the customer's request a lower standard voltage is agreed upon.

Rates

Customer Charge:	\$1,500 per delivery point per month.
Administrative Charge:	\$700 per delivery point per month.

Demand Charge:

Summer Period -	Onpeak Demand is \$11.26 per kW per month of the customer's onpeak billing demand Maximum Demand is \$6.64 per kW per month of the customer's maximum billing demand Excess Demand is \$17.90 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher
Winter Period -	Onpeak Demand is \$10.19 per kW per month of the customer's onpeak billing demand Maximum Demand is \$6.64 per kW per month of the customer's maximum billing demand Excess Demand is \$16.83 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher
Transition Period -	Onpeak Demand is \$10.19 per kW per month of the customer's onpeak billing demand Maximum Demand is \$6.64 per kW per month of the customer's maximum billing demand Excess Demand is \$16.83 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher

Energy Charge:

Summer Period -	Onpeak is \$0.10147 per kWh per month for all metered onpeak kWh Offpeak <u>Block 1</u> \$0.07401 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy <u>Block 2</u> \$0.04387 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy <u>Block 3</u> \$0.04107 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy

Winter Period -	Onpeak is \$0.08893 per kWh per month for all metered onpeak kWh
	Offpeak
	<u>Block 1</u> \$0.07645 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy
	<u>Block 2</u> \$0.04387 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy
	Block 3 \$0.04107 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy
Transition Period -	Onpeak is \$0.07741 per kWh per month for all metered onpeak kWh
	Offpeak
	<u>Block 1</u> \$0.07741 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy
	<u>Block 2</u> \$0.04387 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy
	<u>Block 3</u> \$0.04107 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy

For the Summer Period, Winter Period, and Transition Period, Offpeak Block 1 energy rates less fuel rate of \$0.01995 per kWh per month shall be applied to the portion, if any, of the minimum offpeak energy takings amount that is greater than the metered energy.

Facilities Rental Charge

There shall be no facilities rental charge under this rate schedule for delivery at bulk transmission voltage levels of 161kV or higher. For delivery at less than 161kV, there shall be added to the customer's bill a facilities rental charge. This charge shall be 37 cents per kW per month except for delivery at voltages below 46 kV, in which case the charge shall be 97 cents per kW per month for the first 10,000 kW and 76 cents per kW per month for the excess over 10,000 kW. Such charge shall be applied to the higher of (1) the highest billing demand established during the latest 12-consecutive-month period or (2) the higher of the customer's currently effective onpeak or offpeak contract demand and shall be in addition to all other charges under this rate schedule, including minimum bill charges.

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Reactive Demand Charge

If the reactive demand (in kVAR) is lagging during the 30-consecutive-minute period beginning or ending on a clock hour of the month in which the customer's highest metered demand occurs, there shall be added to the customer's bill a reactive charge of \$1.46 per kVAR of the amount, if any, by which the reactive demand exceeds 33 percent of such metered demand. If the reactive demand (in kVAR) is leading during the 30-consecutive-minute period beginning or ending on a clock hour of the month in which the customer's lowest metered demand (excluding any metered demands which are less than 25 percent of the highest metered demand) occurs, there shall be added to the customer's bill a reactive charge of \$1.14 per kVAR of the amount of reactive demand. Such charges shall be in addition to all other charges under this rate schedule, including minimum bill charges.

Adjustment

Charges under this rate schedule may be increased or decreased to reflect changes in purchased power costs as determined by any purchased power adjustment adopted by the Board. Rates shown above are inclusive of the Purchased Power Adjustment for the current month.

Determination of Seasonal Periods

Summer Period shall mean the June, July, August, and September billing months. Winter Period shall mean the December, January, February, and March billing months. Transition Period shall mean the April, May, October, and November billing months. The Seasonal Periods under this rate schedule are subject to change by KUB. In the event KUB determines that changed Seasonal Periods are appropriate, such decision shall be made at least 11 months prior to the effective date of such changed periods, and KUB shall promptly notify customer.

Determination of Onpeak and Offpeak Hours

Except for Saturdays, Sundays, November 1, and the weekdays that are observed as Federal holidays for New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day, onpeak hours for each day shall for purposes of this rate schedule be 1 p.m. to 7 p.m. during the months of April, May, June, July, August, September and October and from 4 a.m. to 10 a.m. during the months of January, February, March, November, and December. All other hours of each day that are not otherwise defined as onpeak hours and all hours of such excepted days shall be offpeak hours. Such times shall be Central Standard Time or Central Daylight Time, whichever is then in effect. Said onpeak and offpeak hours are subject to change by KUB. In the event KUB determines that such changed onpeak and offpeak hours are appropriate, such decision shall be made at least 11 months prior to the effective date of such changed hours, and KUB shall promptly notify customer.

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Determination of Onpeak and Offpeak Demands, Maximum Metered Demand, and Energy Amounts

The onpeak and offpeak kWh for any month shall be the energy amounts taken during the respective hours of the month designated under this rate schedule as onpeak and offpeak hours; provided, however, that notwithstanding the metered energy amount, the offpeak energy for any month shall in no case be less than the product of (1) the offpeak billing demand as calculated in the last sentence of the paragraph below and (2) 110 hours (reflecting a 15 percent load factor applied to the average number of hours in a month).

KUB shall meter the onpeak and offpeak demands in kW of all customers taking service under this rate schedule. The onpeak metered demand and offpeak metered demand for any month shall be determined separately for the respective hours of the month designated under this rate schedule as onpeak and offpeak hours and in each case shall be the highest average during any 30-consecutive-minute period beginning or ending on a clock hour of the month of the load metered in kW, and, except as provided below in this section, such amounts shall be used as the onpeak and offpeak billing demands.

The maximum billing demand for any month shall be the higher of (1) the highest onpeak billing demand in the month or (2) the highest offpeak billing demand in the month. The onpeak billing demand shall in no case be less than the sum of (1) 30 percent of the first 5,000 kW and (2) 40 percent of any kW in excess of 5,000 kW of the higher of the currently effective onpeak contract demand or the highest onpeak billing demand established during the preceding 12 months. The offpeak billing demand shall in no case be less than the sum of (1) 30 percent of the first 5,000 kW and (2) 40 percent of any kW in excess of 5,000 kW of the higher of the currently effective offpeak contract demand or the highest offpeak billing demand established during the preceding 12 months.

Minimum Bill

The monthly bill under this rate schedule, excluding any facilities rental charges and any reactive charges, shall not be less than the sum of (1) the base customer charge and administrative charge, (2) the portion of the base demand charge, as adjusted (but excluding the additional portion thereof applicable to excess of billing demand over contract demand) applicable to onpeak billing demand applied to the customer's onpeak billing demand, (3) the portion of the base demand charge, as adjusted, (but excluding the additional portion thereof applicable to excess of billing demand over contract demand) applicable to maximum billing demand applied to the customer's maximum billing demand, (4) the base onpeak energy charge, as adjusted, applied to the customer's onpeak energy takings, and (5) the base offpeak energy charge, as adjusted, applied to the higher of customer's actual offpeak energy takings or the minimum offpeak energy takings amount provided for in the first paragraph of the section of this rate schedule entitled "Determination of Onpeak and Offpeak Demands, Maximum Metered Demand, and Energy Amounts". Notwithstanding the foregoing, any fuel cost that is included in any purchased power adjustment adopted by the Board shall not be applied to any billed offpeak energy that exceeds the metered offpeak energy.

KUB may require minimum bills higher than those stated above.

Contract Requirement

KUB shall require contracts for all service provided under this rate schedule. The contract shall be for an initial term of at least five years and any renewals or extensions of the initial contract shall be for a term of at least one year; after ten years of service, any such contract for the renewal or extension of service may provide for termination upon not less than four months notice. The customer shall contract for its maximum requirements, which shall not exceed the amount of power capable of being used by customer, and KUB shall not be obligated to supply power in greater amount at any time than the customer's currently effective onpeak or offpeak contract demand. If the customer uses any power other than that supplied by KUB under this rate schedule, the contract may include other special provisions. The rate schedule in any power contract shall be subject to adjustment, modification, change, or replacement from time to time as approved by the Board.

Single Point Delivery

The charges under this rate schedule are based upon the supply of service through a single delivery point and at a single voltage. If service is supplied to the same customer through more than one point of delivery or at different voltages, the supply of service at each delivery point and at each different voltage shall be separately metered and billed.

Rules and Regulations

Service is subject to Rules and Regulations of KUB.

MANUFACTURING SERVICE RATE SCHEDULE MSB

Availability

This rate, subject to availability from TVA, shall be available for firm electric power requirements where (a) a customer's currently effective onpeak or offpeak contract demand, whichever is higher, is greater than 5,000 kW but not more than 15,000 kW, and (b) the major use of electricity is for activities conducted at the delivery point serving that customer which are classified with a 2-digit Standard Industrial Classification Code between 20 and 39, inclusive, or classified with 2002 North American Industry Classification System (NAICS) code 5181, or 2007 NAICS codes 5182, 522320, and 541214.

Prior to initially taking any service under this schedule, and from time to time thereafter as may be required by KUB, a customer shall certify to KUB that it meets the requirements set forth in condition (b) above. The certification form to be used shall be furnished by KUB to the customer, and signed and promptly returned by the customer to KUB. Further, such customer

shall promptly certify any change in the status of any of the information contained in the certification form.

Service during any period for which a customer does not meet the eligibility requirements set forth in condition (b) above will be made available by KUB under, and billed in accordance with, the applicable General Power schedule.

For a customer requesting that its onpeak contract demand be different from its offpeak contract demand, this rate schedule shall be available only for (1) a new contract, (2) a replacement or renewal contract following expiration of the existing contract, or (3) a replacement or renewal contract or an amended existing contract in which the customer is increasing its demand requirements above the existing contract demand level, but under this item (3) neither the new onpeak nor the new offpeak contract demand shall be lower than the customer's existing contract demand.

Prior to participation in this rate, contract amendments may be required for continued participation in certain other programs and rate overlays as determined at KUB's sole discretion.

Character of Service

Alternating current, single or three-phase, 60 hertz. Power shall be delivered at a transmission voltage of 161 kV or, if such transmission voltage is not available, at the highest voltage available in the vicinity, unless at the customer's request a lower standard voltage is agreed upon.

Rates

Customer Charge:	\$1,500 per delivery point per month.
Administrative Charge:	\$700 per delivery point per month.
Demand Charge:	
Summer Period -	Onpeak Demand is \$11.14 per kW per month of the customer's onpeak billing demand Maximum Demand is \$3.45 per kW per month of the customer's maximum billing demand Excess Demand is \$14.59 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher
Winter Period -	Onpeak Demand is \$10.08 per kW per month of the customer's onpeak billing demand Maximum Demand is \$3.45 per kW per month of the customer's maximum billing demand Excess Demand is \$13.53 per kW per month for each kW of the amount, if any, by which (1) the

	customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher
Transition Period -	Onpeak Demand is \$10.08 per kW per month of the customer's onpeak billing demand Maximum Demand is \$3.45 per kW per month of the customer's maximum billing demand Excess Demand is \$13.53 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher
Energy Charge:	
Summer Period -	Onpeak is \$0.08692 per kWh per month for all metered onpeak kWh Offpeak <u>Block 1</u> \$0.05973 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy <u>Block 2</u> \$0.02744 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy <u>Block 3</u> \$0.02467 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy
Winter Period -	Onpeak is \$0.07452 per kWh per month for all metered onpeak kWh Offpeak <u>Block 1</u> \$0.06216 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy <u>Block 2</u> \$0.02744 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy <u>Block 3</u> \$0.02467 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy
Transition Period -	Onpeak is \$0.06310 per kWh per month for all metered onpeak kWh Offpeak

Block 1 \$0.06310 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy

Block 2 \$0.02744 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy

Block 3 \$0.02467 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy

For the Summer Period, Winter Period, and Transition Period, Offpeak Block 1 energy rates less fuel rate of \$0.01902 per kWh per month shall be applied to the portion, if any, of the minimum offpeak energy takings amount that is greater than the metered energy.

Facilities Rental Charge

There shall be no facilities rental charge under this rate schedule for delivery at bulk transmission voltage levels of 161kV or higher. For delivery at less than 161kV, there shall be added to the customer's bill a facilities rental charge. This charge shall be 37 cents per kW per month except for delivery at voltages below 46 kV, in which case the charge shall be 97 cents per kW per month for the first 10,000 kW and 76 cents per kW per month for the excess over 10,000 kW. Such charge shall be applied to the higher of (1) the highest billing demand established during the latest 12-consecutive-month period or (2) the higher of the customer's currently effective onpeak or offpeak contract demand and shall be in addition to all other charges under this rate schedule, including minimum bill charges.

Reactive Demand Charge

If the reactive demand (in kVAR) is lagging during the 30-consecutive-minute period beginning or ending on a clock hour of the month in which the customer's highest metered demand occurs, there shall be added to the customer's bill a reactive charge of \$1.46 per kVAR of the amount, if any, by which the reactive demand exceeds 33 percent of such metered demand. If the reactive demand (in kVAR) is leading during the 30-consecutive-minute period beginning or ending on a clock hour of the month in which the customer's lowest metered demand (excluding any metered demands which are less than 25 percent of the highest metered demand) occurs, there shall be added to the customer's bill a reactive charge of \$1.14 per kVAR of the amount of reactive demand. Such charges shall be in addition to all other charges under this rate schedule, including minimum bill charges.

Adjustment

Charges under this rate schedule may be increased or decreased to reflect changes in purchased power costs as determined by any purchased power adjustment adopted by the Board. Rates shown above are inclusive of the Purchased Power Adjustment for the current month.

Determination of Seasonal Periods

Period shall mean the June, July, August, and September billing months. Winter Period shall mean the December, January, February, and March billing months. Transition Period shall mean the April, May, October, and November billing months. The Seasonal Periods under this rate schedule are subject to change by KUB. In the event KUB determines that changed Seasonal Periods are appropriate, such decision shall be made at least 11 months prior to the effective date of such changed periods, and KUB shall promptly notify customer.

Determination of Onpeak and Offpeak Hours

Except for Saturdays, Sundays, November 1, and the weekdays that are observed as Federal holidays for New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day, onpeak hours for each day shall for purposes of this rate schedule be 1 p.m. to 7 p.m. during the months of April, May, June, July, August, September and October and from 4 a.m. to 10 a.m. during the months of January, February, March, November, and December. All other hours of each day that are not otherwise defined as onpeak hours and all hours of such excepted days shall be offpeak hours. Such times shall be Central Standard Time or Central Daylight Time, whichever is then in effect. Said onpeak and offpeak hours are subject to change by KUB. In the event KUB determines that such changed onpeak and offpeak hours are appropriate, such decision shall be made at least 11 months prior to the effective date of such changed hours, and KUB shall promptly notify customer.

Determination of Onpeak and Offpeak Demands, Maximum Metered Demand, and Energy Amounts

The onpeak and offpeak kWh for any month shall be the energy amounts taken during the respective hours of the month designated under this rate schedule as onpeak and offpeak hours; provided, however, that notwithstanding the metered energy amount, the offpeak energy for any month shall in no case be less than the product of (1) the offpeak billing demand as calculated in the last sentence of the paragraph below and (2) 110 hours (reflecting a 15 percent load factor applied to the average number of hours in a month).

KUB shall meter the onpeak and offpeak demands in kW of all customers taking service under this rate schedule. The onpeak metered demand and offpeak metered demand for any month shall be determined separately for the respective hours of the month designated under this rate schedule as onpeak and offpeak hours and in each case shall be the highest average during any 30-consecutive-minute period beginning or ending on a clock hour of the month of the load metered in kW, and, except as provided below in this section, such amounts shall be used as the onpeak and offpeak billing demands.

The maximum billing demand for any month shall be the higher of (1) the highest onpeak billing demand in the month or (2) the highest offpeak billing demand in the month. The onpeak billing demand shall in no case be less than the sum of (1) 30 percent of the first 5,000 kW and (2) 40 percent of any kW in excess of 5,000 kW of the higher of the currently effective onpeak contract demand or the highest onpeak billing demand established during the preceding 12

months. The offpeak billing demand shall in no case be less than the sum of (1) 30 percent of the first 5,000 kW and (2) 40 percent of any kW in excess of 5,000 kW of the higher of the currently effective offpeak contract demand or the highest offpeak billing demand established during the preceding 12 months.

Minimum Bill

The monthly bill under this rate schedule, excluding any facilities rental charges and any reactive charges, shall not be less than the sum of (1) the base customer charge and administrative charge, (2) the portion of the base demand charge, as adjusted (but excluding the additional portion thereof applicable to excess of billing demand over contract demand) applicable to onpeak billing demand applied to the customer's onpeak billing demand, (3) the portion of the base demand charge, as adjusted, (but excluding the additional portion thereof applicable to excess of billing demand over contract demand) applicable to maximum billing demand applied to the customer's maximum billing demand, (4) the base onpeak energy charge, as adjusted, applied to the customer's onpeak energy takings, and (5) the base offpeak energy charge, as adjusted, applied to the higher of customer's actual offpeak energy takings or the minimum offpeak energy takings amount provided for in the first paragraph of the section of this rate schedule entitled "Determination of Onpeak and Offpeak Demands, Maximum Metered Demand, and Energy Amounts". Notwithstanding the foregoing, any fuel cost that is included in any purchased power adjustment adopted by the Board shall not be applied to any billed offpeak energy that exceeds the metered offpeak energy.

KUB may require minimum bills higher than those stated above.

Contract Requirement

KUB shall require contracts for all service provided under this rate schedule. The contract shall be for an initial term of at least five years and any renewals or extensions of the initial contract shall be for a term of at least one year; after ten years of service, any such contract for the renewal or extension of service may provide for termination upon not less than four months notice. The customer shall contract for its maximum requirements, which shall not exceed the amount of power capable of being used by customer, and KUB shall not be obligated to supply power in greater amount at any time than the customer's currently effective onpeak or offpeak contract demand. If the customer uses any power other than that supplied by KUB under this rate schedule, the contract may include other special provisions. The rate schedule in any power contract shall be subject to adjustment, modification, change, or replacement from time to time as approved by the Board.

Single Point Delivery

The charges under this rate schedule are based upon the supply of service through a single delivery point and at a single voltage. If service is supplied to the same customer through more than one point of delivery or at different voltages, the supply of service at each delivery point and at each different voltage shall be separately metered and billed.

Rules and Regulations

Service is subject to Rules and Regulations of KUB.

MANUFACTURING SERVICE RATE SCHEDULE MSC

Availability

This rate, subject to availability from TVA, shall be available for firm electric power requirements where (a) a customer's currently effective onpeak or offpeak contract demand, whichever is higher, is greater than 15,000 kW but not more than 25,000 kW, and (b) the major use of electricity is for activities conducted at the delivery point serving that customer which are classified with a 2-digit Standard Industrial Classification Code between 20 and 39, inclusive, or classified with 2002 North American Industry Classification System (NAICS) code 5181, or 2007 NAICS codes 5182, 522320, and 541214.

Prior to initially taking any service under this schedule, and from time to time thereafter as may be required by KUB, a customer shall certify to KUB that it meets the requirements set forth in condition (b) above. The certification form to be used shall be furnished by KUB to the customer, and signed and promptly returned by the customer to KUB. Further, such customer shall promptly certify any change in the status of any of the information contained in the certification form.

Service during any period for which a customer does not meet the eligibility requirements set forth in condition (b) above will be made available by KUB under, and billed in accordance with, the applicable General Power schedule.

For a customer requesting that its onpeak contract demand be different from its offpeak contract demand, this rate schedule shall be available only for (1) a new contract, (2) a replacement or renewal contract following expiration of the existing contract, or (3) a replacement or renewal contract or an amended existing contract in which the customer is increasing its demand requirements above the existing contract demand level, but under this item (3) neither the new onpeak nor the new offpeak contract demand shall be lower than the customer's existing contract demand.

Prior to participation in this rate, contract amendments may be required for continued participation in certain other programs and rate overlays as determined at KUB's sole discretion.

Character of Service

Alternating current, single or three-phase, 60 hertz. Power shall be delivered at a transmission voltage of 161 kV or, if such transmission voltage is not available, at the highest voltage available in the vicinity, unless at the customer's request a lower standard voltage is agreed upon.

Rates

Customer Charge:	\$1,500 per delivery point per month.
Administrative Charge:	\$700 per delivery point per month.
Demand Charge:	
Summer Period -	Onpeak Demand is \$11.14 per kW per month of the customer's onpeak billing demand Maximum Demand is \$3.33 per kW per month of the customer's maximum billing demand Excess Demand is \$14.47 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher
Winter Period -	Onpeak Demand is \$10.08 per kW per month of the customer's onpeak billing demand Maximum Demand is \$3.33 per kW per month of the customer's maximum billing demand Excess Demand is \$13.41 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher
Transition Period -	Onpeak Demand is \$10.08 per kW per month of the customer's onpeak billing demand Maximum Demand is \$3.33 per kW per month of the customer's maximum billing demand Excess Demand is \$13.41 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher
Energy Charge:	
Summer Period -	Onpeak is \$0.08613 per kWh per month for all metered onpeak kWh Offpeak <u>Block 1</u> \$0.05893 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy <u>Block 2</u> \$0.02940 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy

Winter Period -	<u>Block 3</u> \$0.02940 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy
	Onpeak is \$0.07371 per kWh per month for all metered onpeak kWh
	Offpeak
Transition Period -	<u>Block 1</u> \$0.06135 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy
	<u>Block 2</u> \$0.02940 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy
	<u>Block 3</u> \$0.02940 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy
	Onpeak is \$0.06230 per kWh per month for all metered onpeak kWh
	Offpeak
	<u>Block 1</u> \$0.06230 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy
	<u>Block 2</u> \$0.02940 per kWh per month for the next 200 hours use onpeak metered demand multiplied by the ratio of offpeak energy to total energy
	<u>Block 3</u> \$0.02940 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy

For the Summer Period, Winter Period, and Transition Period, Offpeak Block 1 energy rates less fuel rate of \$0.01902 per kWh per month shall be applied to the portion, if any, of the minimum offpeak energy takings amount that is greater than the metered energy.

Facilities Rental Charge

There shall be no facilities rental charge under this rate schedule for delivery at bulk transmission voltage levels of 161kV or higher. For delivery at less than 161kV, there shall be added to the customer's bill a facilities rental charge. This charge shall be 37 cents per kW per month except for delivery at voltages below 46 kV, in which case the charge shall be 97 cents per kW per month for the first 10,000 kW and 76 cents per kW per month for the excess over 10,000 kW. Such charge shall be applied to the higher of (1) the highest billing demand established during the latest 12-consecutive-month period or (2) the higher of the customer's currently effective onpeak or offpeak contract demand and shall be in addition to all other charges under this rate schedule, including minimum bill charges.

Reactive Demand Charge

If the reactive demand (in kVAR) is lagging during the 30-consecutive-minute period beginning or ending on a clock hour of the month in which the customer's highest metered demand occurs, there shall be added to the customer's bill a reactive charge of \$1.46 per kVAR of the amount, if any, by which the reactive demand exceeds 33 percent of such metered demand. If the reactive demand (in kVAR) is leading during the 30-consecutive-minute period beginning or ending on a clock hour of the month in which the customer's lowest metered demand (excluding any metered demands which are less than 25 percent of the highest metered demand) occurs, there shall be added to the customer's bill a reactive charge of \$1.14 per kVAR of the amount of reactive demand. Such charges shall be in addition to all other charges under this rate schedule, including minimum bill charges.

Adjustment

Charges under this rate schedule may be increased or decreased to reflect changes in purchased power costs as determined by any purchased power adjustment adopted by the Board. Rates shown above are inclusive of the Purchased Power Adjustment for the current month.

Determination of Seasonal Periods

Summer Period shall mean the June, July, August, and September billing months. Winter Period shall mean the December, January, February, and March billing months. Transition Period shall mean the April, May, October, and November billing months. The Seasonal Periods under this rate schedule are subject to change by KUB. In the event KUB determines that changed Seasonal Periods are appropriate, such decision shall be made at least 11 months prior to the effective date of such changed periods, and KUB shall promptly notify customer.

Determination of Onpeak and Offpeak Hours

Except for Saturdays, Sundays, November 1, and the weekdays that are observed as Federal holidays for New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day, onpeak hours for each day shall for purposes of this rate schedule be 1 p.m. to 7 p.m. during the months of April, May, June, July, August, September and October and from 4 a.m. to 10 a.m. during the months of January, February, March, November, and December. All other hours of each day that are not otherwise defined as onpeak hours and all hours of such excepted days shall be offpeak hours. Such times shall be Central Standard Time or Central Daylight Time, whichever is then in effect. Said onpeak and offpeak hours are subject to change by KUB. In the event KUB determines that such changed onpeak and offpeak hours are appropriate, such decision shall be made at least 11 months prior to the effective date of such changed hours, and KUB shall promptly notify customer.

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Determination of Onpeak and Offpeak Demands, Maximum Metered Demand, and Energy Amounts

The onpeak and offpeak kWh for any month shall be the energy amounts taken during the respective hours of the month designated under this rate schedule as onpeak and offpeak hours; provided, however, that notwithstanding the metered energy amount, the offpeak energy for any month shall in no case be less than the product of (1) the offpeak billing demand as calculated in the last sentence of the paragraph below and (2) 110 hours (reflecting a 15 percent load factor applied to the average number of hours in a month).

KUB shall meter the onpeak and offpeak demands in kW of all customers taking service under this rate schedule. The onpeak metered demand and offpeak metered demand for any month shall be determined separately for the respective hours of the month designated under this rate schedule as onpeak and offpeak hours and in each case shall be the highest average during any 30-consecutive-minute period beginning or ending on a clock hour of the month of the load metered in kW, and, except as provided below in this section, such amounts shall be used as the onpeak and offpeak billing demands.

The maximum billing demand for any month shall be the higher of (1) the highest onpeak billing demand in the month or (2) the highest offpeak billing demand in the month. The onpeak billing demand shall in no case be less than the sum of (1) 30 percent of the first 5,000 kW, (2) 40 percent of the next 20,000 kW, and (3) 50 percent of any kW in excess of 25,000 kW of the higher of the currently effective onpeak contract demand or the highest onpeak billing demand established during the preceding 12 months. The offpeak billing demand shall in no case be less than the sum of (1) 30 percent of the first 5,000 kW, (2) 40 percent of the next 20,000 kW, and (3) 50 percent of any kW in excess of 25,000 kW of the higher of the currently effective offpeak contract demand or the highest offpeak billing demand established during the preceding 12 months.

Minimum Bill

The monthly bill under this rate schedule, excluding any facilities rental charges and any reactive charges, shall not be less than the sum of (1) the base customer charge and administrative charge, (2) the portion of the base demand charge, as adjusted (but excluding the additional portion thereof applicable to excess of billing demand over contract demand) applicable to onpeak billing demand applied to the customer's onpeak billing demand, (3) the portion of the base demand charge, as adjusted, (but excluding the additional portion thereof applicable to excess of billing demand over contract demand) applicable to maximum billing demand applied to the customer's maximum billing demand, (4) the base onpeak energy charge, as adjusted, applied to the customer's onpeak energy takings, and (5) the base offpeak energy charge, as adjusted, applied to the higher of customer's actual offpeak energy takings or the minimum offpeak energy takings amount provided for in the first paragraph of the section of this rate schedule entitled "Determination of Onpeak and Offpeak Demands, Maximum Metered Demand, and Energy Amounts". Notwithstanding the foregoing, any fuel cost that is included in any purchased power adjustment adopted by the Board shall not be applied to any billed offpeak energy that exceeds the metered offpeak energy.

KUB may require minimum bills higher than those stated above.

Contract Requirement

KUB shall require contracts for all service provided under this rate schedule. The contract shall be for an initial term of at least five years and any renewals or extensions of the initial contract shall be for a term of at least one year; after ten years of service, any such contract for the renewal or extension of service may provide for termination upon not less than four months notice. The customer shall contract for its maximum requirements, which shall not exceed the amount of power capable of being used by customer, and KUB shall not be obligated to supply power in greater amount at any time than the customer's currently effective onpeak or offpeak contract demand. If the customer uses any power other than that supplied by KUB under this rate schedule, the contract may include other special provisions. The rate schedule in any power contract shall be subject to adjustment, modification, change, or replacement from time to time as approved by the Board.

Single Point Delivery

The charges under this rate schedule are based upon the supply of service through a single delivery point and at a single voltage. If service is supplied to the same customer through more than one point of delivery or at different voltages, the supply of service at each delivery point and at each different voltage shall be separately metered and billed.

Rules and Regulations

Service is subject to Rules and Regulations of KUB.

MANUFACTURING SERVICE RATE SCHEDULE MSD

Availability

This rate, subject to availability from TVA, shall be available for firm electric power requirements where (a) a customer's currently effective onpeak or offpeak contract demand, whichever is higher, is greater than 25,000 kW, and (b) the major use of electricity is for activities conducted at the delivery point serving that customer which are classified with a 2-digit Standard Industrial Classification Code between 20 and 39, inclusive, or classified with 2002 North American Industry Classification System (NAICS) code 5181, or 2007 NAICS codes 5182, 522320, and 541214.

Prior to initially taking any service under this schedule, and from time to time thereafter as may be required by KUB, a customer shall certify to KUB that it meets the requirements set forth in condition (b) above. The certification form to be used shall be furnished by KUB to the customer, and signed and promptly returned by the customer to KUB. Further, such customer

shall promptly certify any change in the status of any of the information contained in the certification form.

Service during any period for which a customer does not meet the eligibility requirements set forth in condition (b) above will be made available by KUB under, and billed in accordance with, the applicable General Power schedule.

For a customer requesting that its onpeak contract demand be different from its offpeak contract demand, this rate schedule shall be available only for (1) a new contract, (2) a replacement or renewal contract following expiration of the existing contract, or (3) a replacement or renewal contract or an amended existing contract in which the customer is increasing its demand requirements above the existing contract demand level, but under this item (3) neither the new onpeak nor the new offpeak contract demand shall be lower than the customer's existing contract demand.

Prior to participation in this rate, contract amendments may be required for continued participation in certain other programs and rate overlays as determined at KUB's sole discretion.

Character of Service

Alternating current, single or three-phase, 60 hertz. Power shall be delivered at a transmission voltage of 161 kV or, if such transmission voltage is not available, at the highest voltage available in the vicinity, unless at the customer's request a lower standard voltage is agreed upon.

Rates

Customer Charge:	\$1,500 per delivery point per month.
Administrative Charge:	\$700 per delivery point per month.
Demand Charge:	
Summer Period -	Onpeak Demand is \$11.14 per kW per month of the customer's onpeak billing demand Maximum Demand is \$2.89 per kW per month of the customer's maximum billing demand Excess Demand is \$14.03 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher
Winter Period -	Onpeak Demand is \$10.08 per kW per month of the customer's onpeak billing demand Maximum Demand is \$2.89 per kW per month of the customer's maximum billing demand Excess Demand is \$12.97 per kW per month for each kW of the amount, if any, by which (1) the

	customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher
Transition Period -	Onpeak Demand is \$10.08 per kW per month of the customer's onpeak billing demand Maximum Demand is \$2.89 per kW per month of the customer's maximum billing demand Excess Demand is \$12.97 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher
Energy Charge:	
Summer Period -	Onpeak is \$0.08237 per kWh per month for all metered onpeak kWh Offpeak <u>Block 1</u> \$0.05518 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy <u>Block 2</u> \$0.02627 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy <u>Block 3</u> \$0.02563 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy
Winter Period -	Onpeak is \$0.06995 per kWh per month for all metered onpeak kWh Offpeak <u>Block 1</u> \$0.05757 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy <u>Block 2</u> \$0.02627 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy <u>Block 3</u> \$0.02563 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy
Transition Period -	Onpeak is \$0.05853 per kWh per month for all metered onpeak kWh Offpeak

Block 1 \$0.05853 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy

Block 2 \$0.02627 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy

Block 3 \$0.02563 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy

For the Summer Period, Winter Period, and Transition Period, Offpeak Block 1 energy rates less fuel rate of \$0.01902 per kWh per month shall be applied to the portion, if any, of the minimum offpeak energy takings amount that is greater than the metered energy.

Facilities Rental Charge

There shall be no facilities rental charge under this rate schedule for delivery at bulk transmission voltage levels of 161kV or higher. For delivery at less than 161kV, there shall be added to the customer's bill a facilities rental charge. This charge shall be 37 cents per kW per month except for delivery at voltages below 46 kV, in which case the charge shall be 97 cents per kW per month for the first 10,000 kW and 76 cents per kW per month for the excess over 10,000 kW. Such charge shall be applied to the higher of (1) the highest billing demand established during the latest 12-consecutive-month period or (2) the higher of the customer's currently effective onpeak or offpeak contract demand and shall be in addition to all other charges under this rate schedule, including minimum bill charges.

Reactive Demand Charge

If the reactive demand (in kVAR) is lagging during the 30-consecutive-minute period beginning or ending on a clock hour of the month in which the customer's highest metered demand occurs, there shall be added to the customer's bill a reactive charge of \$1.46 per kVAR of the amount, if any, by which the reactive demand exceeds 33 percent of such metered demand. If the reactive demand (in kVAR) is leading during the 30-consecutive-minute period beginning or ending on a clock hour of the month in which the customer's lowest metered demand (excluding any metered demands which are less than 25 percent of the highest metered demand) occurs, there shall be added to the customer's bill a reactive charge of \$1.14 per kVAR of the amount of reactive demand. Such charges shall be in addition to all other charges under this rate schedule, including minimum bill charges.

Adjustment

Charges under this rate schedule may be increased or decreased to reflect changes in purchased power costs as determined by any purchased power adjustment adopted by the Board. Rates shown above are inclusive of the Purchased Power Adjustment for the current month.

Determination of Seasonal Periods

Summer Period shall mean the June, July, August, and September billing months. Winter Period shall mean the December, January, February, and March billing months. Transition Period shall mean the April, May, October, and November billing months. The Seasonal Periods under this rate schedule are subject to change by KUB. In the event KUB determines that changed Seasonal Periods are appropriate, such decision shall be made at least 11 months prior to the effective date of such changed periods, and KUB shall promptly notify customer.

Determination of Onpeak and Offpeak Hours

Except for Saturdays, Sundays, November 1, and the weekdays that are observed as Federal holidays for New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day, onpeak hours for each day shall for purposes of this rate schedule be 1 p.m. to 7 p.m. during the months of April, May, June, July, August, September and October and from 4 a.m. to 10 a.m. during the months of January, February, March, November, and December. All other hours of each day that are not otherwise defined as onpeak hours and all hours of such excepted days shall be offpeak hours. Such times shall be Central Standard Time or Central Daylight Time, whichever is then in effect. Said onpeak and offpeak hours are subject to change by KUB. In the event KUB determines that such changed onpeak and offpeak hours are appropriate, such decision shall be made at least 11 months prior to the effective date of such changed hours, and KUB shall promptly notify customer.

Determination of Onpeak and Offpeak Demands, Maximum Metered Demand, and Energy Amounts

The onpeak and offpeak kWh for any month shall be the energy amounts taken during the respective hours of the month designated under this rate schedule as onpeak and offpeak hours; provided, however, that notwithstanding the metered energy amount, the offpeak energy for any month shall in no case be less than the product of (1) the offpeak billing demand as calculated in the last sentence of the paragraph below and (2) 110 hours (reflecting a 15 percent load factor applied to the average number of hours in a month).

KUB shall meter the onpeak and offpeak demands in kW of all customers taking service under this rate schedule. The onpeak metered demand and offpeak metered demand for any month shall be determined separately for the respective hours of the month designated under this rate schedule as onpeak and offpeak hours and in each case shall be the highest average during any 30-consecutive-minute period beginning or ending on a clock hour of the month of the load metered in kW, and, except as provided below in this section, such amounts shall be used as the onpeak and offpeak billing demands.

The maximum billing demand for any month shall be the higher of (1) the highest onpeak billing demand in the month or (2) the highest offpeak billing demand in the month. The onpeak billing demand shall in no case be less than the sum of (1) 30 percent of the first 5,000 kW and (2) 40 percent of the next 20,000 kW (3) 50 percent of the next 25,000 kW, (4) 60 percent of the next 50,000 kW, (5) 70 percent of the next 100,000 kW, (6) 80 percent of the next 150,000 kW,

and (7) 85 percent of all kW in excess of 350,000 kW of the higher of the currently effective onpeak contract demand or the highest onpeak billing demand established during the preceding 12 months. The offpeak billing demand shall in no case be less than the sum of (1) 30 percent of the first 5,000 kW, (2) 40 percent of the next 20,000 kW, (3) 50 percent of the next 25,000 kW, (4) 60 percent of the next 50,000 kW, and (5) 70 percent of the next 100,000 kW, (6) 80 percent of the next 150,000 kW, and (7) 85 percent of all kW in excess of 350,000 kW of the higher of the currently effective offpeak contract demand or the highest offpeak billing demand established during the preceding 12 months.

Minimum Bill

The monthly bill under this rate schedule, excluding any facilities rental charges and any reactive charges, shall not be less than the sum of (1) the base customer charge and administrative charge, (2) the portion of the base demand charge, as adjusted (but excluding the additional portion thereof applicable to excess of billing demand over contract demand) applicable to onpeak billing demand applied to the customer's onpeak billing demand, (3) the portion of the base demand charge, as adjusted, (but excluding the additional portion thereof applicable to excess of billing demand over contract demand) applicable to maximum billing demand applied to the customer's maximum billing demand, (4) the base onpeak energy charge, as adjusted, applied to the customer's onpeak energy takings, and (5) the base offpeak energy charge, as adjusted, applied to the higher of customer's actual offpeak energy takings or the minimum offpeak energy takings amount provided for in the first paragraph of the section of this rate schedule entitled "Determination of Onpeak and Offpeak Demands, Maximum Metered Demand, and Energy Amounts". Notwithstanding the foregoing, any fuel cost that is included in any purchased power adjustment adopted by the Board shall not be applied to any billed offpeak energy that exceeds the metered offpeak energy.

KUB may require minimum bills higher than those stated above.

Contract Requirement

KUB shall require contracts for all service provided under this rate schedule. The contract shall be for an initial term of at least five years and any renewals or extensions of the initial contract shall be for a term of at least five years; after ten years of service, any such contract for the renewal or extension of service may provide for termination upon not less than sixteen months notice. The customer shall contract for its maximum requirements, which shall not exceed the amount of power capable of being used by customer, and KUB shall not be obligated to supply power in greater amount at any time than the customer's currently effective onpeak or offpeak contract demand. If the customer uses any power other than that supplied by KUB under this rate schedule, the contract may include other special provisions. The rate schedule in any power contract shall be subject to adjustment, modification, change, or replacement from time to time as approved by the Board.

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Single Point Delivery

The charges under this rate schedule are based upon the supply of service through a single delivery point and at a single voltage. If service is supplied to the same customer through more than one point of delivery or at different voltages, the supply of service at each delivery point and at each different voltage shall be separately metered and billed.

Rules and Regulations

Service is subject to Rules and Regulations of KUB.

TWO-PART REAL TIME PRICING SCHEDULE RTP

Availability

KUB provides Two-Part Real Time Pricing (Two-Part RTP) to qualified general power users through its wholesale power supplier, the Tennessee Valley Authority (TVA), in accordance with the power supply contract between KUB and TVA.

Two-Part RTP shall be made available to qualified general power users pursuant to specific contractual arrangements between KUB and the customer (such contractual arrangements may be contained in one or more written instruments and are hereinafter sometimes referred to as the "Contract").

Charges for Two-Part RTP

KUB Administrative Charge: \$350.00 per month

All other Two-Part RTP charges including TVA Administrative Charges shall be established in accordance with the Contract.

Interruptibility

Two-Part RTP furnished to a customer under the Contract may be subject to interruption and to suspension of availability as provided for in the Contract.

Rules and Regulations

Service is subject to Rules and Regulations of KUB.

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INTERRUPTIBLE POWER 5

IP5

Availability

KUB provides Interruptible Power 5 (IP5) to qualified power users through its wholesale power supplier, the Tennessee Valley Authority (TVA), in accordance with the power supply contract between KUB and TVA.

IP5 shall be made available to qualified power users pursuant to specific contractual arrangements between KUB and the customer (such contractual arrangements may be contained in one or more written instruments and are hereinafter sometimes referred to as the “Contract”).

Charges for IP5

KUB Administrative Charge: \$350.00 per month

All other IP5-related charges including TVA Administrative Cost Charges shall be established in accordance with the Contract.

Interruptibility

IP5 furnished to a customer under the Contract shall be subject to interruption and to suspension of availability as provided for in the Contract.

Rules and Regulations

Service is subject to Rules and Regulations of KUB.

INTERRUPTIBLE POWER 30

IP30

Availability

KUB provides Interruptible Power 30 (IP30) to qualified power users through its wholesale power supplier, the Tennessee Valley Authority (TVA), in accordance with the power supply contract between KUB and TVA.

IP30 shall be made available to qualified power users pursuant to specific contractual arrangements between KUB and the customer (such contractual arrangements may be contained in one or more written instruments and are hereinafter sometimes referred to as the “Contract”).

Charges for IP30

KUB Administrative Charge: \$350.00 per month

All other IP30-related charges including TVA Administrative Cost Charges shall be established in accordance with the Contract.

Interruptibility

IP30 furnished to a customer under the Contract shall be subject to interruption and to suspension of availability as provided for in the Contract.

Rules and Regulations

Service is subject to Rules and Regulations of KUB.

START-UP AND TESTING POWER SCHEDULE STP

Availability

KUB provides Start-up and Testing Power (STP) to qualified power users through its wholesale power supplier, the Tennessee Valley Authority (TVA), in accordance with the power supply contract between KUB and TVA.

STP shall be made available to qualified power users pursuant to specific contractual arrangements between KUB and the customer (such contractual arrangements may be contained in one or more written instruments and are hereinafter sometimes referred to as the "Contract").

Charges for STP

KUB Administrative Charge: \$350.00 per month

All other STP-related charges including TVA Administrative Cost Charges shall be established in accordance with the Contract.

Interruptibility

STP furnished to a customer under the Contract shall be subject to interruption and to suspension of availability as provided for in the Contract.

Rules and Regulations

Service is subject to Rules and Regulations of KUB.

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ELECTRIC VEHICLE CHARGING POWER RATE SCHEDULE EVC

Availability

This rate shall exclusively apply to separately metered charging stations for electric vehicles where the charging station's demand is greater than 50 kW but not more than 5,000 kW.

All customers participating under this rate schedule shall agree to a full requirements service from KUB. In addition, customers must agree that the sole use of the electric service is for the purpose of charging electric vehicles used for transportation purposes only.

Character of Service

Alternating current, single- or three-phase, 60 hertz. Power shall be delivered at a transmission voltage of 161 kV or, if such transmission voltage is not available, at the highest voltage available in the vicinity, unless at the customer's request a lower standard voltage is agreed upon.

Rates

Customer Charge:	\$104.00 per delivery point per month
Monthly Energy Charge:	
Onpeak	\$0.33302 per kWh for all metered onpeak kWh
Offpeak	\$0.21149 per kWh for all metered offpeak kWh

Adjustment

Charges under this rate schedule may be increased or decreased to reflect changes in purchased power costs as determined by any purchased power adjustment adopted by the Board. Rates shown above are inclusive of the Purchased Power Adjustment for the current month.

Determination of Seasonal Periods

Summer Period shall mean the June, July, August, and September billing months. Winter Period shall mean the December, January, February, and March billing months. Transition Period shall mean the April, May, October, and November billing months. The Seasonal Periods under this rate schedule are subject to change by KUB. In the event KUB determines that changed Seasonal Periods are appropriate, such decision shall be made at least 11 months prior to the effective date of such changed periods, and KUB shall promptly notify customer.

Determination of Onpeak and Offpeak Hours

Except for Saturdays, Sundays, November 1, and the weekdays that are observed as Federal holidays for New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day, onpeak hours for each day shall for purposes of this rate

schedule be from 2 p.m. to 8 p.m. during the months of April, May, June, July, August, September and October and from 5 a.m. to 11 a.m. during the months of January, February, March, November, and December. For all other hours of each day and all hours of such excepted days shall be offpeak hours. Such times shall be EST or EDT, whichever is then in effect. Said onpeak and offpeak hours are subject to change by KUB. In the event KUB determines that such changed onpeak and offpeak hours are appropriate, such decision shall be made at least 11 months prior to the effective date of such changed hours, and KUB shall promptly notify customer.

Minimum Bill

The base customer charge constitutes the minimum monthly bill for all customers served under this rate schedule except those customers for which a higher minimum monthly bill is required under KUB's standard policy because of special circumstances affecting the cost of rendering service.

Contract Requirement

At its sole discretion, KUB may require contracts for service provided under this rate schedule and such contracts shall be for an initial term of at least 90 days. The customer shall contract for its maximum requirements, which shall not exceed the amount of power capable of being used by customer, and KUB shall not be obligated to supply power in greater amount at any time than the customer's currently effective contract demand. The customer is prohibited from using any power other than that supplied by KUB under this rate schedule. All other power sources are prohibited. The contract may include other special provisions. The rate schedule in any power contract shall be subject to adjustment, modification, change, or replacement from time to time as approved by the Board.

After having received service for at least 90 days under this rate schedule, the customer, subject to 90 days prior written notice and appropriate amendments in its power contract with KUB, may receive service under the General Power Time-Of-Use Rate - Schedule GSA TOU. In such case the term of the power contract shall remain the same and the contract demand for service under the General Power Time-Of-Use Rate - Schedule GSA TOU shall not be less than the contract demand in effect when service was taken under this rate schedule.

Single-Point Delivery

The charges under this rate schedule are based upon the supply of service through a single delivery and metering point, and at a single voltage. If service is supplied to the same customer through more than one point of delivery or at different voltages, the supply of service at each delivery and metering point and at each different voltage shall be separately metered and billed.

Rules and Regulations

Service is subject to Rules and Regulations of KUB.

*ELECTRIC VEHICLE CHARGING PUMP RATE
SCHEDULE EVCP*

Availability

Service under Rate Schedule EVCP is available to any vehicle served at KUB owned EV charging stations. This fuel is solely for use for charging commercial or personal vehicles.

Rate

Base Rate: \$0.42 per kWh

Plus: All applicable local, state, and federal taxes and applicable transaction fees.

Other Charges

Idle fees and any other charges can be found in the KUB Electric Service Procedures.

Rules and Regulations

Service is subject to Rules and Regulations of KUB.

POWERFLEX

Availability

KUB provides PowerFlex to qualified power users through its wholesale power supplier, the Tennessee Valley Authority (TVA), in accordance with the power supply contract between KUB and TVA.

PowerFlex shall be made available to qualified power users pursuant to specific contractual arrangements between KUB and the customer (such contractual arrangements may be contained in one or more written instruments and are hereinafter sometimes referred to as the "Agreement").

Charges for PowerFlex

KUB Administrative Charge: \$350.00 per month

All other PowerFlex related charges including TVA Administrative Cost Charges shall be established in accordance with the Agreement.

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Interruptibility

PowerFlex furnished to a customer under the Agreement shall be subject to interruption and to suspension of availability as provided for in the Agreement.

Rules and Regulations

Service is subject to Rules and Regulations of KUB.

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HISTORIC CAPITALIZATION AND CUSTOMERS

Electric Division Capitalization - Historic

Fiscal Year	(Net Assets) Accumulated Earnings	Revenue Bonds	Revenue Notes	Total Capitalization	Debt as % of Capitalization
2021 as restated*	\$ 443,334,288	\$ 275,415,000	\$ -	\$ 718,749,288	38.32%
2022	\$ 472,525,429	\$ 304,835,000	\$ -	\$ 777,360,429	39.21%
2023	\$ 503,945,859	\$ 369,795,000	\$ -	\$ 873,740,859	42.32%
2024	\$ 550,909,139	\$ 409,325,000	\$ -	\$ 960,234,139	42.63%
2025	\$ 617,273,519	\$ 483,005,000	\$ -	\$ 1,100,278,519	43.90%

Electric Division Customers - Historic

(Measured by Bills Rendered)

Historical Number of Customers	2021	2022	2023	2024	2025
Residential	188,374	190,304	193,204	196,469	200,576
Small Commercial and Industrial	20,376	20,689	20,809	21,131	21,193
Large Commercial and Industrial	2,653	2,630	2,661	2,627	2,716
Outdoor Lighting	1,605	1,641	1,670	1,718	1,739
Total	213,008	215,264	218,344	221,945	226,224

Historic Electric Division Use

The following table shows historical figures for Knox County's population, the Electric Division's number of customers, and electric sales.

Fiscal Year	Knox Co. Population	Number of Customers	Total Sales MWh
1995	357,447	160,893	4,703,769
2000	382,032	177,201	5,210,716
2010	432,226	197,299	5,587,374
2020	478,971	210,393	5,271,869
2021	486,677	215,264	5,640,161
2022	494,574	218,344	5,812,108
2023	500,669	221,945	5,753,288
2024	506,748	221,945	5,789,441
2025	511,920	226,224	5,960,633

*Restated per GASB 87. For more information, see the notes to the Financial Statements in the FINANCIAL STATEMENTS included herein.

KNOXVILLE UTILITIES BOARD
ELECTRIC DIVISION
CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
for the years ending on June 30

	2021 as restated*	2022 as restated**	2023	2024	2025
Operating Revenues:	\$ 553,897,585	\$ 606,335,419	\$ 660,231,612	\$ 657,034,681	\$ 734,797,909
Operating Expenses:					
Purchased power	\$ 394,541,982	\$ 439,114,687	\$ 475,899,728	\$ 447,013,007	\$ 497,351,097
Distribution	37,118,162	43,441,366	51,183,020	57,375,210	55,428,405
Customer service	6,204,319	6,650,825	6,101,877	3,760,354	3,887,095
Administrative and general	13,284,502	15,560,475	28,545,522	32,025,453	32,967,986
Provision for depreciation	40,385,025	38,871,150	40,651,472	44,066,858	48,781,855
Taxes and tax equivalents	19,147,427	19,293,655	19,918,570	21,651,025	20,301,359
Total Operating Expenses	\$ 510,681,417	\$ 562,932,158	\$ 622,300,189	\$ 605,891,907	\$ 658,717,797
Operating Income	\$ 43,216,168	\$ 43,403,261	\$ 37,931,423	\$ 51,142,774	\$ 76,080,112
Non-Operating Revenues / Expenses:					
Contribution in aid of Construction	\$ 2,563,006	\$ 3,019,363	\$ 6,662,468	\$ 8,706,900	\$ 12,014,610
Interest and dividend income	236,934	716,419	4,879,006	6,686,576	8,526,790
Interest Expense	(11,218,425)	(10,739,172)	(13,538,166)	(16,497,703)	(20,786,522)
Plant Costs Recovered	(2,563,006)	(3,019,363)	(6,662,468)	(8,706,900)	(12,014,610)
Other	(644,907)	(4,189,367)	2,148,167	5,631,633	2,544,000
Total Non-Operating	\$ (11,626,398)	\$ (14,212,120)	\$ (6,510,993)	\$ (4,179,494)	\$ (9,715,732)
Change in Net Position before Capital Contributions	\$ 31,589,770	\$ 29,191,141	\$ 31,420,430	\$ 46,963,280	\$ 66,364,380
Capital Contributions	-	-	-	-	-
Change in Net Position	\$ 31,589,770	\$ 29,191,141	\$ 31,420,430	\$ 46,963,280	\$ 66,364,380
Beginning of Period Adjustment	\$ 411,744,518	\$ 443,334,288	\$ 472,525,429	\$ 503,945,859	\$ 550,909,139
Net Position	-	-	-	-	-
End of period	\$ 443,334,288	\$ 472,525,429	\$ 503,945,859	\$ 550,909,139	\$ 617,273,519

*Restated per GASB 87. For more information, see the notes to the Financial Statements in the FINANCIAL STATEMENTS included herein.

**Restated per GASB 96. For more information, see the notes to the Financial Statements in the FINANCIAL STATEMENTS included herein.

Source: The above amounts have been derived from the Annual Audited Financial Statements of the Knoxville Utilities Board - Electric Division and the Board's internal financial records should be read in conjunction therewith.

KNOXVILLE UTILITIES BOARD
ELECTRIC DIVISION
OPERATING STATISTICS
for the Fiscal Years ended on June 30

	2021				
Revenues:	as restated*	2022	2023	2024	2025
Residential	\$ 265,036,915	\$ 282,413,730	\$ 307,569,936	\$ 304,640,586	\$ 343,530,285
Commercial	50,925,829	55,616,386	60,542,551	60,191,763	65,748,828
Industrial	220,669,452	244,582,768	275,755,562	263,567,784	290,077,729
Outdoor Lighting	5,718,036	5,824,823	6,220,762	6,169,825	6,554,315
Total Sales Revenues	\$ 542,350,232	\$ 588,437,707	\$ 650,088,811	\$ 634,569,958	\$ 705,911,157
Other Revenues	11,547,353	17,897,712	10,142,801	22,464,723	28,886,752
Total Revenues	\$ 553,897,585	\$ 606,335,419	\$ 660,231,612	\$ 657,034,681	\$ 734,797,909
Electric Usage - MWh:					
Residential	2,510,197	2,511,736	2,436,024	2,484,069	2,600,954
Commercial	401,691	418,914	412,304	419,411	426,772
Industrial	2,693,580	2,849,248	2,874,504	2,856,755	2,904,525
Outdoor Lighting	34,693	32,210	30,456	29,206	28,382
Total Electric Usage	5,640,161	5,812,108	5,753,288	5,789,441	5,960,633
Number of Customers:					
Residential	188,374	190,304	193,204	196,469	200,576
Commercial	20,376	20,689	20,809	21,131	21,193
Industrial	2,653	2,630	2,661	2,627	2,716
Outdoor Lighting	1,605	1,641	1,670	1,718	1,739
Total Customers	213,008	215,264	218,344	221,945	226,224
Purchased Power:					
MWh	5,828,430	6,000,965	5,868,613	6,005,018	6,135,085
Total Cost	\$ 394,541,982	\$ 439,114,687	\$ 475,899,728	\$ 447,013,007	\$ 497,351,097
Wholesale Power Cost as % of Sales	72.75%	74.62%	73.21%	70.44%	70.46%
Electric System Peak (kW)	1,328,313	1,328,313	1,328,313	1,350,500	1,350,500

*Restated per GASB 87. For more information, see the notes to the Financial Statements in the FINANCIAL STATEMENTS included herein.

OPERATING AND FINANCIAL HISTORY OF THE ELECTRIC DIVISION

Sales in MWh

Fiscal Year	Residential	Commercial	Industrial	Outdoor Lighting	Total
2021	2,510,197	401,691	2,693,580	34,693	5,640,161
2022	2,511,736	418,914	2,849,248	32,210	5,812,108
2023	2,436,024	412,304	2,874,504	30,456	5,753,288
2024	2,484,069	419,411	2,856,755	29,206	5,789,441
2025	2,600,954	426,772	2,904,525	28,382	5,960,633

Total Operating Revenue

Fiscal Year	Residential	Commercial	Industrial	Outdoor Lighting	Other	Total
2021 as restated*	\$ 265,036,915	\$ 50,925,829	\$ 220,669,452	\$ 5,718,036	\$ 11,547,353	\$ 553,897,585
2022	\$ 282,413,730	\$ 55,616,386	\$ 244,582,768	\$ 5,824,823	\$ 17,897,712	\$ 606,335,419
2023	\$ 307,569,936	\$ 60,542,551	\$ 275,755,562	\$ 6,220,762	\$ 10,142,801	\$ 660,231,612
2024	\$ 304,640,586	\$ 60,191,763	\$ 263,567,784	\$ 6,169,825	\$ 22,464,723	\$ 657,034,681
2025	\$ 343,530,285	\$ 65,748,828	\$ 290,077,729	\$ 6,554,315	\$ 28,886,752	\$ 734,797,909

Growth Rates for Key Operating Data

	2020-2021 as restated*	2021-2022	2022-2023	2023-2024	2024-2025
Number of Customers	1.24%	1.06%	1.43%	1.65%	1.93%
Total Sales (MWh)	6.99%	3.05%	-1.01%	0.63%	2.96%
Total Operating Revenues	1.13%	9.47%	8.89%	-0.48%	11.84%

*Restated per GASB 87. For more information, see the notes to the Financial Statements in the FINANCIAL STATEMENTS included herein.

TEN LARGEST ELECTRIC SYSTEM CUSTOMERS - 2025

The ten largest Electric System customers, as of June 30, 2025, in order of total sales generated are listed below. Those ten electric customers represent 14.97% of the total electric sales based on revenue and 24.38% of the total electric sales based on sales volume.

	Customer	Consumption MWh	Electric Sales Revenue	Percent of Sales Revenue
1.	Carpenter Creek LLC	547,332	\$ 24,716,828	3.50%
2.	University of Tennessee	234,099	22,870,730	3.24%
3.	CMC Steel US LLC	282,184	15,375,101	2.18%
4.	Knox County Schools	51,521	8,853,021	1.25%
5.	KUB	69,508	8,331,564	1.18%
6.	University Health Systems Inc	82,584	7,105,916	1.01%
7.	Public Building Authority	41,107	5,202,620	0.74%
8.	Cemex Inc	77,776	4,963,212	0.70%
9.	K-VA-T Food Stores Inc	37,231	4,559,712	0.65%
10.	Nyrstar TN Mines S P LLC	30,010	3,667,000	0.52%
	TOTAL	1,453,352	\$ 105,645,704	14.97%

Total Electric Sales Revenue	705,911,157
Top 10 as Percent of Total Electric Sales Revenue	14.97%
Total Electric Sales Volume (MWh)	5,960,633
Top 10 as Percent of Total Electric Sales Volume	24.38%

KNOXVILLE UTILITIES BOARD
ELECTRIC DIVISION
BONDS OUTSTANDING

The following table shows the outstanding bond indebtedness of the Electric Division.

Amount Issued	Series	Due Date	Interest Rates	Outstanding Debt (1) and (2) As of June 30, 2025
\$ 28,550,000	Electric System Revenue Refunding Bonds, Series EE-2015	07-01-29	Fixed	\$ 14,260,000
40,000,000	Electric System Revenue Bonds, Series GG-2016	07-01-46	Fixed	32,550,000
23,445,000	Electric System Revenue Refunding Bonds, Series HH-2017	07-01-27	Fixed	8,060,000
40,000,000	Electric System Revenue Bonds, Series II-2017	07-01-47	Fixed	34,075,000
39,995,000	Electric System Revenue Bonds, Series JJ-2018	07-01-47	Fixed	34,760,000
14,380,000	Electric System Revenue Refunding Bonds, Series KK-2020	07-01-30	Fixed	9,405,000
70,180,000	Electric System Revenue Refunding Bonds, Series LL-2021	07-01-44	Fixed	55,700,000
45,650,000	Electric System Revenue Bonds, Series MM-2022	07-01-51	Fixed	44,080,000
27,215,000	Electric System Revenue Refunding Bonds, Series NN-2022	07-01-45	Fixed	26,390,000
79,000,000	Electric System Revenue Bonds, Series OO-2022	07-01-52	Fixed	77,725,000
55,000,000	Electric System Revenue Bonds, Series PP-2023	07-01-53	Fixed	55,000,000
\$ 91,000,000	Electric System Revenue Bonds, Series QQ-2024 (Issued 8-29-2024)	07-01-54	Fixed	\$ 91,000,000
\$ 554,415,000	TOTAL DEBT			\$ 483,005,000
\$ 27,000,000	Electric System Revenue Bonds, Series RR-2026	07-01-55	Fixed	\$ 27,000,000
\$ 581,415,000	TOTAL INDEBTEDNESS			\$ 510,005,000

NOTES:

(1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the FINANCIAL STATEMENTS included herein.

(2) The Electric System paid \$16,440,000 of principal and \$10,111,608.76 of interest on July 1, 2025, for the Fiscal Year Ending June 30, 2026.

**KNOXVILLE UTILITIES BOARD
ELECTRIC DIVISION
DEBT SERVICE REQUIREMENTS**

Fiscal Year	Outstanding Fiscal Year Debt Service on Bonds as of June 30, 2025			Electric System Revenue Bonds, Series RR-2026			% Principal Repaid on Series RR-2026 Bonds	TOTAL DEBT SERVICE (1) & (2)			% Principal Repaid on All Debt
	Principal	Interest	Total	Principal	Interest (3)	Total		Principal	Interest	Total	
2026	\$ 16,440,000	\$ 19,855,793	\$ 36,295,793	\$ -	\$ -	\$ -	0.00%	\$ 16,440,000	\$ 19,855,793	\$ 36,295,793	3.22%
2027	18,615,000	19,078,343	37,693,343	-	1,218,750	1,218,750		18,615,000	20,297,093	38,912,093	
2028	19,370,000	18,278,940	37,648,940	425,000	1,339,375	1,764,375		19,795,000	19,618,315	39,413,315	
2029	17,455,000	17,523,438	34,978,438	445,000	1,317,625	1,762,625		17,900,000	18,841,063	36,741,063	
2030	18,145,000	16,774,838	34,919,838	470,000	1,294,750	1,764,750	4.96%	18,615,000	18,069,588	36,684,588	17.91%
2031	14,690,000	16,061,013	30,751,013	495,000	1,270,625	1,765,625		15,185,000	17,331,638	32,516,638	
2032	14,330,000	15,407,513	29,737,513	520,000	1,245,250	1,765,250		14,850,000	16,652,763	31,502,763	
2033	14,180,000	14,767,403	28,947,403	545,000	1,218,625	1,763,625		14,725,000	15,986,028	30,711,028	
2034	14,675,000	14,125,144	28,800,144	575,000	1,190,625	1,765,625		15,250,000	15,315,769	30,565,769	
2035	15,170,000	13,465,506	28,635,506	600,000	1,161,250	1,761,250	15.09%	15,770,000	14,626,756	30,396,756	32.77%
2036	15,710,000	12,811,281	28,521,281	635,000	1,130,375	1,765,375		16,345,000	13,941,656	30,286,656	
2037	16,230,000	12,160,344	28,390,344	665,000	1,097,875	1,762,875		16,895,000	13,258,219	30,153,219	
2038	16,810,000	11,479,044	28,289,044	700,000	1,063,750	1,763,750		17,510,000	12,542,794	30,052,794	
2039	17,375,000	10,771,950	28,146,950	735,000	1,027,875	1,762,875		18,110,000	11,799,825	29,909,825	
2040	17,995,000	10,041,869	28,036,869	775,000	990,125	1,765,125	28.09%	18,770,000	11,031,994	29,801,994	49.96%
2041	18,640,000	9,281,306	27,921,306	810,000	950,500	1,760,500		19,450,000	10,231,806	29,681,806	
2042	19,280,000	8,490,463	27,770,463	855,000	908,875	1,763,875		20,135,000	9,399,338	29,534,338	
2043	19,990,000	7,669,938	27,659,938	900,000	865,000	1,765,000		20,890,000	8,534,938	29,424,938	
2044	19,340,000	6,860,831	26,200,831	945,000	818,875	1,763,875		20,285,000	7,679,706	27,964,706	
2045	20,065,000	6,079,313	26,144,313	990,000	770,500	1,760,500	44.76%	21,055,000	6,849,813	27,904,813	69.92%
2046	19,310,000	5,313,813	24,623,813	1,045,000	719,625	1,764,625		20,355,000	6,033,438	26,388,438	
2047	18,245,000	4,581,359	22,826,359	1,095,000	666,125	1,761,125		19,340,000	5,247,484	24,587,484	
2048	16,965,000	3,884,719	20,849,719	1,150,000	610,000	1,760,000		18,115,000	4,494,719	22,609,719	
2049	13,335,000	3,265,100	16,600,100	1,210,000	551,000	1,761,000		14,545,000	3,816,100	18,361,100	
2050	13,910,000	2,692,200	16,602,200	1,275,000	488,875	1,763,875	66.15%	15,185,000	3,181,075	18,366,075	87.08%
2051	14,505,000	2,094,475	16,599,475	1,340,000	423,500	1,763,500		15,845,000	2,517,975	18,362,975	
2052	15,125,000	1,470,950	16,595,950	1,410,000	354,750	1,764,750		16,535,000	1,825,700	18,360,700	
2053	13,020,000	875,525	13,895,525	1,480,000	282,500	1,762,500		14,500,000	1,158,025	15,658,025	
2054	8,690,000	407,125	9,097,125	1,555,000	206,625	1,761,625		10,245,000	613,750	10,858,750	
2055	5,395,000	107,900	5,502,900	1,635,000	126,875	1,761,875	93.63%	7,030,000	234,775	7,264,775	99.66%
2056	-	-	-	1,720,000	43,000	1,763,000	100.00%	1,720,000	43,000	1,763,000	100.00%
	\$ 483,005,000	\$ 285,677,432	\$ 768,682,432	\$ 27,000,000	\$ 25,353,500	\$ 52,353,500		\$ 510,005,000	\$ 311,030,932	\$ 821,035,932	

NOTES:

(1) The above figures do not include short-term notes outstanding, if any. Amounts represent unaudited June 30, 2025. For more information, see the notes to the Financial Statements in the FINANCIAL STATEMENTS included herein.

(2) The Electric System paid \$16,440,000 of principal and \$10,111,608.76 of interest on July 1, 2025, for the Fiscal Year Ending June 30, 2026.

(3) Estimated Interest Rates. Estimated Average Coupon of 5.00%.

KNOXVILLE UTILITIES BOARD
ELECTRIC DIVISION
HISTORICAL DEBT COVERAGE ON OUTSTANDING ELECTRIC SYSTEM BONDS

For the Fiscal Years Ended June 30

The historical coverage for the actual debt service requirements and the projected maximum annual debt service requirements (FY 2028) of the Outstanding Bonds and the Series RR-2026 Bonds for June 30, 2021 through June 30, 2025 is set forth below.

	2021	2022	2023	2024	2025
	as restated***	as restated****			
Operating revenues	\$ 553,897,585	\$ 606,335,419	\$ 660,231,612	\$ 657,034,681	\$ 734,797,909
Operating expenses *	(451,148,965)	(504,767,353)	(561,730,147)	(540,174,024)	(589,634,583)
Net income before depreciation & taxes	\$ 102,748,620	\$ 101,568,066	\$ 98,501,465	\$ 116,860,657	\$ 145,163,326
Other revenue (Net)	236,934	716,419	4,879,006	6,686,576	8,526,790
FICA & Medicare Tax Expense	(2,256,238)	(2,502,307)	(2,742,935)	(2,885,211)	(3,116,699)
Income available for debt service	\$ 100,729,316	\$ 99,782,178	\$ 100,637,536	\$ 120,662,022	\$ 150,573,417
Actual annual debt service requirements on outstanding bonds	\$ 26,715,582	\$ 24,583,195	\$ 24,786,078	\$ 30,118,930	\$ 35,400,225
Coverage (Times)	3.77 x	4.06 x	4.06 x	4.01 x	4.25 x
Maximum annual debt service requirements (FY 2028) on Outstanding Bonds and the Series RR-2026 Bonds**	\$ 39,413,315	\$ 39,413,315	\$ 39,413,315	\$ 39,413,315	\$ 39,413,315
Coverage (Times)	2.56 x	2.53 x	2.55 x	3.06 x	3.82 x

* Excluding Provision for Depreciation and Taxes

** From Debt Service Requirements Chart.

***Restated per GASB 87. For more information, see the notes to the Financial Statements in the FINANCIAL STATEMENTS included herein.

****Restated per GASB 96. For more information, see the notes to the Financial Statements in the FINANCIAL STATEMENTS included herein.

**ELECTRIC DIVISION
REPORT OF INDEPENDENT AUDITORS AND FINANCIAL STATEMENTS**



Electric Division

Financial Statements and Supplemental Information June 30, 2025 and 2024

KUB Board of Commissioners

Cynthia Gibson, Chair

Ron Feinbaum

Celeste Herbert

Dr. Craig Pickett, Jr.

Claudia Caballero, Vice Chair

Kathy Hamilton

Phyllis Nichols

Management

Gabriel Bolas II

President and Chief Executive Officer

Mark Walker

Senior Vice President and Chief Financial Officer

Jamie Davis

Senior Vice President Fiber and Chief Technology Officer

John Gresham

Senior Vice President and Chief Engineering and
Operations Officer

John Williams

Senior Vice President and Chief Infrastructure and
Compliance Officer

Tiffany Martin

Senior Vice President and Chief Customer and Talent Officer

Erin Gill

Vice President Communications and External Relations

Knoxville Utilities Board Electric Division

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June 30, 2025 and 2024

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Electric Division of the Knoxville Utilities Board

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Electric Division (the Division) of the Knoxville Utilities Board, a component unit of the City of Knoxville, Tennessee, as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Division's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Division as of June 30, 2025 and 2024, and the changes in financial position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Division and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Division's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Division's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

-
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Division's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6-28, the schedule of changes in net pension liability and related ratios, the schedule of employer pension contributions, the schedule of changes in net OPEB liability and related ratios, the schedule of employer OPEB contributions and the schedule of changes in total pension liability and related ratios - qualified governmental excess benefit arrangement on pages 70-74 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Division's basic financial statements. The schedule of debt maturities by fiscal year, the schedule of changes in long-term debt by individual issue, and the schedule of changes in lease liability are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of debt maturities by fiscal year, the schedule of changes in long-term debt by individual issue, and schedule of changes in lease liabilities are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the statistical information but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Emphasis of Matter

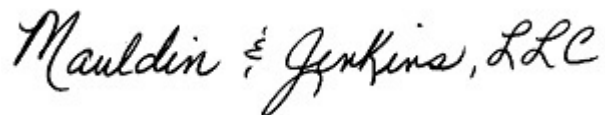
As discussed in Note 1, the financial statements present only the Electric Division and do not purport to, and do not, present fairly the financial position of the Knoxville Utilities Board, as of June 30, 2025 and 2024, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matter

The financial statements of the Division as of June 30, 2024, were audited by other auditors whose report dated October 23, 2024, expressed an unmodified opinion on those statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2025, on our consideration of the Division's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Division's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Division's internal control over financial reporting and compliance.



Chattanooga, Tennessee
October 17, 2025

Knoxville Utilities Board Electric Division

Management's Discussion and Analysis

June 30, 2025 and 2024

Knoxville Utilities Board (KUB), comprised of the Electric Division, Fiber Division, Gas Division, Water Division, and Wastewater Division (Divisions), is reported as a component unit enterprise fund in the financial statements of the City of Knoxville. KUB's responsibility is to oversee the purchase, production, distribution, and processing of electricity, broadband, natural gas, water, and wastewater services. A seven-member Board of Commissioners (Board) governs KUB. The Board has all powers to construct, acquire, expand, and operate the Divisions. It has full control and complete jurisdiction over the management and operation of the Divisions. The Electric Division (Division) provides services to certain customers in Knox County and in seven surrounding counties in East Tennessee. The Division's accounts are maintained in conformity with the Uniform System of Accounts of the Federal Energy Regulatory Commission (FERC) and the Governmental Accounting Standards Board (GASB), as applicable. The financial statements present only the Electric Division and do not purport to, and do not, present fairly the consolidated financial position of Knoxville Utilities Board as of June 30, 2025, and 2024, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Division's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Division's financial activity, (c) identify major changes in the Division's financial position, and (d) identify any financial concerns.

The Division's Management Discussion and Analysis (MD&A) focuses on the fiscal year ended June 30, 2025, activities, resulting changes and current known facts, and should be read in conjunction with the Division's financial statements.

Electric Division Highlights

System Highlights

KUB continued to make progress on the construction of its fiber network during fiscal year 2025, marking the fourth year of the planned seven-year deployment.

KUB serves 226,224 electric customers over a 689 square mile service area and maintains 5,570 miles of service lines and 64 electric substations to provide 6.1 million megawatt hours to its customers annually.

The electric system's record peak demand remains 1,350.5 megawatts, set in January 2024.

KUB has added 10,960 electric system customers over the past three years, representing annual growth of 1.7 percent. In fiscal year 2025, 4,279 customers were added.

The typical residential customer's average monthly electric bill was \$134.68 as of June 30, 2025, representing an increase of \$10.44 compared to June 30, 2024. Bill levels are based on 1,000 kwh of monthly power use. The increase in the monthly bill during fiscal year 2025 was the result of the flow through of TVA wholesale rate adjustments, increased residential volume, and both the April 2024 and the April 2025 rate increases.

On August 24, 2024, TVA's board voted to approve a 5.25 percent electric base rate increase effective October 1, 2024. The increase flowed directly to KUB's electric customers.

In September 2023, KUB elected to participate in TVA's Power Supply Expanded Flexibility Program which will allow KUB to produce up to 5 percent of KUB's electric energy supply. The goals of this program include achieving significant power cost savings, advancing the goal to generate 400 megawatts of renewable energy by 2030, and demonstrating KUB's commitment to a cleaner environment. During the fiscal year, KUB contracted three TVA Flexibility projects. These include a TVA Green Invest Flexibility Conversion for 20 megawatts which began January 2025, a joint project with EPB and SR Durhamville for 33 megawatts

Knoxville Utilities Board Electric Division

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beginning June 2028, and a short-term Biomass contract that will scale down as future solar resources come online. KUB also received Board approval in June 2025 for a fourth Flexibility contract, securing a 21 megawatts local project to be hosted at Cemex.

In the fall of 2024, KUB completed installation of two public fast-charging stations for electric vehicles in Downtown Knoxville and Seymour. These stations were installed as part of TVA's Fast Charge Tennessee Network. Since going live, they have provided over 3,000 charging sessions for electric vehicle drivers in the Knoxville region.

KUB's electric system maintains a Diamond Level designation by the American Public Power Association's (APPA) Reliable Public Power Provider (RP3) program, the highest level of recognition of the program.

Century II Infrastructure Program

Century II is KUB's proactive long-range program to improve and maintain its electric, natural gas, water, and wastewater systems for its customers. It includes maintenance and asset replacement strategies for each utility system and establishes sustainable replacement cycles. Century II moves KUB into its second century of service by improving each system through sound planning, resource allocation, and continued investment.

In September 2021, the Board approved three electric rate increases to support the Century II program and the expanded fiber network. The three approved 3 percent electric rate increases went into effect April 2022, April 2023, April 2024, generating \$16.7 million, \$17.4 million, and \$18 million in additional annual Electric Division revenue, respectively.

In June 2024, as part of KUB's Inflation Response Plan, the Board approved the next phase of electric rate increases to support the Century II program and the expanded fiber network. The first of three approved electric rate increases took effect in April 2025 generating additional annual Electric Division revenue of \$26 million. The remaining rate increases, effective April 2026 and April 2027, are expected to provide \$20.7 million and \$14.2 million in additional annual Electric Division revenue, respectively.

During the fiscal year, KUB replaced 8 miles of transmission lines, and 5.3 miles of underground cable.

Fiber Network

During fiscal year 2021, KUB developed a Fiber to the Home Business Plan for the provision of broadband services to customers within its electric system service territory. In accordance with state law and KUB's wholesale power supply contract with TVA, the Business Plan was submitted to the Office of the Comptroller of the Treasury for Tennessee and TVA for review. The Office of the Comptroller found KUB's Business Plan to be financially feasible, and TVA approved it, finding no cross-subsidization exists between the proposed Fiber Division and the Electric Division.

After gaining the required approvals from TVA, the State of Tennessee, KUB's Board, and City Council, KUB launched its new Fiber Division. Broadband services are provided by a high-speed fiber optic network that is owned and maintained by the Electric Division. The Fiber Division shares in the cost of building and operating the Fiber network by paying the Electric Division an annual access fee based on the year-end value of those assets and the related expenses. The Fiber Division also pays the Electric Division an annual utilization fee based on attachments to the network. In addition to providing broadband services, the fiber network is also allowing KUB to implement new advanced technologies to improve the reliability of its electric system.

As a component of the Fiber Division's start-up financing plan, approved by KUB's Board and TVA, the Electric Division will provide \$55 million of interdivisional loans. The first \$10 million was provided in October 2021, \$7 million was provided in August 2022, \$13 million was provided in February 2023, and \$5 million

Knoxville Utilities Board Electric Division

Management's Discussion and Analysis

June 30, 2025 and 2024

was provided in May 2024, all maturing in June 2030. The Electric Division issued a \$2 million loan in May 2024, and a \$7 million loan in December 2024 to the Fiber Division, both maturing in June 2032.

In fiscal year 2022, KUB began the seven-year buildout on extending fiber infrastructure to make broadband service available to electric customers. The first broadband customers began receiving service in September 2022.

The Tennessee Emergency Broadband Fund selected KUB for a grant of \$15.3 million to assist in the provision of broadband access to Grainger, Jefferson, Sevier, and Union Counties. As of June 30, 2025, KUB has received \$10.6 million in reimbursements.

The fiber network is an integral component of a \$702 million ten-year Enhanced Grid Modernization effort for the Electric Division. The program will be funded by a combination of electric rate increases, new bonds, grant funds, and projected payments from the Fiber Division.

Financial Highlights

Fiscal Year 2025 Compared to Fiscal Year 2024

The Division's Change in Net Position increased \$66.4 million in fiscal year 2025. Comparatively, net position increased \$47 million in fiscal year 2024.

Operating revenue increased \$77.8 million, or 11.8 percent over the prior fiscal year. The increase in operating revenue was the net result of a 3 percent increase in billed sales, additional revenue from the April 2024 and April 2025 rate increases, and the impact of TVA's 5.25 percent rate increase, which increased wholesale power costs. KUB flows changes to wholesale power rates directly through to its retail electric rates via its Purchased Power Adjustment.

Seventy percent of Electric Division sales revenue was used to purchase electric power from TVA for the fiscal year ended June 30, 2025. Purchased power expense increased \$50.3 million compared to last fiscal year due to higher customer demand and increased wholesale power costs resulting from TVA's rate increase.

Margin on electric sales (operating revenue less purchased power expense) increased \$27.4 million or 13.1 percent, reflecting additional revenue from the KUB rate increases and increased purchased power expense.

Operating expenses (excluding purchased power expense) increased \$2.5 million. Operating and maintenance (O&M) expenditures decreased \$0.9 million. Depreciation and amortization expense increased \$4.7 million, or 10.7 percent. Taxes and tax equivalents were \$1.4 million lower than the prior fiscal year.

Interest income increased \$1.8 million compared to the prior fiscal year, driven by higher cash balances and the replacement of maturing low-yield investments with new investments at significantly higher rates, despite a modest decline in overall interest rates. Interest expense increased \$4.3 million, or 26 percent, due to new revenue bonds sold during fiscal year 2025 and interest on increased levels of customer deposits.

Total capital assets (net) increased \$101.2 million, or 11.5 percent over the end of the last fiscal year, reflecting the fiber network buildout and other distribution system improvements as part of KUB's Century II electric program.

KUB sold \$91 million in electric system revenue bonds in July 2024 for the purpose of funding electric system capital improvements.

Knoxville Utilities Board Electric Division Management's Discussion and Analysis June 30, 2025 and 2024

Long-term debt represented 43.9 percent of the Division's capital structure as of June 30, 2025, compared to 42.6 percent last year. Capital structure equals long-term debt (including the current and long-term portion of any revenue bonds) plus net position.

The Division's bond covenants require a debt service coverage ratio of at least 1.2 times the maximum principal and interest payments over the life of the Division's outstanding bonds. Debt coverage for the current fiscal year was 4.24. Maximum debt service coverage for future fiscal years is 3.99.

Fiscal Year 2024 Compared to Fiscal Year 2023

The Division's Change in Net Position increased \$47 million in fiscal year 2024. Comparatively, net position increased \$31.4 million in fiscal year 2023.

Operating revenue decreased \$3.2 million or 0.5 percent over the prior fiscal year. The decrease in operating revenue was the net result of a 0.6 percent increase in billed sales, additional revenue from the April 2024 rate increase, and a decrease to wholesale power costs. KUB flows changes to wholesale power rates directly through to its retail electric rates via its Purchased Power Adjustment.

Seventy percent of Electric Division sales revenue was used to purchase electric power from TVA for the fiscal year ended June 30, 2024. Purchased power expense decreased \$28.9 million compared to last fiscal year due to lower wholesale power costs.

Margin on electric sales (operating revenue less purchased power expense) increased \$25.7 million or 13.9 percent, reflecting lower purchased power expense.

Operating expenses (excluding purchased power expense) increased \$12.5 million. Operating and maintenance (O&M) expenditures increased \$7.4 million. Depreciation and amortization expense increased \$3.4 million or 8.4 percent. Taxes and tax equivalents were \$1.7 million higher than the prior fiscal year.

Interest income was \$1.8 million higher than the prior fiscal year, due to higher interest rates throughout the year. Interest expense increased \$3 million or 21.9 percent, reflecting interest expense from new revenue bonds sold during fiscal year 2024.

Total capital assets (net) increased \$98.8 million or 12.6 percent over the end of the last fiscal year, reflecting the fiber network buildout and other distribution system improvements as part of KUB's Century II electric program.

KUB sold \$55 million in electric system revenue bonds in November 2023 for the purpose of funding electric system capital improvements.

Long-term debt represented 42.6 percent of the Division's capital structure as of June 30, 2024, compared to 42.3 percent last year. Capital structure equals long-term debt (including the current and long-term portion of any revenue bonds) plus net position.

The Division's bond covenants require a debt service coverage ratio of at least 1.2 times the maximum principal and interest payments over the life of the Division's outstanding bonds. Debt coverage for the current fiscal year was 4.01.

Knoxville Utilities Board Electric Division

Management's Discussion and Analysis

June 30, 2025 and 2024

Knoxville Utilities Board Electric Division - Financial Statements

The Division's financial performance is reported under three basic financial statements: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows.

Statement of Net Position

The Division reports its assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position in the Statement of Net Position. Assets are classified as current, restricted, electric plant in service, intangible, or other assets.

Liabilities are classified as current, other, or long-term debt. Net position is classified as net investment in capital assets, restricted, or unrestricted. Net position tells the user what the Division has done with its accumulated earnings, not just the balance.

Net investment in capital assets reflects the book value of all capital assets and intangible assets, less lease and subscription liabilities and the outstanding balances of debt used to acquire, construct, or improve those assets.

Restricted net position includes assets that have been limited to specific uses by the Division's bond covenants or through resolutions passed by the KUB Board.

Unrestricted net position is a residual classification; the amount remaining after reporting net position as either invested in capital or restricted is reported there.

Statement of Revenues, Expenses and Changes in Net Position

The Division reports its revenues and expenses (both operating and non-operating) on the Statement of Revenues, Expenses and Changes in Net Position. In addition, any capital contributions or assets donated by developers are reported on this statement.

Total revenue less total expense equals the change in net position for the reporting period. Net position at the beginning of the period is increased or decreased, as applicable, by the change in net position for the reporting period.

The change in net position for the reporting period is added to the net position segment of the Statement of Net Position.

Statement of Cash Flows

The Division reports its cash flows from operating activities, capital and related financing activities, non-capital and related financing activities, and investing activities on its Statement of Cash Flows. This statement tells the user the Division's sources and uses of cash during the reporting period.

The statement indicates the Division's beginning cash balance and ending cash balance and how it was either increased or decreased during the reporting period.

The statement also reconciles cash flow back to operating income as it appears on the Statement of Revenues, Expenses and Changes in Net Position.

Knoxville Utilities Board Electric Division
Management's Discussion and Analysis
June 30, 2025 and 2024

Condensed Financial Statements

Statement of Net Position

The following table reflects the condensed Statement of Net Position for the Electric Division compared to the prior two fiscal years.

Statements of Net Position
As of June 30

<i>(in thousands of dollars)</i>	2025	2024	2023
Current, restricted, intangible, and other assets	\$ 323,647	\$ 268,835	\$ 261,254
Capital assets, net	984,470	883,282	784,490
Total assets	<u>1,308,117</u>	<u>1,152,117</u>	<u>1,045,744</u>
Deferred outflows of resources	8,718	14,930	25,734
Total assets and deferred outflows of resources	<u>1,316,835</u>	<u>1,167,047</u>	<u>1,071,478</u>
Current and other liabilities	191,375	184,859	179,110
Long-term debt outstanding	500,743	424,501	384,667
Total liabilities	<u>692,118</u>	<u>609,360</u>	<u>563,777</u>
Deferred inflows of resources	7,444	6,778	3,755
Total liabilities and deferred inflows of resources	<u>699,562</u>	<u>616,138</u>	<u>567,532</u>
Net position			
Net investment in capital assets	458,505	433,775	376,865
Restricted	16,441	17,321	15,471
Unrestricted	142,327	99,813	111,610
Total net position	<u>\$ 617,273</u>	<u>\$ 550,909</u>	<u>\$ 503,946</u>

Normal Impacts on Statement of Net Position

The following is a description of activities which will normally impact the comparability of the Statement of Net Position presentation:

- Change in net position (from Statement of Revenues, Expenses and Changes in Net Position): impacts (increase/decrease) current and other assets and/or capital and intangible assets, and unrestricted net position.
- Issuing debt for capital: increases deferred outflows of resources and long-term debt.
- Spending debt proceeds on new capital: reduces current assets and increases capital assets.
- Spending of non-debt related current assets on new capital: (a) reduces current assets and increases capital assets, and (b) reduces unrestricted net position and increases net investment in capital assets.
- Principal payment on debt: (a) reduces current and other assets and reduces long-term debt, and (b) reduces unrestricted net position and increases net investment in capital assets.
- Reduction of capital assets through depreciation: reduces capital assets and net investment in capital assets.

Knoxville Utilities Board Electric Division

Management's Discussion and Analysis

June 30, 2025 and 2024

Impacts and Analysis

Current, Restricted, Intangible, and Other Assets

Fiscal Year 2025 Compared to Fiscal Year 2024

Current, restricted, intangible, and other assets increased \$54.8 million, or 20.4 percent. The change reflects a \$37.1 million increase in general fund cash (including cash and cash equivalents, short-term investments, and long-term investments), \$14.4 million increase in accounts receivable, and a \$5 million increase in notes receivable (including current portion). These increases were offset by a \$2.7 million decrease in inventories,

KUB under recovered \$5.9 million in wholesale power costs from its customers in fiscal year 2025, as compared to a \$5.1 million under recovered in fiscal year 2024. This under recovery of costs will be charged to KUB's electric customers during the next fiscal year through adjustments to rates via the Purchased Power Adjustment.

Fiscal Year 2024 Compared to Fiscal Year 2023

Current, restricted, intangible, and other assets increased \$7.6 million, or 2.9 percent. The change reflects an \$11.6 million increase in accounts receivable, a \$5.2 million increase in notes receivable, a \$3.6 million increase in inventories, a \$2.9 million increase in electric bond fund, and a \$2.4 million increase in lease receivables. These increases were offset by a \$22.3 million decrease in general fund cash (including cash and cash equivalents, short-term investments, and long-term investments).

KUB under recovered \$5.1 million in wholesale power costs from its customers in fiscal year 2024, as compared to a \$3.5 million over recovery in fiscal year 2023. This under recovery of costs will be charged to KUB's electric customers during the next fiscal year through adjustments to rates via the Purchased Power Adjustment.

Capital Assets

Fiscal Year 2025 Compared to Fiscal Year 2024

Capital assets, net of depreciation, increased \$101.2 million, or 11.5 percent. Major capital expenditures included \$76.3 million for the fiber network buildout, \$27.8 million for distribution system improvements, \$22.7 million for installation or replacement of electric services, \$8.9 million for pole replacements, \$4.3 million for auto and truck purchases, and \$3.2 million for building improvements. Electric system assets of \$9.6 million were retired in fiscal year 2025.

Fiscal Year 2024 Compared to Fiscal Year 2023

Capital assets, net of depreciation, increased \$98.8 million, or 12.6 percent. Major capital expenditures included \$67.7 million for the fiber network buildout, \$32.3 million for distribution system improvements, \$17.6 million for installation or replacement of electric services, \$7.3 million for pole replacements, \$3.9 million for auto and truck purchases, and \$2.5 million for building improvements. Electric system assets of \$20.1 million were retired in fiscal year 2024.

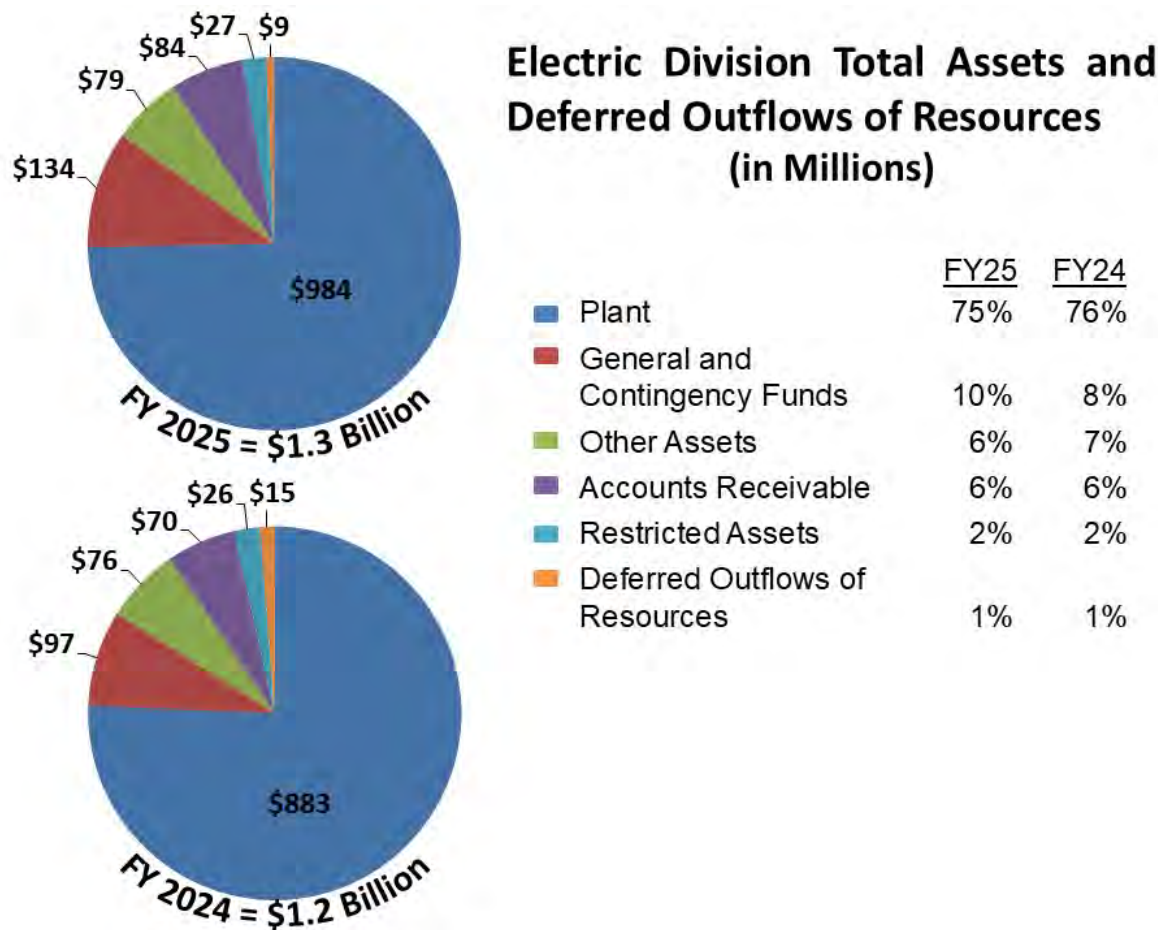
Deferred Outflows of Resources

Fiscal Year 2025 Compared to Fiscal Year 2024

Deferred outflows of resources decreased \$6.2 million compared to the prior fiscal year, due to a decrease in pension outflow of \$5.9 million and a decrease in OPEB outflow of \$0.3 million.

Fiscal Year 2024 Compared to Fiscal Year 2023

Deferred outflows of resources decreased \$10.8 million compared to the prior fiscal year, due to a decrease in pension outflow of \$9.6 million and a decrease in OPEB outflow of \$1.2 million.



Current and Other Liabilities

Fiscal Year 2025 Compared to Fiscal Year 2024

Current and other liabilities increased \$6.5 million. This increase was primarily due to a \$3.7 million rise in accrued expenses, a \$3.4 million increase in payables, a \$1.8 million increase in customer advances related to construction projects, a \$1.5 million increase in accrued interest on revenue bonds, and a \$1.2 million increase in customer deposits. Offsetting these increases were a \$2.1 million reduction in the actuarially determined net pension liability, a \$1.8 million decrease in the net OPEB liability, and a \$0.9 million decrease in the current portion of revenue bonds.

Knoxville Utilities Board Electric Division

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Fiscal Year 2024 Compared to Fiscal Year 2023

Current and other liabilities increased \$5.7 million. Payables increased \$13.2 million, the current portion of revenue bonds increased \$1.9 million, accrued expenses increased \$1.5 million, and accrued interest on revenue bonds increased \$1 million. These increases were offset by a decrease of \$7 million in the actuarially determined net pension liability, a \$3.5 million decrease in over recovered purchased power cost, and a \$1.6 million decrease in the actuarially determined net OPEB liability. The outstanding balance on TVA conservation loans declined by \$0.2 million, as KUB ceased issuance of any new loans in fiscal year 2016.

Long-Term Debt

Fiscal Year 2025 Compared to Fiscal Year 2024

Long-term debt increased \$76.2 million, or 18 percent. The increase is due in part to the net impact of the issuance of \$91 million of electric system revenue bonds in July 2024 offset by the scheduled repayment of debt.

Fiscal Year 2024 Compared to Fiscal Year 2023

Long-term debt increased \$39.8 million, or 10.4 percent. The increase is due in part to the net impact of the issuance of \$55 million of electric system revenue bonds in November 2023 offset by the scheduled repayment of debt.

Deferred Inflows of Resources

Fiscal Year 2025 Compared to Fiscal Year 2024

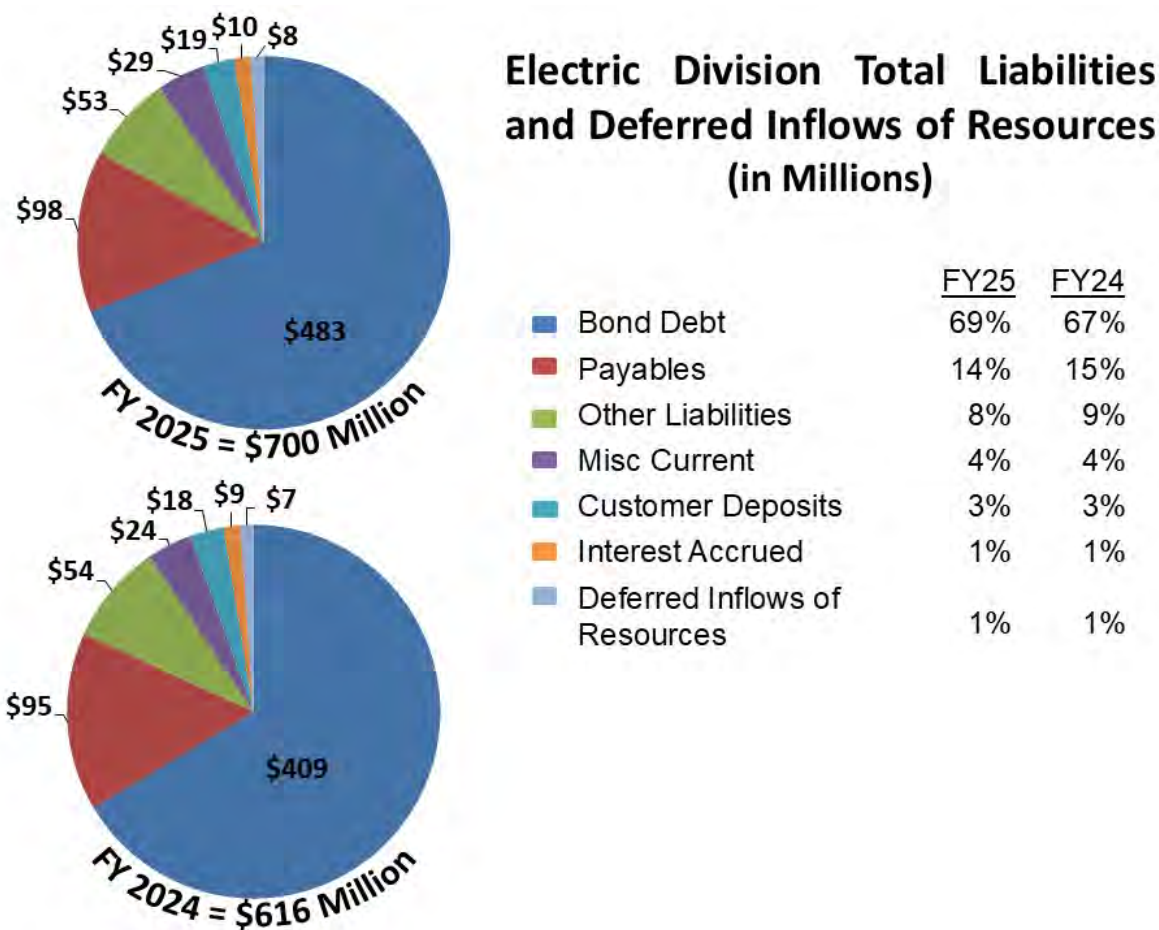
Deferred inflows increased \$0.7 million compared to the prior fiscal year, due to an increase to OPEB inflow of \$1.2 million offset by a decrease to lease inflow of \$0.5 million.

Fiscal Year 2024 Compared to Fiscal Year 2023

Deferred inflows increased \$3 million compared to the prior fiscal year, due to an increase to lease inflow of \$2.3 million, and an increase to OPEB inflow of \$0.8 million.

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Knoxville Utilities Board Electric Division
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Net Position

Fiscal Year 2025 Compared to Fiscal Year 2024

Total net position increased \$66.4 million, or 12 percent. Net investment in capital assets increased by \$24.7 million or 5.7 percent. The change was primarily the result of an increase of \$101.2 million in net electric plant additions offset by an increase in the electric revenue bonds outstanding of \$73.7 million. Restricted net position decreased \$0.9 million, due to the net decrease of the electric bond fund and the associated interest payable. Unrestricted net position increased \$42.5 million, primarily due to an increase in general fund cash (including cash and cash equivalents, short-term investments, and long-term investments) of \$37.1 million and an increase in accounts receivable of \$14.4 million.

Fiscal Year 2024 Compared to Fiscal Year 2023

Total net position increased \$47 million, or 9.3 percent. Net investment in capital assets increased by \$56.9 million or 15.1 percent. The change was primarily the result of an increase of \$98.8 million in net electric plant additions offset by an increase in the electric revenue bonds outstanding of \$39.5 million. Restricted net position increased \$1.9 million, due to the net increase of the electric bond fund and the associated interest payable. Unrestricted net position decreased \$11.8 million, primarily due to a decrease in general fund cash (including cash and cash equivalents, short-term investments, and long-term investments) of \$22.3 million offset by an increase in accounts receivable of \$11.6 million.

Knoxville Utilities Board Electric Division
Management's Discussion and Analysis
June 30, 2025 and 2024

Statement of Revenues, Expenses and Changes in Net Position

The following table reflects the condensed Statement of Revenues, Expenses and Changes in Net Position for the Electric Division compared to the prior two fiscal years.

Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30

<i>(in thousands of dollars)</i>	2025	2024	2023
Operating revenues	\$ 734,798	\$ 657,035	\$ 660,232
Less: Purchased power expense	497,351	447,013	475,900
Margin from sales	<u>237,447</u>	<u>210,022</u>	<u>184,332</u>
Operating expenses			
Distribution	55,429	57,375	51,183
Customer service	3,887	3,761	6,102
Administrative and general	32,968	32,025	28,546
Depreciation and amortization	48,782	44,067	40,651
Taxes and tax equivalents	20,301	21,651	19,919
Total operating expenses	<u>161,367</u>	<u>158,879</u>	<u>146,401</u>
Operating income	<u>76,080</u>	<u>51,143</u>	<u>37,931</u>
Interest income	8,527	6,687	4,879
Interest expense	(20,787)	(16,498)	(13,538)
Other income/(expense)	2,544	5,631	2,149
Change in net position	<u>\$ 66,364</u>	<u>\$ 46,963</u>	<u>\$ 31,421</u>

Normal Impacts on Statement of Revenues, Expenses and Changes in Net Position

The following is a description of activities which will normally impact the comparability of the Statement of Revenues, Expenses and Changes in Net Position presentation:

- Operating revenue is largely determined by the volume of electric power sales for the fiscal year. Any change (increase/decrease) in retail electric rates would also be a cause of change in operating revenue.
- Purchased power expense is determined by volume of power purchases from TVA for the fiscal year. Also, any change (increase/decrease) in TVA wholesale power rates would result in a change in purchased power expense.
- Operating expenses (distribution, customer service, administrative and general) are normally impacted by changes in areas including, but not limited to, labor costs (staffing, wage rates), active employee and retiree medical costs, and overhead line maintenance (tree trimming, pole inspection, etc.).
- Depreciation and amortization expense is impacted by intangible assets, plant additions and retirements during the fiscal year.
- Taxes and tax equivalents are impacted by plant additions/retirements, changes in property tax rates, and margin (operating revenue less purchased power expense) levels.
- Interest income is impacted by the level of interest rates and investments.

Knoxville Utilities Board Electric Division

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- Interest expense on debt is impacted by the level of outstanding debt and the interest rates on the outstanding debt.
- Other income/(expense) is impacted by miscellaneous non-operating revenues and expenses.
- Capital contributions are impacted by a donation of facilities/infrastructure to KUB by developers and governmental agencies. The contributions are recognized as revenue and recorded as plant in service based on the fair market value of the asset(s).

Impacts and Analysis

Change in Net Position

Fiscal Year 2025 Compared to Fiscal Year 2024

The Division's Change in Net Position increased \$66.4 million in fiscal year 2025. Comparatively, net position increased \$47 million in fiscal year 2024.

The higher earnings were attributable to the net effect of a \$27.4 million increase in margin on sales offset by a \$2.5 million increase in operating expenses and a \$5.5 million increase in non-operating expenses.

Fiscal Year 2024 Compared to Fiscal Year 2023

The Division's Change in Net Position increased \$47 million in fiscal year 2024. Comparatively, net position increased \$31.4 million in fiscal year 2023.

The higher earnings were attributable to the net effect of a \$25.7 million increase in margin on sales offset by a \$12.5 million increase in operating expenses and a \$2.3 million decrease in non-operating expenses.

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Knoxville Utilities Board Electric Division

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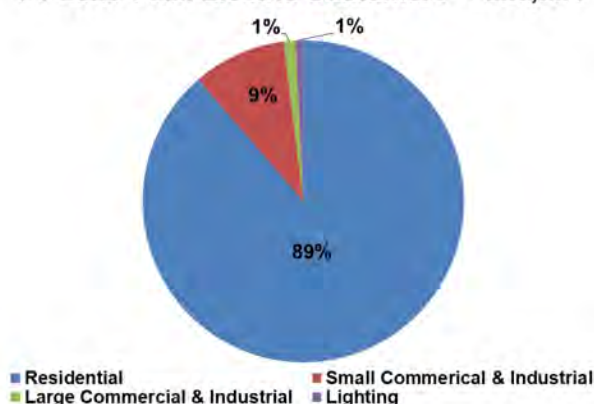
Margin from Sales

Fiscal Year 2025 Compared to Fiscal Year 2024

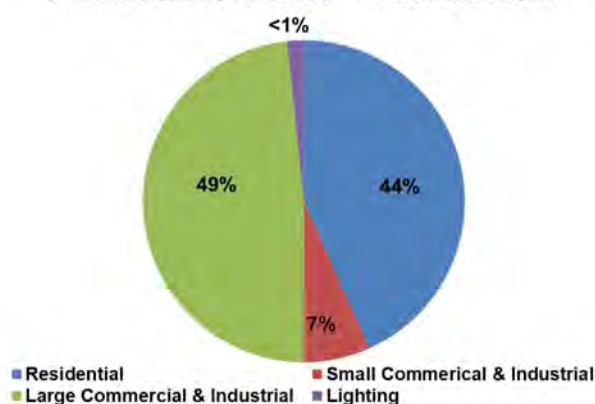
Margin on electric sales grew \$27.4 million, reflecting additional revenue from KUB's rate increases and higher purchased power expense.

Operating revenue increased \$77.8 million, or 11.8 percent. This increase was driven by a 3 percent increase in billed power sales and additional revenue from KUB's April 2024 and April 2025 rate increases. Purchased power expense increased \$50.3 million from the prior year due to higher customer demand and increased wholesale power costs resulting from TVA's 5.25 percent rate increase. KUB received \$10.4 million as a result of TVA's Long-Term Partnership Credit and \$0.6 million in a Flexibility Energy Credit, which decreased power expenses by \$11 million in the current fiscal year.

FY 2025 Total Electric Customers = 226,224



FY 2025 Electric Sales = 6 million MWh



Residential customers represented 89 percent of total electric system customers and accounted for 44 percent of electric sales volumes for the year. Large commercial and industrial customers accounted for 49 percent of electric sales volumes.

KUB's ten largest electric customers accounted for 24 percent of KUB's billed volumes. Those ten customers represent four industrial and six commercial customers, including four governmental customers. KUB's largest industrial customer accounted for 9.2 percent of total electric system sales.

KUB has added 10,960 electric system customers over the past three years, representing annual growth of 1.7 percent. Electric billed sales volumes have increased less than one percent over the past three years. Fiscal year 2025 customer growth was 4,279.

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Knoxville Utilities Board Electric Division

Management's Discussion and Analysis

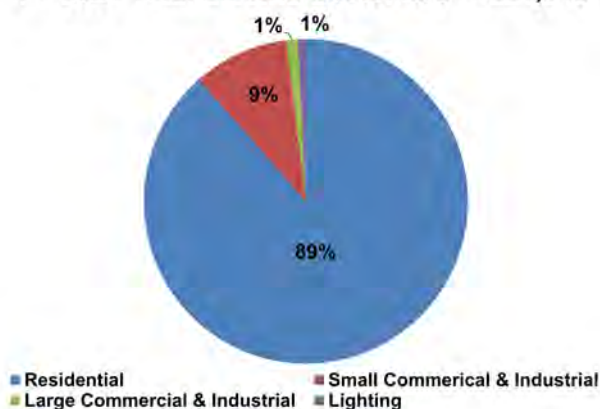
June 30, 2025 and 2024

Fiscal Year 2024 Compared to Fiscal Year 2023

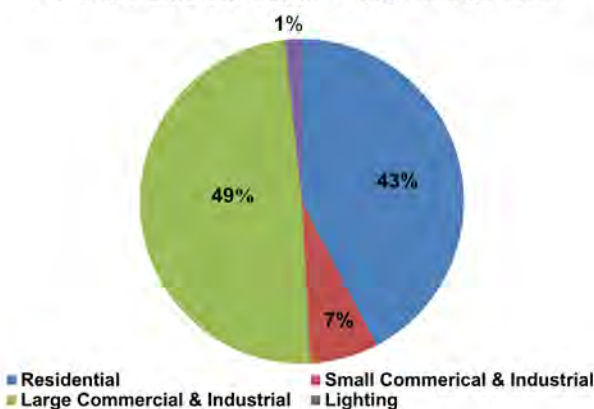
Margin on electric sales grew \$25.7 million, reflecting lower purchased power expense.

Operating revenue decreased \$3.2 million, or 0.5 percent. Billed power sales increased 0.6 percent compared to fiscal year 2023. Purchased power expense decreased \$28.9 million from the prior year due to changes in wholesale power costs and the flow through of the prior fiscal year's over recovered purchased power costs. KUB received \$9.7 million as a result of TVA's Long-Term Partnership Credit, which decreased power expenses in the current fiscal year.

FY 2024 Total Electric Customers = 221,945



FY 2024 Electric Sales = 5.8 million MWh



Residential customers represented 89 percent of total electric system customers and accounted for 43 percent of electric sales volumes for the year. Large commercial and industrial customers accounted for 49 percent of electric sales volumes.

KUB's ten largest electric customers accounted for 25 percent of KUB's billed volumes. Those ten customers represent three industrial and seven commercial customers, including four governmental customers. KUB's largest industrial customer accounted for 9.1 percent of total electric system sales.

KUB has added 8,937 electric system customers over the past three years, representing annual growth of 1.4 percent. Electric billed sales volumes have increased less than one percent over the past three years. Fiscal year 2024 customer growth was 3,601.

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Knoxville Utilities Board Electric Division

Management's Discussion and Analysis

June 30, 2025 and 2024

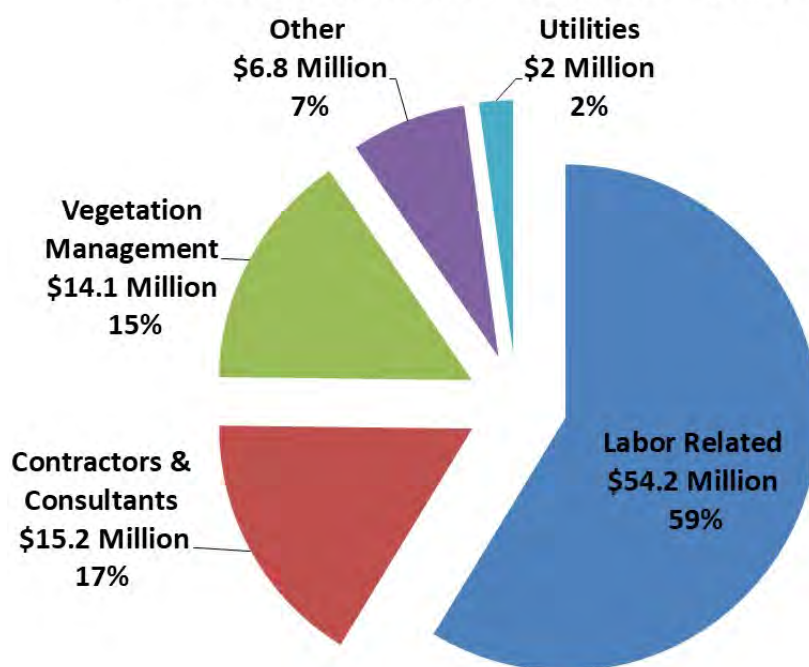
Operating Expenses

Fiscal Year 2025 Compared to Fiscal Year 2024

Operating expenses (excluding purchased power expense) increased \$2.5 million compared to fiscal year 2024. Operating expenses include operations and maintenance (O&M) expense, depreciation/amortization, and taxes/tax equivalents. O&M expenses can be further classified as distribution, customer service, and administrative and general.

- Distribution expenses decreased by \$1.9 million, or 3.4 percent, primarily due to lower outside contractor and consultant costs. This decrease was partially offset by an increase in labor-related expenses.
- Customer service expenses were \$0.1 million higher, primarily due to an increase in labor-related expenses.
- Administrative and general expenses increased \$0.9 million, due to an increase in labor-related expenses and technology subscriptions offset by a decrease in materials.

FY 2025 Electric O&M Expense = \$92.3 Million



- Depreciation and amortization expense increased \$4.7 million, or 10.7 percent. KUB added \$127.7 million in assets during fiscal year 2025. A partial year of depreciation expense was recorded on these capital investments and a full year of depreciation expense was incurred on \$176.9 million in assets placed in service during fiscal year 2024. In addition, \$9.6 million of assets were retired in fiscal year 2025.
- Taxes and tax equivalents were \$1.4 million lower than the prior fiscal year, primarily due to the City of Knoxville's reduction in equalization rates.

Knoxville Utilities Board Electric Division

Management's Discussion and Analysis

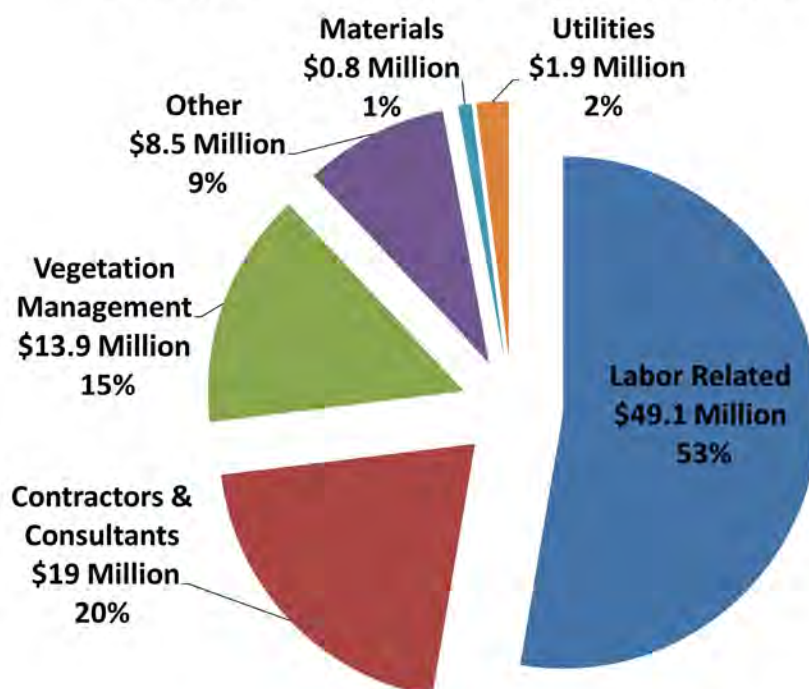
June 30, 2025 and 2024

Fiscal Year 2024 Compared to Fiscal Year 2023

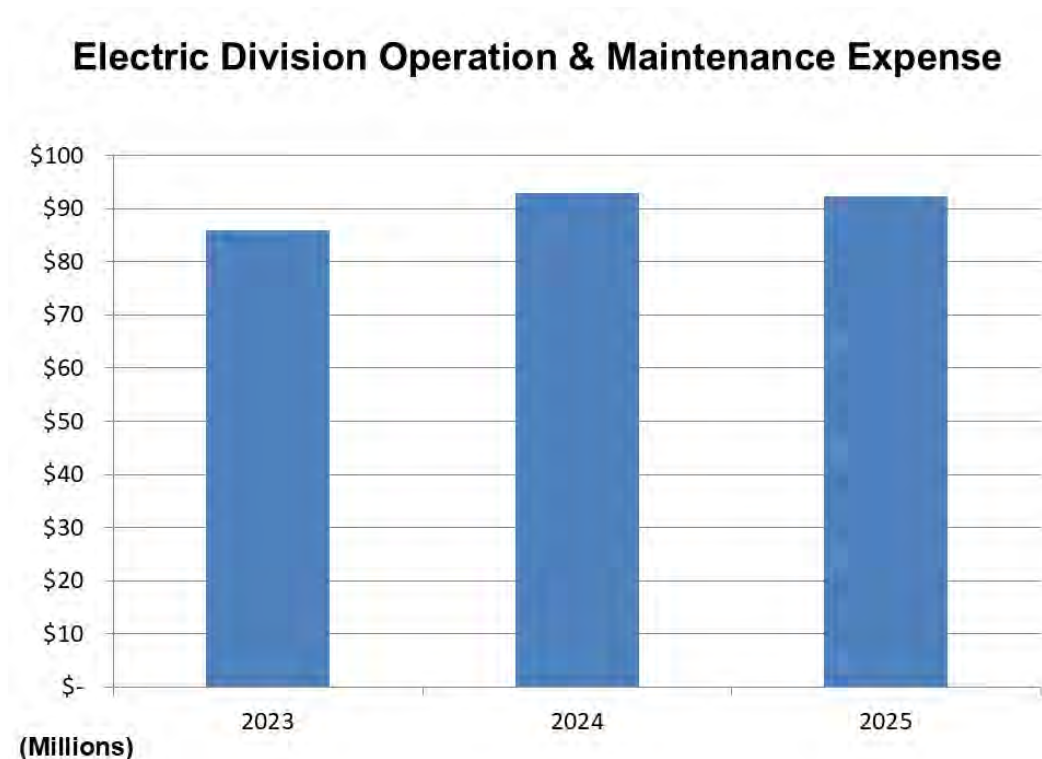
Operating expenses (excluding purchased power expense) increased \$12.5 million compared to fiscal year 2023. Operating expenses include operations and maintenance (O&M) expense, depreciation/amortization, and taxes/tax equivalents. O&M expenses can be further classified as distribution, customer service, and administrative and general.

- Distribution expenses increased \$6.2 million or 12.1 percent, primarily due to an increase in labor-related expenses, vegetation management expenses, and outside contractor and consultant costs.
- Customer service expenses were \$2.3 million lower, primarily due to a change in methodology for technology-related costs that resulted in an offsetting increase in administration and general expenses.
- Administrative and general expenses increased \$3.5 million, primarily due to a change in methodology for technology-related costs that resulted in an offsetting decrease in customer service expenses and outside contractor and consultant costs.

FY 2024 Electric O&M Expense = \$93.2 Million



- Depreciation and amortization expense increased \$3.4 million or 8.4 percent. KUB added \$176.9 million in assets during fiscal year 2024. A partial year of depreciation expense was recorded on these capital investments and a full year of depreciation expense was incurred on \$77.3 million in assets placed in service during fiscal year 2023. In addition, \$20.1 million of assets were retired in fiscal year 2024.
- Taxes and tax equivalents were \$1.7 million higher than the prior fiscal year, primarily due to increased plant in service levels.



Other Income and Expense

Fiscal Year 2025 Compared to Fiscal Year 2024

Interest income increased \$1.8 million compared to the prior fiscal year, driven by higher cash balances and the replacement of maturing low-yield investments with new investments at significantly higher rates, despite a modest decline in overall interest rates.

Interest expense increased \$4.3 million, or 26 percent, due to new revenue bonds sold during fiscal year 2025 and interest on increased levels of customer deposits.

Other income (net) decreased \$3.1 million, due to a reduction in grant reimbursements and mark-to-market adjustments on investments.

Fiscal Year 2024 Compared to Fiscal Year 2023

Interest income increased \$1.8 million compared to the prior fiscal year, primarily due to higher interest rates throughout the year.

Interest expense increased \$3 million, or 21.9 percent, due to new revenue bonds sold during fiscal year 2024.

Other income (net) increased \$3.5 million, primarily due to grant reimbursements.

Knoxville Utilities Board Electric Division
Management's Discussion and Analysis
June 30, 2025 and 2024

Capital Assets

	Capital Assets As of June 30 (Net of Depreciation)		
<i>(in thousands of dollars)</i>	2025	2024	2023
Distribution Plant			
Services and Meters	\$ 67,138	\$ 53,243	\$ 44,256
Electric Station Equipment	186,334	144,074	85,676
Poles, Towers and Fixtures	179,304	175,823	163,802
Overhead Conductors	188,191	174,932	150,166
Line Transformers	67,146	65,160	62,002
Other Accounts	126,350	125,203	113,932
Total Distribution Plant	\$ 814,463	\$ 738,435	\$ 619,834
General Plant	85,592	82,681	67,698
Total Plant Assets	\$ 900,055	\$ 821,116	\$ 687,532
Work In Progress	84,415	62,166	96,958
Total Net Plant	\$ 984,470	\$ 883,282	\$ 784,490

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Knoxville Utilities Board Electric Division

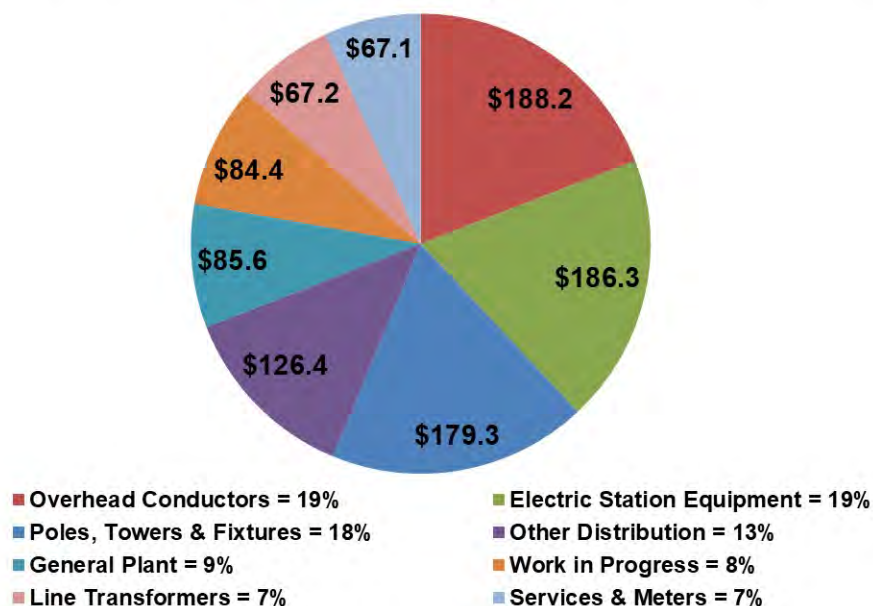
Management's Discussion and Analysis

June 30, 2025 and 2024

Fiscal Year 2025 Compared to Fiscal Year 2024

As of June 30, 2025, the Division had \$984.5 million invested in a variety of capital assets, as reflected in the schedule of capital assets, which represents a net increase (including additions, retirements, and depreciation) of \$101.2 million, or 11.5 percent, over the end of the last fiscal year.

FY 2025 Electric Division Capital Assets = \$984.5 Million (in Millions)



Major capital asset expenditures during the year were as follows:

- \$76.3 million for fiber network buildout
- \$27.8 million for electric distribution system improvements
- \$22.7 million for installation of new electric services and the upgrade or replacement of existing services
- \$8.9 million for pole replacements
- \$4.3 million for auto and truck purchases
- \$3.2 million for building improvements

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Knoxville Utilities Board Electric Division

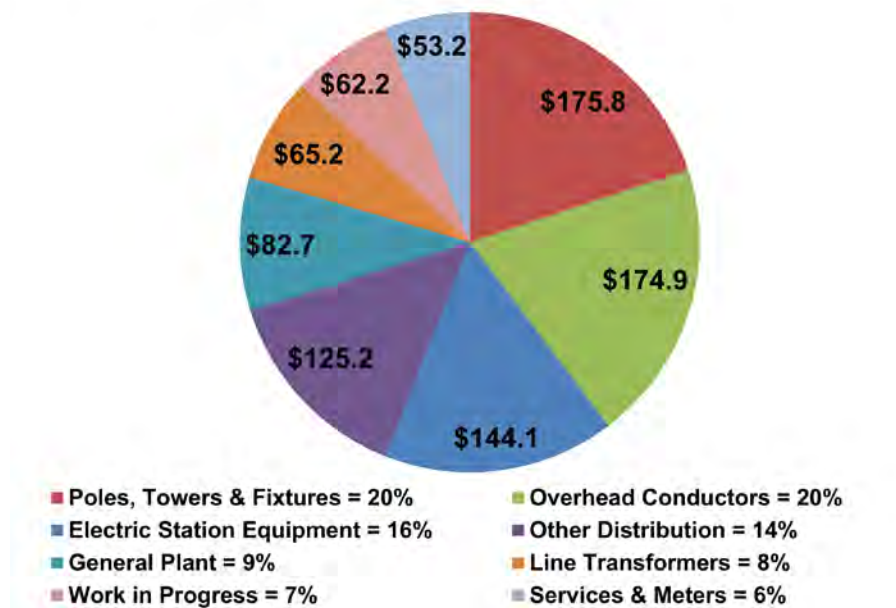
Management's Discussion and Analysis

June 30, 2025 and 2024

Fiscal Year 2024 Compared to Fiscal Year 2023

As of June 30, 2024, the Division had \$883.3 million invested in a variety of capital assets, as reflected in the schedule of capital assets, which represents a net increase (including additions, retirements, and depreciation) of \$98.8 million, or 12.6 percent, over the end of the last fiscal year.

FY 2024 Electric Division Capital Assets = \$883.3 Million
(in Millions)



Major capital asset expenditures during the year were as follows:

- \$67.7 million for fiber network buildout
- \$32.3 million for electric distribution system improvements
- \$17.6 million for installation of new electric services and the upgrade or replacement of existing services
- \$7.3 million for pole replacements
- \$3.9 million for auto and truck purchases
- \$2.5 million for building improvements

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Knoxville Utilities Board Electric Division

Management's Discussion and Analysis

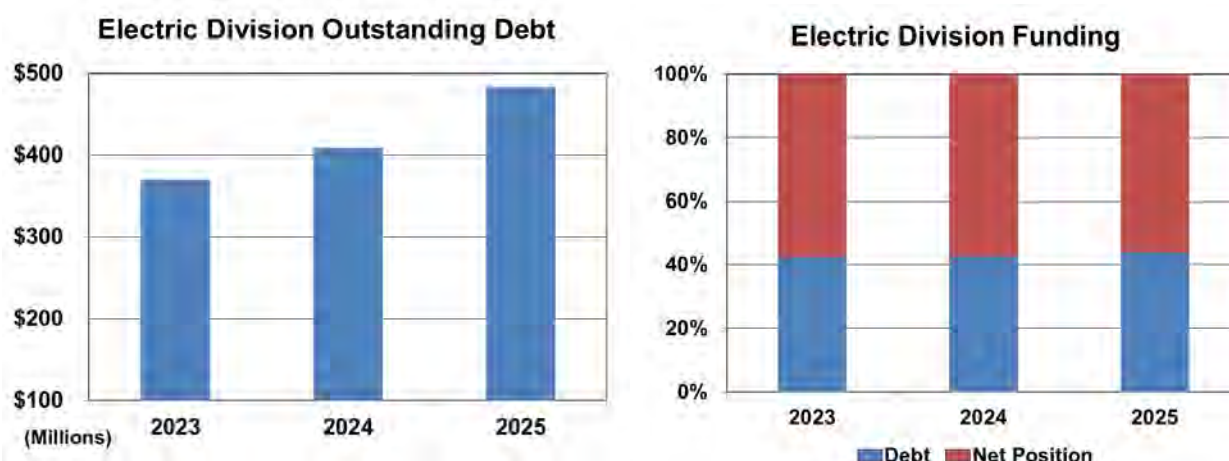
June 30, 2025 and 2024

Debt Administration

The Division's outstanding debt was \$483 million as of June 30, 2025. The bonds are secured solely by revenues of the Electric Division. Debt as a percentage of the Division's capital structure was 43.9 percent in 2025, 42.6 percent in 2024, and 42.3 percent in 2023. KUB's Debt Management Policy limits the Division's debt ratio to 50 percent or less.

Outstanding Debt As of June 30

<i>(in thousands of dollars)</i>	2025	2024	2023
Revenue bonds	\$ 483,005	\$ 409,325	\$ 369,795
Total outstanding debt	\$ 483,005	\$ 409,325	\$ 369,795



The Division will pay \$163.1 million in principal payments over the next ten years, representing 33.8 percent of the outstanding bonds. KUB's Debt Management Policy requires that a minimum of 30 percent of electric debt principal be repaid over the next ten years.

Fiscal Year 2025 Compared to Fiscal Year 2024

As of June 30, 2025, the Division had \$483 million in outstanding debt (including the current portion of revenue bonds), representing an increase of \$73.7 million, or 18 percent. As of June 30, 2025, the Division's weighted average cost of debt was 4.19 percent.

KUB sold \$91 million in electric system revenue bonds in July 2024 for the purpose of funding electric system capital improvements. The true interest cost of the bonds, which were sold through a competitive bidding process, was 4.05 percent. The bonds mature over a period of 30 years with a final maturity in fiscal year 2055.

The Division's outstanding debt is rated by S&P Global Ratings and Moody's Investors Service. As of June 30, 2025, the Division's revenue bonds were rated AA- by S&P Global Ratings and Aa2 by Moody's Investors Service.

Knoxville Utilities Board Electric Division

Management's Discussion and Analysis

June 30, 2025 and 2024

Fiscal Year 2024 Compared to Fiscal Year 2023

As of June 30, 2024, the Division had \$409.3 million in outstanding debt (including the current portion of revenue bonds), representing an increase of \$39.5 million, or 10.7 percent. As of June 30, 2024, the Division's weighted average cost of debt was 4.13 percent.

KUB sold \$55 million in electric system revenue bonds in November 2023 for the purpose of funding electric system capital improvements. The true interest cost of the bonds, which were sold through a competitive bidding process, was 4.40 percent. The bonds mature over a period of 30 years with a final maturity in fiscal year 2054.

The Division's outstanding debt is rated by S&P Global Ratings and Moody's Investors Service. As of June 30, 2024, the Division's revenue bonds were rated AA- by S&P Global Ratings and Aa2 by Moody's Investors Service.

Impacts on Future Financial Position

KUB anticipates adding 2,500 additional electric customers in fiscal year 2026.

As a component of the Fiber Division's start-up financing plan, the Electric Division will provide \$55 million of interdivisional loans. To date, \$44 million has been issued to the Fiber Division. A \$6 million loan is anticipated during fiscal year 2026.

The Pension Plan actuarial valuation resulted in an actuarially determined contribution of \$2,793,313 for the fiscal year ending June 30, 2026, based on the Plan's current funding policy. The Electric Division's portion of this contribution will be determined as part of the actuarial analysis for the December 31, 2025, measurement date. Subsequent to June 30, 2025, an actuarial valuation was completed and resulted in an actuarially determined contribution of \$2,939,593 for the fiscal year ending June 30, 2027, based on the Plan's current funding policy. The Electric Division's portion of this contribution will be determined as part of the actuarial analysis for the December 31, 2026, measurement date. For the Plan year beginning January 1, 2025, the Plan's actuarial funded ratio is 103.9 percent, and the market value funded ratio is 100.3 percent.

The OPEB Plan actuarial valuation resulted in an actuarially determined contribution of \$1,217,234 for the fiscal year ending June 30, 2026, based on the Plan's current funding policy. The Electric Division's portion of this contribution will be determined as part of the actuarial analysis for the June 30, 2026, measurement date. Subsequent to June 30, 2025, an actuarial valuation was completed and resulted in an actuarially determined contribution of \$968,538 for the fiscal year ending June 30, 2027, based on the Plan's current funding policy. The Electric Division's portion of this contribution will be determined as part of the actuarial analysis for the June 30, 2027, measurement date. For the Plan year beginning January 1, 2025, the Plan's actuarial funded ratio is 96.3 percent, and the market value funded ratio is 93.8 percent.

GASB Statement No. 103, *Financial Reporting Model Improvements*, is effective for fiscal years beginning after June 15, 2025. GASB Statement No. 104, *Disclosure of Certain Capital Assets*, is effective for fiscal years beginning after June 15, 2025. KUB has not elected early implementation of these standards and has not completed the process of evaluating the impact of these statements on its financial statements. No other facts, decisions, or conditions are currently known which would have a significant impact on the Division's financial position or results of operations during fiscal year 2025.

Knoxville Utilities Board Electric Division
Management's Discussion and Analysis
June 30, 2025 and 2024

Financial Contact

The Division's financial statements are designed to present users (citizens, customers, investors, and creditors) with a general overview of the Division's financial position and results of operations for the fiscal years ended June 30, 2025, and 2024. If you have questions about the statements or need additional financial information, contact KUB's Chief Financial Officer at 445 South Gay Street, Knoxville, Tennessee 37902.

Knoxville Utilities Board Electric Division
Statements of Net Position
June 30, 2025 and 2024

	2025	2024
Assets and Deferred Outflows of Resources		
Current assets:		
Cash and cash equivalents	\$ 75,775,316	\$ 47,070,494
Short-term contingency fund investments	32,702,772	24,514,699
Accrued interest receivable	224,826	195,612
Accounts receivable, less allowance of uncollectible accounts of \$728,552 in 2025 and \$585,736 in 2024	84,561,014	70,181,439
Current portion of lease receivable	393,789	413,182
Current portion of notes receivable	2,200,000	1,850,000
Inventories	22,427,386	25,157,894
Prepaid expenses	960,811	932,888
Total current assets	<u>219,245,914</u>	<u>170,316,208</u>
Restricted assets:		
Electric bond fund	26,551,732	25,943,680
Other funds	702	701
Total restricted assets	<u>26,552,434</u>	<u>25,944,381</u>
Electric plant in service	1,479,861,197	1,361,717,745
Less accumulated depreciation	<u>(579,806,602)</u>	<u>(540,602,236)</u>
	900,054,595	821,115,509
Retirement in progress	1,575,374	1,313,060
Construction in progress	<u>82,839,636</u>	<u>60,853,205</u>
Net plant in service	<u>984,469,605</u>	<u>883,281,774</u>
Intangible assets:		
Intangible right of use asset	2,216,912	2,214,770
Intangible subscription asset	2,372,828	2,474,253
Less accumulated amortization	<u>(2,735,703)</u>	<u>(2,101,178)</u>
Net intangible assets	<u>1,854,037</u>	<u>2,587,845</u>
Other assets:		
Long-term contingency fund investments	25,134,150	24,889,914
Long-term lease receivable	3,709,448	4,103,237
Notes receivable	37,362,500	32,737,500
TVA conservation program receivable	10,729	78,051
Under recovered purchased power cost	5,929,336	5,057,514
Other	<u>3,848,826</u>	<u>3,120,088</u>
Total other assets	<u>75,994,989</u>	<u>69,986,304</u>
Total assets	<u>1,308,116,979</u>	<u>1,152,116,512</u>
Deferred outflows of resources:		
Pension outflow	7,643,847	13,547,110
OPEB outflow	<u>1,074,470</u>	<u>1,383,268</u>
Total deferred outflows of resources	<u>8,718,317</u>	<u>14,930,378</u>
Total assets and deferred outflows of resources	<u>\$ 1,316,835,296</u>	<u>\$ 1,167,046,890</u>

The accompanying notes are an integral part of these financial statements.

Knoxville Utilities Board Electric Division
Statements of Net Position
June 30, 2025 and 2024

	2025	2024
Liabilities, Deferred Inflows, and Net Position		
Current liabilities:		
Current portion of revenue bonds	\$ 16,440,000	\$ 17,320,000
Current portion of accrued compensated absences	3,735,630	3,360,030
Current portion of lease liability	442,058	420,136
Current portion of subscription liability	352,339	339,323
Sales tax collections payable	1,248,772	1,022,428
Accounts payable	96,986,052	93,822,214
Accrued expenses	24,526,197	20,857,696
Customer deposits plus accrued interest	19,203,444	18,009,828
Accrued interest on revenue bonds	10,111,608	8,623,556
Total current liabilities	<u>173,046,100</u>	<u>163,775,211</u>
Other liabilities:		
TVA conservation program	13,195	89,790
Accrued compensated absences	1,839,937	1,730,925
Customer advances for construction	11,097,748	9,292,003
Lease liability	434,387	876,610
Subscription liability	754,988	1,107,416
Net pension liability	1,497,179	3,557,274
Net OPEB liability	2,579,621	4,397,612
Other	111,886	32,160
Total other liabilities	<u>18,328,941</u>	<u>21,083,790</u>
Long-term debt:		
Electric revenue bonds	466,565,000	392,005,000
Unamortized premiums/discounts	34,177,913	32,495,461
Total long-term debt	<u>500,742,913</u>	<u>424,500,461</u>
Total liabilities	<u>692,117,954</u>	<u>609,359,462</u>
Deferred inflows of resources:		
Pension inflow	216,907	163,056
Unamortized bond refunding costs	1,375,866	1,440,875
OPEB inflow	2,015,707	845,393
Lease inflow	3,835,343	4,328,965
Total deferred inflows of resources	<u>7,443,823</u>	<u>6,778,289</u>
Total liabilities and deferred inflows of resources	<u>699,561,777</u>	<u>616,137,751</u>
Net position		
Net investment in capital assets	458,504,837	433,775,494
Restricted for:		
Debt service	16,440,125	17,320,125
Other	702	701
Unrestricted	<u>142,327,855</u>	<u>99,812,819</u>
Total net position	<u>617,273,519</u>	<u>550,909,139</u>
Total liabilities, deferred inflows, and net position	<u>\$ 1,316,835,296</u>	<u>\$ 1,167,046,890</u>

The accompanying notes are an integral part of these financial statements.

Knoxville Utilities Board Electric Division
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2025 and 2024

	2025	2024
Operating revenues	\$ 734,797,909	\$ 657,034,681
Operating expenses		
Purchased power	497,351,097	447,013,007
Distribution	55,428,405	57,375,210
Customer service	3,887,095	3,760,354
Administrative and general	32,967,986	32,025,453
Depreciation and amortization	48,781,855	44,066,858
Taxes and tax equivalents	20,301,359	21,651,025
Total operating expenses	<u>658,717,797</u>	<u>605,891,907</u>
Operating income	<u>76,080,112</u>	<u>51,142,774</u>
Non-operating revenues (expenses)		
Contributions in aid of construction	12,014,610	8,706,900
Interest income	8,526,790	6,686,576
Interest expense	(20,786,522)	(16,497,703)
Amortization of debt costs	1,957,483	1,742,154
Write-down of plant for costs recovered through contributions	(12,014,610)	(8,706,900)
Other	586,517	3,889,479
Total non-operating revenues (expenses)	<u>(9,715,732)</u>	<u>(4,179,494)</u>
Change in net position	66,364,380	46,963,280
Net position, beginning of year	550,909,139	503,945,859
Net position, end of year	<u>\$ 617,273,519</u>	<u>\$ 550,909,139</u>

The accompanying notes are an integral part of these financial statements.

Knoxville Utilities Board Electric Division

Statements of Cash Flows

Years Ended June 30, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Cash receipts from customers	\$ 710,065,836	\$ 635,118,281
Cash receipts from other operations	12,608,443	9,726,149
Cash payments to suppliers of goods or services	(541,177,335)	(499,450,070)
Cash payments to employees for services	(35,167,953)	(34,502,092)
Payment in lieu of taxes	(17,184,661)	(18,765,814)
Cash receipts from collections of TVA conservation loan program participants	69,308	184,825
Cash payments for TVA conservation loan program	<u>(78,582)</u>	<u>(193,934)</u>
Net cash provided by operating activities	<u>129,135,056</u>	<u>92,117,345</u>
Cash flows from capital and related financing activities:		
Net proceeds from bond issuance	93,956,131	58,785,192
Principal paid on revenue bonds	(17,320,000)	(15,470,000)
Decrease (increase) in unused bond proceeds	-	13
Interest paid on revenue bonds	(18,080,225)	(14,648,930)
Acquisition and construction of electric plant	(164,107,997)	(153,518,289)
Changes in electric bond fund, restricted	(608,052)	(2,897,488)
Customer advances for construction	2,203,655	714,381
Proceeds received on disposal of plant	310,754	307,483
Principal paid on lease liabilities	(420,301)	(396,743)
Principal paid on subscription liabilities	(339,411)	(601,010)
Interest paid on lease and subscription liabilities	(92,424)	(119,866)
Cash received from developers and individuals for capital purposes	<u>9,477,341</u>	<u>8,706,900</u>
Net cash used in capital and related financing activities	<u>(95,020,529)</u>	<u>(119,138,357)</u>
Cash flows from investing activities:		
Purchase of investment securities	(10,886,780)	(40,393,250)
Maturities of investment securities	5,000,000	38,200,000
Issuance of notes receivable from Fiber Division	(7,000,000)	(7,000,000)
Payments received on notes receivable from Fiber Division	2,025,000	1,529,167
Interest received	5,952,048	6,553,048
Other property and investments	<u>(499,973)</u>	<u>2,714,072</u>
Net cash (used in) provided by investing activities	<u>(5,409,705)</u>	<u>1,603,037</u>
Net increase (decrease) in cash and cash equivalents	28,704,822	(25,417,975)
Cash and cash equivalents, beginning of year	<u>47,070,494</u>	<u>72,488,469</u>
Cash and cash equivalents, end of year	<u>\$ 75,775,316</u>	<u>\$ 47,070,494</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 76,080,112	\$ 51,142,774
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization expense	50,904,666	45,988,267
Changes in operating assets and liabilities:		
Accounts receivable	(11,842,306)	(11,618,614)
Lease receivable	413,182	(2,400,510)
Inventories	2,730,508	(3,614,761)
Prepaid expenses	(27,923)	(88,327)
TVA conservation program receivable	67,322	172,240
Other assets	(109,942)	217,575
Sales tax collections payable	226,344	16,206
Accounts payable and other accrued expenses	10,380,461	20,439,463
Unrecovered purchased power cost	(871,822)	(8,606,036)
TVA conservation program payable	(76,595)	(181,348)
Customer deposits plus accrued interest	1,181,323	656,572
Other liabilities	<u>79,726</u>	<u>(6,156)</u>
Net cash provided by operating activities	<u>\$ 129,135,056</u>	<u>\$ 92,117,345</u>
Noncash capital activities:		
Record intangible right of use asset and lease liability	\$ -	\$ 18,331

The accompanying notes are an integral part of these financial statements.

Knoxville Utilities Board Electric Division

Notes to Financial Statements

June 30, 2025 and 2024

1. Description of Business

Knoxville Utilities Board (KUB), comprised of the Electric Division, Fiber Division, Gas Division, Water Division, and Wastewater Division (Divisions), is reported as a component unit enterprise fund in the financial statements of the City of Knoxville. KUB's responsibility is to oversee the purchase, production, distribution, and processing of electricity, broadband, natural gas, water, and wastewater services. A seven-member Board of Commissioners (Board) governs KUB. The Board has all powers to construct, acquire, expand, and operate the Divisions. It has full control and complete jurisdiction over the management and operation of the Divisions, including setting rates. The Electric Division (Division) provides services to certain customers in Knox County and in seven surrounding counties in East Tennessee. The Division's accounts are maintained in conformity with the Uniform Division of Accounts of the Federal Energy Regulatory Commission (FERC) and the Governmental Accounting Standards Board (GASB), as applicable. The financial statements present only the Electric Division and do not purport to, and do not, present fairly the consolidated financial position of Knoxville Utilities Board as of June 30, 2025, and 2024, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

2. Summary of Significant Accounting Policies

Basis of Accounting

In conformity with Generally Accepted Accounting Principles (GAAP), KUB follows the provisions of GASB Statement No. 34 (Statement No. 34), *Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 63 (Statement No. 63), *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. Statement No. 34 established standards for external financial reporting for all state and local governmental entities. Under Statement No. 63, financial statements include deferred outflows of resources and deferred inflows of resources, in addition to assets and liabilities, and report *net position* instead of net assets. In addition, KUB follows GASB Statement No. 62 (Statement No. 62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, as it relates to certain items for regulatory accounting. Regulatory accounting allows a regulated utility to defer a cost (a regulatory asset) or recognize an obligation (a regulatory liability) if it is probable that through the rate making process there will be a corresponding increase or decrease in future revenues. Accordingly, KUB has recognized certain regulatory assets and regulatory liabilities in the accompanying Statements of Net Position.

The financial statements are prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred. The accounting and financial reporting treatment applied to the Division is determined by measurement focus. The transactions of the Division are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the Statement of Net Position. Net position (i.e., total assets and deferred outflows of resources net of total liabilities and deferred inflows of resources) is segregated into net investment in capital assets, restricted for capital activity and debt service, and unrestricted components.

Recently Adopted New Accounting Pronouncements

In June 2022, the GASB issued GASB Statement No. 101 (Statement No. 101), *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. Statement No. 101 is effective for fiscal years beginning after December 15, 2023. Adoption of this Statement did not result in a restatement of prior periods due to immateriality.

Knoxville Utilities Board Electric Division

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In December 2023, the GASB issued GASB Statement No. 102 (Statement No. 102), *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. Statement No. 102 is effective for fiscal years beginning after June 15, 2024. Adoption of this Statement did not have a significant impact on KUB's financial statements.

Electric Plant

Electric plant and other property are stated on the basis of original cost. The cost of current repairs and minor replacements is charged to operating expense. The cost of renewals and improvements is capitalized. The original cost of utility plant assets retired or otherwise disposed of and the cost of removal less salvage value is charged to accumulated depreciation. When other property is retired, the related asset and accumulated depreciation are removed from the accounts, and the gain or loss is included in the results of operations.

The provision for depreciation of electric plant in service is based on the estimated useful lives of the assets, which range from three to forty years, and is computed using the straight-line method. Pursuant to FERC, the caption "Depreciation and amortization" in the Statements of Revenues, Expenses and Changes in Net Position does not include depreciation for transportation equipment. Depreciation for transportation equipment of \$2,122,811 in fiscal year 2025 and \$1,921,409 in fiscal year 2024 is included in operation and maintenance expense.

Operating Revenue

Operating revenue consists primarily of charges for services provided by the principal operations of the KUB Electric Division. Operating revenue is recorded when the service is rendered, on a cycle basis, and includes an estimate of unbilled revenue. Revenues are reported net of bad debt expense of \$2,205,311 in fiscal year 2025 and \$1,474,202 in fiscal year 2024.

Non-operating Revenue

Non-operating revenue consists of revenues that are related to financing and investing types of activities and result from non-exchange transactions or ancillary activities.

Expense

When an expense is incurred for purposes for which there are both restricted and unrestricted net assets available, it is KUB's policy to apply those expenses to restricted net assets to the extent such are available and then to unrestricted net assets.

Net Position

GASB Statement No. 63 requires the classification of net position into three components – net investment in capital assets, net position-restricted, and net position-unrestricted.

These classifications are defined as follows:

- Net investment in capital assets – This component of net position consists of capital assets and intangible assets, including restricted capital assets, net of accumulated depreciation and amortization and reduced by the outstanding balances of any bonds, mortgages, notes, lease and subscription liabilities, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

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- Net position-restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
- Net position-unrestricted – This component of net position consists of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Contributions in Aid of Construction and Capital Contributions

Contributions in aid of construction are cash collections from customers, grantors, or others for a particular purpose, generally the construction of new facilities to serve new customers in excess of the investment KUB is willing to make for a particular incremental revenue source. KUB reduces the plant account balances to which contributions relate by the actual amount of the contribution and recognizes the contributions as non-operating revenue in accordance with Statement No. 62.

Capital contributions represent contributions of utility plant infrastructure constructed by developers and others in industrial parks and other developments and transferred to KUB upon completion of construction and the initiation of utility service. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, such contributions are recognized as revenues and capital assets upon receipt.

Inventories

Inventories, consisting of plant materials and operating supplies, are valued at the lower of average cost or replacement value.

OPEB Trust

KUB's OPEB Trust was established by KUB's Board of Commissioners through Resolution No. 1168, as amended, dated October 18, 2007. The purpose of the Trust is to fund KUB's post-employment health care plan (the "Plan"), which provides certain medical benefits for qualifying KUB retirees and beneficiaries. Effective January 1, 2022, the Plan was expanded to include two benefit offerings. Employees with a benefit service date prior to July 1, 1999, will continue to be eligible for the Retiree Medical Benefit, while those with a later benefit service date will participate in a new Retiree Health Reimbursement Arrangement, given that each eligible employee meets the "Rule of 80", the sum of age and at least 20 years of qualified service equal to or exceeding 80, at retirement.

KUB's policy is to fully fund the annual actuarially determined contributions, which are determined by actuarial valuation. As required by GASB Statement No. 75, KUB measures net OPEB liability as total OPEB liability less the amount of the Plan's fiduciary net position. The amounts reported as of June 30, 2025, and 2024, must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2025, and 2024, are based on a June 30, 2025, and 2024, measurement date, respectively. The net OPEB liability is \$5,315,804 (Division's share \$2,579,621) as of June 30, 2025, and \$9,373,073 (Division's share \$4,397,612) as of June 30, 2024.

Pension Plan and Qualified Excess Benefit Arrangement

KUB's employees are participants in the Knoxville Utilities Board Pension Plan as authorized by the Charter of the City of Knoxville §1107(J) (Note 12). KUB's policy is to fully fund the annual actuarially determined contributions. As required by GASB Statement No. 68, KUB measures net pension liability as total pension liability less the amount of the Plan's fiduciary net position. The amounts reported as of June 30, 2025, and 2024, must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2025 and 2024, are based on a December 31, 2024, and 2023, measurement date, respectively. The net pension liability is

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\$3,054,172 (Division's share \$1,487,203) as of June 30, 2025, and \$7,452,380 (Division's share \$3,557,274) as of June 30, 2024.

KUB implemented a qualified governmental excess benefit arrangement (QEBA) under IRC section 415(m), which was created by Congress to allow the payment of pension benefits that exceed the IRC section 415(b) limits (and therefore cannot be paid from a qualified retirement plan). The QEBA is a single employer defined benefit pension plan, administered by KUB (Note 13). As required by GASB Statement No. 73, KUB measures the total pension liability of the QEBA. The amounts reported as of June 30, 2025, and 2024, must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2025, and 2024, are based on a December 31, 2024, and 2023, measurement date, respectively. The total pension liability of the QEBA is \$21,226 (Division's share \$9,976) as of June 30, 2025, and \$0 as of June 30, 2024.

For presentation purposes, the Pension Plan net pension liability and the QEBA total pension liability are disclosed in the Statement of Net Position as Net pension liability of \$1,497,179 as of June 30, 2025 and \$3,557,274 as of June 30, 2024. The Pension Plan deferred outflows and QEBA deferred outflows are disclosed as Pension outflow of \$7,643,847 as of June 30, 2025 and \$13,547,110 as of June 30, 2024. The Pension Plan deferred inflows and QEBA deferred inflows are disclosed as Pension inflow of \$216,907 as of June 30, 2025 and \$163,056 as of June 30, 2024.

Investments

Investments are carried at fair value as determined by quoted market prices at the reporting date.

Self-Insurance

KUB has established self-insurance programs covering portions of workers' compensation, employee health, environmental liability, general liability, property and casualty liability, and automobile liability claims. A liability is accrued for claims as they are incurred. When applicable, claims in excess of the self-insured risk are covered by KUB's insurance carrier. Additionally, KUB provides certain lifetime health benefits to eligible retired employees under a self-insurance plan administered by a third party.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are based on historical experience and various other assumptions that KUB believes are reasonable under the circumstances. However, future events are subject to change and the best estimates and judgments routinely require adjustment. Estimates are used for, but are not limited to, inventory valuation, allowance for uncollectible accounts, depreciable lives of plant assets, unbilled revenue volumes, over/under purchased power costs, lease liabilities, subscription liabilities, developer contributions, compensated absences, pension trust valuations, OPEB trust valuations, insurance liability reserves, and potential losses from contingencies and litigation. Actual results could differ from those estimates.

Restricted and Designated Assets

Certain assets are restricted by bond resolutions for the construction of utility plant and debt repayment. Certain additional assets are designated by management for contingency purposes and economic development.

Cash Equivalents

For purposes of the Statements of Cash Flows, KUB considers all unrestricted and undesignated highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

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Leases

KUB determines if an arrangement is or contains a lease at contract inception and recognizes an intangible right of use asset and a lease liability at the lease commencement date. Subsequently, the intangible right of use asset is amortized on a straight-line basis over its useful life. KUB also enters into agreements, as lessor, to lease office space or property, recognizing a lease receivable and a deferred inflow of resources. The lease term includes the non-cancelable period of the lease plus an additional period covered by either an option to extend or not to terminate the lease that the lessee is reasonably certain to exercise, or an option to extend or not to terminate the lease controlled by the lessor. KUB uses its estimated incremental borrowing rate as the discount rate for leases.

KUB monitors for events or changes in circumstances that require a reassessment of its leases. When a reassessment results in the remeasurement of a lease liability, a corresponding adjustment is made to the carrying amount of the intangible right of use asset.

Subscription-Based Information Technology Arrangements

KUB determines if an arrangement is or contains a subscription-based information technology arrangement (subscription) at contract inception and recognizes an intangible subscription asset and a subscription liability at the commencement date. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life. The subscription term includes the non-cancelable period of the subscription plus an additional period covered by either an option to extend or not to terminate the subscription that KUB is reasonably certain to exercise, or an option to extend or not to terminate the subscription controlled by the vendor. KUB uses its estimated incremental borrowing rate as the discount rate for subscriptions.

KUB monitors for events or changes in circumstances that require a reassessment of its subscriptions. When a reassessment results in the remeasurement of a subscription liability, a corresponding adjustment is made to the carrying amount of the subscription asset.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources are items related to the acquisition of assets or related debt which are amortized over the life of the asset or debt. Deferred inflows of resources are items related to the acquisition of assets or related debt which are amortized over the life of the asset or debt. KUB records costs associated with the gain or loss on refunding of debt as either a deferred outflow or inflow based on the parameters of Statement No. 65. Deferred outflows of resources also include employer pension contributions made subsequent to the measurement date of the net pension liability and before the end of the employer's reporting period in accordance with Statement No. 71. Deferred inflows and deferred outflows also include the net difference between projected and actual earnings on pension plan investments and OPEB plan investments, differences between expected and actual experience, and changes in assumptions in accordance with Statements No. 68, 73, and 75. Deferred inflows are also recorded at the commencement of the lease term and recognized as revenue over the course of the lease in accordance with Statement No. 87.

Debt Premium/Discount

KUB records unamortized premium and discount on debt as a separate line item in the Long-Term Debt section of the Financial Statements. Amortization of these amounts is recorded over the life of the applicable debt and is recorded as amortization expense.

Debt Issuance Costs

In accordance with regulatory accounting, KUB records debt issuance costs as an Other Asset. Amortization of these amounts is recorded over the life of the applicable debt and is recorded as amortization expense.

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Deferred Gain/Loss on Refunding of Debt

KUB records costs associated with the gain or loss on refunding of debt as either a deferred outflow or inflow based on the parameters of Statement No. 65. In accordance with FERC presentation, amortization of these amounts is recorded over the life of the applicable debt and is recorded as amortization expense.

Compensated Absences

KUB accrues a liability for earned but unpaid paid time off (PTO) days. During fiscal year 2025, KUB adopted GASB Statement No. 101, *Compensated Absences* (GASB 101). GASB 101 requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash items. The accompanying financial statements, as of and for the year ended June 30, 2024, have not been restated due to immaterial impact on the net position.

TVA Conservation Program

KUB previously served as a fiscal intermediary for the Tennessee Valley Authority (TVA), whereby loans were made to KUB customers by TVA to be used in connection with TVA's Energy Right Residential Program. While KUB still holds existing loans on behalf of TVA, no loans were made through this program after October 31, 2015.

Subsequent Events

KUB has evaluated events and transactions through October 23, 2025, the date these financial statements were available to be issued, for items that should potentially be recognized or disclosed.

Purchased Power Adjustment

In October 2002, the Board adopted a Purchased Power Adjustment (PPA) to address changes in wholesale power costs. The PPA was established in response to an amendment to KUB's power supply contract under which, among other things, TVA relinquished its regulatory authority over KUB's retail electric rates. The PPA allows KUB to promptly adjust retail electric rates in response to wholesale rate changes or adjustments, thus ensuring that KUB will recover the costs incurred for purchased power. These changes in electric costs are reflected as adjustments to the base electric rates established by the Board. The rate-setting authority vested in the Board by the City Charter meets the "self-regulated" provisions of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, and KUB meets the remaining criteria of Statement No. 62.

TVA implemented a fuel cost adjustment in October 2006 applied on a quarterly basis to wholesale power rates. TVA's quarterly fuel cost adjustment became a monthly fuel cost adjustment effective October 2009. KUB flows changes to wholesale power rates from TVA's fuel cost adjustment mechanism directly through to its retail electric rates via the PPA.

In April 2011, TVA modified its wholesale rate structure to demand and energy billing for its distributors. In response, KUB revised its PPA to include a deferred accounting component to ensure appropriate matching of revenue and expense and cost recovery. KUB will adjust its retail rates on an annual basis to flow any over or under recovery of wholesale power costs through to its customers via the PPA.

During the period of October 2020 to September 2021, TVA provided a Pandemic Relief Credit to local power companies. KUB excluded the Standard Service portion of this credit from the Purchased Power Adjustment in order to assist customers in need of financial assistance due to the pandemic. \$6,550,000 was made available to residential and small business customers through the COVID Utility Relief Effort (CURE) fund.

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During the period of October 2021 to September 2022, TVA provided a Pandemic Recovery Credit to local power companies. KUB excluded the Standard Service portion of this credit from the Purchased Power Adjustment in order to assist customers in need of financial assistance due to the pandemic, making \$7,300,000 available to residential and small business customers.

During the period of October 2022 to September 2023, TVA provided a Pandemic Recovery Credit to local power companies. KUB included this credit in the Purchased Power Adjustment in order for all customers to benefit from this credit.

Under the PPA mechanism, KUB tracks the actual over/(under) recovered amount in the Over/(Under) Recovered Purchased Power Cost accounts. These accounts are rolled into the PPA rate adjustments thereby assuring that any over/(under) recovered amounts are promptly passed on to KUB's electric customers. The amount of over/(under) recovered cost was (\$5,929,336) as of June 30, 2025, and (\$5,057,514) as of June 30, 2024.

Recently Issued Accounting Pronouncements

In April 2024, the GASB issued GASB Statement No. 103 (Statement No. 103), *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. Statement No. 103 is effective for fiscal years beginning after June 15, 2025.

In September 2024, the GASB issued GASB Statement No. 104 (Statement No. 104), *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. Statement No. 104 is effective for fiscal years beginning after June 15, 2025.

KUB has not elected early implementation of these standards and has not completed the process of evaluating the impact of these statements on its financial statements.

3. Deposits and Investments

KUB follows the provisions of Statement No. 40 of the Governmental Accounting Standards Board, *Deposit and Investment Risk Disclosures—an amendment of GASB Statement No. 3*. This Statement establishes and modifies disclosure requirements for state and local governments related to deposit and investment risks. KUB classifies its fair value measurements within the fair value hierarchy established by Statement No. 72 of the Governmental Accounting Standards Board, *Fair Value Measurement and Application*.

KUB's investment policy provides the framework for the administration and investment of cash deposits. The investment policy follows Tennessee State law and defines the parameters under which KUB funds should be invested. State law authorizes KUB to invest in obligations of the United States Treasury, its agencies and instrumentalities; certificates of deposit; repurchase agreements; money market funds; and the State Treasurer's Investment Pool.

Interest Rate Risk. KUB's primary investment objectives are to place investments in a manner to ensure the preservation of capital, remain sufficiently liquid to meet all operating requirements, and maximize yield of return. KUB minimizes its exposure to interest rate risk by adhering to Tennessee State law requirements for the investment of public funds. This includes limiting investments to those types described above and limiting maturity horizons. The maximum maturity is four years from the date of investment. KUB also limits its exposure by holding investments to maturity unless cash flow requirements dictate otherwise.

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Credit Risk. KUB's investment policy, as required by state law, is to apply the prudent-person rule: Investments are made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable income to be derived, as well as the probable safety of their capital.

Custodial Credit Risk. KUB's investment policy limits exposure to custodial credit risk by restricting investments to a standard set forth by state law. All deposits in excess of federal depository insurance limits are collateralized with government securities held in KUB's name by a third-party custodian bank(s) acting as KUB's agent(s), or through the State of Tennessee's collateral pool. Financial institutions that participate in the collateral pool are subject to special assessment; therefore, the deposits are considered insured. A portion of KUB's investments is generally held in the State of Tennessee Local Government Investment Pool (LGIP). The LGIP is a part of the State Pooled Investment Fund and is sponsored by the State of Tennessee Treasury Department. Tennessee Code Annotated ¶9-4-701 *et seq.* authorizes local governments to invest in the LGIP. None of KUB's investments are exposed to custodial credit risk.

Classification of deposits and investments per Statement of Net Position:

	2025	2024
Current assets		
Cash and cash equivalents	\$ 75,775,316	\$ 47,070,494
Short-term contingency fund investments	32,250,427	24,223,706
Other assets		
Long-term contingency fund investments	25,134,150	24,889,914
Restricted assets		
Electric bond fund	26,551,732	25,943,680
Other funds	702	701
	<u>\$ 159,712,327</u>	<u>\$ 122,128,495</u>

The above amounts do not include accrued interest of \$452,345 in fiscal year 2025 and \$290,993 in fiscal year 2024. Interest income is recorded on an accrual basis.

Investments and maturities of KUB's cash equivalents and investments as held by financial institutions as of June 30, 2025:

	Cash Equivalents and Investment Maturities (in Years)		
	Fair Value	Less Than 1	1-5
Supersweep NOW and Other Deposits	\$ 106,424,443	\$ 106,424,443	\$ -
State Treasurer's Investment Pool	12,222,265	12,222,265	-
Agency Bonds	45,162,313	20,028,163	25,134,150
	<u>\$ 163,809,021</u>	<u>\$ 138,674,871</u>	<u>\$ 25,134,150</u>

KUB categorizes its fair value measurements within the fair value hierarchy established by Statement No. 72 of the Governmental Accounting Standards Board, *Fair Value Measurement and Application*. The hierarchy is based on the valuation inputs used to measure the fair value of an asset with a maturity at purchase of greater than one year. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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KUB has the following recurring fair value measurements as of June 30, 2025:

- U.S. Agency bonds of \$25,134,150, which have a maturity at purchase of greater than one year, are valued using quoted market prices (Level 1 inputs)

KUB measures investments with a maturity at purchase of one year or less at amortized cost, which is considered a fair value equivalent due to their nature. Investments in the State Treasurer's Investment Pool are measured at net asset value (NAV) per share.

4. Accounts Receivable

Accounts receivable consists of the following:

	2025	2024
Wholesale and retail customers		
Billed services	\$ 44,407,482	\$ 38,396,037
Unbilled services	30,615,604	25,122,548
Other	10,266,480	7,248,590
Allowance for uncollectible accounts	(728,552)	(585,736)
	<u>\$ 84,561,014</u>	<u>\$ 70,181,439</u>

5. Accounts Payable and Accruals

Accounts payable and accruals consist of the following:

	2025	2024
Trade accounts	\$ 96,986,052	\$ 93,822,214
Current portion of accrued compensated absences	3,735,630	3,360,030
Salaries and wages	1,307,480	1,196,921
Advances on pole rental	1,610,930	1,527,262
Self-insurance liabilities	1,437,114	1,299,885
Other current liabilities	20,170,673	16,833,628
	<u>\$ 125,247,879</u>	<u>\$ 118,039,940</u>

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6. Long-Term Obligations

Long-term debt consists of the following:

	Balance June 30, 2024	Additions	Payments	Defeased	Balance June 30, 2025	Amounts Due Within One Year
Electric						
EE-2015 - 2.0 - 5.0%	\$ 16,815,000	\$ -	\$ 2,555,000	\$ -	\$ 14,260,000	\$ 2,670,000
GG-2016 - 2.0 - 5.0%	33,650,000	-	1,100,000	-	32,550,000	1,125,000
HH-2017 - 2.5 - 5.0%	10,520,000	-	2,460,000	-	8,060,000	2,560,000
II-2017 - 3.0 - 5.0%	35,060,000	-	985,000	-	34,075,000	1,035,000
JJ-2018 - 3.0 - 5.0%	35,725,000	-	965,000	-	34,760,000	1,005,000
KK-2020 - 5.0%	10,740,000	-	1,335,000	-	9,405,000	1,400,000
LL-2021 - 4.0 - 5.0%	60,715,000	-	5,015,000	-	55,700,000	2,745,000
MM-2022 - 4.0 - 5.0%	44,885,000	-	805,000	-	44,080,000	850,000
NN-2022 - 4.0 - 5.0%	27,215,000	-	825,000	-	26,390,000	845,000
OO-2022 - 4.0 - 5.0%	79,000,000	-	1,275,000	-	77,725,000	1,340,000
PP-2023 - 5.0%	55,000,000	-	-	-	55,000,000	865,000
QQ-2024 - 4.0 - 5.0%	-	91,000,000	-	-	91,000,000	-
Total bonds	\$ 409,325,000	\$ 91,000,000	\$ 17,320,000	\$ -	\$ 483,005,000	\$ 16,440,000
Unamortized Premium	32,495,461	3,778,026	2,095,574	-	-	-
Total long term debt	\$ 441,820,461	\$ 94,778,026	\$ 19,415,574	\$ -	\$ 483,005,000	\$ 16,440,000

	Balance June 30, 2023	Additions	Payments	Defeased	Balance June 30, 2024	Amounts Due Within One Year
Electric						
EE-2015 - 2.0 - 5.0%	\$ 19,230,000	\$ -	\$ 2,415,000	\$ -	\$ 16,815,000	\$ 2,555,000
FF-2015 - 2.0 - 5.0%	850,000	-	850,000	-	-	-
GG-2016 - 2.0 - 5.0%	34,700,000	-	1,050,000	-	33,650,000	1,100,000
HH-2017 - 2.5 - 5.0%	12,920,000	-	2,400,000	-	10,520,000	2,460,000
II-2017 - 3.0 - 5.0%	35,995,000	-	935,000	-	35,060,000	985,000
JJ-2018 - 3.0 - 5.0%	36,655,000	-	930,000	-	35,725,000	965,000
KK-2020 - 5.0%	12,010,000	-	1,270,000	-	10,740,000	1,335,000
LL-2021 - 4.0 - 5.0%	65,570,000	-	4,855,000	-	60,715,000	5,015,000
MM-2022 - 4.0 - 5.0%	45,650,000	-	765,000	-	44,885,000	805,000
NN-2022 - 4.0 - 5.0%	27,215,000	-	-	-	27,215,000	825,000
OO-2022 - 4.0 - 5.0%	79,000,000	-	-	-	79,000,000	1,275,000
PP-2023 - 5.0%	-	55,000,000	-	-	55,000,000	-
Total bonds	\$ 369,795,000	\$ 55,000,000	\$ 15,470,000	\$ -	\$ 409,325,000	\$ 17,320,000
Unamortized Premium	30,341,874	4,074,569	1,920,982	-	32,495,461	-
Total long term debt	\$ 400,136,874	\$ 59,074,569	\$ 17,390,982	\$ -	\$ 441,820,461	\$ 17,320,000

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Debt service over remaining term of the debt is as follows:

Fiscal Year	Total		Grand Total
	Principal	Interest	
2026	\$ 16,440,000	\$ 19,855,793	\$ 36,295,793
2027	18,615,000	19,078,343	37,693,343
2028	19,370,000	18,278,940	37,648,940
2029	17,455,000	17,523,437	34,978,437
2030	18,145,000	16,774,837	34,919,837
2031-2035	73,045,000	73,826,576	146,871,576
2036-2040	84,120,000	57,264,489	141,384,489
2041-2045	97,315,000	38,381,852	135,696,852
2046-2050	81,765,000	19,737,192	101,502,192
2051-2055	56,735,000	4,955,975	61,690,975
Total	<u>\$ 483,005,000</u>	<u>\$ 285,677,434</u>	<u>\$ 768,682,434</u>

The Division has pledged sufficient revenue, after deduction of all current operating expenses (exclusive of tax equivalents), to meet the revenue bonds principal and interest payments when due. Such bond requirements are being met through monthly deposits to the Electric Bond Fund as required by the bond covenants. As of June 30, 2025, these requirements had been satisfied.

The Division's outstanding bonds payable contain provisions that in an event of default, outstanding amounts are to become immediately due if the Division is unable to make payment.

During fiscal year 2025, KUB's Electric Division issued Series QQ 2024 bonds to fund electric system capital improvements.

During fiscal year 2024, KUB's Electric Division issued Series PP 2023 bonds to fund electric system capital improvements.

Other liabilities consist of the following:

	Balance June 30, 2024	Increase	Decrease	Balance June 30, 2025
TVA conservation program	\$ 89,790	\$ 1,987	\$ (78,582)	\$ 13,195
Accrued compensated absences	1,730,925	5,560,090	(5,451,078)	1,839,937
Customer advances for construction	9,292,003	5,444,804	(3,639,059)	11,097,748
Other	32,160	114,402	(34,676)	111,886
	<u>\$ 11,144,878</u>	<u>\$ 11,121,283</u>	<u>\$ (9,203,395)</u>	<u>\$ 13,062,766</u>

Knoxville Utilities Board Electric Division
Notes to Financial Statements
June 30, 2025 and 2024

	Balance June 30, 2023	Increase	Decrease	Balance June 30, 2024
TVA conservation program	\$ 271,138	\$ 13,659	\$ (195,007)	\$ 89,790
Accrued compensated absences	1,638,322	3,324,661	(3,232,058)	1,730,925
Customer advances for construction	8,995,706	4,104,911	(3,808,614)	9,292,003
Other	38,317	40,157	(46,314)	32,160
	<u>\$ 10,943,483</u>	<u>\$ 7,483,388</u>	<u>\$ (7,281,993)</u>	<u>\$ 11,144,878</u>

7. Lease Receivables

KUB, as lessor, leases office space, land, and fiber optic cables under non-cancelable lease arrangements. Terms of the leases range from one to fourteen years and contain fixed payment terms. Certain leases contain an option to renew that has been considered in the lease receivable when the lessee is reasonably certain to exercise the renewal option. KUB recognized lease revenue, which is included in other operating revenues, of \$485,646 in 2025 and \$481,441 in 2024. KUB also recognized interest income from leases, which is included in non-operating revenues, totaling \$149,477 in 2025 and \$152,105 in 2024. Total lease receivables were \$4,103,237 (\$393,789 current) and \$4,516,419 (\$413,182 current) as of June 30, 2025, and 2024, respectively, and are included in other assets on the Statement of Net Position.

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Knoxville Utilities Board Electric Division
Notes to Financial Statements
June 30, 2025 and 2024

8. Lease Liabilities

Changes in lease liabilities are summarized as follows:

	Balance June 30, 2024		Increase		Decrease		Balance June 30, 2025
Total lease liabilities	\$ 1,296,746	\$	<u>-</u>	\$	<u>(420,301)</u>	\$	876,445
Less current portion	<u>(420,136)</u>						<u>(442,058)</u>
Long-term portion	\$ <u>876,610</u>					\$	<u>434,387</u>

	Balance June 30, 2023		Increase		Decrease		Balance June 30, 2024
Total lease liabilities	\$ 1,673,950	\$	<u>18,331</u>	\$	<u>(395,535)</u>	\$	1,296,746
Less current portion	<u>(391,979)</u>						<u>(420,136)</u>
Long-term portion	\$ <u>1,281,971</u>					\$	<u>876,610</u>

KUB leases certain office space, equipment, and other assets under non-cancelable lease arrangements. Terms of the leases range from one to eighteen years and contain fixed payment terms. Certain office space leases contain the option for renewal, which has been considered in the lease liability when KUB is reasonably certain to exercise the renewal option.

Maturities and future interest requirements related to the balances of lease liabilities outstanding as of June 30, 2025, are summarized as follows:

	Lease Maturities	Interest Requirements
2026	\$ 442,058	\$ 27,283
2027	351,318	10,391
2028	9,894	3,681
2029	2,998	3,257
2030	3,211	3,232
2031-2035	19,810	15,424
2036-2040	27,901	12,944
2041-2043	<u>19,255</u>	<u>5,095</u>
	<u>876,445</u>	<u>81,307</u>

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Knoxville Utilities Board Electric Division
Notes to Financial Statements
June 30, 2025 and 2024

9. Subscription-Based Information Technology Agreement Liabilities

Changes in SBITA liabilities are summarized as follows:

	Balance June 30, 2024		Increase		Decrease		Balance June 30, 2025
Total SBITA liabilities	\$ 1,446,739	\$	-	\$	(339,412)	\$	1,107,327
Less current portion	<u>(339,323)</u>						<u>(352,339)</u>
Long-term portion	<u>\$ 1,107,416</u>					\$	<u>754,988</u>

	Balance June 30, 2023		Increase		Decrease		Balance June 30, 2024
Total SBITA liabilities	\$ 2,047,749	\$	-	\$	(601,010)	\$	1,446,739
Less current portion	<u>(398,116)</u>						<u>(339,323)</u>
Long-term portion	<u>\$ 1,649,633</u>					\$	<u>1,107,416</u>

KUB has subscription-based information technology agreements (SBITAs) which grant non-cancelable rights to use underlying information technology software. Terms of agreement range from three to seven years and contain fixed and variable payment terms. Certain SBITAs contain the option for renewal, which has been considered in the SBITA liability when KUB is reasonably certain to exercise the renewal option.

Maturities and future interest requirements related to the balances of SBITA liabilities outstanding as of June 30, 2025, are summarized as follows:

	Subscription Maturities		Interest Requirements
2026	\$ 352,339	\$	36,191
2027	367,437		22,257
2028	<u>387,551</u>		<u>7,600</u>
	<u>\$ 1,107,327</u>	\$	<u>66,048</u>

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Knoxville Utilities Board Electric Division

Notes to Financial Statements

June 30, 2025 and 2024

10. Capital and Intangible Assets

Capital and intangible asset activity was as follows:

	Balance June 30, 2024	Increase	Decrease	Balance June 30, 2025
Distribution Plant				
Services and Meters	\$ 92,684,334	\$ 18,838,950	\$ (141,995)	\$ 111,381,289
Electric Station Equipment	286,073,633	54,258,301	(270,554)	340,061,380
Poles, Towers and Fixtures	255,203,197	10,573,687	-	265,776,884
Overhead Conductors	222,392,698	19,623,756	-	242,016,454
Line Transformers	116,531,268	4,816,592	-	121,347,860
Other Accounts	215,317,948	7,367,291	(419,467)	222,265,772
Total Distribution Plant	\$ 1,188,203,078	\$ 115,478,577	\$ (832,016)	\$ 1,302,849,639
 General Plant	 173,514,667	 12,233,814	 (8,736,923)	 177,011,558
Total Plant Assets	\$ 1,361,717,745	\$ 127,712,391	\$ (9,568,939)	\$ 1,479,861,197
Less Accumulated Depreciation	(540,602,236)	(50,263,046)	11,058,680	(579,806,602)
Net Plant Assets	\$ 821,115,509	\$ 77,449,345	\$ 1,489,741	\$ 900,054,595
 Work In Progress	 62,166,265	 151,273,866	 (129,025,121)	 84,415,010
Total Net Plant	\$ 883,281,774	\$ 228,723,211	\$ (127,535,380)	\$ 984,469,605
 Intangible Right of Use Assets				
Office space	\$ 2,002,297	\$ 3,022	\$ -	\$ 2,005,319
Equipment	42,259	-	(880)	41,379
Other	170,214	-	-	170,214
Total Intangible Right of Use Assets	\$ 2,214,770	\$ 3,022	\$ (880)	\$ 2,216,912
Less Accumulated Amortization	(1,037,258)	(406,072)	-	(1,443,330)
Net Intangible Right of Use Assets	\$ 1,177,512	\$ (403,050)	\$ (880)	\$ 773,582
 Intangible Subscription Assets				
Intangible Subscription Assets	\$ 2,474,253	\$ -	\$ (101,425)	\$ 2,372,828
Less Accumulated Amortization	(1,063,920)	(329,878)	101,425	(1,292,373)
Net Intangible Subscription Assets	\$ 1,410,333	\$ (329,878)	\$ -	\$ 1,080,455

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Knoxville Utilities Board Electric Division

Notes to Financial Statements

June 30, 2025 and 2024

	Balance June 30, 2023	Increase	Decrease	Balance June 30, 2024
Distribution Plant				
Services and Meters	\$ 79,480,092	\$ 13,379,485	\$ (175,243)	\$ 92,684,334
Electric Station Equipment	218,924,364	67,605,046	(455,777)	286,073,633
Poles, Towers and Fixtures	237,092,817	19,242,803	(1,132,423)	255,203,197
Overhead Conductors	199,084,887	29,551,211	(6,243,400)	222,392,698
Line Transformers	111,182,883	5,863,192	(514,807)	116,531,268
Other Accounts	199,366,678	17,411,436	(1,460,166)	215,317,948
Total Distribution Plant	\$ 1,045,131,721	\$ 153,053,173	\$ (9,981,816)	\$ 1,188,203,078
General Plant	159,738,348	23,856,518	(10,080,199)	173,514,667
Total Plant Assets	\$ 1,204,870,069	\$ 176,909,691	\$ (20,062,015)	\$ 1,361,717,745
Less Accumulated Depreciation	(517,337,699)	(45,313,637)	22,049,100	(540,602,236)
Net Plant Assets	\$ 687,532,370	\$ 131,596,054	\$ 1,987,085	\$ 821,115,509
Work In Progress	96,957,972	143,716,646	(178,508,353)	62,166,265
Total Net Plant	\$ 784,490,342	\$ 275,312,700	\$ (176,521,268)	\$ 883,281,774
Intangible Right of Use Assets				
Office space	\$ 1,980,114	\$ 22,183	\$ -	\$ 2,002,297
Equipment	61,181	-	(18,922)	42,259
Other	170,214	-	-	170,214
Total Intangible Right of Use Assets	\$ 2,211,509	\$ 22,183	\$ (18,922)	\$ 2,214,770
Less Accumulated Amortization	(642,378)	(413,802)	18,922	(1,037,258)
Net Intangible Right of Use Assets	\$ 1,569,131	\$ (391,619)	\$ -	\$ 1,177,512
Intangible Subscription Assets				
Intangible Subscription Assets	\$ 2,798,972	\$ -	\$ (324,719)	\$ 2,474,253
Less Accumulated Amortization	(790,233)	(273,687)	-	(1,063,920)
Net Intangible Subscription Assets	\$ 2,008,739	\$ (273,687)	\$ (324,719)	\$ 1,410,333

11. Risk Management

KUB is exposed to various risks of loss related to active and retiree medical claims; injuries to workers; theft of, damage to, and destruction of assets; environmental damages; and natural disasters. Claims expenditures and liabilities are reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported.

These liabilities are included in accrued expenses in the Statement of Net Position. The liability is KUB's best estimate based on available information. As of June 30, 2025, and June 30, 2024, the amount of these liabilities was \$1,437,114 and \$1,299,885, respectively, resulting from the following changes:

	2025	2024
Balance, beginning of year	\$ 1,299,885	\$ 1,188,749
Current year claims and changes in estimates	9,426,453	9,765,664
Claims payments	(9,289,224)	(9,654,528)
Balance, end of year	<u>\$ 1,437,114</u>	<u>\$ 1,299,885</u>

Knoxville Utilities Board Electric Division
Notes to Financial Statements
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12. Pension Plan

Description of Plan

The Knoxville Utilities Board Pension Plan (the Plan) is a governmental plan as defined by the Employee Retirement Income Security Act of 1974 (ERISA or the Act), is not subject to any of the provisions of the Act, and was revised January 1, 2020, to include all prior approved amendments. The Plan is a single employer contributory, defined benefit pension plan established by Knoxville Utilities Board Resolution No. 980 dated February 18, 1999, effective July 1, 1999, as authorized by the Charter of the City of Knoxville §1107(J). KUB Board Resolution No. 979, effective July 1, 1999, as amended by Resolution No. 1037, establishing the KUB Retirement System, was amended effective June 18, 2020, to amend the term “Trustee” to include both custodians and/or trustees, in order to provide flexibility should KUB choose to change from its current Pension trustee. The Plan is designed to provide retirement, disability, and death benefits to KUB employees. KUB administers the Plan through an Administrative Committee consisting of seven KUB employees that are appointed by KUB’s President and CEO. Any amendments to the Plan involving costs not approved in the operating budget must be adopted by KUB’s Board of Commissioners, upon recommendation by KUB’s President and CEO. All other amendments to the Plan may be approved by KUB’s President and CEO upon 60 days notification to the Board’s Audit and Finance Committee. The Plan issues a financial report, which includes financial statements and required supplementary information. The report may be obtained by writing the Knoxville Utilities Board Retirement System, P.O. Box 59017, Knoxville, TN 37950-9017. For purposes of this disclosure, presentation is on a consolidated basis unless division’s share is specified.

Effective January 1, 2011, KUB closed the Plan such that persons employed or re-employed by KUB on or after January 1, 2011, are not eligible to participate, but that eligible employees hired prior to January 1, 2011, who have not separated from service, shall continue as Participants and to accrue benefits under the Plan.

Participants in the Plan consisted of the following as of December 31:

	2024	2023
Inactive plan members:		
Terminated vested participants	10	9
Retirees and beneficiaries	589	602
Active plan members	<u>359</u>	<u>389</u>
Total	<u>958</u>	<u>1,000</u>

Retirement Benefits

The Plan provides three benefit arrangements for KUB participants, retirees, and beneficiaries.

The Plan provides pension benefits through the Career Equity Program (“CEP”) for eligible employees hired on or after January 1, 1999, and for eligible former “City System Plan A” participants who elected CEP coverage as of July 1, 1999. The guaranteed pension benefit payable to a participant who has completed five or more years of service (or reached the normal retirement date, if earlier) upon termination of KUB employment shall be a lump sum equal to the participant’s average compensation times their benefit percentage, as defined in the Plan document, or an annuity may be chosen by the participant.

In addition, the Plan provided retirement benefits through “Plan A” for former City System Plan A participants who elected not to participate in the CEP. Plan A is a closed plan and is not available to KUB employees hired after July 1, 1999. Plan A provides for early retirement benefits with 25 years of service and normal retirement benefits at age 62 or later. Benefits provided to Plan A participants include several different forms of monthly annuity payments.

Knoxville Utilities Board Electric Division

Notes to Financial Statements

June 30, 2025 and 2024

The Plan also provides retirement benefits through “Plan B” for former “City System Plan B” participants. Plan B is a closed plan providing benefits to participants not covered by Social Security. Benefits provided to Plan B participants include several different forms of monthly annuity payments available to participants.

Effective January 1, 2012, KUB began to provide for additional monthly supplements, which are not subject to cost-of-living adjustments, to certain former employees and surviving dependents of former employees who are eligible for and have elected coverage under the KUB retiree medical plan and are eligible for Medicare. This was done to compensate for the elimination of drug coverage under the KUB retiree medical plan and to assist such individuals in obtaining prescription drug coverage under Medicare Part D.

Contributions

Participation in Plan A requires employee contributions of three percent of the first \$4,800 of annual earnings and five percent of annual earnings in excess of \$4,800. KUB contributions are determined by the enrolled actuary of the Plan and equal the amount necessary to provide the benefits under the Plan determined by the application of accepted actuarial methods and assumptions. The method of funding shall be consistent with Plan objectives.

Plan Funding

KUB maintains a Funding Policy for the Plan in accordance with Tennessee State Law. The primary goal of the Policy is to document the method KUB has adopted to provide assurance that future KUB and employee contributions and current Plan assets will be sufficient to fund all benefits expected to be paid to current active, inactive and retired Plan participants and their beneficiaries. Per the Funding Policy, KUB fully funds its annual Actuarially Determined Contribution.

Investments

The Plan's investments are held by State Street Bank and Trust Company (the “Trustee”). The Plan's policy in regard to the allocation of invested assets is established by the Retirement System Investment Committee and approved by the KUB Board of Commissioners and may only be amended by the KUB Board of Commissioners. It is the policy of the Retirement System Investment Committee to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following was the Plan's adopted asset allocation policy as of December 31, 2024:

Asset Class	Target Allocation
Domestic equity – large cap	20% - 50%
Domestic equity – small/mid cap	0% - 30%
Multi-asset credit	0% - 20%
Non-U.S. equity	0% - 20%
U.S. core real estate	0% - 10%
Fixed income	20% - 40%
Cash and deposits	0% - 5%

Contributions of \$2,210,234 and \$1,108,147 for 2023 and 2022, respectively, were made during the Plan sponsor's fiscal years ended June 30, 2025, and 2024, respectively. Of these amounts, \$1,076,254 and \$528,956 are attributable to the Electric Division. The fiscal year 2025 contribution was determined as part of the January 1, 2023, valuation using the Individual Entry Age Normal funding method. The objective under this method is to fund each participant's benefits under the Plan as payments which are level as a percentage of salary, starting on the original participation

Knoxville Utilities Board Electric Division

Notes to Financial Statements

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date (employment date) and continuing until the assumed retirement, termination, disability, or death.

Net Pension Liability (Asset)

The below summarizes the disclosures of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* ("GASB 68"), which requires measurement of the net pension liability as total pension liability less the amount of the Plan's fiduciary net position. The amounts reported as of June 30 must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2025, and 2024, will be based on the December 31, 2024, and 2023, measurement date, respectively. The net pension liability is \$3,054,172 (Division's share \$1,487,203) as of June 30, 2025, and \$7,452,380 (Division's share \$3,557,274) as of June 30, 2024.

GASB 68 requires certain disclosures related to the net pension liability of the Plan as disclosed below:

	2024	2023
Total pension liability	\$ 274,028,893	\$ 263,351,035
Plan fiduciary net position	(270,974,721)	(255,898,655)
Plan's net pension liability	<u>\$ 3,054,172</u>	<u>\$ 7,452,380</u>
Plan fiduciary net position as a percentage of the total pension liability	98.89%	97.17%

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Knoxville Utilities Board Electric Division
Notes to Financial Statements
June 30, 2025 and 2024

Changes in Net Pension Liability (Asset) are as follows:

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at December 31, 2023	\$ 263,351,035	\$ 255,898,655	\$ 7,452,380
Changes for the year:			
Service cost	7,764,986	-	7,764,986
Interest	18,573,527	-	18,573,527
Changes of Benefits	-	-	-
Differences between Expected and Actual Experience	2,346,811	-	2,346,811
Changes of Assumptions	1,425,345	-	1,425,345
Contributions - employer	-	1,659,187	(1,659,187)
Contributions - rollovers	-	75	(75)
Contributions - member	-	4,971,073	(4,971,073)
Net investment income	-	28,541,389	(28,541,389)
Benefit payments	(19,432,811)	(19,432,811)	-
Administrative expense	-	(662,847)	662,847
Net changes	10,677,858	15,076,066	(4,398,208)
Balances at December 31, 2024	\$ 274,028,893	\$ 270,974,721	\$ 3,054,172

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation, using the following actuarial assumptions applied to all periods included in the measurement:

Valuation dates	January 1, 2024, rolled forward to December 31, 2024; January 1, 2023, rolled forward to December 31, 2023
Discount rate	7.00% as of December 31, 2024 and 2023
Salary increases	From 2.50% to 8.50%, based on years of service as of December 31, 2024 and from 2.50% to 5.65% as of December 31, 2023
Mortality	115% and 110% of the PubG-2010 table for males and females, respectively, using the Public Sector General Employee Table for ages prior to the start of the Healthy Annuitant Table, both projected from the 2010 base rates using scale MP-2021, fully generational as of December 31, 2024; Scale MP-2018 was used as of December 31, 2023
Inflation	2.5% as of December 31, 2024 and 2023

The actuarial assumptions used in the January 1, 2024, valuation was based on an actuarial experience study covering January 1, 2019 through December 31, 2023, and the assumptions used in the January 1, 2023 valuation were based on an actuarial experience study covering the period January 1, 2014 through December 31, 2018.

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Plan investment expense and inflation) are developed for each major asset class.

Knoxville Utilities Board Electric Division

Notes to Financial Statements

June 30, 2025 and 2024

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of December 31, 2024, and 2023, are summarized in the following table. The real rate of return reported for fixed income is for aggregate fixed income. Prior to February 22, 2024, the Plan had both aggregate and long duration fixed income. As of December 31, 2024, the Plan has only aggregate fixed income. Effective September 30, 2024 the REIT fund was transferred to a U.S. core real estate fund.

Asset Class	Long Term Expected Real Rate of Return	
	2024	2023
Domestic equity	6.0%	5.6%
Non-U.S. equity	6.5%	6.5%
Real estate equity	n/a	5.8%
Real estate U.S. core	5.1%	n/a
Debt securities	2.5%	1.9%
Cash and deposits	1.2%	0.7%

Discount rate

The discount rate used to measure the total pension liability was 7.00 percent as of December 31, 2024, and December 31, 2023. The projection of cash flows used to determine the discount rate assumed that participant contributions will be made at the current contribution rate and that KUB contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability (asset) to changes in the discount rate

The following presents the net pension liability of the Plan as of December 31, 2024, calculated using the discount rate of 7.00 percent, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is one percent lower (6.00 percent) or one percent higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Plan's net pension liability	\$ 29,141,576	\$ 3,054,172	\$ (19,335,531)

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Knoxville Utilities Board Electric Division

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June 30, 2025 and 2024

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2025, KUB recognized pension expense of \$10,401,958 and the Electric Division's share was \$4,975,102.

The impact of experience gains or losses and assumptions changes on the Total Pension Liability are recognized in the pension expense over the average expected remaining service life of all active and inactive members, determined as of the beginning of the measurement period. As of December 31, 2023, this average was three years. During the measurement year, there was a liability experience loss of \$2,346,811, with \$782,270 of that recognized in the current year and each of the next two years, resulting in a deferred outflow of \$1,564,541. Unrecognized liability experience losses from prior periods were \$2,580,215, of which \$1,463,476 was recognized as an increase in Pension Expense in the current year and resulted in a deferred outflow of \$1,116,739. The combination of unrecognized liability experience losses this year, along with unrecognized liability experience losses from prior periods, results in a deferred outflow of \$2,681,280 (Division's share \$1,305,625).

During the measurement year, there was an assumption change loss of \$1,425,345 with \$475,115 of that recognized in the current year and each of the next two years, resulting in a deferred outflow of \$950,230. Net unrecognized assumption change losses from prior periods were \$2,634,336, of which \$1,317,168 was recognized as an increase in Pension Expense in the current year and resulted in a net deferred outflow of \$1,317,168. The combination of unrecognized assumption change losses this year, along with unrecognized assumption change losses from prior periods, results in a deferred outflow of \$2,267,398 (Division's share \$1,104,089).

The impact of investment gains or losses is recognized over a period of five years. During the measurement year, there was an investment gain of \$11,091,799, of which \$2,218,360 was recognized in the current year and will be recognized in each of the next four years. Net unrecognized investment losses from prior periods were \$22,505,337, of which \$4,001,667 was recognized as an increase in Pension Expense in the current year. The combination of unrecognized investment gains this year, along with net unrecognized investment losses from prior periods, results in a deferred outflow of \$9,630,231 (Division's share \$4,689,355).

The impact of the change in proportionate share for the Electric Division during the measurement period is recognized over the average future working life of the Plan's active and inactive members, which is three years. This change resulted in a deferred inflow of \$194,711, with \$64,904 of that recognized in the current year and the remaining amount recognized over the next two years, resulting in a deferred inflow of resources of \$129,807. Net proportionate share changes from the prior period were \$162,227, of which \$75,127 was recognized in the current year, resulting in a deferred inflow of resources of \$87,100. Unrecognized proportionate share changes from prior periods of \$50,004, of which \$50,004 was recognized in the current year, resulted in a deferred outflow of \$0. In addition, KUB's Electric Division recorded a deferred outflow of resources of \$538,127 for employer contributions made between December 31, 2024 and June 30, 2025.

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Knoxville Utilities Board Electric Division

Notes to Financial Statements

June 30, 2025 and 2024

The following table summarizes the current balances of deferred outflows and deferred inflows of resources of the Electric Division.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,305,625	\$ -
Changes in assumptions	1,104,089	-
Net difference between projected and actual earnings on pension plan investments	4,689,355	-
Change in proportionate share	-	216,907
Contributions subsequent to measurement date	538,127	-
Total	<u>\$ 7,637,196</u>	<u>\$ 216,907</u>

\$538,127 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

Year ended June 30:	
2026	\$ 4,938,939
2027	6,061,086
2028	(3,037,653)
2029	(1,080,210)
2030	-
Thereafter	-

For the year ended June 30, 2024, KUB recognized pension expense of \$6,394,757 and the Electric Division's share was \$3,027,303.

The impact of experience gains or losses and assumptions changes on the Total Pension Liability are recognized in the pension expense over the average expected remaining service life of all active and inactive members, determined as of the beginning of the measurement period. As of December 31, 2022, this average was four years. During the measurement year, there was a liability experience loss of \$2,092,475, with \$523,119 of that recognized in the current year and each of the next three years, resulting in a deferred outflow of \$1,569,356. Unrecognized liability experience losses from prior periods were \$1,951,216, of which \$940,357 was recognized as an increase in Pension Expense in the current year and resulted in a deferred outflow of \$1,010,859. The combination of unrecognized liability experience losses this year, along with unrecognized liability experience losses from prior periods, results in a deferred outflow of \$2,580,215 (Division's share \$1,231,624). Unrecognized liability gains from prior periods were \$210,825, of which \$210,825 was recognized as a decrease in Pension Expense in the current year and resulted in a deferred inflow of \$0.

During the measurement year, there were no benefit changes or assumption changes. Net unrecognized assumption change losses from prior periods were \$5,646,136, of which \$3,011,800 was recognized as an increase in Pension Expense in the current year and resulted in a net deferred outflow of \$2,634,336 (Division's share \$1,257,458).

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The impact of investment gains or losses is recognized over a period of five years. During the measurement year, there was an investment gain of \$20,099,370, of which \$4,019,874 was recognized in the current year and will be recognized in each of the next four years. Net unrecognized investment losses from prior periods were \$39,628,509, of which \$1,043,676 was recognized as an increase in Pension Expense in the current year. The combination of unrecognized investment gains this year, along with net unrecognized investment losses from prior periods, results in a deferred outflow of \$22,505,337 (Division's share \$10,742,563).

The impact of the change in proportionate share for the Electric Division during the measurement period is recognized over the average future working life of the Plan's active and inactive members, which is four years. This change resulted in a deferred inflow of \$47,840, with \$11,960 of that recognized in the current year and the remaining amount recognized over the next three years, resulting in a deferred inflow of resources of \$35,880. Net proportionate share changes from the prior period were \$189,521, of which \$63,174 was recognized in the current year, resulting in a deferred inflow of resources of \$126,347. Unrecognized proportionate share changes from prior periods of \$100,009, of which \$50,005 was recognized in the current year, resulted in a deferred outflow of \$50,004. In addition, KUB's Electric Division recorded a deferred outflow of resources of \$264,478 for employer contributions made between December 31, 2023, and June 30, 2024.

The following table summarizes the current balances of deferred outflows and deferred inflows of resources of the Electric Division.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,231,624	\$ -
Changes in assumptions	1,257,458	-
Net difference between projected and actual earnings on pension plan investments	10,742,563	-
Change in proportionate share	50,004	162,227
Contributions subsequent to measurement date	264,478	-
Total	<u>\$ 13,546,127</u>	<u>\$ 162,227</u>

13. Qualified Excess Benefit Arrangement

Description

In fiscal year 2017, KUB implemented a qualified governmental excess benefit arrangement (QEBA) under IRC section 415(m), which was created by Congress to allow the payment of pension benefits that exceed the IRC section 415(b) limits (and therefore cannot be paid from a qualified retirement plan). The QEBA is a single employer defined benefit pension plan administered by KUB. The number of participants in any given year for the QEBA is determined by the number of KUB Pension Plan participants who exceed the current year's section 415(b) limitations, as calculated by the KUB Pension Plan actuary. The amount of QEBA benefit will be the amount specified by the terms of the KUB Pension Plan without regard to Section 415(b) limitations minus the amount payable from the KUB Pension Plan as limited by Section 415(b). QEBA benefits are subject to cost-of-living adjustments.

As of June 30, 2025, there are 341 active employees eligible for the KUB Pension Plan who are potentially eligible to receive QEBA benefits. The KUB Pension Plan was closed effective January 1, 2011, such that persons employed or re-employed by KUB on or after January 1, 2011, are not eligible to participate, but that eligible employees hired prior to January 1, 2011, who have not

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separated from service, shall continue as Participants and accrue benefits under the KUB Pension Plan. The KUB Pension Plan was amended to include the provision of QEBA benefits; therefore, amendments to the QEBA require the same authority as amendments to the KUB Pension Plan. As required by federal tax law, the QEBA is unfunded within the meaning of the federal tax laws. KUB may not pre-fund the QEBA to cover future liabilities beyond the current year. KUB has established procedures to pay for these benefits on a pay-as-you-go basis. There are no assets accumulated in a trust that meets the GASB's criteria.

Total Pension Liability of the QEBA

The below summarizes the disclosures of GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* ("GASB 73"). GASB 73 extends a similar approach of financial reporting to plans meeting specific criteria that are not administered through trusts that GASB 68 established for pension plans. GASB 73 requires measurement of the total pension liability of the QEBA. The amounts reported as of June 30 must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2025, and 2024, are based on a December 31, 2024, and 2023, measurement date, respectively. The total pension liability of the QEBA is \$21,226 (Division's share \$9,976) as of June 30, 2025, and \$0 as of June 30, 2024.

GASB 73 requires certain disclosures related to the total pension liability of the QEBA, as disclosed below:

	2024	2023
Total pension liability	\$21,226	\$0
Deferred outflows	(14,151)	(2,051)
Deferred inflows	-	1,704
Net impact on Statement of Net Position	<u>\$7,075</u>	<u>(\$347)</u>
Covered payroll	\$34,776,504	\$35,604,464
Total pension liability as a % of covered payroll	0.06%	0.00%

Changes in total pension liability of the QEBA are as follows:

	Increase (Decrease)
	Total Pension Liability
Balances at December 31, 2023	\$ -
Changes for the year:	
Service cost	-
Interest	-
Changes of Benefits	-
Differences between Expected and Actual Experience	21,226
Changes of Assumptions	-
Benefit payments	-
Net changes	<u>21,226</u>
Balances at December 31, 2024	<u>\$ 21,226</u>

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Actuarial Assumptions

The total pension liability was determined by an actuarial valuation, using the following actuarial assumptions applied to all periods included in the measurement:

Valuation dates	January 1, 2024, rolled forward to December 31, 2024
Actuarial cost method	Individual entry age
Discount rate	4.08% at January 1, 2024
Salary increases	From 2.50% to 8.50%, based on years of service
Mortality	115% and 110% of the PubG-2010 table for males and females, respectively, using the benefits-weighted Public Sector General Healthy Annuitant Mortality Table for ages 50 and older and the benefits-weighted Public Sector General Employee Table for ages under 50, both projected from the 2010 base rates using scale MP-2021, fully generational as of December 31, 2024
Inflation	2.50%

Discount rate

The QEBA is not funded. In accordance with paragraph 31 of GASB 73, the discount rate is based on the Bond Buyer 20-Bond GO index. This rate was 4.08% at December 31, 2024.

Sensitivity of the total pension liability to changes in the discount rate

The following presents the total pension liability of the QEBA as of December 31, 2024, calculated using the discount rate of 4.08 percent, as well as what the QEBA's liability would be if it were calculated using a discount rate that is one percent lower (3.08 percent) or one percent higher (5.08 percent) than the current rate.

	1% Decrease (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08%)
QEBA's total pension liability	\$ 24,131	\$ 21,226	\$ 18,639

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2025, KUB recognized pension expense of \$7,422 (Division's share \$3,492) for the QEBA. This amount is not expected to be the same as KUB's contribution to the QEBA (\$-), but instead represents the change in the net impact on KUB's Statement of Net Position plus employer contributions [\$7,075 – (\$347) + \$-].

The impact of experience gains or losses and assumption changes on the total pension liability are recognized in the pension expense over the average expected remaining service life of all active and inactive members, determined as of the beginning of the measurement period. As of December 31, 2023, this average was three years.

During the measurement year, there was an experience loss of \$21,226 with \$7,075 recognized in the current year and the remaining deferred outflow of \$14,151 (Division's share \$6,651) to be recognized over the next two years. Unrecognized experience losses from prior periods were \$2,033, with the full amount recognized as an increase in pension expense in the current year. Unrecognized experience gains from prior periods were \$1,704, with the full amount recognized as a decrease in pension expense in the current year.

Unrecognized assumption change losses from prior periods were \$19, with the full amount recognized as an increase in pension expense in the current year.

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The following table summarizes the current balances of deferred outflows and deferred inflows of resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 14,151	\$ -
Changes in assumptions	-	-
Total	<u>\$ 14,151</u>	<u>\$ -</u>
Division's share	<u>\$ 6,651</u>	<u>\$ -</u>

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

Year ended June 30:

2026	\$ 7,075
2027	7,076
2028	-
2029	-
2030	-
Thereafter	-

For the year ended June 30, 2024, KUB recognized pension expense of \$3,024 (Division's share \$1,452) for the QEBA. This amount is not expected to be the same as KUB's contribution to the QEBA (\$-), but instead represents the change in the net impact on KUB's Statement of Net Position plus employer contributions [(\$347) – (\$3,371)+ \$-].

The impact of experience gains or losses and assumption changes on the total pension liability are recognized in the pension expense over the average expected remaining service life of all active and inactive members, determined as of the beginning of the measurement period. As of December 31, 2020, this average was four years. There was a deferred inflow at the end of the measurement year of \$1,717 (Division's share \$829) from experience gains in prior years and a deferred outflow of \$2,033 (Division's share \$976) from experience losses in prior years.

There was a deferred outflow of \$18 (Division's share \$7) from assumption changes in prior years.

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The following table summarizes the current balances of deferred outflows and deferred inflows of resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,033	\$ 1,717
Changes in assumptions	18	-
Total	<u>\$ 2,051</u>	<u>\$ 1,717</u>
Division's share	<u>\$ 983</u>	<u>\$ 835</u>

14. Defined Contribution Plan

The KUB Asset Accumulation 401(k) Plan (the "401(k) Plan") is a defined contribution 401(k) employee retirement savings plan covering eligible KUB employees established by the KUB Board of Commissioners in accordance with the Charter of the City of Knoxville, Tennessee. The 401(k) Plan's assets are held in trust under an agreement between KUB and Fidelity Management Trust Company. Employees hired prior to January 1, 2011, may participate and receive a matching contribution of 50 percent of their own contribution up to a maximum match of three percent. Employees hired on or after January 1, 2011, have an enhanced 401(k) due to the closure of the Defined Benefit Pension Plan. They may participate and receive a matching contribution of 50 percent of their own contribution up to a maximum match of three percent. They also receive a non-elective KUB contribution of three percent to six percent, depending on years of service, whether they contribute or not.

KUB funded 401(k) matching contributions and non-elective contributions of \$4,799,996 (Division's share \$2,255,998) and \$3,909,598 (Division's share \$1,873,454), respectively, for the years ended June 30, 2025, and 2024.

Vesting

Participants are immediately vested in their own contributions to the Plan, plus actual earnings on these contributions. Participants become 100% vested and entitled to the full value of their account, less any loans outstanding, upon death or disability or upon retirement after attaining their normal retirement age (first of the month coinciding with or following attainment of age 62).

Otherwise, vesting in the KUB matching contribution and non-elective contribution (as applicable) portion of their account plus related earnings are based on years of service and date of hire, as follows:

Participants hired prior to January 1, 2011 are 100% vested in the KUB matching contribution portion of their account.

Participants hired by KUB after December 31, 2010 are vested in the KUB matching and non-elective contribution portion of their account as follows:

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<u>Years of Service</u>	<u>Vested Percentage</u>
Less than 2 years	0%
2	20%
3	40%
4	60%
5	80%
6 or more	100%

Forfeitures

Forfeitures are created when participants terminate employment before becoming entitled to their full benefits under the Plan. Upon forfeiture, the match and non-elective funds become available to offset Plan expenses. The Plan experienced forfeitures of \$243,630 during calendar year 2024 and \$306,016 during calendar year 2023. Forfeitures of \$271,595 and \$295,955 were used to reduce employer contributions in 2024 and 2023, respectively. The ending balance of forfeited assets in the Plan, including contributions and dividends, totaled \$10,862 and \$37,985 as of December 31, 2024 and 2023, respectively.

15. Other Post-Employment Benefits (OPEB)

Description of Trust

The Knoxville Utilities Board Other Post-Employment Benefits Trust (the Trust) is a single employer trust established by the KUB Board of Commissioners through Resolution No. 1168, as amended, dated October 18, 2007. The Trust, along with the KUB Health Plan, make up a Voluntary Employee Beneficiary Association ("VEBA") and are intended to be tax-exempt pursuant to Code §501(c)(9). The purpose of the Trust is to fund KUB's post-employment health care plan (the "Plan"), which provides certain medical benefits for qualifying KUB retirees and beneficiaries. The applicable documentation was submitted to the State Funding Board and, in December 2007, the State Funding Board approved the Trust. The Trust was also approved by the Internal Revenue Service in June 2008. KUB administers the Trust through a Board of Trustees consisting of seven KUB employees that are appointed by KUB's President and CEO. Any amendments to the Trust involving costs not approved in the operating budget must be approved by KUB's Board of Commissioners, upon recommendation by KUB's President and CEO. All other amendments to the Trust may be approved by KUB's President and CEO upon 60 days notification to the Board's Audit and Finance Committee. The investment of all deposits to the Trust is governed by an Investment Policy, which was adopted by the KUB Board and approved by the State Funding Board. The Trust issues a financial report, which includes financial statements and required supplementary information. The report may be obtained by writing the Knoxville Utilities Board Retirement System, P.O. Box 59017, Knoxville, TN 37950-9017. For purposes of this disclosure, presentation is on a consolidated basis unless division's share is specified.

Effective January 1, 2022, the Plan was expanded to two benefit offerings. Employees with a benefit service date prior to July 1, 1999, will continue to be eligible for the Retiree Medical Benefit, while those with a later benefit service date will participate in a new Retiree Health Reimbursement Arrangement (HRA), given that each eligible employee meets the "Rule of 80", the sum of age and at least 20 years of qualified service equal to or exceeding 80, at retirement.

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Participants in the Plan consisted of the following as of June 30:

	HRA		Retiree Medical Benefit	
	2025	2024	2025	2024
Retirees	16	9	707	722
Dependents of retirees	16	7	385	401
Eligible active employees	1,109	1,127	128	144
Total	1,141	1,143	1,220	1,267

Benefits

Benefits for pre-July 1, 1999, eligible participants may include, but shall not be limited to, medical, prescription drugs, dental, vision, hearing, Medicare Part B or Part D premiums, life insurance, long-term care, and long-term disability. Post-July 1, 1999, eligible participants are eligible for HRA benefits which include up to \$50,000 to be used exclusively for reimbursement of qualified medical expenses of the retiree and his or her spouse and dependents. Any unused HRA amounts will remain assets of the OPEB Trust.

Contributions and Funding

The primary goal of the Funding Policy for the Trust is to document the method KUB has adopted to provide assurance that future KUB and retiree contributions and current Trust assets will be sufficient to fund all benefits expected to be paid to Trust beneficiaries. Per the Funding Policy, KUB's current practice is to fully fund its annual Actuarially Determined Contribution, which is determined by actuarial valuation.

Contributions are authorized by the terms of the Trust as established by KUB Resolution No. 1168, as amended, as approved by the Tennessee State Funding Board. KUB shall have the right at any time to amend, in whole or in part, the provisions of this Trust; however, no such amendment shall authorize or permit the assets of the Trust to be used for or diverted to purposes other than those expressed in the Declaration of Trust.

It shall be the sole and exclusive responsibility of KUB to determine the level of contributions KUB will make to the Trust for the purpose of financing other post-employment benefits accrued by its respective participants. Neither the Trust, nor the Trust's Board, shall be responsible for collecting or otherwise determining the level of contributions needed by KUB to finance any other post-employment benefits offered by KUB. The assets of the Trust shall be expended solely to make payments for other post-employment benefits pursuant to, and in accordance with, the terms of the Trust and to pay the cost of administration.

Based on the date of retirement, certain retired members are required to contribute specified amounts monthly to maintain health insurance. Those who retired prior to July 1983 have no required monthly premiums for themselves or dependents. The retirees, or their surviving dependents, who retired between August 1983 and January 1998 are required to pay \$275 per month for pre-Medicare family health insurance. For individuals who retired after January 1998, the required monthly premium for pre-Medicare health insurance is \$275 for single coverage and \$550 for family coverage. There is currently no premium for Medicare eligible retirees or dependents. KUB is responsible for determining the level of retired plan member contributions on an annual basis as part of its review of healthcare cost sharing.

Participants in the Health Reimbursement Arrangement are not eligible for health insurance and are not required to make contributions.

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Investments

The Trust holds investments in a balanced fund, which invests in passively managed common trust index funds, managed and sponsored by State Street Global Advisors (SSgA), with an asset allocation mirroring the asset allocation of the Trust and rebalanced monthly. The Trust's Investment Policy was established and may only be amended by the KUB Board of Commissioners. The Trust's Investment Policy is to invest in a manner that will provide sufficient investment return to meet current and future retiree health benefits, while conforming to all governing State and Federal statutes. It allows investment of Trust assets in any type of security instrument allowed for in T.C.A 8-50-1203. The following was the Trust's adopted investment target allocations as set forth in the Trust's Investment Policy as of June 30, 2025:

Asset Class	Target Allocation
Domestic Equity:	
Large Cap	30%
Small Cap	8%
International Equity:	
Developed	16%
Emerging	8%
Real Estate Equity	8%
Debt Securities	30%
Total	100%

Actuarially determined contributions for the Electric Division of \$621,143 and \$557,271 were made to the OPEB Trust in fiscal years ended June 30, 2025 and 2024, respectively. These were based on the OPEB actuarial valuations as of January 1, 2023, and 2022.

Net OPEB Liability

The below summarizes the disclosures of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75"), which requires measurement of the net OPEB liability as total OPEB liability less the amount of the Trust's fiduciary net position. The amounts reported as of June 30 are based on the reporting date for the KUB Other Post-Employment Benefits Plan which is June 30. Measurements as of the reporting date are based on the fair value of assets as of June 30, 2025, and 2024, and the Total OPEB Liability as of the valuation date January 1, 2024, updated to June 30, 2025, and January 1, 2023, updated to June 30, 2024, respectively. The Division's share of the total net OPEB liability was \$2,579,621 as of June 30, 2025, and \$4,397,612 as of June 30, 2024.

The components of the net OPEB liability of the Trust are as follows as of June 30:

	2025	2024
Total OPEB liability	\$ 60,675,101	\$ 61,042,928
Plan fiduciary net position	55,359,297	51,669,855
Net OPEB liability	\$ 5,315,804	\$ 9,373,073
Plan fiduciary net position as a percentage of the total OPEB liability	91.24%	84.65%

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Changes in Net OPEB Liability are as follows:

	Total OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2024	\$ 61,042,928	\$ 51,669,855	\$ 9,373,073
Changes for the year:			
Service cost	506,802	-	506,802
Interest	4,176,096	-	4,176,096
Changes of Benefits	-	-	-
Differences between Expected and Actual Experience	(154,501)	-	(154,501)
Changes of Assumptions	(1,302,021)	-	(1,302,021)
Contributions - employer	-	1,279,985	(1,279,985)
Contributions - member	-	-	-
Net investment income	-	6,084,906	(6,084,906)
Benefit payments	(3,594,203)	(3,594,203)	-
Administrative expense	-	(81,246)	81,246
Net changes	(367,827)	3,689,442	(4,057,269)
Balances at June 30, 2025	\$ 60,675,101	\$ 55,359,297	\$ 5,315,804

Actuarial assumptions

The total OPEB liability was determined by actuarial valuations, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation dates:	January 1, 2024, rolled forward to June 30, 2025; January 1, 2023, rolled forward to June 30, 2024
Discount rate:	7.00% as of June 30, 2025 and June 30, 2024
Healthcare cost trend rates:	<i>Pre-Medicare:</i> 8.00% grading down to 3.935% over 20 years as of June 30, 2025; 5.75% grading down to 3.935% over 20 years as of June 30, 2024 <i>Medicare:</i> 6.00% grading down to 3.935% over 20 years as of June 30, 2025; 11.30% grading down to 3.935% over 20 years as of June 30, 2024 <i>Administrative expenses:</i> 3.0% per year
Salary increases:	From 2.50% to 8.50%
Mortality:	115% and 110% of the benefits-weighted Public Sector General Healthy Annuitant Mortality Table (PubG-2010) respectively for males and females, using the Public Sector General Employee Table (PubG-2010) for ages prior to the start of the Healthy Annuitant Mortality Table, both projected using scale MP-2021 fully generational
Inflation:	2.50%

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The actuarial assumptions used in the January 1, 2024 valuation were based on the results of an actuarial experience study for the period January 1, 2019 through December 31, 2023. The January 1, 2023 valuation assumptions were based on the results of actuarial experience study for the periods January 1, 2014, through December 31, 2018.

The long-term expected rate of return on Trust investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Trust investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The long-term expected rate of return may be lower in periods of current strong performance due to future valuations that mean revert to the long-term average. Best estimates of arithmetic real rates of return for each major asset class included in the Trust's target asset allocation (see the discussion of the Trust's Investment Policy) are summarized in the chart below.

Asset Class	Long Term Expected Real Rate of Return	
	2025	2024
Domestic equity	6.0%	5.4%
International equity	6.4%	6.1%
Emerging Market equity	7.3%	7.8%
Real estate equity	6.3%	5.5%
Debt securities	2.4%	2.3%
Cash and deposits	0.9%	0.9%

Discount rate

The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2025 and June 30, 2024. The projection of cash flows used to determine the discount rate assumed that participant contributions will be made at the current contribution rate and that KUB contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the Trust's fiduciary net position was projected to be available to make all projected future benefit payments. Therefore, the long-term expected rate of return on Trust investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the net OPEB liability to changes in the discount rate.

The following presents the net OPEB liability of the Division's share of the Trust as of June 30, 2025, calculated using the discount rate of 7.00 percent, as well as what the Trust's net OPEB liability would be if it were calculated using a discount rate that is one percent lower (6.00 percent) or one percent higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB liability	\$10,974,569	\$5,315,804	\$512,532

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Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates.

The following presents the net OPEB liability of the Division's share of the Trust as of June 30, 2025, as well as what the Trust's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percent lower or one percent higher than the current rate:

	1% Decrease	Baseline Trends	1% Increase
Net OPEB liability	\$435,302	\$5,315,804	\$10,948,243

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2025, KUB's Electric Division recognized OPEB expense of \$282,266.

The impact of liability experience gains or losses and assumption changes on the Total OPEB Liability are recognized in the OPEB expense over the average expected remaining service life of all active and inactive members of the OPEB Plan. As of the beginning of the measurement period, this average was seven years. During the measurement year, there was an experience gain of \$154,501, with \$22,072 of that recognized in the current year. The remaining amount will be recognized over the next six years, resulting in a deferred inflow of resources of \$132,429 (Division's share \$64,264). Unrecognized experience losses from prior periods were \$587,407, of which \$100,703 is recognized as an increase in OPEB expense in the current year, resulting in a deferred outflow of resources of \$486,704 (Division's share \$236,185).

During the measurement year, there were no benefit changes.

During the measurement year, there was an assumption change gain of \$1,302,021, with \$186,003 of that recognized in the current year. The remaining amount will be recognized over the next six years, resulting in a deferred inflow of resources of \$1,116,018. Unrecognized assumption change gains from prior period were \$1,801,872, of which \$300,312 was recognized as a decrease in OPEB expense in the current year and resulted in a deferred inflow of resources of \$1,501,560. The combination of unrecognized assumption change gains this year, along with unrecognized assumption change gains from prior periods, results in a deferred inflow of resources of \$2,617,578 (Division's share \$1,270,243). Unrecognized assumption losses from prior periods were \$1,805,588, of which \$361,118 is recognized as an increase in OPEB expense in the current year, resulting in a deferred outflow of \$1,444,470 (Division's share \$700,964).

The impact of investment gains or losses is recognized over a period of five years. During the measurement year, there was an investment gain of \$2,550,439, of which \$510,088 was recognized in the current year and will be recognized in each of the next four years, resulting in a deferred inflow of resources of \$2,040,351. Net unrecognized investment losses from prior periods were \$496,150, of which \$140,457 was recognized as an increase in OPEB expense in the current year, resulting in a net deferred outflow of \$636,607. The combination of unrecognized gains and losses from the current year and prior periods results in a deferred inflow of resources of \$1,403,744 (Division's share \$681,200).

The impact of the change in proportionate share for the Electric Division during the measurement period is recognized over the average future working life of the Plan's active and inactive members, which is seven years. This change resulted in a deferred outflow of \$133,394, with \$19,057 of that recognized in the current year and the remaining amount recognized over the next six years, resulting in a deferred outflow of resources of \$114,337. Net proportionate share changes from prior periods were \$27,753, with \$4,769 of that recognized in the current year resulting in a deferred outflow of \$22,984. The following table summarizes the current balances of deferred outflows and deferred inflows of resources of the Electric Division.

Knoxville Utilities Board Electric Division
Notes to Financial Statements
June 30, 2025 and 2024

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 236,185	\$ 64,264
Changes in assumptions	700,964	1,270,243
Net difference between projected and actual earnings on OPEB plan investments	-	681,200
Change in proportionate share	137,321	-
Total	<u>\$ 1,074,470</u>	<u>\$ 2,015,707</u>

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:		
2026	\$	614,525
2027		(571,135)
2028		(473,372)
2029		(246,302)
2030		(183,032)
Thereafter		(81,921)

For the year ended June 30, 2024, KUB's Electric Division recognized OPEB expense of \$953,249.

The impact of liability experience gains or losses and assumption changes on the Total OPEB Liability are recognized in the OPEB expense over the average expected remaining service life of all active and inactive members of the OPEB Plan. As of the beginning of the measurement period, this average was seven years. During the measurement year, there was an experience loss of \$587,252, with \$83,893 of that recognized in the current year. The remaining amount will be recognized over the next six years, resulting in a deferred outflow of resources of \$503,359. Unrecognized experience losses from prior periods were \$100,858, of which \$16,810 is recognized as an increase in OPEB expense in the current year, resulting in a deferred outflow of resources of \$84,048. The combination of unrecognized experience gains or losses results in a deferred outflow of resources of \$587,407 (Division's share \$275,595).

During the measurement year, there was a benefit change gain of \$164,746. The entire amount was recognized as a decrease in OPEB expense in the current year.

During the measurement year, there was an assumption change gain of \$2,102,184, with \$300,312 of that recognized in the current year. The remaining amount will be recognized over the next six years, resulting in a deferred inflow of resources of \$1,801,872 (Division's share \$845,392). Unrecognized assumption losses from prior periods were \$2,166,706, of which \$361,118 is recognized as an increase in OPEB expense in the current year, resulting in a deferred outflow of \$1,805,588 (Division's share \$847,136).

The impact of investment gains or losses is recognized over a period of five years. During the measurement year, there was an investment gain of \$2,339,599, of which \$467,920 was recognized in the current year and will be recognized in each of the next four years, resulting in a deferred inflow of resources of \$1,871,679. Net unrecognized investment losses from prior periods were \$3,211,114, of which \$843,284 was recognized as an increase in OPEB expense in the current year, resulting in

Knoxville Utilities Board Electric Division
Notes to Financial Statements
June 30, 2025 and 2024

a net deferred outflow of \$2,367,829. The combination of unrecognized gains and losses from the current year and prior periods results in a deferred outflow of resources of \$496,150 (Division's share \$232,784).

The impact of the change in proportionate share for the Electric Division during the measurement period is recognized over the average future working life of the Plan's active and inactive members, which is seven years. This change resulted in a deferred outflow of \$27,385, with \$3,913 of that recognized in the current year and the remaining amount recognized over the next six years, resulting in a deferred outflow of resources of \$23,472. Net proportionate share changes from prior periods were \$5,137, with \$856 of that recognized in the current year resulting in a deferred outflow of \$4,281. The following table summarizes the current balances of deferred outflows and deferred inflows of resources of the Electric Division.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 275,595	\$ -
Changes in assumptions	847,136	845,392
Net difference between projected and actual earnings on OPEB plan investments	232,784	-
Change in proportionate share	27,753	-
Total	<u>\$ 1,383,268</u>	<u>\$ 845,392</u>

16. Related Party Transactions

The Division, in the normal course of operations, is involved in transactions with the City of Knoxville and with other divisions of KUB. Such transactions for the years ended June 30, 2025, and 2024, are summarized as follows:

	2025	2024
City of Knoxville		
Amounts billed by the Division for utilities and related services	\$ 8,106,261	\$ 7,373,294
Payments by the Division in lieu of property tax	9,869,896	10,429,071
Payments by the Division for services provided	6,658	17,590
Other divisions of KUB		
Amounts billed to other divisions for utilities and related services provided	8,304,229	7,143,305
Interdivisional rental expense	168,598	227,017
Interdivisional rental income	1,752,167	1,891,086
Amounts billed to the Division by other divisions for utilities services provided	139,215	320,018
Interdivisional interest income	1,516,244	1,172,928
Interdivisional access and utilization income	6,634,534	3,044,523

Knoxville Utilities Board Electric Division
Notes to Financial Statements
June 30, 2025 and 2024

With respect to these transactions, accounts receivable from the City of Knoxville included in the balance sheet at year end were as follows:

	2025	2024
Accounts receivable	\$ 472,229	\$ 469,395

Broadband services are provided by a high-speed fiber optic network that is owned and maintained by the Electric Division. The Fiber Division shares in the cost to build and operate the Fiber network by paying the Electric Division an annual access fee based on the year-end value of those assets and the related expenses. The Fiber Division also pays the Electric Division an annual utilization fee based on attachments to the network.

In October 2021, the Division issued an interdivisional loan of \$10 million to the Fiber Division at an interest rate of 3.89 percent. In August 2022, the Division issued an interdivisional loan of \$7 million to the Fiber Division at an interest rate of 3.93 percent. In February 2023, the Division issued an interdivisional loan of \$13 million to the Fiber Division at an interest rate of 4.02 percent. In May 2024, the Division issued an interdivisional loan of \$7 million to the Fiber Division at an interest rate of 4.13 percent. In December 2024, the Division issued an interdivisional loan of \$7 million to the Fiber Division at an interest rate of 4.19 percent. The Division received interest revenue of \$1,516,244 for the year ended June 30, 2025, and \$1,172,928 for the year ended June 30, 2024.

17. Other Commitments and Contingencies

In the normal course of business, there are various lawsuits pending against KUB. Management has reviewed these lawsuits with counsel, who is vigorously defending KUB's position and is of the opinion that the ultimate disposition of these matters will not have a material adverse effect on KUB's financial position, results of operations, or cash flows.

Knoxville Utilities Board Electric Division

Required Supplementary Information – Schedule of Changes in Net Pension Liability and Related Ratios

June 30, 2025

	Year ended December 31									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability										
Service cost	\$ 7,764,986	\$ 8,221,181	\$ 6,349,402	\$ 6,647,220	\$ 5,227,657	\$ 6,142,213	\$ 5,095,488	\$ 4,607,486	\$ 4,226,985	\$ 4,157,062
Interest	18,573,527	17,868,490	17,430,465	16,982,226	16,393,202	16,030,626	15,344,193	15,015,282	14,966,559	14,812,784
Changes of benefit terms	-	-	-	-	-	163,199	-	-	-	-
Differences between expected and actual experience	2,346,811	2,092,475	282,014	1,935,276	1,930,170	(1,054,117)	(605,649)	(1,087,161)	(2,233,762)	(1,890,334)
Changes of assumptions	1,425,345	-	5,268,672	-	-	8,473,160	-	(357,633)	(2,932,883)	-
Benefit payments, including refunds of member contributions	(19,432,811)	(19,237,834)	(17,125,610)	(17,725,963)	(16,006,565)	(15,094,475)	(15,274,814)	(14,969,979)	(14,138,511)	(15,350,926)
Net change in total pension liability	10,677,858	8,944,312	12,204,943	7,838,759	7,544,464	14,660,606	4,559,218	3,207,995	(111,612)	1,728,586
Total pension liability - beginning	263,351,035	254,406,723	242,201,780	234,363,021	226,818,557	212,157,951	207,598,733	204,390,738	204,502,350	202,773,764
Total pension liability - ending (a)	\$ 274,028,893	\$ 263,351,035	\$ 254,406,723	\$ 242,201,780	\$ 234,363,021	\$ 226,818,557	\$ 212,157,951	\$ 207,598,733	\$ 204,390,738	\$ 204,502,350
Plan fiduciary net position										
Contributions - employer	\$ 1,659,187	\$ 1,866,261	\$ 3,144,770	\$ 3,416,428	\$ 2,876,752	\$ 2,871,241	\$ 3,456,475	\$ 4,286,597	\$ 5,243,146	\$ 5,991,887
Contributions - participants	4,971,148	5,752,609	3,812,595	3,939,687	2,284,727	3,170,825	2,081,125	1,488,632	555,075	487,546
Net investment income	28,540,651	35,927,438	(63,493,985)	37,575,566	44,814,914	49,938,315	(11,748,396)	32,360,219	13,788,263	(95,430)
Other additions	738	4,568	9,415	112,484	7,740	13,579	62,616	82,239	45,848	30,879
Benefit payments, including refunds of member contributions	(19,400,811)	(19,193,834)	(17,065,610)	(17,653,963)	(15,962,565)	(15,030,475)	(15,174,814)	(14,895,979)	(14,044,511)	(15,274,926)
Administrative expense	(662,847)	(602,078)	(498,988)	(441,017)	(455,191)	(467,748)	(445,916)	(385,282)	(441,332)	(397,160)
Death benefits	(32,000)	(44,000)	(60,000)	(72,000)	(44,000)	(64,000)	(100,000)	(74,000)	(94,000)	(76,000)
Net change in plan fiduciary net position**	15,076,066	23,710,964	(74,151,803)	26,877,185	33,522,377	40,431,737	(21,868,910)	22,862,426	5,052,489	(9,333,204)
Plan fiduciary net position - beginning**	255,898,655	232,187,691	306,339,494	279,462,309	245,939,932	205,508,195	227,377,105	204,514,679	199,462,190	208,795,394
Plan fiduciary net position - ending (b)**	\$ 270,974,721	\$ 255,898,655	\$ 232,187,691	\$ 306,339,494	\$ 279,462,309	\$ 245,939,932	\$ 205,508,195	\$ 227,377,105	\$ 204,514,679	\$ 199,462,190
Plan's net pension liability - ending (a) - (b)	\$ 3,054,172	\$ 7,452,380	\$ 22,219,032	\$ (64,137,714)	\$ (45,099,288)	\$ (19,121,375)	\$ 6,649,756	\$ (19,778,372)	\$ (123,941)	\$ 5,040,160
Plan fiduciary net position as a percentage of the total pension liability	98.89%	97.17%	91.27%	126.48%	119.24%	108.43%	96.87%	109.53%	100.06%	97.54%
Covered payroll	\$ 34,776,504	\$ 35,604,464	\$ 37,412,132	\$ 38,074,863	\$ 41,524,273	\$ 40,276,197	\$ 42,150,040	\$ 43,309,374	\$ 44,437,747	\$ 44,446,743
Plan's net pension liability as a percentage of covered payroll	8.78%	20.93%	59.39%	(168.45%)	(108.61%)	(47.48%)	15.78%	(45.67%)	(0.28%)	11.34%

Notes to Schedule:

** Excludes amounts related to 401(k) matching contributions.

See accompanying Independent Auditor's Report

Knoxville Utilities Board Electric Division

Required Supplementary Information – Schedule of Employer Pension Contributions

June 30, 2025

	Year ended December 31																			
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015										
Actuarially determined contribution	\$	1,659,187	\$	1,866,261	\$	3,144,770	\$	3,416,428	\$	2,876,752	\$	2,871,241	\$	3,456,475	\$	4,286,597	\$	5,243,146	\$	5,991,887
Contribution in relation to the actuarially determined contribution		1,659,187		1,866,261		3,144,770		3,416,428		2,876,752		2,871,241		3,456,475		4,286,597		5,243,146		5,991,887
Contribution deficiency	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
Covered payroll	\$	34,776,504	\$	35,604,464	\$	37,412,132	\$	38,074,863	\$	41,524,273	\$	40,276,197	\$	42,150,040	\$	43,309,374	\$	44,437,747	\$	44,446,743
Contributions as a percentage of covered payroll		4.77%		5.24%		8.41%		8.97%		6.93%		7.13%		8.20%		9.90%		11.80%		13.48%

Notes to Schedule:

Timing: Actuarially determined contributions for a Plan year are based upon 50% of the amounts determined at the actuarial valuations for each of the two prior Plan years.

Valuation Dates: January 1, 2023 and January 1, 2022

Key methods and assumptions used to determine contribution rates:

Actuarial cost method: Individual entry age

Asset valuation method: 5-year smoothed market, adjusted to remain within 20% of the market value

Amortization method: As of January 1, 2023: Level dollar, 30-year closed period with 18 years remaining, or a level dollar, 30-year open period for a negative unfunded liability

As of January 1, 2022: Level dollar, 30-year closed period with 19 years remaining, or a level dollar, 30-year open period for a negative unfunded liability

As of January 1, 2023 and 2022, the unfunded liability was negative.

Discount rate: 7.00% as of January 1, 2023; 7.25% as of January 1, 2022

Salary increases: 2.50% to 5.65%, based on years of service

Mortality: 115% and 110% of the benefits-weighted Public Sector General Healthy Annuitant Mortality Table (PubG-2010), respectively, for males and females, using the Public Sector General Employee Table while in active employment and for annuitant ages prior to the start of the Healthy Annuitant Mortality Table, both projected from the 2010 base rates using scale MP2018 fully generational

Inflation: 2.5%

Please refer to prior year's audited financial statements for prior methods and assumptions.

See accompanying Independent Auditor's Report

Knoxville Utilities Board Electric Division

Required Supplementary Information – Schedule of Changes in Net OPEB Liability and Related Ratios

June 30, 2025

	2025	2024	2023	*Year ended June 30 2022	2021	2020	2019	2018
Total OPEB liability								
Service cost	\$ 506,802	\$ 615,753	\$ 595,392	\$ 416,277	\$ 283,786	\$ 256,270	\$ 270,515	\$ 202,603
Interest	4,176,096	4,256,122	4,133,008	3,858,276	3,861,304	3,672,291	3,624,737	3,295,240
Change of benefit terms	-	(164,746)	-	6,594,293	-	(202,408)	-	-
Differences between expected and actual experience	(154,501)	587,252	117,668	60,951	42,802	43,902	999,098	1,324,769
Changes of assumptions	(1,302,021)	(2,102,184)	2,527,824	-	(4,105,835)	3,604,843	3,231,601	(397,180)
Benefit payments	(3,594,203)	(3,786,371)	(4,273,070)	(3,908,635)	(3,111,179)	(3,028,596)	(3,532,444)	(3,298,739)
Net change in total OPEB liability	(367,827)	(594,174)	3,100,822	7,021,162	(3,029,122)	4,346,302	4,593,507	1,126,693
Total OPEB liability - beginning	61,042,928	61,637,102	58,536,280	51,515,118	54,544,240	50,197,938	45,604,431	44,477,738
Total OPEB liability - ending (a)	\$ 60,675,101	\$ 61,042,928	\$ 61,637,102	\$ 58,536,280	\$ 51,515,118	\$ 54,544,240	\$ 50,197,938	\$ 45,604,431
Plan fiduciary net position								
Contributions - employer	\$ 1,279,985	\$ 1,187,768	\$ 1,413,392	\$ 1,989,066	\$ 757,226	\$ 311,324	\$ -	\$ -
Net investment income	6,084,906	5,656,390	4,333,538	(8,122,417)	12,890,602	975,155	2,981,928	3,705,473
Benefit payments	(3,594,203)	(3,786,371)	(4,273,070)	(3,908,635)	(3,111,179)	(3,028,596)	(3,532,444)	(3,298,739)
Administrative expense	(81,246)	(94,379)	(101,186)	(71,187)	(44,496)	(53,286)	(54,787)	(51,668)
Net change in plan fiduciary net position	3,689,442	2,963,408	1,372,674	(10,113,173)	10,492,153	(1,795,403)	(605,303)	355,066
Plan fiduciary net position - beginning	51,669,855	48,706,447	47,333,773	57,446,946	46,954,793	48,750,196	49,355,499	49,000,433
Plan fiduciary net position - ending (b)	\$ 55,359,297	\$ 51,669,855	\$ 48,706,447	\$ 47,333,773	\$ 57,446,946	\$ 46,954,793	\$ 48,750,196	\$ 49,355,499
Net OPEB liability (asset) - ending (a) - (b)	\$ 5,315,804	\$ 9,373,073	\$ 12,930,655	\$ 11,202,507	\$ (5,931,828)	\$ 7,589,447	\$ 1,447,742	\$ (3,751,068)
Plan fiduciary net position as a percentage of the total OPEB liability	91.24%	84.65%	79.02%	80.86%	111.51%	86.09%	97.12%	108.23%
Covered employee payroll**	\$ 89,939,256	\$ 83,596,708	\$ 70,129,341	\$ 73,927,857	\$ 21,578,366	\$ 23,363,536	\$ 24,346,735	\$ 23,677,080
Net OPEB liability (asset) as a percentage of covered employee payroll	5.91%	11.21%	18.44%	15.15%	(27.49%)	32.48%	5.95%	(15.84%)

Notes to Schedule:

* Information not reflected prior to 2018 due to changes in actuary methodologies required under GASB 75, which was implemented in 2018.

** The covered-employee payroll increased in FY 2022 due to the inclusion of plan participants eligible for the HRA benefits.

See accompanying Independent Auditor's Report

Knoxville Utilities Board Electric Division

Required Supplementary Information – Schedule of Employer OPEB Contributions

June 30, 2025

	2025	2024	2023	*Year ended June 30 2022	2021	2020	2019	2018
Actuarially determined contribution	\$ 1,279,985	\$ 1,187,768	\$ 1,413,392	\$ 489,066	\$ 757,226	\$ 311,324	\$ -	\$ -
Contribution in relation to the annual required contribution	<u>1,279,985</u>	<u>1,187,768</u>	<u>1,413,392</u>	<u>1,989,066</u>	<u>757,226</u>	<u>311,324</u>	<u>-</u>	<u>-</u>
Contribution deficiency/(excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,500,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll*	\$ 89,939,256	\$ 83,596,708	\$ 70,129,341	\$ 73,927,857	\$ 21,578,366	\$ 23,363,536	\$ 24,346,735	\$ 23,677,080
Contributions as a percentage of covered employee payroll	1.42%	1.42%	2.02%	2.69%	3.51%	1.33%	0.00%	0.00%

* The covered-employee payroll increased in FY 2022 due to the inclusion of plan participants eligible for the HRA benefits.

KUB elected to make a \$1,500,000 voluntary contribution to the Trust to initially fund the HRA benefit which was effective January 1, 2022. This contribution was not required.

Notes to Schedule:

Valuation Date: January 1, 2023 and January 1, 2022
Timing: Actuarially determined contribution rates are calculated based on the actuarial valuation completed 18 months before the beginning of the fiscal year.

Key methods and assumptions used to determine contribution rates:

Actuarial cost method: Entry age normal
Asset valuation method: 5-year smoothed market
Amortization method: 15-year layered amortization bases for annual changes in the unfunded liabilities as of January 1, 2022 and 2023; 30-year rolling amortization for a funding surplus; As of January 1, 2022 and 2023, there was an unfunded liability
Discount rate: 7.25% and 7.00% as of January 1, 2022 and 2023, respectively
Healthcare cost trend rate: Pre-Medicare: 5.75% in 2022 and 5.70% in 2023 grading down to 3.935% in 2042 and beyond using the Getzen trend model
Medicare: 11.30% in 2022 and 7.40% in 2023 grading down to 3.935% in 2042 and beyond using the Getzen trend model
Administrative expenses: 3.0% per year
Salary increases: From 2.50% to 5.65%, based on years of service
Mortality: 115% and 110% of the Public Sector Healthy Annuitant Mortality Table (PubG-2010), respectively for males and females, using the Public Sector General Employee Table (PubG-2010) for ages prior to the start of the Health Annuitant Mortality Table, both projected using scale MP2018 fully generational
Inflation: 2.5%
Investment rate of return: 7.25% and 7.00% as of January 1, 2022 and 2023, respectively
Retirement age: 2% at ages 50-57, grading up to 100% at age 70

* Schedule of Employer Contribution information is not reflected prior to 2018 due to changes in actuary methodologies required under GASB 75, which was implemented in 2018.
Please refer to prior year's audited financial statement for prior methods and assumptions.

See accompanying Independent Auditor's Report

Knoxville Utilities Board Electric Division
Required Supplementary Information – Qualified Governmental Excess Benefit Arrangement
Schedule of Changes in Total Pension Liability and Related Ratios
June 30, 2025

	*Year ended December 31								
	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total pension liability									
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 941	\$ 584	\$ -
Interest (includes interest on service cost)	-	-	-	268	388	9,181	9,676	7,535	-
Changes of benefit terms	-	-	-	-	-	(218,272)	-	-	185,077
Differences between expected and actual experience	21,226	-	-	(6,816)	10,165	34	(36,125)	13,684	-
Changes of assumptions	-	-	-	-	91	13,342	(22,950)	73,461	-
Benefit payments, including refunds of member contributions	-	-	-	(12,166)	(12,166)	(15,932)	-	-	-
Net change in total pension liability	21,226	-	-	(18,714)	(1,522)	(211,647)	(48,458)	95,264	185,077
Total pension liability - beginning	-	-	-	18,714	20,236	231,883	280,341	185,077	-
Total pension liability - ending	\$ 21,226	\$ -	\$ -	\$ -	\$ 18,714	\$ 20,236	\$ 231,883	\$ 280,341	\$ 185,077
Covered payroll	\$ 34,776,504	\$ 35,604,464	\$ 37,412,132	\$ 38,074,863	\$ 41,524,273	\$ 40,276,197	\$ 42,150,040	\$ 43,309,374	\$ 44,437,747
Total pension liability as a percentage of covered payroll	0.06%	0.00%	0.00%	0.00%	0.05%	0.05%	0.55%	0.65%	0.42%

Notes to Schedule:

* There are no assets accumulated in a trust that meet the criteria in paragraph 4 of GASB 73 to pay related benefits.

See accompanying Independent Auditor's Report

Knoxville Utilities Board Electric Division
Supplemental Information - Schedule of Debt Maturities by Fiscal Year
June 30, 2025

Continued on Next Page

FY	EE-2015		GG-2016		HH-2017		II-2017		JJ-2018		KK-2020		LL-2021	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
25-26 \$	2,670,000	\$ 387,750	\$ 1,125,000	\$ 857,188	\$ 2,560,000	\$ 285,705	\$ 1,035,000	\$ 1,034,025	\$ 1,005,000	\$ 1,185,106	\$ 1,400,000	\$ 435,250	\$ 2,745,000	\$ 2,459,075
26-27	2,735,000	306,675	1,150,000	834,438	2,695,000	154,330	1,075,000	992,025	1,055,000	1,133,606	1,460,000	363,750	2,890,000	2,318,200
27-28	2,850,000	222,900	1,175,000	811,188	2,805,000	43,478	1,110,000	959,250	1,100,000	1,090,731	1,525,000	289,125	2,995,000	2,171,075
28-29	2,955,000	135,825	1,200,000	787,437			1,140,000	925,500	1,130,000	1,057,281	1,595,000	211,125	3,315,000	2,013,325
29-30	3,050,000	45,750	1,200,000	762,687			1,175,000	890,775	1,165,000	1,022,856	1,675,000	129,375	3,465,000	1,843,825
30-31			1,250,000	731,187			1,215,000	854,925	1,200,000	986,631	1,750,000	43,750	2,525,000	1,694,075
31-32			1,275,000	693,312			1,250,000	817,950	1,240,000	947,731			3,495,000	1,543,575
32-33			1,325,000	654,312			1,285,000	779,925	1,285,000	905,897			2,850,000	1,384,950
33-34			1,350,000	614,187			1,325,000	740,775	1,330,000	860,938			2,845,000	1,242,575
34-35			1,400,000	572,937			1,365,000	700,425	1,375,000	813,600			2,845,000	1,100,325
35-36			1,450,000	535,625			1,410,000	658,800	1,420,000	766,463			2,845,000	972,300
36-37			1,475,000	500,875			1,450,000	615,900	1,470,000	719,500			2,845,000	858,500
37-38			1,525,000	459,563			1,495,000	571,725	1,520,000	669,963			2,845,000	744,700
38-39			1,550,000	417,313			1,540,000	526,200	1,570,000	617,819			2,845,000	630,900
39-40			1,600,000	377,937			1,590,000	479,250	1,625,000	562,888			2,845,000	517,100
40-41			1,650,000	335,250			1,635,000	430,875	1,685,000	504,963			2,845,000	403,300
41-42			1,675,000	289,531			1,685,000	381,075	1,745,000	444,938			2,845,000	289,500
42-43			1,725,000	242,781			1,740,000	329,700	1,805,000	382,813			2,845,000	175,700
43-44			1,775,000	194,656			1,790,000	275,631	1,870,000	318,500			1,485,000	89,100
44-45			1,825,000	142,875			1,850,000	218,756	1,935,000	251,913			1,485,000	29,700
45-46			1,900,000	87,000			1,910,000	160,006	2,005,000	182,963				
46-47			1,950,000	29,250			1,970,000	98,151	2,075,000	111,563				
47-48							2,035,000	33,069	2,150,000	37,625				
48-49														
49-50														
50-51														
51-52														
52-53														
53-54														
54-55														
Total \$	<u>14,260,000</u>	<u>\$ 1,098,900</u>	<u>\$ 32,550,000</u>	<u>\$ 10,931,529</u>	<u>\$ 8,060,000</u>	<u>\$ 483,513</u>	<u>\$ 34,075,000</u>	<u>\$ 13,474,713</u>	<u>\$ 34,760,000</u>	<u>\$ 15,576,288</u>	<u>\$ 9,405,000</u>	<u>\$ 1,472,375</u>	<u>\$ 55,700,000</u>	<u>\$ 22,481,800</u>

See accompanying Independent Auditor's Report

Knoxville Utilities Board Electric Division
Supplemental Information - Schedule of Debt Maturities by Fiscal Year
June 30, 2025

Continued from Previous Page

FY	MM-2022		NN-2022		OO-2022		PP-2023		QQ-2024		Total		Grand Total (P + I)
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
25-26	\$ 850,000	\$ 1,849,600	\$ 845,000	\$ 1,111,275	\$ 1,340,000	\$ 3,457,300	\$ 865,000	\$ 2,728,375	\$ 4,065,144	\$ 16,440,000	\$ 19,855,793	\$ 36,295,793	
26-27	895,000	1,805,975	865,000	1,068,525	1,410,000	3,388,550	910,000	2,684,000	1,475,000	4,028,269	18,615,000	19,078,343	37,693,343
27-28	940,000	1,760,100	885,000	1,024,775	1,480,000	3,316,300	955,000	2,637,375	1,550,000	3,952,643	19,370,000	18,278,940	37,648,940
28-29	990,000	1,711,850	935,000	979,275	1,560,000	3,240,300	1,005,000	2,588,375	1,630,000	3,873,144	17,455,000	17,523,437	34,978,437
29-30	1,040,000	1,661,100	965,000	931,775	1,640,000	3,160,300	1,055,000	2,536,875	1,715,000	3,789,519	18,145,000	16,774,837	34,919,837
30-31	1,090,000	1,607,850	1,025,000	882,025	1,720,000	3,076,300	1,110,000	2,482,750	1,805,000	3,701,519	14,690,000	16,061,012	30,751,012
31-32	1,150,000	1,551,850	1,050,000	830,150	1,810,000	2,988,050	1,165,000	2,425,875	1,895,000	3,609,018	14,330,000	15,407,511	29,737,511
32-33	1,205,000	1,492,975	1,110,000	776,150	1,905,000	2,895,175	1,225,000	2,366,125	1,990,000	3,511,894	14,180,000	14,767,403	28,947,403
33-34	1,270,000	1,431,100	1,170,000	725,000	2,000,000	2,797,550	1,290,000	2,303,250	2,095,000	3,409,769	14,675,000	14,125,144	28,800,144
34-35	1,335,000	1,365,975	1,190,000	677,800	2,105,000	2,694,925	1,355,000	2,237,125	2,200,000	3,302,394	15,170,000	13,465,506	28,635,506
35-36	1,395,000	1,304,700	1,240,000	629,200	2,210,000	2,587,050	1,425,000	2,167,625	2,315,000	3,189,518	15,710,000	12,811,281	28,521,281
36-37	1,450,000	1,247,800	1,285,000	578,700	2,325,000	2,473,675	1,495,000	2,094,625	2,435,000	3,070,769	16,230,000	12,160,344	28,390,344
37-38	1,510,000	1,188,600	1,335,000	526,300	2,445,000	2,354,425	1,575,000	2,017,875	2,560,000	2,945,894	16,810,000	11,479,045	28,289,045
38-39	1,575,000	1,126,900	1,380,000	472,000	2,570,000	2,229,050	1,655,000	1,937,125	2,690,000	2,814,643	17,375,000	10,771,950	28,146,950
39-40	1,640,000	1,062,600	1,425,000	415,900	2,700,000	2,097,300	1,740,000	1,852,250	2,830,000	2,676,644	17,995,000	10,041,869	28,036,869
40-41	1,705,000	995,700	1,475,000	357,900	2,840,000	1,958,800	1,830,000	1,763,000	2,975,000	2,531,519	18,640,000	9,281,307	27,921,307
41-42	1,775,000	926,100	1,520,000	298,000	2,985,000	1,813,175	1,925,000	1,669,125	3,125,000	2,379,019	19,280,000	8,490,463	27,770,463
42-43	1,845,000	853,700	1,590,000	235,800	3,135,000	1,660,175	2,020,000	1,570,500	3,285,000	2,218,769	19,990,000	7,669,938	27,659,938
43-44	1,920,000	778,400	1,640,000	171,200	3,280,000	1,516,200	2,125,000	1,466,875	3,455,000	2,050,269	19,340,000	6,860,831	26,200,831
44-45	2,000,000	700,000	1,710,000	104,200	3,415,000	1,382,300	2,235,000	1,357,875	3,610,000	1,891,694	20,065,000	6,079,313	26,144,313
45-46	2,080,000	618,400	1,750,000	35,000	3,555,000	1,242,900	2,350,000	1,243,250	3,760,000	1,744,294	19,310,000	5,313,813	24,623,813
46-47	2,165,000	533,500			3,700,000	1,097,800	2,470,000	1,122,750	3,915,000	1,588,346	18,245,000	4,581,360	22,826,360
47-48	2,255,000	445,100			3,850,000	946,800	2,595,000	996,125	4,080,000	1,426,000	16,965,000	3,884,719	20,849,719
48-49	2,350,000	353,000			4,010,000	789,600	2,730,000	863,000	4,245,000	1,259,500	13,335,000	3,265,100	16,600,100
49-50	2,450,000	257,000			4,170,000	626,000	2,870,000	723,000	4,420,000	1,086,200	13,910,000	2,692,200	16,602,200
50-51	2,550,000	157,000			4,340,000	455,800	3,015,000	575,875	4,600,000	905,800	14,505,000	2,094,475	16,599,475
51-52	2,650,000	53,000			4,520,000	278,600	3,170,000	421,250	4,785,000	718,100	15,125,000	1,470,950	16,595,950
52-53					4,705,000	94,100	3,335,000	258,625	4,980,000	522,800	13,020,000	875,525	13,895,525
53-54							3,505,000	87,625	5,185,000	319,500	8,690,000	407,125	9,097,125
54-55									5,395,000	107,900	5,395,000	107,900	5,502,900
Total	\$ 44,080,000	\$ 28,839,875	\$ 26,390,000	\$ 12,830,950	\$ 77,725,000	\$ 56,618,500	\$ 55,000,000	\$ 49,178,500	\$ 91,000,000	\$ 72,690,491	\$ 483,005,000	\$ 285,677,434	\$ 768,682,434

See accompanying Independent Auditor's Report

Knoxville Utilities Board Electric Division
Supplemental Information - Schedule of Changes in Long-term Debt by Individual Issue
June 30, 2025

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding Balance 7/1/2024	Issued During Period	Paid/Matured During Period	Refunded During Period	Outstanding Balance 6/30/2025
Business-Type Activities									
BONDS PAYABLE									
<u>Payable through Electric Fund</u>									
Revenue Bond Refunding, Series EE-2015	\$ 28,550,000	2.0-5.0	05/01/15	07/01/29	\$ 16,815,000	\$ -	\$ 2,555,000	\$ -	\$ 14,260,000
Revenue Bond, Series GG-2016	\$ 40,000,000	2.0-5.0	08/05/16	07/01/46	33,650,000	-	1,100,000	-	32,550,000
Revenue Bond Refunding, Series HH-2017	\$ 23,445,000	2.5-5.0	04/07/17	07/01/27	10,520,000	-	2,460,000	-	8,060,000
Revenue Bond, Series II-2017	\$ 40,000,000	3.0-5.0	09/15/17	07/01/47	35,060,000	-	985,000	-	34,075,000
Revenue Bond, Series JJ-2018	\$ 39,995,000	3.0-5.0	09/14/18	07/01/47	35,725,000	-	965,000	-	34,760,000
Revenue Bond Refunding, Series KK-2020	\$ 14,380,000	5.0	05/22/20	07/01/30	10,740,000	-	1,335,000	-	9,405,000
Revenue Bond Refunding, Series LL-2021	\$ 70,180,000	4.0-5.0	04/19/21	07/01/44	60,715,000	-	5,015,000	-	55,700,000
Revenue Bond, Series MM-2022	\$ 45,650,000	4.0-5.0	04/29/22	07/01/51	44,885,000	-	805,000	-	44,080,000
Revenue Bond Refunding, Series NN-2022	\$ 27,215,000	4.0-5.0	05/13/22	07/01/45	27,215,000	-	825,000	-	26,390,000
Revenue Bond, Series OO-2022	\$ 79,000,000	4.0-5.0	12/16/22	07/01/52	79,000,000	-	1,275,000	-	77,725,000
Revenue Bond, Series PP-2023	\$ 55,000,000	5.0	12/08/23	07/01/53	55,000,000	-	-	-	55,000,000
Revenue Bond, Series QQ-2024	\$ 91,000,000	4.0-5.0	08/29/24	07/01/54	-	91,000,000	-	-	91,000,000
					<u>\$ 409,325,000</u>	<u>\$ 91,000,000</u>	<u>\$ 17,320,000</u>	<u>\$ -</u>	<u>\$ 483,005,000</u>

See accompanying Independent Auditor's Report

Knoxville Utilities Board Electric Division
Supplemental Information - Schedule of Changes in Lease Liabilities
June 30, 2025

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Maturity Date	Outstanding 6/30/2024	Issued During Period	Paid and/or Matured During Period	Remeasure- ments	Outstanding 6/30/2025
<u>Lease Liabilities</u>									
<u>Payable through Electric Fund</u>									
American Towers - Rocky Hill	\$ 34,545	3.90%	11/1/2022	10/31/2027	\$ 24,445	\$ -	\$ (6,765)	\$ -	\$ 17,680
American Towers - Tillery/Bluegrass	34,759	3.90%	11/1/2022	10/31/2027	24,445	-	(6,765)	-	17,680
Crown Castle	86,124	3.90%	3/1/2023	2/1/2043	83,312	-	(2,280)	-	81,032
Manki 1 Investments	145,079	3.88%	7/1/2020	5/31/2027	88,023	-	(29,066)	(35)	58,922
R&S Logistics (Sublease)	1,835,035	3.88%	7/1/2020	3/31/2027	1,051,936	-	(359,825)	-	692,111
Ricoh Americas	17,907	3.88%	7/1/2020	7/31/2025	7,212	-	(6,161)	(129)	922
RJ Young Company	24,352	3.88%	7/1/2020	6/30/2026	6,447	-	(6,313)	(134)	-
SBA Properties	14,786	3.90%	1/1/2023	12/31/2027	10,926	-	(2,828)	-	8,098
Total Lease Liabilities					<u>\$ 1,296,746</u>	<u>\$ -</u>	<u>\$ (420,003)</u>	<u>\$ (298)</u>	<u>\$ 876,445</u>

See accompanying Independent Auditor's Report

Knoxville Utilities Board Electric Division
Statistical Information – Schedule of Insurance in Force
June 30, 2025
(Unaudited)

Insurance coverage is for KUB as a consolidated entity.

Crime

Covers losses resulting from employee dishonesty, robbery, burglary, and computer fraud. Limits of coverage - \$5,000,000; \$250,000 retention.

Directors' and Officers' Liability Insurance

Covers KUB personnel appropriately authorized to make decisions on behalf of KUB (including but not limited to Commissioners, President and CEO, Senior Vice Presidents, Vice Presidents, and Directors) for wrongful acts. Limits of coverage - \$20,000,000; \$500,000 corporate deductible, \$0 individual deductible.

Employment Practices Liability

Coverage for costs related to actual or alleged employment practices violations for amounts exceeding specified amount (\$500,000). Limits of coverage - \$10,000,000.

Fiduciary

Covers losses resulting from wrongful acts related to KUB's Pension, 401(k), OPEB Trust funds, and Medical Plan. Limits of coverage - \$10,000,000; \$150,000 deductible.

Environmental and Pollution Legal Liability

Environmental and Pollution coverage for covered losses resulting from a pollution or environmental event. Limits of coverage - \$15,000,000.

Property Insurance

This coverage provides protection of KUB's property for fire, extended coverage, vandalism and malicious mischief, and coverage on boilers and machinery. Also included are flood and earthquake damage and mechanical failure. Limits of coverage - \$250,000,000 per occurrence (subject to certain sub limits); \$3,500,000 deductible per occurrence.

Travel Accident

Covers losses related to employees' business travel. Limits of coverage - \$3,000,000 aggregate.

Excess Insurance for General Liability

As a governmental entity, KUB's liability is limited under the Tennessee Governmental Tort Liability Act (TCA §29-20-403). Limits of coverage - \$5,000,000; \$700,000 retention.

Excess Insurance for Workers' Compensation

Covers all losses exceeding specified amount per occurrence (\$1,000,000). Limits of coverage - Statutory; stop loss coverage applies for aggregate losses over \$5,000,000.

Employee Health Plan Stop Loss Coverage

KUB's employee health plan is self-funded. KUB has purchased stop loss insurance, which covers KUB's exposure to annual expenses for more than \$700,000 per individual participant.

Cyber Security Liability

Liability coverage resulting from losses related to a covered event such as data breaches, ransomware, regulatory fines, cyber extortion, business interruption and other cyber-related events. Limits of coverage - \$5,000,000; \$500,000 deductible.

Drone

Liability coverage resulting from losses related to bodily injury or damaged property arising out of the ownership, maintenance, or use of a drone aircraft. Limits of coverage - \$2,000,000.

See accompanying Independent Auditor's Report

Knoxville Utilities Board Electric Division
Statistical Information - Schedule of Current Rates in Force
June 30, 2025
(Unaudited)

Rate Class	Base Charge	Number of Customers
Residential	Customer Charge: \$22.04 per month, less Hydro Allocation Credit: \$1.54 per month. Energy Charge: Summer Period \$0.12410 per kWh per month. Winter Period \$0.12369 per kWh per month. Transition Period \$0.12369 per kWh per month.	200,496
Residential Time of Use	Customer Charge: \$22.04 per month, less Hydro Allocation Credit: \$1.54 per month. Energy Charge: Onpeak \$0.23089 per kWh per month for all metered onpeak kWh Offpeak \$0.09472 per kWh per month for all metered offpeak kWh	80
Commercial/Industrial	A. 1. If (a) the higher of (i) the customer's currently effective contract demand, if any, or (ii) its highest billing demand during the latest 12-month period is not more than 50 kWh, and (b) customer's monthly energy takings for any month during such period do not exceed 15,000 kWh: Customer Charge: \$33.00 per delivery point per month. Demand Charge: Summer Period \$0.50 per kW of billing demand. Winter Period \$0.50 per kW of billing demand. Transition Period \$0.50 per kW of billing demand. Energy Charge: Summer Period \$0.14369 per kWh per month. Winter Period \$0.14328 per kWh per month. Transition Period \$0.14328 per kWh per month.	20,922
	2. If (a) the higher of (i) the customer's currently effective contract demand or (ii) its highest billing demand during the latest 12-month period is greater than 50 kW but not more than 1,000 kW, or (b) if the customer's billing demand is less than 50 kW and its energy takings for any month during such period exceed 15,000 kWh: Customer Charge: \$125.00 per delivery point per month. Demand Charge: Summer Period First 50 kW of billing demand at \$0.50 per kW. Over 50 kW of billing demand at \$19.34 per kW. Winter Period First 50 kW of billing demand at \$0.50 per kW. Over 50 kW of billing demand at \$18.55 per kW. Transition Period First 50 kW of billing demand at \$0.50 per kW. Over 50 kW of billing demand at \$18.55 per kW. Energy Charge: Summer Period First 15,000 kWh per month at \$0.17672 per kWh Additional kWh per month at \$0.08321 per kWh. Winter Period First 15,000 kWh per month at \$0.17631 per kWh Additional kWh per month at \$0.08321 per kWh. Transition Period First 15,000 kWh per month at \$0.17631 per kWh Additional kWh per month at \$0.08321 per kWh.	2,574
	See accompanying Independent Auditor's Report	

Knoxville Utilities Board Electric Division
Statistical Information - Schedule of Current Rates in Force
June 30, 2025
(Unaudited)

Rate Class			Number of Customers
3.	If (a) the higher of the customer's currently effective contract demand or (b) its highest billing demand during the latest 12-month period is greater than 1,000 kW:		33
	Customer Charge:	\$313.00 per delivery point per month.	
	Demand Charge:	Summer Period First 1,000 kW of billing demand per month, at \$20.22 per kW. Excess over 1,000 kW of billing demand per month, at \$20.96 per kW, plus an additional \$20.96 per kW per month for each kW, if any, of the amount by which the customer's billing demand exceeds the higher of 2,500 kW or its contract demand.	
		Winter Period First 1,000 kW of billing demand per month, at \$19.46 per kW. Excess over 1,000 kW of billing demand per month, at \$20.20 per kW, plus an additional \$20.20 per kW per month for each kW, if any, of the amount by which the customer's billing demand exceeds the higher of 2,500 kW or its contract demand.	
		Transition Period First 1,000 kW of billing demand per month, at \$19.46 per kW. Excess over 1,000 kW of billing demand per month, at \$20.20 per kW, plus an additional \$20.20 per kW per month for each kW, if any, of the amount by which the customer's billing demand exceeds the higher of 2,500 kW or its contract demand.	
	Energy Charge:	Summer Period \$0.09468 per kWh per month. Winter Period \$0.09468 per kWh per month. Transition Period \$0.09468 per kWh per month.	

See accompanying Independent Auditor's Report

Knoxville Utilities Board Electric Division
Statistical Information - Schedule of Current Rates in Force
June 30, 2025
(Unaudited)

Rate Class		Number of Customers
Commercial/ Industrial Time of Use	A. 1. If the higher of (i) the customer's currently effective contract demand, if any, or (ii) its highest billing demand during the latest 12-month period is not more than 50 kWh:	271
	Customer Charge: \$33.00 per delivery point per month.	
	Demand Charge: \$2.27 per kW of maximum billing demand per month.	
	Energy Charge: Onpeak \$0.23710 per kWh per month for all metered onpeak kWh Offpeak \$0.10038 per kWh per month for all metered offpeak kWh	
	2A. If the higher of (i) the customer's currently effective contract demand or (ii) its highest billing demand during the latest 12-month period is greater than 50 kW but not more than 100 kW:	49
	Customer Charge: \$125.00 per delivery point per month.	
	Demand Charge: \$5.16 per kW of maximum billing demand per month.	
	Energy Charge: Onpeak \$0.25099 per kWh per month for all metered onpeak kWh Offpeak \$0.11427 per kWh per month for all metered offpeak kWh	
	2B. If the higher of (i) the customer's currently effective contract demand or (ii) its highest billing demand during the latest 12-month period is greater than 100 kW but not more than 1,000 kW:	36
	Customer Charge: \$143.00 per delivery point per month.	
	Demand Charge: \$7.58 per kW of maximum billing demand per month.	
	Energy Charge: Onpeak \$0.22460 per kWh per month for all metered onpeak kWh Offpeak \$0.08788 per kWh per month for all metered offpeak kWh	

See accompanying Independent Auditor's Report

Knoxville Utilities Board Electric Division
Statistical Information - Schedule of Current Rates in Force
June 30, 2025
(Unaudited)

Rate Class	Base Charge			Number of Customers
Commercial/ Industrial	B.	This rate shall apply to the firm electric power requirements where a customer's currently effective contract demand is greater than 5,000 kW but not more than 15,000 kW: Customer Charge: \$1,500 per delivery point per month. Administrative Charge: \$700 per delivery point per month. Demand Charge: Summer Period Onpeak Demand \$11.82 per kW per month of the customer's onpeak billing demand Maximum Demand \$6.88 per kW per month of the customer's maximum billing demand Excess Demand \$18.70 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher. Winter Period Onpeak Demand \$10.77 per kW per month of the customer's onpeak billing demand Maximum Demand \$6.88 per kW per month of the customer's maximum billing demand Excess Demand \$17.65 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher. Transition Period Onpeak Demand \$10.77 per kW per month of the customer's onpeak billing demand Maximum Demand \$6.88 per kW per month of the customer's maximum billing demand Excess Demand \$17.65 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.		3

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Energy Charge: Summer Period	Onpeak	\$0.10208 per kWh per month for all metered onpeak kWh
	Offpeak: Block 1	\$0.07496 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy
	Block 2	\$0.03733 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy
	Block 3	\$0.03362 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.
Winter Period	Onpeak	\$0.08972 per kWh per month for all metered onpeak kWh
	Offpeak: Block 1	\$0.07737 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy
	Block 2	\$0.03733 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy
	Block 3	\$0.03362 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.
Transition Period	Onpeak	\$0.07461 per kWh per month for all metered onpeak kWh
	Offpeak: Block 1	\$0.07461 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy
	Block 2	\$0.03733 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy
	Block 3	\$0.03362 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.

For the Summer Period, Winter Period, and Transition Period, Offpeak Block 1 energy rates less fuel rate of \$0.02529 per kWh per month shall be applied to the portion, if any, of the minimum offpeak energy takings amount that is greater than the metered energy.

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Rate Class	Base Charge			Number of Customers
Commercial/ Industrial	C.	This rate shall apply to the firm electric power requirements where a customer's currently effective contract demand is greater than 15,000 kW but not more than 25,000 kW: Customer Charge: \$1,500 per delivery point per month. Administrative Charge: \$700 per delivery point per month. Demand Charge: Summer Period Onpeak Demand \$11.82 per kW per month of the customer's onpeak billing demand Maximum Demand \$6.72 per kW per month of the customer's maximum billing demand Excess Demand \$18.54 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher. Winter Period Onpeak Demand \$10.77 per kW per month of the customer's onpeak billing demand Maximum Demand \$6.72 per kW per month of the customer's maximum billing demand Excess Demand \$17.49 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher. Transition Period Onpeak Demand \$10.77 per kW per month of the customer's onpeak billing demand Maximum Demand \$6.72 per kW per month of the customer's maximum billing demand Excess Demand \$17.49 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.		1

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Energy Charge: Summer Period	Onpeak	\$0.10206 per kWh per month for all metered onpeak kWh
	Offpeak: Block 1	\$0.07494 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy
	Block 2	\$0.03731 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy
	Block 3	\$0.03360 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.
Winter Period	Onpeak	\$0.08970 per kWh per month for all metered onpeak kWh
	Offpeak: Block 1	\$0.07459 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy
	Block 2	\$0.03731 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy
	Block 3	\$0.03360 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.
Transition Period	Onpeak	\$0.07459 per kWh per month for all metered onpeak kWh
	Offpeak: Block 1	\$0.07459 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy
	Block 2	\$0.03731 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy
	Block 3	\$0.03360 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.

For the Summer Period, Winter Period, and Transition Period, Offpeak Block 1 energy rates less fuel rate of \$0.02529 per kWh per month shall be applied to the portion, if any, of the minimum offpeak energy takings amount that is greater than the metered energy.

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Rate Class	Base Charge			Number of Customers
Commercial/ Industrial	D.	This rate shall apply to the firm electric power requirements where a customer's currently effective contract demand is greater than 25,000 kW:		1
		Customer Charge:	\$1,500 per delivery point per month.	
		Administrative Charge:	\$700 per delivery point per month.	
		Demand Charge:		
	Summer Period	Onpeak Demand	\$11.82 per kW per month of the customer's onpeak billing demand	
		Maximum Demand	\$6.59 per kW per month of the customer's maximum billing demand	
		Excess Demand	\$18.41 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	
	Winter Period	Onpeak Demand	\$10.77 per kW per month of the customer's onpeak billing demand	
		Maximum Demand	\$6.59 per kW per month of the customer's maximum billing demand	
		Excess Demand	\$17.36 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	
	Transition Period	Onpeak Demand	\$10.77 per kW per month of the customer's onpeak billing demand	
		Maximum Demand	\$6.59 per kW per month of the customer's maximum billing demand	
		Excess Demand	\$17.36 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	

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Energy Charge: Summer Period	Onpeak	\$0.10206 per kWh per month for all metered onpeak kWh
	Offpeak: Block 1	\$0.07494 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy
	Block 2	\$0.03607 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy
	Block 3	\$0.03360 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.
Winter Period	Onpeak	\$0.08970 per kWh per month for all metered onpeak kWh
	Offpeak: Block 1	\$0.07735 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy
	Block 2	\$0.03607 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy
	Block 3	\$0.03360 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.
Transition Period	Onpeak	\$0.07459 per kWh per month for all metered onpeak kWh
	Offpeak: Block 1	\$0.07459 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy
	Block 2	\$0.03607 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy
	Block 3	\$0.03360 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.

For the Summer Period, Winter Period, and Transition Period, Offpeak Block 1 energy rates less fuel rate of \$0.02529 per kWh per month shall be applied to the portion, if any, of the minimum offpeak energy takings amount that is greater than the metered energy.

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Rate Class	Base Charge			Number of Customers	
Commercial/ Industrial Time of Use	A.	This rate shall apply to the firm electric power requirements where a customer's currently effective contract demand is greater than 1,000 kW but not more than 5,000 kW:			10
		Customer Charge: \$1,500 per delivery point per month.			
		Administrative Charge: \$700 per delivery point per month.			
		Demand Charge:			
		Summer Period	Onpeak Demand	\$12.04 per kW per month of the customer's onpeak billing demand	
			Maximum Demand	\$8.64 per kW per month of the customer's maximum billing demand	
			Excess Demand	\$20.68 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	
		Winter Period	Onpeak Demand	\$10.99 per kW per month of the customer's onpeak billing demand	
			Maximum Demand	\$8.64 per kW per month of the customer's maximum billing demand	
			Excess Demand	\$19.63 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	
Transition Period	Onpeak Demand	\$10.99 per kW per month of the customer's onpeak billing demand			
	Maximum Demand	\$8.64 per kW per month of the customer's maximum billing demand			
	Excess Demand	\$19.63 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.			

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Energy Charge: Summer Period	Onpeak	\$0.13674 per kWh per month for all metered onpeak kWh
	Offpeak: Block 1	\$0.09989 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy
	Block 2	\$0.05318 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy
	Block 3	\$0.04985 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.
Winter Period	Onpeak	\$0.11992 per kWh per month for all metered onpeak kWh
	Offpeak: Block 1	\$0.10316 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy
	Block 2	\$0.05318 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy
	Block 3	\$0.04985 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.
Transition Period	Onpeak	\$0.10448 per kWh per month for all metered onpeak kWh
	Offpeak: Block 1	\$0.10448 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy
	Block 2	\$0.05318 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy
	Block 3	\$0.04985 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.

For the Summer Period, Winter Period, and Transition Period, Offpeak Block 1 energy rates less fuel rate of \$0.02691 per kWh per month shall be applied to the portion, if any, of the minimum offpeak energy takings amount that is greater than the metered energy.

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Rate Class	Base Charge	Number of Customers																											
Manufacturing	B. This rate shall apply to the firm electric power requirements where (a) a customer's currently effective contract demand is greater than 5,000 kW but not more than 15,000 kW and (b) the major use of electricity is for activities conducted at the delivery point serving that customer which are classified with a 2-digit Standard Industrial Classification Code between 20 and 39, inclusive, or classified with 2002 North American Industry Classification System (NAICS) code 5181, or 2007 NAICS codes 5182, 522320, and 541214. Customer Charge: \$1,500 per delivery point per month. Administrative Charge: \$700 per delivery point per month. Demand Charge: <table><tr><td>Summer Period</td><td>Onpeak Demand</td><td>\$11.15 per kW per month of the customer's onpeak billing demand</td></tr><tr><td></td><td>Maximum Demand</td><td>\$3.45 per kW per month of the customer's maximum billing demand</td></tr><tr><td></td><td>Excess Demand</td><td>\$14.60 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.</td></tr><tr><td>Winter Period</td><td>Onpeak Demand</td><td>\$10.09 per kW per month of the customer's onpeak billing demand</td></tr><tr><td></td><td>Maximum Demand</td><td>\$3.45 per kW per month of the customer's maximum billing demand</td></tr><tr><td></td><td>Excess Demand</td><td>\$13.54 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.</td></tr><tr><td>Transition Period</td><td>Onpeak Demand</td><td>\$10.09 per kW per month of the customer's onpeak billing demand</td></tr><tr><td></td><td>Maximum Demand</td><td>\$3.45 per kW per month of the customer's maximum billing demand</td></tr><tr><td></td><td>Excess Demand</td><td>\$13.54 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.</td></tr></table>	Summer Period	Onpeak Demand	\$11.15 per kW per month of the customer's onpeak billing demand		Maximum Demand	\$3.45 per kW per month of the customer's maximum billing demand		Excess Demand	\$14.60 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	Winter Period	Onpeak Demand	\$10.09 per kW per month of the customer's onpeak billing demand		Maximum Demand	\$3.45 per kW per month of the customer's maximum billing demand		Excess Demand	\$13.54 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	Transition Period	Onpeak Demand	\$10.09 per kW per month of the customer's onpeak billing demand		Maximum Demand	\$3.45 per kW per month of the customer's maximum billing demand		Excess Demand	\$13.54 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	2
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Energy Charge:	Summer Period	Onpeak	\$0.09361 per kWh per month for all metered onpeak kWh
		Offpeak: Block 1	\$0.06640 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy
		Block 2	\$0.03409 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy
		Block 3	\$0.03132 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.
	Winter Period	Onpeak	\$0.08120 per kWh per month for all metered onpeak kWh
		Offpeak: Block 1	\$0.06884 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy
		Block 2	\$0.03409 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy
		Block 3	\$0.03132 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.
	Transition Period	Onpeak	\$0.06977 per kWh per month for all metered onpeak kWh
		Offpeak: Block 1	\$0.06977 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy
		Block 2	\$0.03409 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy
		Block 3	\$0.03132 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.

For the Summer Period, Winter Period, and Transition Period, Offpeak Block 1 energy rates less fuel rate of \$0.02553 per kWh per month shall be applied to the portion, if any, of the minimum offpeak energy takings amount that is greater than the metered energy.

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Rate Class	Base Charge		Number of Customers																												
Manufacturing	C.	This rate shall apply to the firm electric power requirements where (a) a customer's currently effective contract demand is greater than 15,000 kW but not more than 25,000 kW and (b) the major use of electricity is for activities conducted at the delivery point serving that customer which are classified with a 2-digit Standard Industrial Classification Code between 20 and 39, inclusive, or classified with 2002 North American Industry Classification System (NAICS) code 5181, or 2007 NAICS codes 5182, 522320, and 541214. Customer Charge: \$1,500 per delivery point per month. Administrative Charge: \$700 per delivery point per month. Demand Charge: <table> <tr> <td>Summer Period</td> <td>Onpeak Demand</td> <td>\$11.15 per kW per month of the customer's onpeak billing demand</td> </tr> <tr> <td></td> <td>Maximum Demand</td> <td>\$3.33 per kW per month of the customer's maximum billing demand</td> </tr> <tr> <td></td> <td>Excess Demand</td> <td>\$14.48 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.</td> </tr> <tr> <td>Winter Period</td> <td>Onpeak Demand</td> <td>\$10.09 per kW per month of the customer's onpeak billing demand</td> </tr> <tr> <td></td> <td>Maximum Demand</td> <td>\$3.33 per kW per month of the customer's maximum billing demand</td> </tr> <tr> <td></td> <td>Excess Demand</td> <td>\$13.42 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.</td> </tr> <tr> <td>Transition Period</td> <td>Onpeak Demand</td> <td>\$10.09 per kW per month of the customer's onpeak billing demand</td> </tr> <tr> <td></td> <td>Maximum Demand</td> <td>\$3.33 per kW per month of the customer's maximum billing demand</td> </tr> <tr> <td></td> <td>Excess Demand</td> <td>\$13.42 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.</td> </tr> </table>		Summer Period	Onpeak Demand	\$11.15 per kW per month of the customer's onpeak billing demand		Maximum Demand	\$3.33 per kW per month of the customer's maximum billing demand		Excess Demand	\$14.48 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	Winter Period	Onpeak Demand	\$10.09 per kW per month of the customer's onpeak billing demand		Maximum Demand	\$3.33 per kW per month of the customer's maximum billing demand		Excess Demand	\$13.42 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	Transition Period	Onpeak Demand	\$10.09 per kW per month of the customer's onpeak billing demand		Maximum Demand	\$3.33 per kW per month of the customer's maximum billing demand		Excess Demand	\$13.42 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	1
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Energy Charge:	Summer Period	Onpeak	\$0.09282 per kWh per month for all metered onpeak kWh
		Offpeak: Block 1	\$0.06560 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy
		Block 2	\$0.03605 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy
		Block 3	\$0.03605 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.
	Winter Period	Onpeak	\$0.08040 per kWh per month for all metered onpeak kWh
		Offpeak: Block 1	\$0.06802 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy
		Block 2	\$0.03605 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy
		Block 3	\$0.03605 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.
	Transition Period	Onpeak	\$0.06897 per kWh per month for all metered onpeak kWh, plus
		Offpeak: Block 1	\$0.06897 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy, plus
		Block 2	\$0.03605 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy, plus
		Block 3	\$0.03605 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.

For the Summer Period, Winter Period, and Transition Period, Offpeak Block 1 energy rates less fuel rate of \$0.02553 per kWh per month shall be applied to the portion, if any, of the minimum offpeak energy takings amount that is greater than the metered energy.

See accompanying Independent Auditor's Report

Knoxville Utilities Board Electric Division
Statistical Information - Schedule of Current Rates in Force
June 30, 2025
(Unaudited)

Rate Class	Base Charge		Number of Customers		
Manufacturing	D.	This rate shall apply to the firm electric power requirements where (a) a customer's currently effective contract demand is greater than 25,000 kW and (b) the major use of electricity is for activities conducted at the delivery point serving that customer which are classified with a 2-digit Standard Industrial Classification Code between 20 and 39, inclusive, or classified with 2002 North American Industry Classification System (NAICS) code 5181, or 2007 NAICS codes 5182, 522320, and 541214.		2	
		Customer Charge: \$1,500 per delivery point per month.			
		Administrative Charge: \$700 per delivery point per month.			
		Demand Charge:			
		Summer Period	Onpeak Demand		\$11.15 per kW per month of the customer's onpeak billing demand
			Maximum Demand		\$2.89 per kW per month of the customer's maximum billing demand
			Excess Demand		\$14.04 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.
		Winter Period	Onpeak Demand		\$10.09 per kW per month of the customer's onpeak billing demand
			Maximum Demand		\$2.89 per kW per month of the customer's maximum billing demand
			Excess Demand		\$12.98 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.
	Transition Period	Onpeak Demand	\$10.09 per kW per month of the customer's onpeak billing demand		
		Maximum Demand	\$2.89 per kW per month of the customer's maximum billing demand		
		Excess Demand	\$12.98 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.		

See accompanying Independent Auditor's Report

Knoxville Utilities Board Electric Division
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(Unaudited)

Energy Charge:	Summer Period	Onpeak	\$0.08905 per kWh per month for all metered onpeak kWh
		Offpeak: Block 1	\$0.06185 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy
		Block 2	\$0.03292 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy
		Block 3	\$0.03228 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.
	Winter Period	Onpeak	\$0.07663 per kWh per month for all metered onpeak kWh
		Offpeak: Block 1	\$0.06425 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy
		Block 2	\$0.03292 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy
		Block 3	\$0.03228 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.
	Transition Period	Onpeak	\$0.06520 per kWh per month for all metered onpeak kWh
		Offpeak: Block 1	\$0.06520 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy
		Block 2	\$0.03292 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy
		Block 3	\$0.03228 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.

For the Summer Period, Winter Period, and Transition Period, Offpeak Block 1 energy rates less fuel rate of \$0.02553 per kWh per month shall be applied to the portion, if any, of the minimum offpeak energy takings amount that is greater than the metered energy.

See accompanying Independent Auditor's Report

Knoxville Utilities Board Electric Division
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(Unaudited)

Rate Class	Base Charge		Number of Customers	
Manufacturing Time of Use	A.	This rate shall apply to the firm electric power requirements where (a) a customer's currently effective contract demand is greater than 1,000 kW but not more than 5,000 kW and (b) the major use of electricity is for activities conducted at the delivery point serving that customer which are classified with a 2-digit Standard Industrial Classification Code between 20 and 39, inclusive, or classified with 2002 North American Industry Classification System (NAICS) code 5181, or 2007 NAICS codes 5182, 522320, and 541214.		
		Customer Charge: \$1,500 per delivery point per month.		
		Administrative Charge: \$700 per delivery point per month.		
		Demand Charge:		
		Summer Period	Onpeak Demand	\$11.27 per kW per month of the customer's onpeak billing demand
			Maximum Demand	\$6.64 per kW per month of the customer's maximum billing demand
			Excess Demand	\$17.91 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.
		Winter Period	Onpeak Demand	\$10.20 per kW per month of the customer's onpeak billing demand
			Maximum Demand	\$6.64 per kW per month of the customer's maximum billing demand
			Excess Demand	\$16.84 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.
	Transition Period	Onpeak Demand	\$10.20 per kW per month of the customer's onpeak billing demand	
		Maximum Demand	\$6.64 per kW per month of the customer's maximum billing demand	
		Excess Demand	\$16.84 per kW per month for each kW of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.	

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Knoxville Utilities Board Electric Division
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(Unaudited)

Energy Charge:	Summer Period	Onpeak	\$0.10872 per kWh per month for all metered onpeak kWh
		Offpeak: Block 1	\$0.08123 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy
		Block 2	\$0.05106 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy
		Block 3	\$0.04826 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.
	Winter Period	Onpeak	\$0.09617 per kWh per month for all metered onpeak kWh
		Offpeak: Block 1	\$0.08367 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy
		Block 2	\$0.05106 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy
		Block 3	\$0.04826 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.
	Transition Period	Onpeak	\$0.08464 per kWh per month for all metered onpeak kWh
		Offpeak: Block 1	\$0.08464 per kWh per month for the first 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy
		Block 2	\$0.05106 per kWh per month for the next 200 hours use of onpeak metered demand multiplied by the ratio of offpeak energy to total energy
		Block 3	\$0.04826 per kWh per month for the hours use of onpeak metered demand in excess of 400 hours multiplied by the ratio of offpeak energy to total energy.

For the Summer Period, Winter Period, and Transition Period, Offpeak Block 1 energy rates less fuel rate of \$0.02691 per kWh per month shall be applied to the portion, if any, of the minimum offpeak energy takings amount that is greater than the metered energy.

See accompanying Independent Auditor's Report

Knoxville Utilities Board Electric Division
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(Unaudited)

Rate Class	Base Charge		Number of Customers		
Outdoor Lighting	Part A - Charges for Street and Park Lighting Systems, Traffic Signal Systems, and Athletic Field Lighting Installations		70		
	Energy Charge:	Summer Period	\$0.11339 per kWh per month.		
		Winter Period	\$0.11339 per kWh per month.		
		Transition Period	\$0.11339 per kWh per month.		
	Facility Charge:	The annual facility charge shall be 13.00 percent of the installed cost to KUB's electric system of the facilities devoted to street and park lighting service specified in this Part A. Such installed cost shall be recomputed on July 1 of each year, or more often if substantial changes in the facilities are made. Each month, one-twelfth of the then total annual facility charge shall be billed to the customer. If any part of the facilities has not been provided at the electric system's expense, or if the installed cost of any portion thereof is reflected on the books of another municipality or agency or department, the annual facility charge shall be adjusted to reflect properly the remaining cost to be borne by the electric system.			
	Customer Charge:	\$2.50.			
	Part B - Charges for Outdoor Lighting for Individual Customers		25,432		
	Charges Per Fixture Per Month				
a.	Type of Fixture	Lamp Size	Rated kWh	Facility Charge	Total Lamp Charge
	Light-Emitting Diode (LED)	100WE	21	\$ 6.62	\$ 9.00
		250WE	58	8.20	14.78
		400WE	79	11.26	20.22
	High Pressure Sodium	100W	42	5.76	10.52
		250W	105	6.83	18.74
		400W	165	8.04	26.75
		1000W*	385	12.87	56.53
	Decorative	100W	42	6.57	11.33
	* 1,000 watt fixtures not offered for new service.				
b.	Energy Charge:	For each lamp size under a. above, \$0.11339 per rated kWh per month.			
	Additional pole charge:	\$5.80 per pole.			

See accompanying Independent Auditor's Report

Knoxville Utilities Board Electric Division
Statistical Information - Schedule of Current Rates in Force
June 30, 2025
(Unaudited)

Rate Class	Base Charge	Number of Customers
Electric Vehicle Charging	This rate shall exclusively apply to separately metered charging stations for electric vehicles where the charging station's demand is greater than 50 kW but not more than 5,000 kW. Customer Charge: \$104.00 per delivery point per month. Energy Charge: Onpeak \$0.33974 per kWh per month for all metered onpeak kWh Offpeak \$0.21796 per kWh per month for all metered offpeak kWh	-

See accompanying Independent Auditor's Report

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners
Electric Division of the Knoxville Utilities Board

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Electric Division (the Division) of the Knoxville Utilities Board, a component unit of the City of Knoxville, Tennessee, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Division's basic financial statements, and have issued our report thereon dated October 17, 2025, which references, that the financial statements, are only that portion of Knoxville Utilities Board that resulted from the transactions of the Electric Division.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Division's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Division's internal control. Accordingly, we do not express an opinion on the effectiveness of the Division's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Division's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

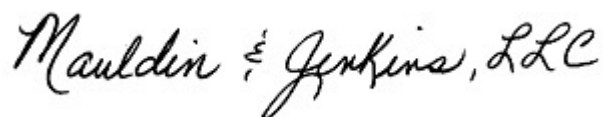
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Division's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Division's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Division's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Chattanooga, Tennessee
October 17, 2025

THE WATER DIVISION

THE WATER DIVISION

INTRODUCTION

The Water Division has been owned and operated by the City since 1909. The Water Division consists of a complete system for the treatment, storage, and distribution of water.

The Water Division distributes water to 84,262 customers on an exclusive basis covering 188 square miles throughout the City and on a non-exclusive basis in portions of Knox, Sevier, and Jefferson counties.

SOURCE OF WATER SUPPLY

The KUB service area is supplied with water from the Tennessee River. The river furnishes an abundant supply of water for the Mark B. Whitaker Plant (the “MBW”), which is KUB’s sole water plant and has a capacity of 62.9 million gallons per day (MGD).

KUB’s excellent track record in providing high quality, reliable water supply to its customers has been achieved by maintaining excess capacity. Tennessee Valley Authority reservoirs are upstream, providing the river a year-round flow far in excess of the City’s needs. Even during drought conditions, Knoxville’s water supply has been more than adequate to meet customer requirements. MBW’s average flow for fiscal year 2025 was 35.9 MGD.

KUB is committed to delivering a reliable supply of high-quality drinking water to its customers. KUB’s water quality laboratory is one of the few utility laboratories in the state certified by the State Department of Health and Environment to perform the complicated analysis necessary to maintain compliance with all federal drinking water regulations. The Safe Drinking Water Act of 1986 provides for mandatory disinfection and filtration treatment processes, which the Water Division has constantly maintained.

KUB is currently in the process of implementing a Water Plant Redundancy initiative to ensure that high quality, reliable water service will be provided to customers over the long term. KUB maintains a single water treatment plant for its system. In lieu of building a second treatment facility to ensure capacity will be available to meet the needs of current and future water customers, KUB will invest approximately \$161 million in various redundant facilities at the site of its existing Mark B. Whitaker Water Treatment Plant over a 16-year period that began in fiscal year 2017. Construction of a new generator building with three 2,500 kW diesel generators and associated switchgear was completed in fiscal year 2022 at the Mark B. Whitaker Water Treatment Plant. Construction of the new water filter project commenced in October 2022 and is projected to be completed by November 2025.

Knox County committed \$2.6 million through a Tennessee Department of Environment and Conservation (TDEC) non-competitive grant and an additional \$10 million in direct funding from the American Rescue Plan Act (ARPA). The City of Knoxville contributed \$7.5 million through a TDEC non-competitive grant and \$5 million in direct ARPA funding. In total, \$25.1 million in grant funding was awarded. All funds have been received by KUB and were used to

support KUB's new water filter project at its Mark B. Whitaker Water Treatment Plant.

THE WATER DISTRIBUTION SYSTEM

KUB's water distribution system territory covers 188 square miles. The system includes 26 booster pump stations, 28 storage facilities, 1,417 miles of water service main, and one treatment plant, which provided 13.1 billion gallons of water to KUB's water customers in fiscal year 2025.

Century II is KUB's proactive long-range program to improve and maintain the electric, natural gas, water, and wastewater systems for its customers. It includes maintenance and asset replacement strategies for each system and establishes sustainable replacement cycles. Century II moves KUB into its second century of service by improving each system through sound planning, resource allocation, and continued investment.

In June 2022, the Board approved three water rate increases of 5 percent each to support the Century II program. The water rate increases took effect in July 2022, July 2023, and July 2024, generating additional annual Water Division revenue of \$3.4 million, \$3.4 million, and \$3.6 million, respectively.

In June 2024, as part of KUB's Inflation Response Plan, the Board approved the next phase of water rate increases to support the Century II program. The three approved 6 percent water rate increases are effective in July 2025, July 2026, and July 2027 and are expected to provide \$4.5 million, \$4.8 million, and \$5.1 million in additional annual Water Division revenue, respectively.

KUB remains on track with its Century II water system infrastructure program. In fiscal year 2025, KUB replaced 2.7 miles of galvanized water main and 9.2 miles of cast iron main.

PENSION PLAN

Description of Plan

The Knoxville Utilities Board Pension Plan (the Plan) is a governmental plan as defined by the Employee Retirement Income Security Act of 1974 (ERISA or the Act), is not subject to any of the provisions of the Act, and was revised January 1, 2020, to include all prior approved amendments. The Plan is a single employer contributory, defined benefit pension plan established by Knoxville Utilities Board Resolution No. 980 dated February 18, 1999, effective July 1, 1999, as authorized by the Charter of the City of Knoxville §1107(J). KUB Board Resolution No. 979, effective July 1, 1999, as amended by Resolution No. 1037, establishing the KUB Retirement System, was amended effective June 18, 2020, to amend the term "Trustee" to include both custodians and/or trustees, in order to provide flexibility should KUB choose to change from its current Pension trustee. The Plan is designed to provide retirement, disability, and death benefits to KUB employees. KUB administers the Plan through an Administrative Committee consisting of seven KUB employees that are appointed by KUB's President and CEO. Any amendments to the Plan involving costs not approved in the operating budget must be adopted by KUB's Board of Commissioners, upon recommendation by KUB's President and CEO. All other amendments to the Plan may be approved by KUB's President and CEO upon 60 days notification to the Board's

Audit and Finance Committee. The Plan issues a financial report, which includes financial statements and required supplementary information. The report may be obtained by writing the Knoxville Utilities Board Retirement System, P.O. Box 59017, Knoxville, TN 37950-9017. For purposes of this disclosure, presentation is on a consolidated basis unless division's share is specified.

Effective January 1, 2011, KUB closed the Plan such that persons employed or re-employed by KUB on or after January 1, 2011, are not eligible to participate, but that eligible employees hired prior to January 1, 2011, who have not separated from service, shall continue as Participants and to accrue benefits under the Plan.

Participants in the Plan consisted of the following as of December 31:

	2024	2023
Inactive plan members:		
Terminated vested participants	10	9
Retirees and beneficiaries	589	602
Active plan members	<u>359</u>	<u>389</u>
Total	<u>958</u>	<u>1,000</u>

Retirement Benefits

The Plan provides three benefit arrangements for KUB participants, retirees, and beneficiaries.

The Plan provides pension benefits through the Career Equity Program ("CEP") for eligible employees hired on or after January 1, 1999, and for eligible former "City System Plan A" participants who elected CEP coverage as of July 1, 1999. The guaranteed pension benefit payable to a participant who has completed five or more years of service (or reached the normal retirement date, if earlier) upon termination of KUB employment shall be a lump sum equal to the participant's average compensation times their benefit percentage, as defined in the Plan document, or an annuity may be chosen by the participant.

In addition, the Plan provided retirement benefits through "Plan A" for former City System Plan A participants who elected not to participate in the CEP. Plan A is a closed plan and is not available to KUB employees hired after July 1, 1999. Plan A provides for early retirement benefits with 25 years of service and normal retirement benefits at age 62 or later. Benefits provided to Plan A participants include several different forms of monthly annuity payments.

The Plan also provides retirement benefits through "Plan B" for former "City System Plan B" participants. Plan B is a closed plan providing benefits to participants not covered by Social Security. Benefits provided to Plan B participants include several different forms of monthly annuity payments available to participants.

Effective January 1, 2012, KUB began to provide for additional monthly supplements, which are not subject to cost-of-living adjustments, to certain former employees and surviving dependents of former employees who are eligible for and have elected coverage under the KUB retiree medical plan and are eligible for Medicare. This was done to compensate for the elimination of drug coverage under the KUB retiree medical plan and to assist such individuals in obtaining prescription drug coverage under Medicare Part D.

Contributions

Participation in Plan A requires employee contributions of three percent of the first \$4,800 of annual earnings and five percent of annual earnings in excess of \$4,800. KUB contributions are determined by the enrolled actuary of the Plan and equal the amount necessary to provide the benefits under the Plan determined by the application of accepted actuarial methods and assumptions. The method of funding shall be consistent with Plan objectives.

Plan Funding

KUB maintains a Funding Policy for the Plan in accordance with Tennessee State Law. The primary goal of the Policy is to document the method KUB has adopted to provide assurance that future KUB and employee contributions and current Plan assets will be sufficient to fund all benefits expected to be paid to current active, inactive and retired Plan participants and their beneficiaries. Per the Funding Policy, KUB fully funds its annual Actuarially Determined Contribution.

Investments

The Plan's investments are held by State Street Bank and Trust Company (the "Trustee"). The Plan's policy in regard to the allocation of invested assets is established by the Retirement System Investment Committee and approved by the KUB Board of Commissioners and may only be amended by the KUB Board of Commissioners. It is the policy of the Retirement System Investment Committee to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following was the Plan's adopted asset allocation policy as of December 31, 2024:

Asset Class	Target Allocation
Domestic equity – large cap	20% - 50%
Domestic equity – small/mid cap	0% - 30%
Multi-asset credit	0% - 20%
Non-U.S. equity	0% - 20%
U.S. core real estate	0% - 10%
Fixed income	20% - 40%
Cash and deposits	0% - 5%

Contributions of \$2,210,234 and \$1,108,147 for 2023 and 2022, respectively, were made during the Plan sponsor's fiscal years ended June 30, 2025, and 2024, respectively. Of these amounts, \$396,996 and \$193,559 are attributable to the Water Division. The fiscal year 2025 contribution was determined as part of the January 1, 2023, valuation using the Individual Entry Age Normal funding method. The objective under this method is to fund each participant's benefits

under the Plan as payments which are level as a percentage of salary, starting on the original participation date (employment date) and continuing until the assumed retirement, termination, disability, or death.

The Pension Plan actuarial valuation resulted in an actuarially determined contribution of \$2,793,313 for the fiscal year ending June 30, 2026, based on the Plan's current funding policy. The Water Division's portion of this contribution will be determined as part of the actuarial analysis for the December 31, 2025, measurement date. Subsequent to June 30, 2025, an actuarial valuation was completed and resulted in an actuarially determined contribution of \$2,939,593 for the fiscal year ending June 30, 2027, based on the Plan's current funding policy. The Water Division's portion of this contribution will be determined as part of the actuarial analysis for the December 31, 2026, measurement date. For the Plan year beginning January 1, 2025, the Plan's actuarial funded ratio is 103.9 percent, and the market value funded ratio is 100.3 percent.

See Appendix C-2 for additional pension plan information.

QUALIFIED EXCESS BENEFIT ARRANGEMENT (QEBA)

Description

In fiscal year 2017, KUB implemented a qualified governmental excess benefit arrangement (QEBA) under IRC section 415(m), which was created by Congress to allow the payment of pension benefits that exceed the IRC section 415(b) limits (and therefore cannot be paid from a qualified retirement plan). The QEBA is a single employer defined benefit pension plan administered by KUB. The number of participants in any given year for the QEBA is determined by the number of KUB Pension Plan participants who exceed the current year's section 415(b) limitations, as calculated by the KUB Pension Plan actuary. The amount of QEBA benefit will be the amount specified by the terms of the KUB Pension Plan without regard to Section 415(b) limitations minus the amount payable from the KUB Pension Plan as limited by Section 415(b). QEBA benefits are subject to cost-of-living adjustments.

As of June 30, 2025, there are 341 active employees eligible for the KUB Pension Plan who are potentially eligible to receive QEBA benefits. The KUB Pension Plan was closed effective January 1, 2011, such that persons employed or re-employed by KUB on or after January 1, 2011, are not eligible to participate, but that eligible employees hired prior to January 1, 2011, who have not separated from service, shall continue as Participants and accrue benefits under the KUB Pension Plan. The KUB Pension Plan was amended to include the provision of QEBA benefits; therefore, amendments to the QEBA require the same authority as amendments to the KUB Pension Plan. As required by federal tax law, the QEBA is unfunded within the meaning of the federal tax laws. KUB may not pre-fund the QEBA to cover future liabilities beyond the current year. KUB has established procedures to pay for these benefits on a pay-as-you-go basis. There are no assets accumulated in a trust that meets the GASB's criteria.

Total Pension Liability of the QEBA

The below summarizes the disclosures of GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 (“GASB 73”). GASB 73 extends a similar approach of financial reporting to plans meeting specific criteria that are not administered through trusts that GASB 68 established for pension plans. GASB 73 requires measurement of the total pension liability of the QEBA. The amounts reported as of June 30 must be based upon a plan measurement date within the prior twelve months. Therefore, KUB’s measurements as of June 30, 2025, and 2024, are based on a December 31, 2024, and 2023, measurement date, respectively. The total pension liability of the QEBA is \$21,226 (Division’s share \$2,972) as of June 30, 2025, and \$0 as of June 30, 2024.

GASB 73 requires certain disclosures related to the total pension liability of the QEBA, as disclosed below:

	2024	2023
Total pension liability	\$21,226	\$0
Deferred outflows	(14,151)	(2,051)
Deferred inflows	-	1,704
Net impact on Statement of Net Position	<u>\$7,075</u>	<u>(\$347)</u>
Covered payroll	\$34,776,504	\$35,604,464
Total pension liability as a % of covered payroll	0.06%	0.00%

Changes in total pension liability of the QEBA are as follows:

	Increase (Decrease)
	Total Pension Liability
Balances at December 31, 2023	\$ -
Changes for the year:	
Service cost	-
Interest	-
Changes of Benefits	-
Differences between Expected and Actual Experience	21,226
Changes of Assumptions	-
Benefit payments	-
Net changes	<u>21,226</u>
Balances at December 31, 2024	<u>\$ 21,226</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2025, KUB recognized pension expense of \$7,422 (Division’s share \$1,036) for the QEBA. This amount is not expected to be the same as KUB’s contribution to the QEBA (\$-), but instead represents the change in the net impact on KUB’s Statement of Net

Position plus employer contributions [\$7,075 – (\$347)+ \$-].

The impact of experience gains or losses and assumption changes on the total pension liability are recognized in the pension expense over the average expected remaining service life of all active and inactive members, determined as of the beginning of the measurement period. As of December 31, 2023, this average was three years.

During the measurement year, there was an experience loss of \$21,226 with \$7,075 recognized in the current year and the remaining deferred outflow of \$14,151 (Division's share \$1,981) to be recognized over the next two years. Unrecognized experience losses from prior periods were \$2,033, with the full amount recognized as an increase in pension expense in the current year. Unrecognized experience gains from prior periods were \$1,704, with the full amount recognized as a decrease in pension expense in the current year.

Unrecognized assumption change losses from prior periods were \$19, with the full amount recognized as an increase in pension expense in the current year.

The following table summarizes the current balances of deferred outflows and deferred inflows of resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 14,151	\$ -
Changes in assumptions	-	-
Total	<u>\$ 14,151</u>	<u>\$ -</u>
Division's share	<u>\$ 1,981</u>	<u>\$ -</u>

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

Year ended June 30:

2026	\$ 7,075
2027	7,076
2028	-
2029	-
2030	-
Thereafter	-

For the year ended June 30, 2024, KUB recognized pension expense of \$3,024 (Division's share \$393) for the QEBA. This amount is not expected to be the same as KUB's contribution to the QEBA (\$-), but instead represents the change in the net impact on KUB's Statement of Net Position plus employer contributions [(\$347) – (\$3,371) + \$-].

The impact of experience gains or losses and assumption changes on the total pension liability are recognized in the pension expense over the average expected remaining service life of all active and inactive members, determined as of the beginning of the measurement period. As of December 31, 2020, this average was four years. There was a deferred inflow at the end of the measurement year of \$1,717 (Division's share \$222) from experience gains in prior years and a deferred outflow of \$2,033 (Division's share \$264) from experience losses in prior years.

There was a deferred outflow of \$18 (Division's share \$3) from assumption changes in prior years. The following table summarizes the current balances of deferred outflows and deferred inflows of resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,033	\$ 1,717
Changes in assumptions	18	-
Total	<u>\$ 2,051</u>	<u>\$ 1,717</u>
Division's share	<u>\$ 267</u>	<u>\$ 222</u>

OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Description of Trust

The Knoxville Utilities Board Other Post-Employment Benefits Trust (the Trust) is a single employer trust established by the KUB Board of Commissioners through Resolution No. 1168, as amended, dated October 18, 2007. The Trust, along with the KUB Health Plan, make up a Voluntary Employee Beneficiary Association ("VEBA") and are intended to be tax-exempt pursuant to Code §501(c)(9). The purpose of the Trust is to fund KUB's post-employment health care plan (the "Plan"), which provides certain medical benefits for qualifying KUB retirees and beneficiaries. The applicable documentation was submitted to the State Funding Board and, in December 2007, the State Funding Board approved the Trust. The Trust was also approved by the Internal Revenue Service in June 2008. KUB administers the Trust through a Board of Trustees consisting of seven KUB employees that are appointed by KUB's President and CEO. Any amendments to the Trust involving costs not approved in the operating budget must be approved by KUB's Board of Commissioners, upon recommendation by KUB's President and CEO. All other amendments to the Trust may be approved by KUB's President and CEO upon 60 days notification to the Board's Audit and Finance Committee. The investment of all deposits to the Trust is governed by an Investment Policy, which was adopted by the KUB Board and approved by the State Funding Board. The Trust issues a financial report, which includes financial statements and required supplementary information. The report may be obtained by writing the Knoxville Utilities Board Retirement System, P.O. Box 59017, Knoxville, TN 37950-9017. For purposes of this disclosure, presentation is on a consolidated basis unless division's share is specified.

Effective January 1, 2022, the Plan was expanded to two benefit offerings. Employees with a benefit service date prior to July 1, 1999, will continue to be eligible for the Retiree Medical Benefit, while those with a later benefit service date will participate in a new Retiree Health Reimbursement Arrangement (HRA), given that each eligible employee meets the “Rule of 80”, the sum of age and at least 20 years of qualified service equal to or exceeding 80, at retirement.

Participants in the Plan consisted of the following as of June 30:

	HRA		Retiree Medical Benefit	
	2025	2024	2025	2024
Retirees	16	9	707	722
Dependents of retirees	16	7	385	401
Eligible active employees	1,109	1,127	128	144
Total	1,141	1,143	1,220	1,267

Benefits

Benefits for pre-July 1, 1999, eligible participants may include, but shall not be limited to, medical, prescription drugs, dental, vision, hearing, Medicare Part B or Part D premiums, life insurance, long-term care, and long-term disability. Post-July 1, 1999, eligible participants are eligible for HRA benefits which include up to \$50,000 to be used exclusively for reimbursement of qualified medical expenses of the retiree and his or her spouse and dependents. Any unused HRA amounts will remain assets of the OPEB Trust.

Contributions and Funding

The primary goal of the Funding Policy for the Trust is to document the method KUB has adopted to provide assurance that future KUB and retiree contributions and current Trust assets will be sufficient to fund all benefits expected to be paid to Trust beneficiaries. Per the Funding Policy, KUB’s current practice is to fully fund its annual Actuarially Determined Contribution, which is determined by actuarial valuation.

Contributions are authorized by the terms of the Trust as established by KUB Resolution No. 1168, as amended, as approved by the Tennessee State Funding Board. KUB shall have the right at any time to amend, in whole or in part, the provisions of this Trust; however, no such amendment shall authorize or permit the assets of the Trust to be used for or diverted to purposes other than those expressed in the Declaration of Trust.

It shall be the sole and exclusive responsibility of KUB to determine the level of contributions KUB will make to the Trust for the purpose of financing other post-employment benefits accrued by its respective participants. Neither the Trust, nor the Trust’s Board, shall be responsible for collecting or otherwise determining the level of contributions needed by KUB to finance any other post-employment benefits offered by KUB. The assets of the Trust shall be expended solely to make payments for other post-employment benefits pursuant to, and in accordance with, the terms of the Trust and to pay the cost of administration.

Based on the date of retirement, certain retired members are required to contribute specified amounts monthly to maintain health insurance. Those who retired prior to July 1983 have no required monthly premiums for themselves or dependents. The retirees, or their surviving dependents, who retired between August 1983 and January 1998 are required to pay \$275 per month for pre-Medicare family health insurance. For individuals who retired after January 1998, the required monthly premium for pre-Medicare health insurance is \$275 for single coverage and \$550 for family coverage. There is currently no premium for Medicare eligible retirees or dependents. KUB is responsible for determining the level of retired plan member contributions on an annual basis as part of its review of healthcare cost sharing.

Participants in the Health Reimbursement Arrangement are not eligible for health insurance and are not required to make contributions.

Investments

The Trust holds investments in a balanced fund, which invests in passively managed common trust index funds, managed and sponsored by State Street Global Advisors (SSgA), with an asset allocation mirroring the asset allocation of the Trust and rebalanced monthly. The Trust's Investment Policy was established and may only be amended by the KUB Board of Commissioners. The Trust's Investment Policy is to invest in a manner that will provide sufficient investment return to meet current and future retiree health benefits, while conforming to all governing State and Federal statutes. It allows investment of Trust assets in any type of security instrument allowed for in T.C.A 8-50-1203.

The following was the Trust's adopted investment target allocations as set forth in the Trust's Investment Policy as of June 30, 2025:

Asset Class	Target Allocation
Domestic Equity:	
Large Cap	30%
Small Cap	8%
International Equity:	
Developed	16%
Emerging	8%
Real Estate Equity	8%
Debt Securities	30%
Total	100%

Actuarially determined contributions for the Water Division of \$214,738 and \$205,029 were made to the OPEB Trust in fiscal years ended June 30, 2025 and 2024, respectively. These were based on the OPEB actuarial valuations as of January 1, 2023, and 2022.

The OPEB Plan actuarial valuation resulted in an actuarially determined contribution of \$1,217,234 for the fiscal year ending June 30, 2026, based on the Plan's current funding policy. The Water Division's portion of this contribution will be determined as part of the actuarial analysis for the June 30, 2026, measurement date. Subsequent to June 30, 2025, an actuarial valuation was completed and resulted in an actuarially determined contribution of \$968,538 for

the fiscal year ending June 30, 2027, based on the Plan's current funding policy. The Water Division's portion of this contribution will be determined as part of the actuarial analysis for the June 30, 2027, measurement date. For the Plan year beginning January 1, 2025, the Plan's actuarial funded ratio is 96.3 percent, and the market value funded ratio is 93.8 percent.

See Appendix C-2 for additional OPEB information.

FISCAL YEAR 2026 FINANCIAL UPDATE

As of September 30, 2025, the Water Division had \$208.4 million in outstanding debt, representing a debt to capitalization ratio of 42.5 percent. The Water Division's current maximum debt service coverage ratio is 2.32.

For the three months ending September 30, 2025, KUB's Water Division had earnings of \$8.2 million, representing an increase of \$0.8 million from the previous fiscal year. This increase is the net result of the July 2025 rate increase offset by a 1.2 percent decline in billed water sales volumes compared to the last fiscal year.

Capital investment in water system infrastructure is approximately \$48.9 million for fiscal year 2026, reflecting KUB's continued commitment to the timely replacement of aging water pipe.

WATER RATES

The current rate schedules of the Water Division are as follows:

WATER RESIDENTIAL RATE SCHEDULE

Availability

Service under this rate schedule shall be available only to residential customers served individually through a separate meter or through a KUB-approved multiple meter configuration designed as a single billing point.

Rates

The Water Service Charge shall be based on the customer's meter size and monthly water usage.

For meters greater than 5/8", the Customer Charges listed in the Water Nonresidential schedule shall be utilized. In the event more than one meter is utilized to determine billed consumption, multiple basic service charges may apply. Charges will apply without regard to ownership of the meter(s).

KUB may, at its sole discretion, bill water using the same rates converted to a rate per gallon for usage measured in gallons: 1 Ccf equals 748 gallons.

Inside City Rates are for water furnished to premises entirely within the corporate limits of the City of Knoxville. Outside City Rates are for water furnished to premises upon which any water faucet or other outlet is outside the corporate limits of the City of Knoxville.

<u>Monthly Basic Service Charge</u>	<u>Inside City</u>	<u>Outside City</u>
5/8" meter	\$18.00	\$19.40
<u>Monthly Commodity Charge</u>	<u>Inside City</u>	<u>Outside City</u>
First	2 Ccf \$2.40 per Ccf	\$2.60 per Ccf
Over	2 Ccf \$4.10 per Ccf	\$4.90 per Ccf

Rules and Regulations

Service is subject to Rules and Regulations of KUB.

WATER NONRESIDENTIAL RATE SCHEDULE

Availability

Service under this rate schedule shall be available to any commercial or industrial customer.

An existing customer or applicant for service under this schedule may be required to execute a contract specifying, among other things, a minimum bill and minimum term for service under this schedule.

Rates

The Water Service Charge shall be calculated using the applicable rate tables provided below, based on the customer's meter size and monthly water usage.

In the event more than one meter is utilized to determine billed consumption, multiple customer charges may apply. Charges will apply without regard to ownership of the meter(s).

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KUB may, at its sole discretion, bill water using the same rates converted to a rate per gallon for usage measured in gallons: 1 Ccf equals 748 gallons.

Inside City and Industrial Park Rates are for water furnished to premises entirely within the corporate limits of the City of Knoxville or within the boundaries of an area recognized as an industrial park by the Tennessee Department of Economic and Community Development. Outside City Rates are for water furnished to premises upon which any water faucet or other outlet is outside the corporate limits of the City of Knoxville, excluding premises within the boundaries of an area recognized as an industrial park by the Tennessee Department of Economic and Community Development.

<u>Monthly Customer Charge</u>	<u>Inside City Industrial Park</u>	<u>Outside City</u>
5/8" meter	\$ 23.25	\$ 25.85
1" meter	\$ 38.00	\$ 42.00
1½" meter	\$ 88.00	\$ 98.00
2" meter	\$ 126.00	\$ 139.00
3" meter	\$ 244.00	\$ 271.00
4" meter	\$ 368.00	\$ 406.00
6" meter	\$ 680.00	\$ 768.00
8" meter	\$1,089.00	\$1,293.00
10" meter	\$1,623.00	\$1,926.00
12" meter	\$2,590.00	\$3,020.00

<u>Monthly Commodity Charge</u>	<u>Inside City Industrial Park</u>	<u>Outside City</u>
First 2 Ccf	\$3.60 per Ccf	\$4.00 per Ccf
Next 8 Ccf	\$5.85 per Ccf	\$6.55 per Ccf
Next 90 Ccf	\$6.15 per Ccf	\$7.05 per Ccf
Next 300 Ccf	\$5.85 per Ccf	\$6.55 per Ccf
Next 4,600 Ccf	\$3.30 per Ccf	\$3.85 per Ccf
Over 5,000 Ccf	\$1.50 per Ccf	\$1.70 per Ccf

Rules and Regulations

Service is subject to Rules and Regulations of KUB.

WATER PRIVATE FIRE SERVICE RATE SCHEDULE

Availability

Under this schedule, KUB provides water supply to privately owned automatic sprinklers or hose outlets. Such service is available to any residential, commercial, or industrial customer.

Rates

The Private Fire Service Charge shall be calculated using the table below based on the customer's fire line connections.

<u>Monthly Service Charge per Connection</u>	
Connection less than 4"	\$ 48.00
4" Connection	\$104.00
6" Connection	\$227.00
8" Connection	\$398.00
10" Connection	\$596.00
12" Connection and greater	\$894.00

These service charges shall be in addition to the charge for any water use through fire line connections. The amount of unmetered water so used, as determined by KUB, shall be paid for at KUB's applicable rate schedules.

No charge under this rate schedule shall be made where the water supply to private fire protection facilities is through one or more metered connection(s) for which payment is made under the Water Nonresidential Rate Schedule.

No credit for charges under this rate schedule shall be allowed against the Water Nonresidential Rate Schedule charge for water supplied through a fire line to one or more metered connection(s) where the fire line serves as a connecting line between the metered connection(s) and KUB's mains.

Rules and Regulations

Service is subject to Rules and Regulations of KUB.

WATER UNMETERED GOVERNMENT SERVICE RATE SCHEDULE

Availability

For water used from KUB's mains with KUB's permission by any department of a governmental entity through unmetered fire hydrants for purposes other than for public fire service:

I. Inside – City Rate

The total amount of water used monthly by each department of a governmental entity for such purposes through a fire hydrant within the corporate limits of the City of Knoxville shall be billed to each such department at the Inside City rates set forth in the Water Nonresidential Rate

Schedule.

II. Outside – City Rate

total amount of water used monthly by each department of a governmental entity for such purposes through a fire hydrant outside the corporate limits of the City of Knoxville shall be billed to each such department at the Outside City rates set forth in the Water Nonresidential Rate Schedule.

Rules and Regulations

Service is subject to Rules and Regulations of KUB.

WATER PUBLIC FIRE PROTECTION SERVICE RATE SCHEDULE

Availability

Service under this schedule shall be available only to a governmental entity that undertakes to provide public fire protection service for an area that contains at least four square miles. KUB reserves the right to require any applicant for service under this schedule to execute a contract specifying, among other things, a minimum bill and minimum term for service.

Rate

For public fire protection service rendered, the governmental entity shall pay KUB a fire protection service charge at the rate of \$656.00 per year for each KUB owned public fire hydrant located within the jurisdictional boundaries of the governmental entity and within areas provided public fire protection service by such governmental entity. In addition to the fire protection service charge, the governmental entity shall pay for all water used for fire fighting at rates set forth in the Water Nonresidential Rate Schedule.

KUB may contract with other utility providers to supply public fire protection service to an eligible governmental entity in any service area (or portion thereof), where KUB determines it desirable to do so. Charges to a governmental entity for fire protection service provided under such a contract shall be at the same rate specified above, and the hydrants of the utility provider utilized under such a contract shall be deemed to be facilities owned by KUB for the sole purpose of calculating charges under this schedule.

Rules and Regulations

Service is subject to Rules and Regulations of KUB.

WATER WHOLESALE RATE SCHEDULE

Availability

For water purchased on an interruptible basis for resale by a customer that does not use KUB as its sole supplier of water. This service shall be available only on an interruptible basis and only to the extent, in KUB's sole opinion, that such service can be supplied through existing facilities without adversely affecting water service to any other customer of KUB. Nothing contained herein shall prevent KUB from providing water for resale under the Water Nonresidential Rate Schedule.

Monthly Commodity Charge
\$1.57 per Ccf

KUB may, at its sole discretion, bill water using the same rates converted to a rate per gallon for usage measured in gallons: 1 Ccf equals 748 gallons.

Any unauthorized usage under this tariff shall be billed at the Outside City rates set forth in the Water Nonresidential Rate Schedule.

Rules and Regulations

Service is subject to Rules and Regulations of KUB.

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KNOXVILLE UTILITIES BOARD
WATER DIVISION
CAPITALIZATION HISTORY

Historical	Fiscal Year	Accumulated Earnings	Contributed Capital	Revenue Bonds	Revenue Notes	Total Capitalization	Debt as % of Capitalization
	2021 as restated*	\$ 211,224,667	\$ -	\$ 198,600,000	\$ -	\$ 409,824,667	48.46%
	2022	\$ 225,583,951	\$ -	\$ 191,540,000	\$ -	\$ 417,123,951	45.92%
	2023	\$ 238,694,469	\$ -	\$ 184,265,000	\$ -	\$ 422,959,469	43.57%
	2024	\$ 254,750,795	\$ -	\$ 196,535,000	\$ -	\$ 451,285,795	43.55%
	2025	\$ 274,030,885	\$ -	\$ 208,410,000	\$ -	\$ 482,440,885	43.20%

*Restated per GASB 87. For more information, see the notes to the Financial Statements in the FINANCIAL STATEMENTS included herein.

KNOXVILLE UTILITIES BOARD
WATER DIVISION
OPERATING STATISTICS
for the Fiscal Years ending on June 30

	2021				
	as restated*	2022	2023	2024	2025
Revenues:					
General Customers	\$ 50,863,984	\$ 52,787,176	\$ 56,821,857	\$ 60,535,493	\$ 64,646,079
Private Fire Protection	4,269,550	4,374,265	4,453,902	4,463,808	4,546,560
Public Fire Protection	4,025,025	4,067,615	4,267,915	4,480,716	4,711,524
Sales to Public Authorities	1,239,649	1,209,909	1,283,175	1,384,354	1,491,597
Total Sales Revenues	\$ 60,398,208	\$ 62,438,965	\$ 66,826,849	\$ 70,864,371	\$ 75,395,760
Other Revenues	1,401,231	2,119,381	1,875,900	2,032,118	2,066,173
Total Revenues	\$ 61,799,439	\$ 64,558,346	\$ 68,702,749	\$ 72,896,489	\$ 77,461,933
Water Usage - (000s Gallons*):					
General Customers	7,464,522	7,606,678	7,798,539	7,895,873	7,876,223
Other	569,691	611,495	648,523	699,660	753,861
Total	8,034,213	8,218,173	8,447,062	8,595,533	8,630,084
Number of Customers:					
General Customers	79,906	80,485	81,163	82,023	82,564
Private Fire Protection	1,596	1,622	1,633	1,661	1,694
Public Fire Protection	1	1	1	1	1
Other	3	2	2	2	3
Total	81,506	82,110	82,799	83,687	84,262
Input to System (000s Gallons)	12,155,230	11,964,980	12,694,960	12,882,980	13,105,720
Source of Supply and Treatment Expense	\$ 4,444,493	\$ 4,570,431	\$ 5,453,159	\$ 5,744,601	\$ 6,248,177

*Restated per GASB 87. For more information, see the notes to the Financial Statements in the FINANCIAL STATEMENTS included herein.

KNOXVILLE UTILITIES BOARD
WATER DIVISION
CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For The Fiscal Years Ending on June 30

	2021 as restated *	2022 as restated **	2023	2024	2025
Operating Revenues:	\$ 61,799,439	\$ 64,558,346	\$ 68,702,749	\$ 72,896,489	\$ 77,461,933
Operation Expenses:					
Treatment	\$ 4,444,493	\$ 4,570,431	\$ 5,453,159	\$ 5,744,601	\$ 6,248,177
Distribution	15,492,694	16,763,904	17,465,753	18,772,285	18,840,349
Customer Service	1,711,933	1,820,874	1,739,250	1,017,796	1,072,682
Administrative and General	4,826,048	4,731,941	9,806,790	11,278,649	11,034,467
Provision for Deprec. & Amortization	11,602,283	11,840,748	12,439,495	12,268,290	13,027,773
Taxes and Tax Equivalents	4,494,108	4,507,469	4,717,414	4,744,733	3,950,386
Total Operating Expenses	\$ 42,571,559	\$ 44,235,367	\$ 51,621,861	\$ 53,826,354	\$ 54,173,834
Operating Income	\$ 19,227,880	\$ 20,322,979	\$ 17,080,888	\$ 19,070,135	\$ 23,288,099
Non-Operating Revenues / Expenses:					
Contributions in aid of construction	\$ 957,719	\$ 1,185,417	\$ 7,972,512	\$ 16,800,864	\$ 5,753,777
Interest and dividend income	143,931	179,724	1,361,782	1,904,641	2,828,950
Interest expense	(7,195,357)	(6,944,930)	(6,644,158)	(6,807,918)	(7,599,497)
Write-down of plant for costs recovered through contributions	(957,719)	(1,185,417)	(7,972,512)	(16,800,864)	(5,753,777)
Other	(3,610,348)	(242,146)	446,898	1,142,471	599,762
Total Non-Operating	\$ (10,661,774)	\$ (7,007,352)	\$ (4,835,478)	\$ (3,760,806)	\$ (4,170,785)
Change in Net Position before Capital contribution	\$ 8,566,106	\$ 13,315,627	\$ 12,245,410	\$ 15,309,329	\$ 19,117,314
Capital contribution	321,408	1,043,657	865,108	746,997	162,776
Change in Net Position	\$ 8,887,514	\$ 14,359,284	\$ 13,110,518	\$ 16,056,326	\$ 19,280,090
Net Position, beginning of year Adjustment	\$ 202,337,153	\$ 211,224,667	\$ 225,583,951	\$ 238,694,469	\$ 254,750,795
	-	-	-	-	-
Net Position, end of year	\$ 211,224,667	\$ 225,583,951	\$ 238,694,469	\$ 254,750,795	\$ 274,030,885

*Restated per GASB 87. For more information, see the notes to the Financial Statements in the FINANCIAL STATEMENTS included herein.

**Restated per GASB 96. For more information, see the notes to the Financial Statements in the FINANCIAL STATEMENTS included herein.

Source: The above amounts have been derived from the Annual Audited Financial Statements for the Knoxville Utilities Board, Water Division and the Board's internal financial records and should be read in conjunction therewith.

KNOXVILLE UTILITIES BOARD
WATER DIVISION
OPERATING AND FINANCIAL HISTORY OF THE WATER DIVISION

OPERATING REVENUE FROM WATER SALES

Fiscal Year Ended June 30	Revenue
2016	\$ 47,453,401
2017	\$ 50,769,639
2018	\$ 54,365,215
2019	\$ 58,073,479
2020	\$ 62,473,524
2021 as restated*	\$ 61,799,439
2022	\$ 64,558,346
2023	\$ 68,702,749
2024	\$ 72,896,489
2025	\$ 77,461,933

WATER SALES IN GALLONS

Fiscal Year Ended June 30	Thousand Gallons
2016	7,965,560
2017	8,376,557
2018	8,198,380
2019	8,110,097
2020	8,010,261
2021	8,034,213
2022	8,218,173
2023	8,447,062
2024	8,595,533
2025	8,630,084

*Restated per GASB 87. For more information, see the notes to the Financial Statements in the FINANCIAL STATEMENTS included herein.

TEN LARGEST WATER SYSTEM CUSTOMERS - 2025

The ten largest Water System customers, as of June 30, 2025, in order of total sales generated are listed below. Those ten water customers represent 20.28% of the total water sales based on revenue and 24.57% of the total water based on sales volume.

	Customer	Consumption CCF	Sales Revenue	Percent of Sales Revenue
1.	City of Knoxville	114,476	\$ 5,354,511	7.10%
2.	University of Tennessee	830,584	4,229,356	5.61%
3.	KCDC	189,238	1,035,817	1.37%
4.	Shady Grove Utility District	597,170	883,812	1.17%
5.	Public Building Authority	149,321	762,839	1.01%
6.	Knox County Schools	76,782	745,194	0.99%
7.	KUB	132,418	624,100	0.83%
8.	Dandridge Water Management Facility	409,894	606,643	0.80%
9.	CMC Steel US LLC	145,224	529,607	0.70%
10.	University Health Systems Inc	190,017	520,032	0.69%
	TOTAL	2,835,124	\$ 15,291,911	20.28%

Total Water Sales Revenue	\$ 75,395,760
Top 10 as Percent of Total Water Sales Revenue	20.28%
Total Water Sales Volume (CCF)	11,537,545
Top 10 as Percent of Total Water Sales Volume	24.57%

KNOXVILLE UTILITIES BOARD
WATER DIVISION
BONDS OUTSTANDING

The following table shows the outstanding bond indebtedness of the Water Division.

Amount Issued	Series	Due Date	Interest Rates	Outstanding as of June 30, 2025 (1)
\$ 23,005,000	Water System Revenue Refunding Bonds, Series BB-2015	03-01-33	Fixed	\$ 14,745,000
20,000,000	Water System Revenue Bonds, Series CC-2015	03-01-26	Fixed	550,000
25,000,000	Water System Revenue Bonds, Series DD-2016	03-01-46	Fixed	20,150,000
20,875,000	Water System Revenue Refunding Bonds, Series EE-2016	03-01-33	Fixed	13,055,000
5,310,000	Water System Revenue Refunding Bonds, Series FF-2017	03-01-27	Fixed	1,240,000
20,000,000	Water System Revenue Bonds, Series GG-2017	03-01-47	Fixed	16,720,000
19,995,000	Water System Revenue Bonds, Series HH-2018	03-01-48	Fixed	16,950,000
19,995,000	Water System Revenue Bonds, Series II-2019	03-01-49	Fixed	17,590,000
19,520,000	Water System Revenue Refunding Bonds, Series JJ-2020	03-01-40	Fixed	17,055,000
9,045,000	Water System Revenue Bonds, Series KK-2020	03-01-50	Fixed	8,100,000
33,180,000	Water System Revenue Refunding Bonds, Series LL-2021	03-01-44	Fixed	28,035,000
14,915,000	Water System Revenue Refunding Bonds, Series MM-2022	03-01-45	Fixed	14,815,000
19,995,000	Water System Revenue Bonds, Series NN-2023	03-01-53	Fixed	19,410,000
19,995,000	Water System Revenue Bonds, Series OO-2024	03-01-54	Fixed	19,995,000
<u>\$ 270,830,000</u>				<u>\$ 208,410,000</u>
TOTAL DEBT				
\$ 18,000,000	Water System Revenue Bonds, Series PP-2026	03-01-56	Fixed	\$ 18,000,000
<u>\$ 288,830,000</u>				<u>\$ 226,410,000</u>
TOTAL INDEBTEDNESS				

NOTES:

(1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the FINANCIAL STATEMENTS included herein.

KNOXVILLE UTILITIES BOARD
WATER DIVISION
DEBT SERVICE REQUIREMENTS

Fiscal Year	Outstanding Fiscal Year Debt Service on Bonds as of June 30, 2025				Water System Revenue Bonds, Series PP-2026				% Principal Repaid on PP-2026 Bonds	TOTAL DEBT SERVICE (1)				% Principal Repaid on All Debt	
	Principal	Interest	Total		Principal	Interest (2)	Total	Principal		Interest	Total				
2026	\$ 8,750,000	\$ 7,510,756	\$ 16,260,756	\$ -	\$ -	\$ -	\$ -	\$ 8,750,000	\$ 7,510,756	\$ 16,260,756	0.00%	\$ 8,750,000	\$ 7,510,756	\$ 16,260,756	3.86%
2027	9,025,000	7,176,644	16,201,644	215,000	962,500	1,177,500	9,240,000	8,139,144	17,379,144	17,379,144		9,240,000	8,139,144	17,379,144	
2028	9,390,000	6,815,919	16,205,919	285,000	889,250	1,174,250	9,675,000	7,705,169	17,380,169	17,380,169		9,675,000	7,705,169	17,380,169	
2029	9,750,000	6,454,350	16,204,350	300,000	875,000	1,175,000	10,050,000	7,329,350	17,379,350	17,379,350		10,050,000	7,329,350	17,379,350	
2030	10,110,000	6,076,950	16,186,950	315,000	860,000	1,175,000	10,425,000	6,936,950	17,361,950	17,361,950	6.19%	10,425,000	6,936,950	17,361,950	21.26%
2031	10,440,000	5,682,731	16,122,731	330,000	844,250	1,174,250	10,770,000	6,526,981	17,296,981	17,296,981		10,770,000	6,526,981	17,296,981	
2032	10,650,000	5,316,331	15,966,331	345,000	827,750	1,172,750	10,995,000	6,144,081	17,139,081	17,139,081		10,995,000	6,144,081	17,139,081	
2033	10,920,000	4,947,888	15,867,888	365,000	810,500	1,175,500	11,285,000	5,758,388	17,043,388	17,043,388		11,285,000	5,758,388	17,043,388	
2034	8,070,000	4,597,213	12,667,213	380,000	792,250	1,172,250	8,450,000	5,389,463	13,839,463	13,839,463		8,450,000	5,389,463	13,839,463	
2035	8,250,000	4,321,550	12,571,550	400,000	773,250	1,173,250	8,650,000	5,094,800	13,744,800	13,744,800	16.31%	8,650,000	5,094,800	13,744,800	43.41%
2036	8,445,000	4,038,081	12,483,081	420,000	753,250	1,173,250	8,865,000	4,791,331	13,656,331	13,656,331		8,865,000	4,791,331	13,656,331	
2037	8,615,000	3,746,219	12,361,219	445,000	732,250	1,177,250	9,060,000	4,478,469	13,538,469	13,538,469		9,060,000	4,478,469	13,538,469	
2038	8,830,000	3,452,863	12,282,863	465,000	710,000	1,175,000	9,295,000	4,162,863	13,457,863	13,457,863		9,295,000	4,162,863	13,457,863	
2039	9,050,000	3,150,631	12,200,631	490,000	686,750	1,176,750	9,540,000	3,837,381	13,377,381	13,377,381		9,540,000	3,837,381	13,377,381	
2040	9,230,000	2,839,231	12,069,231	515,000	662,250	1,177,250	9,745,000	3,501,481	13,246,481	13,246,481	29.28%	9,745,000	3,501,481	13,246,481	63.95%
2041	7,690,000	2,515,094	10,205,094	540,000	636,500	1,176,500	8,230,000	3,151,594	11,381,594	11,381,594		8,230,000	3,151,594	11,381,594	
2042	7,930,000	2,235,175	10,165,175	565,000	609,500	1,174,500	8,495,000	2,844,675	11,339,675	11,339,675		8,495,000	2,844,675	11,339,675	
2043	8,185,000	1,944,288	10,129,288	595,000	581,250	1,176,250	8,780,000	2,525,538	11,305,538	11,305,538		8,780,000	2,525,538	11,305,538	
2044	8,445,000	1,651,306	10,096,306	625,000	551,500	1,176,500	9,070,000	2,202,806	11,272,806	11,272,806		9,070,000	2,202,806	11,272,806	
2045	7,120,000	1,352,769	8,472,769	655,000	520,250	1,175,250	7,775,000	1,873,019	9,648,019	9,648,019	45.83%	7,775,000	1,873,019	9,648,019	82.66%
2046	6,315,000	1,108,225	7,423,225	685,000	487,500	1,172,500	7,000,000	1,595,725	8,595,725	8,595,725		7,000,000	1,595,725	8,595,725	
2047	5,215,000	890,919	6,105,919	720,000	453,250	1,173,250	5,935,000	1,344,169	7,279,169	7,279,169		5,935,000	1,344,169	7,279,169	
2048	4,335,000	705,531	5,040,531	755,000	417,250	1,172,250	5,090,000	1,122,781	6,212,781	6,212,781		5,090,000	1,122,781	6,212,781	
2049	3,405,000	546,875	3,951,875	795,000	379,500	1,174,500	4,200,000	926,375	5,126,375	5,126,375		4,200,000	926,375	5,126,375	
2050	2,480,000	421,600	2,901,600	835,000	339,750	1,174,750	3,315,000	761,350	4,076,350	4,076,350	66.89%	3,315,000	761,350	4,076,350	93.94%
2051	2,105,000	323,125	2,428,125	875,000	298,000	1,173,000	2,980,000	621,125	3,601,125	3,601,125		2,980,000	621,125	3,601,125	
2052	2,200,000	234,931	2,434,931	920,000	254,250	1,174,250	3,120,000	489,181	3,609,181	3,609,181		3,120,000	489,181	3,609,181	
2053	2,285,000	142,750	2,427,750	965,000	208,250	1,173,250	3,250,000	351,000	3,601,000	3,601,000		3,250,000	351,000	3,601,000	
2054	1,175,000	47,000	1,222,000	1,015,000	160,000	1,175,000	2,190,000	207,000	2,397,000	2,397,000		2,190,000	207,000	2,397,000	
2055	-	-	-	1,065,000	109,250	1,174,250	1,065,000	109,250	1,174,250	1,174,250	93.78%	1,065,000	109,250	1,174,250	99.51%
2056	-	-	-	1,120,000	56,000	1,176,000	1,120,000	56,000	1,176,000	1,176,000	100.00%	1,120,000	56,000	1,176,000	100.00%
	\$ 208,410,000	\$ 90,246,944	\$ 298,656,944	\$ 18,000,000	\$ 17,241,250	\$ 35,241,250	\$ 226,410,000	\$ 107,488,194	\$ 333,898,194	\$ 333,898,194		\$ 226,410,000	\$ 107,488,194	\$ 333,898,194	

NOTES:

(1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the FINANCIAL STATEMENTS included herein.

(2) Estimated Interest Rates. Estimated Average Coupon of 5.00%.

KNOXVILLE UTILITIES BOARD
WATER DIVISION
HISTORICAL DEBT COVERAGE ON OUTSTANDING WATER BONDS

For the Years Ended June 30

The historical coverage for the actual debt service requirements and the projected maximum annual debt service requirements (FY 2028) of the Outstanding Bonds and the Series PP-2026 Bonds for fiscal years ended June 30, 2021 through June 30, 2025 is set forth below.

	2021 as restated***	2022 as restated****	2023	2024	2025
Operating Revenues	\$ 61,799,439	\$ 64,558,346	\$ 68,702,749	\$ 72,896,489	\$ 77,461,933
Operating Expenses*	(26,475,168)	(27,887,150)	(34,464,952)	(36,813,331)	(37,195,675)
Net Income Before Depreciation & Taxes	\$ 35,324,271	\$ 36,671,196	\$ 34,237,797	\$ 36,083,158	\$ 40,266,258
Other Revenue	143,931	179,724	1,361,782	1,904,641	2,828,950
FICA & Medicare Tax Expense	(965,973)	(1,061,454)	(1,071,217)	(1,114,829)	(1,173,373)
Income available for debt service	<u>34,502,229</u>	<u>35,789,466</u>	<u>34,528,362</u>	<u>36,872,970</u>	<u>41,921,835</u>
Actual annual debt service requirements on outstanding bonds	\$ 14,836,825	\$ 13,889,992	\$ 13,878,353	\$ 14,306,604	\$ 15,504,250
Coverage	2.33 x	2.58 x	2.49 x	2.58 x	2.70 x
Maximum annual debt service requirement** (FY 2028) on Outstanding Bonds and the Series PP- 2026 Bonds**	\$ 17,380,169	\$ 17,380,169	\$ 17,380,169	\$ 17,380,169	\$ 17,380,169
	1.99 x	2.06 x	1.99 x	2.12 x	2.41 x

* Excluding Provision for Depreciation and Taxes

** From Debt Service Requirements Chart.

***Restated per GASB 87. For more information, see the notes to the Financial Statements in the FINANCIAL STATEMENTS included herein.

****Restated per GASB 96. For more information, see the notes to the Financial Statements in the FINANCIAL STATEMENTS included herein.

**WATER DIVISION
REPORT OF INDEPENDENT AUDITORS AND FINANCIAL STATEMENTS**



Water Division

Financial Statements and Supplemental Information June 30, 2025 and 2024

KUB Board of Commissioners

Cynthia Gibson, Chair

Ron Feinbaum

Celeste Herbert

Dr. Craig Pickett, Jr.

Claudia Caballero, Vice Chair

Kathy Hamilton

Phyllis Nichols

Management

Gabriel Bolas II

President and Chief Executive Officer

Mark Walker

Senior Vice President and Chief Financial Officer

Jamie Davis

Senior Vice President Fiber and Chief Technology Officer

John Gresham

Senior Vice President and Chief Engineering and
Operations Officer

John Williams

Senior Vice President and Chief Infrastructure and
Compliance Officer

Tiffany Martin

Senior Vice President and Chief Customer and Talent Officer

Erin Gill

Vice President Communications and External Relations

Knoxville Utilities Board Water Division

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June 30, 2025 and 2024

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Water Division of the Knoxville Utilities Board

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Water Division (the Division) of the Knoxville Utilities Board, a component unit of the City of Knoxville, Tennessee, as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Division's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Division as of June 30, 2025 and 2024, and the changes in financial position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Division and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Division's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Division's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

-
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Division's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6-28, the schedule of changes in net pension liability and related ratios, the schedule of employer pension contributions, the schedule of changes in net OPEB liability and related ratios, the schedule of employer OPEB contributions and the schedule of changes in total pension liability and related ratios - qualified governmental excess benefit arrangement on pages 68-72 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Division's basic financial statements. The schedule of debt maturities by fiscal year, the schedule of changes in long-term debt by individual issue, and the schedule of changes in lease liabilities are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of debt maturities by fiscal year, the schedule of changes in long-term debt by individual issue, and schedule of changes in lease liabilities are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the statistical information but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Emphasis of Matter

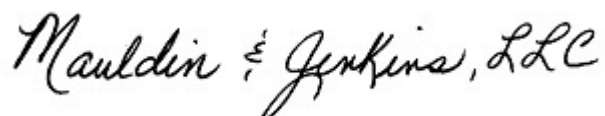
As discussed in Note 1, the financial statements present only the Water Division and do not purport to, and do not, present fairly the financial position of the Knoxville Utilities Board, as of June 30, 2025 and 2024, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matter

The financial statements of the Division as of June 30, 2024, were audited by other auditors whose report dated October 23, 2024, expressed an unmodified opinion on those statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2025, on our consideration of the Division's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Division's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Division's internal control over financial reporting and compliance.



Chattanooga, Tennessee
October 17, 2025

Knoxville Utilities Board Water Division

Management's Discussion and Analysis

June 30, 2025 and 2024

Knoxville Utilities Board (KUB), comprised of the Electric Division, Fiber Division, Gas Division, Water Division, and Wastewater Division (Divisions), is reported as a component unit enterprise fund in the financial statements of the City of Knoxville. KUB's responsibility is to oversee the purchase, production, distribution, and processing of electricity, broadband, natural gas, water, and wastewater services. A seven-member Board of Commissioners (Board) governs KUB. The Board has all powers to construct, acquire, expand, and operate the Divisions. It has full control and complete jurisdiction over the management and operation of the Divisions. The Water Division (Division) provides services to certain customers in Knox County and in two surrounding counties in East Tennessee. The Division's accounts are maintained in conformity with the Uniform System of Accounts of the National Association of Regulatory Utility Commissioners (NARUC) and the Governmental Accounting Standards Board (GASB), as applicable. The financial statements present only the Water Division and do not purport to, and do not, present fairly the consolidated financial position of Knoxville Utilities Board as of June 30, 2025, and 2024, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Division's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Division's financial activity, (c) identify major changes in the Division's financial position, and (d) identify any financial concerns.

The Division's Management Discussion and Analysis (MD&A) focuses on the fiscal year ended June 30, 2025, activities, resulting changes, and current known facts, and should be read in conjunction with the Division's financial statements.

Water Division Highlights

System Highlights

KUB serves 84,262 water system customers over a 188 square mile service area. KUB maintains 1,417 miles of service mains, 28 storage facilities, 26 booster pump stations, and one treatment plant, which provided 13.1 billion gallons of water to KUB's water customers in fiscal year 2025. The average daily flow for fiscal year 2025 was 35.9 million gallons.

The water system has added 2,152 customers over the past three years representing annual growth of less than one percent. In fiscal year 2025, 575 customers were added.

The typical residential water customer's average monthly bill was \$33.10 as of June 30, 2025 (based on monthly use of 500 cubic feet or 3,740 gallons). The average monthly bill increased \$1.60 compared to the prior fiscal year, the result of the July 2024 water rate increase.

Century II Infrastructure Program

Century II is KUB's proactive long-range program to improve and maintain the electric, natural gas, water, and wastewater systems for its customers. It includes maintenance and asset replacement strategies for each system and establishes sustainable replacement cycles. Century II moves KUB into its second century of service by improving each system through sound planning, resource allocation, and continued investment.

In June 2022, the Board approved three water rate increases of 5 percent each to support the Century II program. The water rate increases took effect in July 2022, July 2023, and July 2024, generating additional annual Water Division revenue of \$3.4 million, \$3.4 million, and \$3.6 million, respectively.

Knoxville Utilities Board Water Division

Management's Discussion and Analysis

June 30, 2025 and 2024

In June 2024, as part of KUB's Inflation Response Plan, the Board approved the next phase of water rate increases to support the Century II program. The three approved 6 percent water rate increases are effective in July 2025, July 2026, and July 2027 and are expected to provide \$4.5 million, \$4.8 million, and \$5.1 million in additional annual Water Division revenue, respectively.

KUB remains on track with its Century II water system infrastructure program. In fiscal year 2025, KUB replaced 2.7 miles of galvanized water main and 9.2 miles of cast iron main.

KUB is currently in the process of implementing a Water Plant Redundancy initiative to ensure that high quality, reliable water service will be provided to customers over the long term. KUB maintains a single water treatment plant for its system. In lieu of building a second treatment facility to ensure capacity will be available to meet the needs of current and future water customers, KUB will invest approximately \$161 million in various redundant facilities at the site of its existing Mark B. Whitaker Water Treatment Plant over a 16-year period that began in fiscal year 2017. Construction of a new generator building with three 2,500 kW diesel generators and associated switchgear was completed in fiscal year 2022 at the Mark B. Whitaker Water Treatment Plant. Construction of the new water filter project commenced in October 2022 and is projected to be completed by November 2025.

Knox County committed \$2.6 million through a Tennessee Department of Environment and Conservation (TDEC) non-competitive grant and an additional \$10 million in direct funding from the American Rescue Plan Act (ARPA). The City of Knoxville contributed \$7.5 million through a TDEC non-competitive grant and \$5 million in direct ARPA funding. In total, \$25.1 million in grant funding was awarded. All funds have been received by KUB and were used to support KUB's new water filter project at its Mark B. Whitaker Water Treatment Plant.

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Knoxville Utilities Board Water Division

Management's Discussion and Analysis

June 30, 2025 and 2024

Financial Highlights

Fiscal Year 2025 Compared to Fiscal Year 2024

The Division's net position increased \$19.3 million in fiscal year 2025. Comparatively, net position increased \$16.1 million in fiscal year 2024.

Operating revenues increased \$4.6 million or 6.3 percent. This reflects an increase in billed sales of \$4.5 million, due to an increase in billed water sales volumes of 0.4 percent and additional revenue from a 5 percent rate increase effective in July 2024.

Operating expenses increased \$0.3 million or 0.6 percent. Operating and maintenance expenses (O&M) increased \$0.4 million compared to the prior year. Depreciation and amortization expense increased \$0.8 million. Taxes and tax equivalents decreased \$0.8 million.

Interest income was \$0.9 million higher than in the prior fiscal year, driven by higher cash balances and the replacement of maturing low-yield investments with new investments at significantly higher rates, despite a modest decline in overall interest rates. Interest expense increased \$0.8 million compared to the prior year.

Other income (net) was \$0.5 million lower than the prior fiscal year, due to mark-to-market adjustments on investments and a reduction in grant reimbursements.

Capital contributions were \$0.6 million lower than the prior fiscal year, the result of a decrease in assets contributed by developers.

Total plant assets (net) increased \$40.1 million or 9.8 percent, due to water main replacements, treatment plant improvements, and system improvements.

KUB sold \$20 million in water system revenue bonds in July 2024 for the purpose of funding water system capital improvements.

Long-term debt represented 43.2 percent of the Division's capital structure as of June 30, 2025, compared to 43.6 percent last fiscal year. Capital structure equals long-term debt (which includes the current and long-term portion of revenue bonds) plus net position.

The Division's bond covenants require a debt service coverage ratio of at least 1.2 times the maximum principal and interest payments over the life of the Division's outstanding bonds. Debt coverage for the current fiscal year was 2.70. Maximum debt service coverage for future fiscal years is 2.57.

Fiscal Year 2024 Compared to Fiscal Year 2023

The Division's net position increased \$16.1 million in fiscal year 2024. Comparatively, net position increased \$13.1 million in fiscal year 2023.

Operating revenues increased \$4.2 million or 6.1 percent. This reflects an increase in billed sales of \$4 million, due to an increase in billed water sales volumes of 1.8 percent and additional revenue from a 5 percent rate increase effective in July 2023.

Operating expenses increased \$2.2 million or 4.3 percent. Operating and maintenance expenses (O&M) increased \$2.3 million compared to the prior year. Depreciation and amortization expense decreased \$0.2 million. Taxes and tax equivalents were consistent with the prior year.

Knoxville Utilities Board Water Division Management's Discussion and Analysis June 30, 2025 and 2024

Interest income was \$0.5 million higher than the prior fiscal year, due to higher interest rates throughout the year. Interest expense increased \$0.2 million compared to the prior year.

Other income (net) was \$0.7 million higher than the prior fiscal year, due to mark-to-market adjustments on investments and grant reimbursements.

Capital contributions were \$0.1 million lower than the prior fiscal year, the result of a decrease in assets contributed by developers.

Total plant assets (net) increased \$20.4 million or 5.3 percent, due to water main replacements, treatment plant improvements, and system improvements.

KUB sold \$20 million in water system revenue bonds in November 2023 for the purpose of funding water system capital improvements.

Long-term debt represented 43.6 percent of the Division's capital structure as of June 30, 2024, remaining unchanged from last fiscal year. Capital structure equals long-term debt (which includes the current and long-term portion of revenue bonds) plus net position.

The Division's bond covenants require a debt service coverage ratio of at least 1.2 times the maximum principal and interest payments over the life of the Division's outstanding bonds. Debt coverage for the current fiscal year was 2.58.

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Knoxville Utilities Board Water Division

Management's Discussion and Analysis

June 30, 2025 and 2024

Knoxville Utilities Board Water Division - Financial Statements

The Division's financial performance is reported under three basic financial statements: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows.

Statement of Net Position

The Division reports its assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position in the Statement of Net Position. Assets are classified as current, restricted, water plant in service, intangible, or other assets.

Liabilities are classified as current, other, or long-term debt. Net position is classified as net investment in capital assets, restricted, or unrestricted. Net position tells the user what the Division has done with its accumulated earnings, not just the balance.

Net investment in capital assets reflects the book value of all capital assets and intangible assets, less lease and subscription liabilities and the outstanding balances of debt used to acquire, construct, or improve those assets.

Restricted net position are assets that have been limited to specific uses by the Division's bond covenants or through resolutions passed by the KUB Board.

Unrestricted net position is a residual classification; the amount remaining after reporting net position as either invested in capital or restricted is reported there.

Statement of Revenues, Expenses and Changes in Net Position

The Division reports its revenues and expenses (both operating and non-operating) on the Statement of Revenues, Expenses and Changes in Net Position. In addition, any capital contributions or assets donated by developers are reported on this statement.

Total revenue less total expense equals the change in net position for the reporting period. Net position at the beginning of the period is increased or decreased, as applicable, by the change in net position for the reporting period.

The change in net position for the reporting period is added to the net position segment of the Statement of Net Position.

Statement of Cash Flows

The Division reports cash flows from operating activities, capital and related financing activities, non-capital and related financing activities, and investing activities on the Statement of Cash Flows. This statement tells the user the Division's sources and uses of cash during the reporting period.

The statement indicates the Division's beginning cash balance and ending cash balance and how it was either increased or decreased during the reporting period.

The statement also reconciles cash flow to operating income as it appears on the Statement of Revenues, Expenses and Changes in Net Position.

Knoxville Utilities Board Water Division
Management's Discussion and Analysis
June 30, 2025 and 2024

Condensed Financial Statements

Statement of Net Position

The following table reflects the condensed Statement of Net Position for the Water Division compared to the prior two fiscal years.

Statements of Net Position
As of June 30

<i>(in thousands of dollars)</i>	2025	2024	2023
Current, restricted, intangible, and other assets	\$ 60,904	\$ 64,633	\$ 55,307
Capital assets, net	<u>447,967</u>	<u>407,906</u>	<u>387,498</u>
Total assets	<u>508,871</u>	<u>472,539</u>	<u>442,805</u>
Deferred outflows of resources	<u>4,903</u>	<u>7,509</u>	<u>11,529</u>
Total assets and deferred outflows of resources	<u>513,774</u>	<u>480,048</u>	<u>454,334</u>
Current and other liabilities	24,209	21,102	23,377
Long-term debt outstanding	<u>213,576</u>	<u>202,411</u>	<u>191,229</u>
Total liabilities	<u>237,785</u>	<u>223,513</u>	<u>214,606</u>
Deferred inflows of resources	<u>1,958</u>	<u>1,784</u>	<u>1,033</u>
Total liabilities and deferred inflows of resources	<u>239,743</u>	<u>225,297</u>	<u>215,639</u>
Net position			
Net investment in capital assets	229,559	201,448	192,819
Restricted	2,917	2,707	2,492
Unrestricted	<u>41,555</u>	<u>50,596</u>	<u>43,384</u>
Total net position	\$ <u>274,031</u>	\$ <u>254,751</u>	\$ <u>238,695</u>

Normal Impacts on Statement of Net Position

The following is a description of activities which will normally impact the comparability of the Statement of Net Position presentation:

- Change in net position (from Statement of Revenues, Expenses and Changes in Net Position): impacts (increase/decrease) current and other assets and/or capital and intangible assets, and unrestricted net position.
- Issuing debt for capital: increases deferred outflows of resources and long-term debt.
- Spending debt proceeds on new capital: reduces current assets and increases capital assets.
- Spending of non-debt related current assets on new capital: (a) reduces current assets and increases capital assets, and (b) reduces unrestricted net position and increases net investment in capital assets.
- Principal payment on debt: (a) reduces current and other assets and reduces long-term debt, and (b) reduces unrestricted net position and increases net investment in capital assets.

Knoxville Utilities Board Water Division

Management's Discussion and Analysis

June 30, 2025 and 2024

- Reduction of capital assets through depreciation: reduces capital assets and net investment in capital assets.

Impacts and Analysis

Current, Restricted, Intangible, and Other Assets

Fiscal Year 2025 Compared to Fiscal Year 2024

Current, restricted, intangible, and other assets decreased \$3.7 million or 5.8 percent. The decrease is due to a \$5.2 million decrease in accounts receivable offset by a \$0.9 million increase in general fund cash (including cash and cash equivalents, short-term investments, and long-term investments), and a \$0.3 million increase in inventories.

Fiscal Year 2024 Compared to Fiscal Year 2023

Current, restricted, intangible, and other assets increased \$9.3 million or 16.9 percent. The increase is due to a \$6.9 million increase in general fund cash (including cash and cash equivalents, short-term investments, and long-term investments), a \$0.9 million increase in accounts receivable, a \$0.7 million increase in lease receivable, and a \$0.5 million increase in inventories.

Capital Assets

Fiscal Year 2025 Compared to Fiscal Year 2024

Capital assets, net of depreciation, increased \$40.1 million or 9.8 percent. Capital expenditures included \$23.4 million for water plant redundancy, \$15 million for water main replacement, \$3.2 million for system improvements, \$2 million for services and extensions, \$1.6 million for plant improvements, and \$1.1 million for auto and truck purchases. During the fiscal year, \$3.8 million water system assets were retired.

Fiscal Year 2024 Compared to Fiscal Year 2023

Capital assets, net of depreciation, increased \$20.4 million or 5.3 percent. Capital expenditures included \$11.2 million for water plant redundancy, \$9.1 million for water main replacement, \$3.6 million for services and extensions, \$3.3 million for system improvements, \$1.4 million building improvements, and \$1.1 million for heavy equipment. During the fiscal year, \$4.7 million of water system assets were retired.

Deferred Outflows of Resources

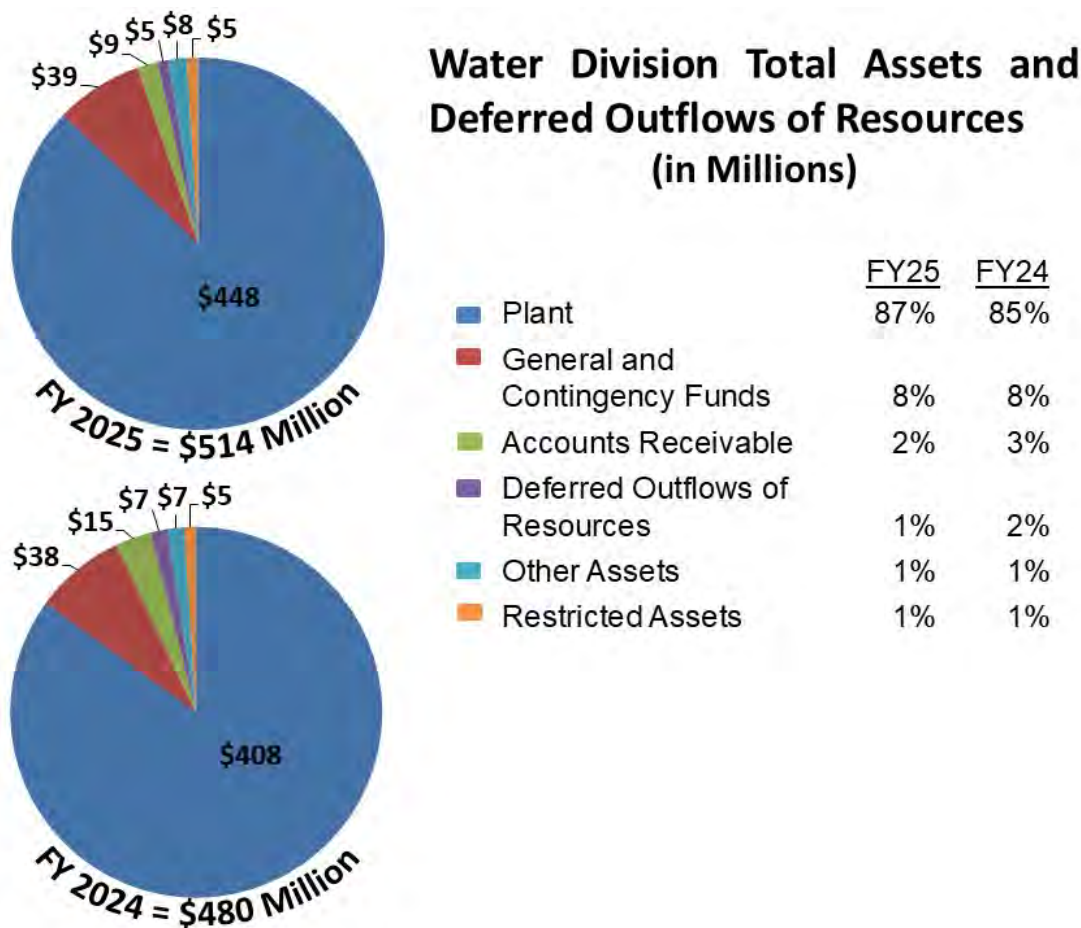
Fiscal Year 2025 Compared to Fiscal Year 2024

Deferred outflows of resources decreased \$2.6 million compared to the prior fiscal year, primarily due to a \$2.2 million decrease in pension outflow.

Fiscal Year 2024 Compared to Fiscal Year 2023

Deferred outflows of resources decreased \$4 million compared to the prior fiscal year, primarily due to a \$3.5 million decrease in pension outflow.

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Current and Other Liabilities

Fiscal Year 2025 Compared to Fiscal Year 2024

Current and other liabilities increased \$3.1 million compared to the prior fiscal year. This increase reflects a \$3.5 million increase in accounts payable, a \$0.6 million increase in the current portion of revenue bonds, offset by a \$0.8 million decrease in the actuarially determined net pension liability, and a \$0.7 million decrease in the actuarially determined net OPEB liability.

Fiscal Year 2024 Compared to Fiscal Year 2023

Current and other liabilities decreased \$2.3 million compared to the prior fiscal year. This decrease reflects a \$2.6 million decrease in the actuarially determined net pension liability and a \$0.5 million decrease in the actuarially determined net OPEB liability offset by a \$0.6 million increase in the current portion of revenue bonds.

Knoxville Utilities Board Water Division

Management's Discussion and Analysis

June 30, 2025 and 2024

Long-Term Debt

Fiscal Year 2025 Compared to Fiscal Year 2024

Long-term debt increased \$11.2 million or 5.5 percent. This increase is the net impact of the issuance of \$20 million in water system revenue bonds sold in July 2024 and the scheduled repayment of debt.

Fiscal Year 2024 Compared to Fiscal Year 2023

Long-term debt increased \$11.2 million or 5.8 percent. This increase is the net impact of the issuance of \$20 million in water system revenue bonds sold in November 2023 and the scheduled repayment of debt.

Deferred Inflows of Resources

Fiscal Year 2025 Compared to Fiscal Year 2024

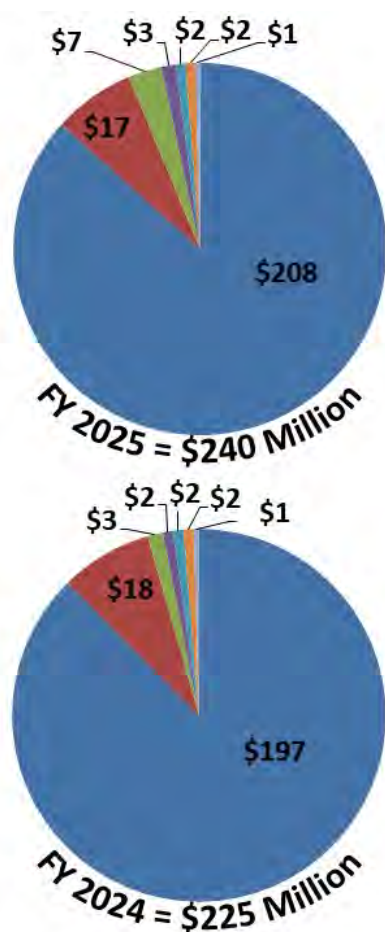
Deferred inflows increased \$0.2 million compared to the prior fiscal year, due to a \$0.4 million increase in OPEB inflow offset by a \$0.2 million decrease in pension inflow.

Fiscal Year 2024 Compared to Fiscal Year 2023

Deferred inflows increased \$0.8 million compared to the prior fiscal year, due to a \$0.6 million increase in lease inflow and a \$0.3 million increase in OPEB inflow offset by a \$0.2 million decrease in pension inflow.

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Knoxville Utilities Board Water Division
Management's Discussion and Analysis
June 30, 2025 and 2024



**Water Division Total Liabilities and
Deferred Inflows of Resources
(in Millions)**

	<u>FY25</u>	<u>FY24</u>
Bond Debt	87%	87%
Other Liabilities	7%	8%
Payables	3%	1%
Interest Accrued	1%	1%
Deferred Inflows of Resources	1%	1%
Misc Current	1%	1%
Customer Deposits	<1%	1%

Net Position

Fiscal Year 2025 Compared to Fiscal Year 2024

Net position increased \$19.3 million in fiscal year 2025. Net investment in capital assets increased \$28.1 million, the result of \$40.1 million in net plant additions and an increase in current and long-term portions of revenue bonds of \$11.9 million. Restricted net position increased \$0.2 million, due to an increase in required bond fund reserves. Unrestricted net position decreased \$9 million, primarily due to a \$5.2 million decrease in accounts receivable and a \$3.5 million increase in accounts payable.

Fiscal Year 2024 Compared to Fiscal Year 2023

Net position increased \$16.1 million in fiscal year 2024. Net investment in capital assets increased \$8.6 million, the result of \$20.4 million in net plant additions and an increase in current and long-term portions of revenue bonds of \$12.3 million. Restricted net position increased \$0.2 million, due to an increase in required bond fund reserves. Unrestricted net position increased \$7.2 million, primarily due to a \$6.9 million increase in general fund cash (including cash and cash equivalents, short-term investments, and long-term investments).

Knoxville Utilities Board Water Division
Management's Discussion and Analysis
June 30, 2025 and 2024

Statement of Revenues, Expenses and Changes in Net Position

The following table reflects the condensed Statement of Revenues, Expenses and Changes in Net Position for the Water Division compared to the prior two fiscal years.

Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30

<i>(in thousands of dollars)</i>	2025	2024	2023
Operating revenues	\$ 77,462	\$ 72,896	\$ 68,703
Operating expenses			
Treatment	6,248	5,744	5,453
Distribution	18,840	18,772	17,466
Customer service	1,073	1,018	1,739
Administrative and general	11,035	11,279	9,807
Depreciation and amortization	13,028	12,268	12,440
Taxes and tax equivalents	3,950	4,745	4,717
Total operating expenses	<u>54,174</u>	<u>53,826</u>	<u>51,622</u>
Operating income	<u>23,288</u>	<u>19,070</u>	<u>17,081</u>
Interest income	2,829	1,905	1,362
Interest expense	(7,599)	(6,808)	(6,644)
Other income/(expense)	599	1,142	447
Change in net position before capital contributions	<u>19,117</u>	<u>15,309</u>	<u>12,246</u>
Capital Contributions	<u>163</u>	<u>747</u>	<u>865</u>
Change in net position	<u>\$ 19,280</u>	<u>\$ 16,056</u>	<u>\$ 13,111</u>

Normal Impacts on Statement of Revenues, Expenses and Changes in Net Position

The following is a description of activities which will normally impact the comparability of the Statement of Revenues, Expenses and Change in Net Position presentation:

- Operating revenues are largely determined by the volumes of water sold during the fiscal year. Any change (increase/decrease) in retail water rates would also be a cause of change in operating revenue.
- Operating expenses (treatment, distribution, customer service, administrative and general) are normally impacted by changes in areas including, but not limited to, labor cost (staffing, wage rates), active employee and retiree medical costs, chemicals, and water system maintenance.
- Depreciation and amortization expense is impacted by intangible assets, plant additions, and retirements during the fiscal year.
- Taxes and tax equivalents are impacted by plant additions/retirements and changes in property tax rates.
- Interest income is impacted by the level of interest rates and investments.

Knoxville Utilities Board Water Division

Management's Discussion and Analysis

June 30, 2025 and 2024

- Interest expense on debt is impacted by the level of outstanding debt and the interest rates on the outstanding debt.
- Other income/(expense) is impacted by miscellaneous non-operating revenues and expenses.
- Capital contributions are impacted by a donation of facilities/infrastructure to KUB by developers and governmental agencies. The contributions are recognized as revenue and recorded as plant in service based on the fair market value of the asset(s).

Impacts and Analysis

Change in Net Position

Fiscal Year 2025 Compared to Fiscal Year 2024

The Division's Change in Net Position increased \$19.3 million in fiscal year 2025. Comparatively, net position increased by \$16.1 million in fiscal year 2024.

Fiscal Year 2024 Compared to Fiscal Year 2023

The Division's Change in Net Position increased \$16.1 million in fiscal year 2024. Comparatively, net position increased by \$13.1 million in fiscal year 2023.

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Knoxville Utilities Board Water Division

Management's Discussion and Analysis

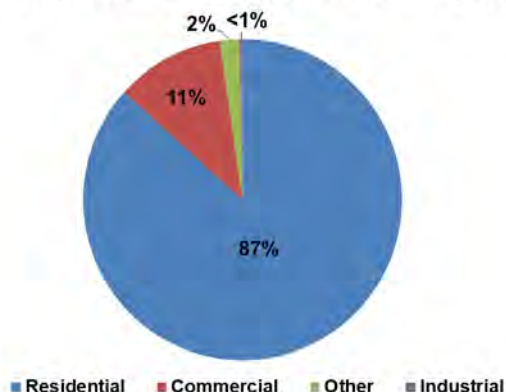
June 30, 2025 and 2024

Margin from Sales

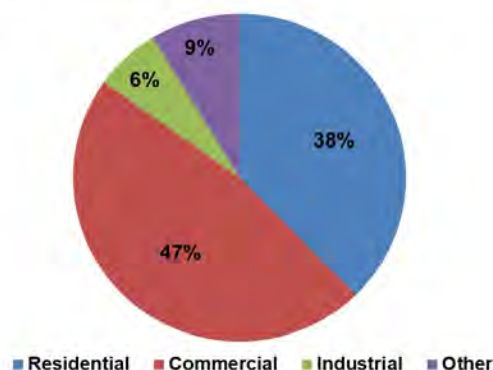
Fiscal Year 2025 Compared to Fiscal Year 2024

Operating revenues increased \$4.6 million or 6.3 percent. This reflects an increase in billed sales of \$4.5 million, due to an increase in additional revenue from a 5 percent rate increase effective in July 2024 and a 0.4 percent increase in water sales volumes.

FY 2025 Total Water Customers = 84,262



FY 2025 Water Sales = 8.6 Billion Gallons



Residential customers represented 87 percent of water customers and accounted for 38 percent of water sales volumes for the year. Commercial and industrial customers accounted for the largest portion (53 percent) of total sales volumes during the year.

KUB's ten largest water customers accounted for 25 percent of KUB's billed water volumes. Those ten customers represent one industrial, seven commercial, and two water utility districts. Within the top ten, eight governmental customers are represented.

KUB has added 2,152 water customers over the past three years, representing annual growth of less than one percent. Water system growth is up slightly due to new housing construction.

Residential water sales volumes increased 0.4 percent compared to the prior fiscal year.

Commercial water sales volumes decreased 0.3 percent compared to the prior year. Industrial sales volumes decreased 3.8 percent compared to the prior year.

Other water sales volumes (i.e., utility districts) were 7.7 percent higher than the prior year.

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Knoxville Utilities Board Water Division

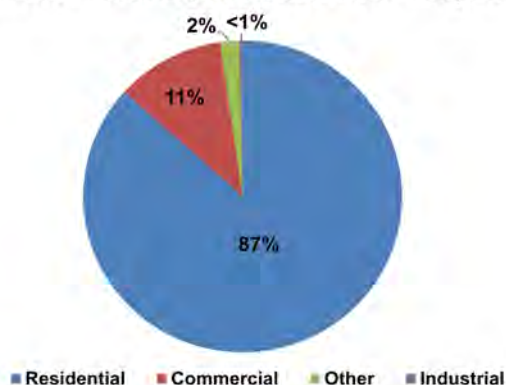
Management's Discussion and Analysis

June 30, 2025 and 2024

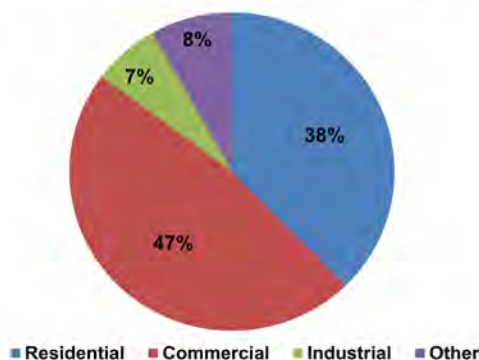
Fiscal Year 2024 Compared to Fiscal Year 2023

Operating revenues increased \$4.2 million or 6.1 percent. This reflects an increase in billed sales of \$4 million, due to an increase in billed water sales volumes of 1.8 percent and additional revenue from a 5 percent rate increase effective in July 2023.

FY 2024 Total Water Customers = 83,687



FY 2024 Water Sales = 8.6 Billion Gallons



Residential customers represented 87 percent of water customers and accounted for 38 percent of water sales volumes for the year. Commercial and industrial customers accounted for the largest portion (54 percent) of total sales volumes during the year.

KUB's ten largest water customers accounted for 25 percent of KUB's billed water volumes. Those ten customers represent one industrial, seven commercial, and two water utility districts. Within the top ten, eight governmental customers are represented.

KUB has added 2,181 water customers over the past three years, representing annual growth of less than one percent. Water system growth is up slightly due to increased new housing construction.

Residential water sales volumes increased 0.2 percent compared to the prior fiscal year.

Commercial water sales volumes increased 1.1 percent compared to the prior year. Industrial sales volumes increased 8.8 percent compared to the prior year.

Other water sales volumes (i.e., utility districts) were 7.9 percent higher than the prior year.

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Knoxville Utilities Board Water Division

Management's Discussion and Analysis

June 30, 2025 and 2024

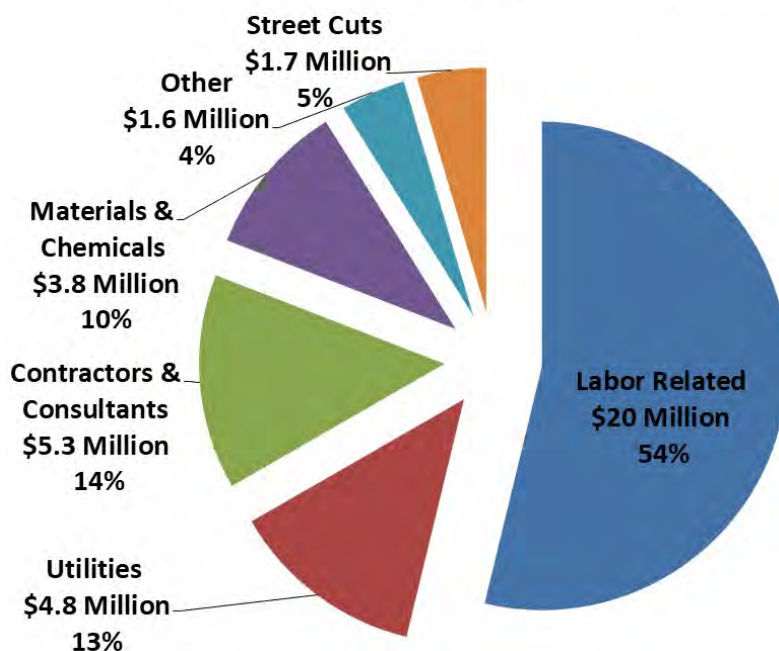
Operating Expenses

Fiscal Year 2025 Compared to Fiscal Year 2024

Operating expenses increased \$0.3 million or 0.6 percent. Operating expenses include operations and maintenance (O&M) expense, depreciation/amortization, and taxes/tax equivalents. O&M expenses can be further classified as treatment, distribution, customer service, and administrative and general.

- Treatment expenses were \$0.5 million or 8.8 percent higher than the prior fiscal year, due to an increase in labor-related expenses, chemicals costs, and contractor expenses.
- Distribution expenses were less than \$0.1 million higher than the prior fiscal year.
- Customer service expenses were less than \$0.1 million higher than the prior fiscal year.
- Administrative and general expenses were \$0.2 million or 2.2 percent lower than the prior fiscal year, primarily due to a decrease in insurance costs and consultant expenses offset by an increase in labor-related expenses.

FY 2025 Water O&M Expense = \$37.2 Million



- Depreciation and amortization expense increased \$0.8 million. KUB added \$18.2 million in assets during fiscal year 2025. A partial year of depreciation expense was recorded on these capital investments and a full year of depreciation expense was incurred on \$21.4 million in assets placed in service during fiscal year 2024. In addition, \$3.8 million of assets were retired in fiscal year 2025.
- Taxes and tax equivalents were \$0.8 million less than the prior fiscal year, primarily due to the City of Knoxville's reduction in equalization rates.

Knoxville Utilities Board Water Division

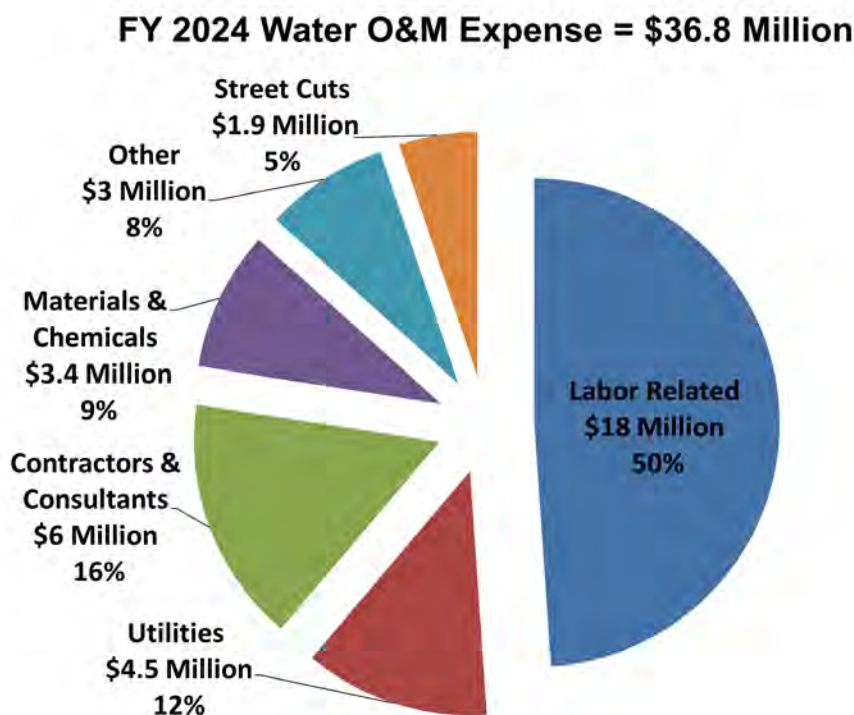
Management's Discussion and Analysis

June 30, 2025 and 2024

Fiscal Year 2024 Compared to Fiscal Year 2023

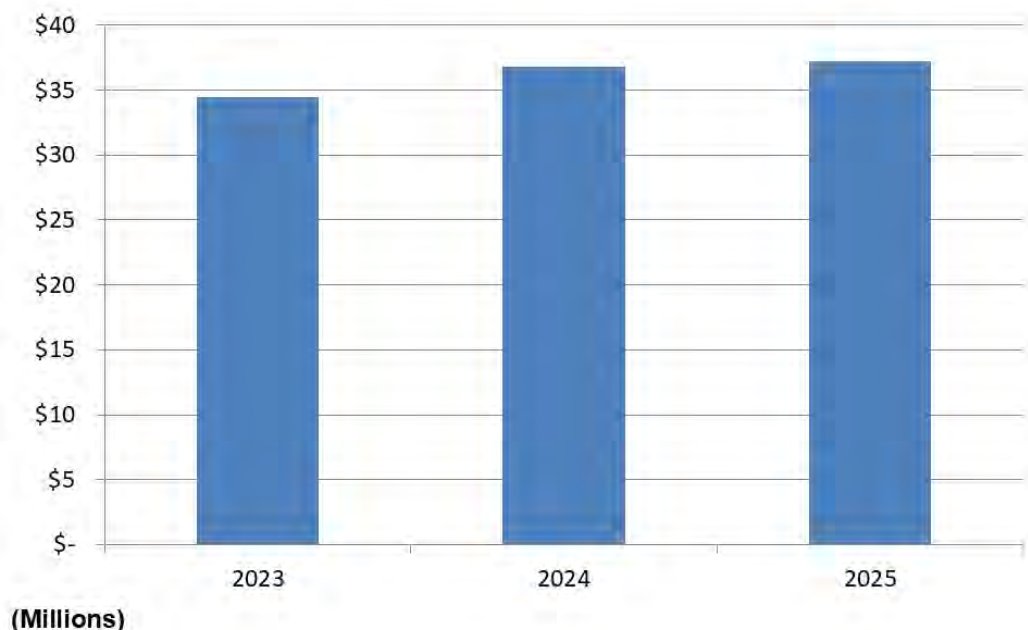
Operating expenses increased \$2.2 million or 4.3 percent. Operating expenses include operations and maintenance (O&M) expense, depreciation/amortization, and taxes/tax equivalents. O&M expenses can be further classified as treatment, distribution, customer service, and administrative and general.

- Treatment expenses were \$0.3 million or 5.3 percent higher than the prior fiscal year, due to an increase in labor-related expenses and chemicals costs.
- Distribution expenses were \$1.3 million or 7.5 percent higher than the prior fiscal year, due to an increase in contractor and consultant costs and labor-related expenses.
- Customer service expenses were \$0.7 million lower than the prior fiscal year, primarily due to a change in methodology for technology-related costs that resulted in an offsetting increase in administration and general expenses.
- Administrative and general expenses were \$1.5 million or 15 percent higher than the prior fiscal year, primarily due to an increase in insurance costs, labor-related expenses, and a change in methodology for technology-related costs that resulted in an offsetting decrease in customer service expenses.



- Depreciation and amortization expense decreased \$0.2 million. KUB added \$21.4 million in assets during fiscal year 2024. A partial year of depreciation expense was recorded on these capital investments and a full year of depreciation expense was incurred on \$14.2 million in assets placed in service during fiscal year 2023. In addition, \$4.7 million of assets were retired in fiscal year 2024.
- Taxes and tax equivalents were consistent with the prior fiscal year.

Water Division Operation & Maintenance Expense



Other Income and Expense

Fiscal Year 2025 Compared to Fiscal Year 2024

Interest income was \$0.9 million higher than in the prior fiscal year, driven by higher cash balances and the replacement of maturing low-yield investments with new investments at significantly higher rates, despite a modest decline in overall interest rates.

Interest expense increased \$0.8 million compared to the previous fiscal year, reflecting additional interest expense from revenue bonds sold during the fiscal year.

Other income (net) was \$0.5 million lower than the prior fiscal year, primarily due to mark-to-market adjustments on investments and a reduction in grant reimbursements.

Capital contributions decreased \$0.6 million, the result of a decrease in donated utility assets from developers compared to the previous fiscal year.

Fiscal Year 2024 Compared to Fiscal Year 2023

Interest income was \$0.5 million higher than the prior fiscal year, primarily due to higher interest rates throughout the year.

Interest expense increased \$0.2 million compared to the previous fiscal year.

Other income (net) was \$0.7 million higher than the prior fiscal year, primarily due to mark-to-market adjustments on investments and grant reimbursements.

Knoxville Utilities Board Water Division

Management's Discussion and Analysis

June 30, 2025 and 2024

Capital contributions decreased \$0.1 million, the result of a decrease in donated utility assets from developers compared to the previous fiscal year.

Capital Assets

	Capital Assets As of June 30 (Net of Depreciation)		
<i>(in thousands of dollars)</i>	2025	2024	2023
Production Plant	\$ 6	\$ 6	\$ 6
Pumping & Treatment Plant	64,402	67,056	66,371
Distribution Plant			
Distribution Mains	\$ 204,915	\$ 196,956	\$ 191,223
Transmission Mains	37,798	38,382	35,977
Services & Meters	34,514	35,647	36,706
Other Accounts	13,601	13,760	13,689
Total Distribution Plant	<u>290,828</u>	<u>284,745</u>	<u>277,595</u>
Total General Plant	\$ <u>15,114</u>	\$ <u>13,809</u>	\$ <u>12,792</u>
Total Water Plant	<u>370,350</u>	<u>365,616</u>	<u>356,764</u>
Work In Progress	<u>77,617</u>	<u>42,290</u>	<u>30,734</u>
Total Net Plant	<u>\$ 447,967</u>	<u>\$ 407,906</u>	<u>\$ 387,498</u>

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Knoxville Utilities Board Water Division

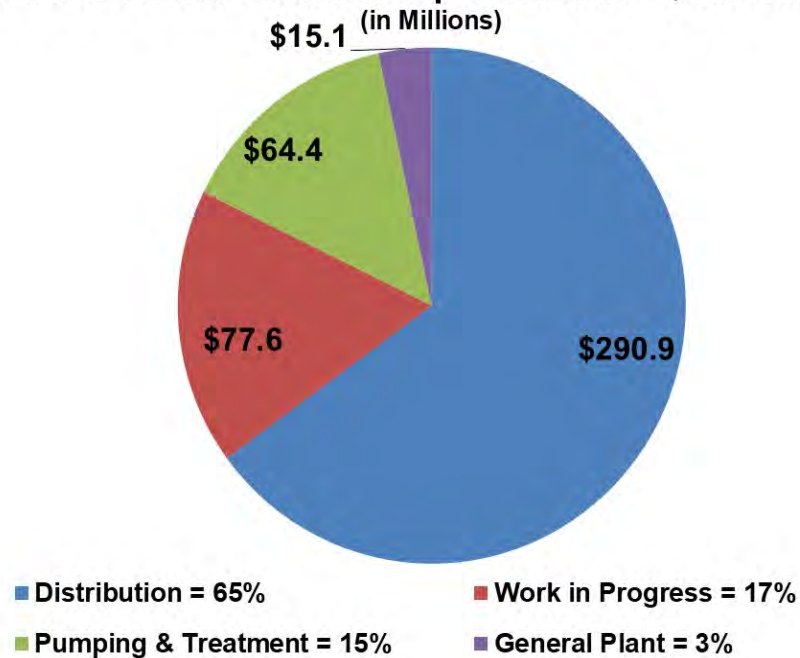
Management's Discussion and Analysis

June 30, 2025 and 2024

Fiscal Year 2025 Compared to Fiscal Year 2024

As of June 30, 2025, the Division had \$448 million invested in a variety of capital assets, as reflected in the schedule of capital assets, which represented a net increase (including additions, retirements, and depreciation) of \$40.1 million or 9.8 percent over the end of the last fiscal year.

FY 2025 Water Division Capital Assets = \$448 Million



Major capital asset expenditures during the year were as follows:

- \$23.4 million for water plant redundancy
- \$15 million for galvanized and cast-iron water main replacement
- \$3.2 million for system improvements
- \$2 million for services and extensions
- \$1.6 million for plant improvements
- \$1.1 million for auto and truck purchases

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Knoxville Utilities Board Water Division

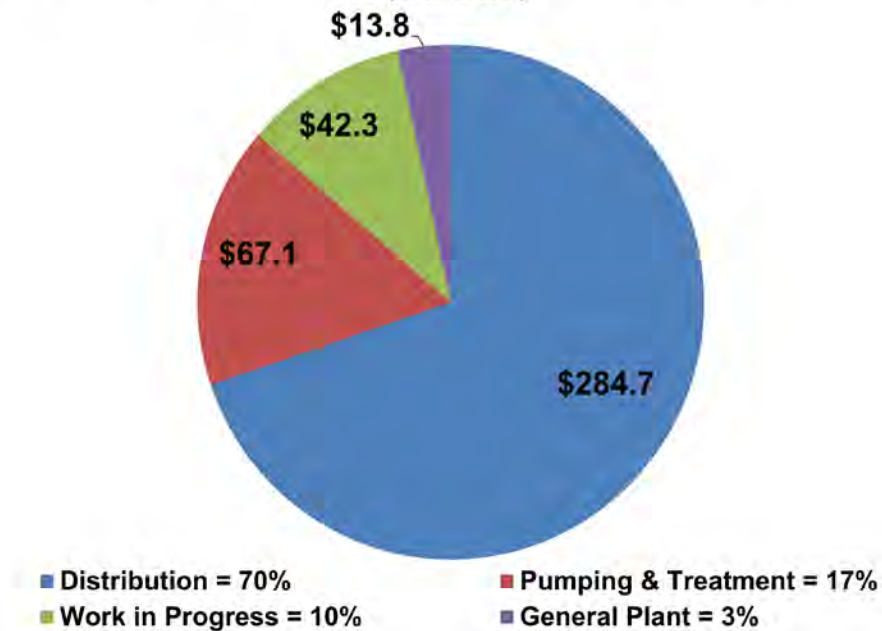
Management's Discussion and Analysis

June 30, 2025 and 2024

Fiscal Year 2024 Compared to Fiscal Year 2023

As of June 30, 2024, the Division had \$407.9 million invested in a variety of capital assets, as reflected in the schedule of capital assets, which represented a net increase (including additions, retirements, and depreciation) of \$20.4 million or 5.3 percent over the end of the last fiscal year.

FY 2024 Water Division Capital Assets = \$407.9 Million (in Millions)



Major capital asset expenditures during the year were as follows:

- \$11.2 million for water plant redundancy
- \$9.1 million for galvanized and cast-iron water main replacement
- \$3.6 million for services and extensions
- \$3.3 million for system improvements
- \$1.4 million for building improvements
- \$1.1 million for heavy equipment

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Knoxville Utilities Board Water Division

Management’s Discussion and Analysis

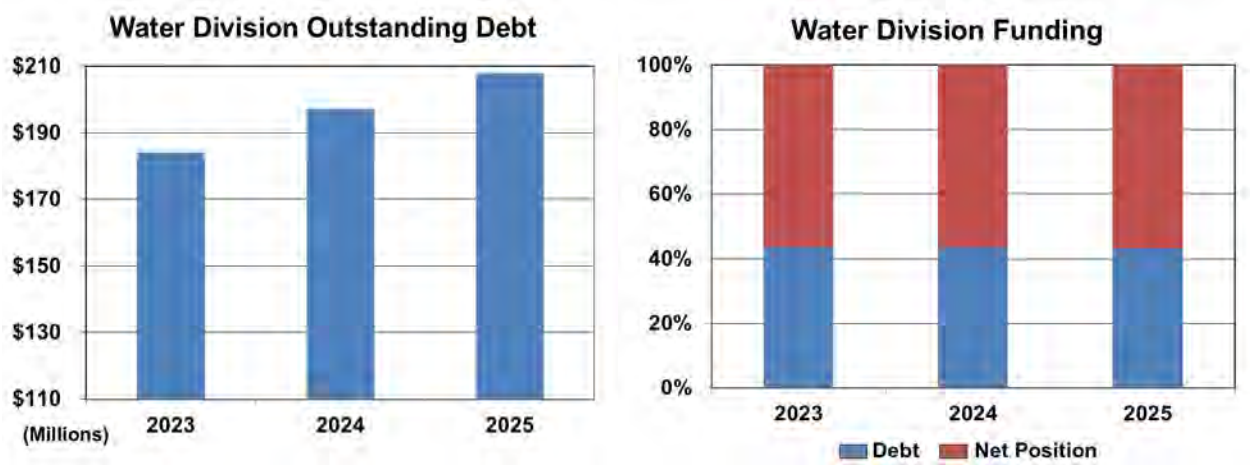
June 30, 2025 and 2024

Debt Administration

As of June 30, 2025, the Water Division had \$208.4 million in outstanding water system bonds. The bonds are secured solely by revenues of the Water Division. Debt as a percentage of the Division's capital structure was 43.2 percent in 2025, 43.6 percent in 2024, and 43.6 percent in 2023. KUB's Debt Management Policy limits the Division's debt ratio to 50 percent or less.

Outstanding Debt
As of June 30

(in thousands of dollars)	2025	2024	2023
Revenue bonds	\$ 208,410	\$ 196,535	\$ 184,265
Total outstanding debt	\$ 208,410	\$ 196,535	\$ 184,265



The Division will pay \$95.4 million in principal payments over the next ten years, representing 45.8 percent of the outstanding bonds. KUB's Debt Management Policy requires a minimum of 30 percent of water debt principal be repaid over the next ten years.

Fiscal Year 2025 Compared to Fiscal Year 2024

As of June 30, 2025, the Division had \$208.4 million in outstanding debt (including the current portion of revenue bonds), representing an increase of \$11.9 million or 6 percent. As of June 30, 2025, the Division's weighted average cost of debt was 3.6 percent.

KUB sold \$20 million in water system revenue bonds in July 2024 for the purpose of funding water system capital improvements. The true interest cost of the bonds, which were sold through a competitive bidding process, was 4.04 percent. The bonds mature over a period of 30 years with a final maturity in fiscal year 2054.

The Division's outstanding debt is rated by S&P Global Ratings and Moody's Investors Service. As of June 30, 2025, the Division's revenue bonds were rated AAA by S&P Global Ratings and Aa1 by Moody's Investors Service. The S&P Global Ratings water rating represents the highest credit rating available from S&P Global Ratings.

Knoxville Utilities Board Water Division

Management's Discussion and Analysis

June 30, 2025 and 2024

Fiscal Year 2024 Compared to Fiscal Year 2023

As of June 30, 2024, the Division had \$196.5 million in outstanding debt (including the current portion of revenue bonds), representing a decrease of \$12.3 million or 6.7 percent. As of June 30, 2024, the Division's weighted average cost of debt was 3.53 percent.

KUB sold \$20 million in water system revenue bonds in November 2023 for the purpose of funding water system capital improvements. The true interest cost of the bonds, which were sold through a competitive bidding process, was 4.33 percent. The bonds mature over a period of 30 years with a final maturity in fiscal year 2053.

The Division's outstanding debt is rated by S&P Global Ratings and Moody's Investors Service. As of June 30, 2024, the Division's revenue bonds were rated AAA by S&P Global Ratings and Aa1 by Moody's Investors Service. The S&P Global Ratings water rating represents the highest credit rating available from S&P Global Ratings.

Impacts on Future Financial Position

KUB anticipates adding 500 additional water system customers during fiscal year 2026.

The Pension Plan actuarial valuation resulted in an actuarially determined contribution of \$2,793,313 for the fiscal year ending June 30, 2026, based on the Plan's current funding policy. The Water Division's portion of this contribution will be determined as part of the actuarial analysis for the December 31, 2025, measurement date. Subsequent to June 30, 2025, an actuarial valuation was completed and resulted in an actuarially determined contribution of \$2,939,593 for the fiscal year ending June 30, 2027, based on the Plan's current funding policy. The Water Division's portion of this contribution will be determined as part of the actuarial analysis for the December 31, 2026, measurement date. For the Plan year beginning January 1, 2025, the Plan's actuarial funded ratio is 103.9 percent, and the market value funded ratio is 100.3 percent.

The OPEB Plan actuarial valuation resulted in an actuarially determined contribution of \$1,217,234 for the fiscal year ending June 30, 2026, based on the Plan's current funding policy. The Water Division's portion of this contribution will be determined as part of the actuarial analysis for the June 30, 2026, measurement date. Subsequent to June 30, 2025, an actuarial valuation was completed and resulted in an actuarially determined contribution of \$968,538 for the fiscal year ending June 30, 2027, based on the Plan's current funding policy. The Water Division's portion of this contribution will be determined as part of the actuarial analysis for the June 30, 2027, measurement date. For the Plan year beginning January 1, 2025, the Plan's actuarial funded ratio is 96.3 percent, and the market value funded ratio is 93.8 percent.

GASB Statement No. 103, *Financial Reporting Model Improvements*, is effective for fiscal years beginning after June 15, 2025. GASB Statement No. 104, *Disclosure of Certain Capital Assets*, is effective for fiscal years beginning after June 15, 2025. KUB has not elected early implementation of these standards and has not completed the process of evaluating the impact of these statements on its financial statements.

No other facts, decisions, or conditions are currently known which would have a significant impact on the Division's financial position or results of operations during fiscal year 2025.

Knoxville Utilities Board Water Division
Management's Discussion and Analysis
June 30, 2025 and 2024

Financial Contact

The Division's financial statements are designed to present users (citizens, customers, investors, and creditors) with a general overview of the Division's financial position and results of operations for the fiscal years ended June 30, 2025, and 2024. If you have questions about the statements or need additional financial information, contact KUB's Chief Financial Officer at 445 South Gay Street, Knoxville, Tennessee 37902.

Knoxville Utilities Board Water Division
Statements of Net Position
June 30, 2025 and 2024

	2025	2024
Assets and Deferred Outflows of Resources		
Current assets:		
Cash and cash equivalents	\$ 20,556,604	\$ 19,803,587
Short-term contingency fund investments	17,951,582	4,225,681
Other current assets	218,704	209,501
Accrued interest receivable	19,924	22,603
Accounts receivable, less allowance of uncollectible accounts of \$68,308 in 2025 and \$63,857 in 2024	9,413,592	14,650,020
Current portion of lease receivable	106,061	104,244
Inventories	3,256,632	2,948,452
Prepaid expenses	77,146	71,927
Total current assets	<u>51,600,245</u>	<u>42,036,015</u>
Restricted assets:		
Water bond fund	5,420,352	5,018,415
Other funds	198	198
Total restricted assets	<u>5,420,550</u>	<u>5,018,613</u>
Water plant in service	542,316,450	527,950,238
Less accumulated depreciation	<u>(171,966,760)</u>	<u>(162,334,691)</u>
	370,349,690	365,615,547
Retirement in progress	18,954	20,741
Construction in progress	77,598,248	42,269,526
Net plant in service	<u>447,966,892</u>	<u>407,905,814</u>
Intangible assets:		
Intangible right of use asset	72,515	71,635
Intangible subscription asset	838,465	864,755
Less accumulated amortization	<u>(546,260)</u>	<u>(431,166)</u>
Net intangible assets	<u>364,720</u>	<u>505,224</u>
Other assets:		
Long-term contingency fund investments	-	13,607,910
Long-term lease receivable	1,069,643	1,091,725
Other	2,448,534	2,373,269
Total other assets	<u>3,518,177</u>	<u>17,072,904</u>
Total assets	<u>508,870,584</u>	<u>472,538,570</u>
Deferred outflows of resources:		
Pension outflow	2,819,099	5,024,181
OPEB outflow	369,129	552,906
Unamortized bond refunding costs	1,715,108	1,932,282
Total deferred outflows of resources	<u>4,903,336</u>	<u>7,509,369</u>
Total assets and deferred outflows of resources	<u>\$ 513,773,920</u>	<u>\$ 480,047,939</u>

The accompanying notes are an integral part of these financial statements.

Knoxville Utilities Board Water Division
Statements of Net Position
June 30, 2025 and 2024

	2025	2024
Liabilities, Deferred Inflows, and Net Position		
Current liabilities:		
Current portion of revenue bonds	\$ 8,750,000	\$ 8,120,000
Current portion of accrued compensated absences	1,438,424	1,286,578
Current portion of lease liability	10,455	12,365
Current portion of subscription liability	147,328	142,047
Sales tax collections payable	426,464	411,051
Accounts payable	6,180,819	2,723,363
Accrued expenses	812,068	721,689
Customer deposits plus accrued interest	1,379,875	1,243,415
Accrued interest on revenue bonds	2,503,586	2,311,648
Total current liabilities	<u>21,649,019</u>	<u>16,972,156</u>
Other liabilities:		
Accrued compensated absences	708,477	662,783
Customer advances for construction	183,956	150,121
Lease liability	22,814	34,299
Subscription liability	156,696	303,935
Net pension liability	551,553	1,324,191
Net OPEB liability	891,811	1,617,952
Other	44,826	36,179
Total other liabilities	<u>2,560,133</u>	<u>4,129,460</u>
Long-term debt:		
Water revenue bonds	199,660,000	188,415,000
Unamortized premiums/discounts	13,915,532	13,996,203
Total long-term debt	<u>213,575,532</u>	<u>202,411,203</u>
Total liabilities	<u>237,784,684</u>	<u>223,512,819</u>
Deferred inflows of resources:		
Pension inflow	128,269	326,827
OPEB inflow	731,311	311,034
Lease inflow	1,098,771	1,146,464
Total deferred inflows of resources	<u>1,958,351</u>	<u>1,784,325</u>
Total liabilities and deferred inflows of resources	<u>239,743,035</u>	<u>225,297,144</u>
Net position		
Net investment in capital assets	229,558,746	201,447,697
Restricted for:		
Debt service	2,916,766	2,706,766
Other	198	198
Unrestricted	41,555,175	50,596,134
Total net position	<u>274,030,885</u>	<u>254,750,795</u>
Total liabilities, deferred inflows, and net position	<u>\$ 513,773,920</u>	<u>\$ 480,047,939</u>

The accompanying notes are an integral part of these financial statements.

Knoxville Utilities Board Water Division
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2025 and 2024

	2025	2024
Operating revenues	\$ 77,461,933	\$ 72,896,489
Operating expenses		
Treatment	6,248,177	5,744,601
Distribution	18,840,349	18,772,285
Customer service	1,072,682	1,017,796
Administrative and general	11,034,467	11,278,649
Depreciation and amortization	13,027,773	12,268,290
Taxes and tax equivalents	3,950,386	4,744,733
Total operating expenses	<u>54,173,834</u>	<u>53,826,354</u>
Operating income	<u>23,288,099</u>	<u>19,070,135</u>
Non-operating revenues (expenses)		
Contributions in aid of construction	5,753,777	16,800,864
Interest income	2,828,950	1,904,641
Interest expense	(7,599,497)	(6,807,918)
Amortization of debt costs	473,596	459,508
Write-down of plant for costs recovered through contributions	(5,753,777)	(16,800,864)
Other	126,166	682,963
Total non-operating revenues (expenses)	<u>(4,170,785)</u>	<u>(3,760,806)</u>
Change in net position before capital contributions	19,117,314	15,309,329
Capital contributions	<u>162,776</u>	<u>746,997</u>
Change in net position	19,280,090	16,056,326
Net position, beginning of year	<u>254,750,795</u>	<u>238,694,469</u>
Net position, end of year	<u>\$ 274,030,885</u>	<u>\$ 254,750,795</u>

The accompanying notes are an integral part of these financial statements.

Knoxville Utilities Board Water Division

Statements of Cash Flows

Years Ended June 30, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Cash receipts from customers	\$ 76,018,470	\$ 71,035,965
Cash receipts from other operations	2,755,993	1,913,933
Cash payments to suppliers of goods or services	(19,339,139)	(23,519,034)
Cash payments to employees for services	(15,140,446)	(14,047,054)
Payment in lieu of taxes	<u>(2,777,013)</u>	<u>(3,629,904)</u>
Net cash provided by operating activities	<u>41,517,865</u>	<u>31,753,906</u>
Cash flows from capital and related financing activities:		
Net proceeds from bond issuance	20,524,639	19,944,023
Principal paid on revenue bonds	(8,120,000)	(7,725,000)
Interest paid on revenue bonds	(7,384,250)	(6,581,604)
Acquisition and construction of water plant	(59,200,039)	(49,148,324)
Changes in water bond fund, restricted	(401,937)	(401,142)
Customer advances for construction	33,835	32,726
Proceeds received on disposal of plant	1,889	-
Principal paid on lease liabilities	(13,395)	(12,750)
Principal paid on subscription liabilities	(141,958)	(345,873)
Interest paid on lease and subscription liabilities	(17,414)	(23,309)
Cash received from developers and individuals for capital purposes	<u>11,118,001</u>	<u>16,800,864</u>
Net cash used in capital and related financing activities	<u>(43,600,629)</u>	<u>(27,460,389)</u>
Cash flows from investing activities:		
Purchase of investment securities	(4,034,047)	(13,597,427)
Maturities of investment securities	4,100,000	13,600,000
Interest received	2,728,074	1,867,715
Other property and investments	<u>41,754</u>	<u>197,241</u>
Net cash provided by investing activities	<u>2,835,781</u>	<u>2,067,529</u>
Net increase in cash and cash equivalents	753,017	6,361,046
Cash and cash equivalents, beginning of year	<u>19,803,587</u>	<u>13,442,541</u>
Cash and cash equivalents, end of year	<u>\$ 20,556,604</u>	<u>\$ 19,803,587</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 23,288,099	\$ 19,070,135
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization expense	13,687,331	12,836,834
Changes in operating assets and liabilities:		
Accounts receivable	(127,796)	(903,341)
Lease receivable	20,266	(652,938)
Inventories	(308,180)	(458,455)
Prepaid expenses	(5,219)	(16,054)
Other assets	(4,006)	(75,586)
Sales tax collections payable	15,413	17,464
Accounts payable and other accrued expenses	4,808,725	1,870,995
Customer deposits plus accrued interest	134,587	51,891
Other liabilities	<u>8,645</u>	<u>12,961</u>
Net cash provided by operating activities	<u>\$ 41,517,865</u>	<u>\$ 31,753,906</u>
Noncash capital activities:		
Acquisition of plant assets through developer contributions	\$ 162,776	\$ 746,997

Knoxville Utilities Board Water Division

Notes to Financial Statements

June 30, 2025 and 2024

1. Description of Business

Knoxville Utilities Board (KUB), comprised of the Electric Division, Fiber Division, Gas Division, Water Division, and Wastewater Division (Divisions), is reported as a component unit enterprise fund in the financial statements of the City of Knoxville. KUB's responsibility is to oversee the purchase, production, distribution, and processing of electricity, broadband, natural gas, water, and wastewater services. A seven-member Board of Commissioners (Board) governs KUB. The Board has all powers to construct, acquire, expand, and operate the Divisions. It has full control and complete jurisdiction over the management and operation of the Divisions, including setting rates. The Water Division (Division) provides services to certain customers in Knox County and in two surrounding counties in East Tennessee. The Division's accounts are maintained in conformity with the Uniform System of Accounts of the National Association of Regulatory Utility Commissioners (NARUC) and the Governmental Accounting Standards Board (GASB), as applicable. The financial statements present only the Water Division and do not purport to, and do not, present fairly the consolidated financial position of Knoxville Utilities Board as of June 30, 2025, and 2024, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

2. Significant Accounting Policies

Basis of Accounting

In conformity with Generally Accepted Accounting Principles (GAAP), KUB follows the provisions of GASB Statement No. 34 (Statement No. 34), *Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 63 (Statement No. 63), *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. Statement No. 34 established standards for external financial reporting for all state and local governmental entities. Under Statement No. 63, financial statements include deferred outflows of resources and deferred inflows of resources, in addition to assets and liabilities, and report *net position* instead of net assets. In addition, KUB follows GASB Statement No. 62 (Statement No. 62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, as it relates to certain items for regulatory accounting. Regulatory accounting allows a regulated utility to defer a cost (a regulatory asset) or recognize an obligation (a regulatory liability) if it is probable that through the rate making process, there will be a corresponding increase or decrease in future revenues. Accordingly, KUB has recognized certain regulatory assets and regulatory liabilities in the accompanying Statements of Net Position.

The financial statements are prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred. The accounting and financial reporting treatment applied to the Division is determined by measurement focus. The transactions of the Division are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the Statement of Net Position. Net position (i.e., total assets and deferred outflows of resources net of total liabilities and deferred inflows of resources) is segregated into net investment in capital assets, restricted for capital activity and debt service, and unrestricted components.

Recently Adopted New Accounting Pronouncements

In June 2022, the GASB issued GASB Statement No. 101 (Statement No. 101), *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. Statement No. 101 is effective for fiscal years beginning after December 15, 2023. Adoption of this Statement did not result in a restatement of prior periods due to immateriality.

Knoxville Utilities Board Water Division

Notes to Financial Statements

June 30, 2025 and 2024

In December 2023, the GASB issued GASB Statement No. 102 (Statement No. 102), *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. Statement No. 102 is effective for fiscal years beginning after June 15, 2024. Adoption of this Statement did not have a significant impact on KUB's financial statements.

Water Plant

Water plant and other property are stated on the basis of original cost. The cost of current repairs and minor replacements is charged to operating expense. The cost of renewals and improvements is capitalized. The original cost of utility plant assets retired or otherwise disposed of and the cost of removal less salvage value is charged to accumulated depreciation. When other property is retired, the related asset and accumulated depreciation are removed from the accounts, and the gain or loss is included in the results of operations.

The provision for depreciation of water plant in service is based on the estimated useful lives of the assets, which range from three to sixty-seven years, and is computed using the straight-line method. Pursuant to NARUC, the caption "Depreciation and amortization" in the Statements of Revenues, Expenses and Changes in Net Position does not include depreciation for transportation equipment. Depreciation for transportation equipment of \$659,559 in fiscal year 2025 and \$568,544 in fiscal year 2024 is included in operation and maintenance expense.

Operating Revenue

Operating revenue consists primarily of charges for services provided by the principal operations of the KUB Water Division. Operating revenue is recorded when the service is rendered, on a cycle basis, and includes an estimate of unbilled revenue. Revenues are reported net of bad debt expense of \$179,231 in fiscal year 2025 and \$195,660 in fiscal year 2024.

Non-operating Revenue

Non-operating revenue consists of revenues that are related to financing and investing types of activities and result from non-exchange transactions or ancillary activities.

Expense

When an expense is incurred for purposes for which there are both restricted and unrestricted net assets available, it is KUB's policy to apply those expenses to restricted net assets to the extent such are available and then to unrestricted net assets.

Net Position

GASB Statement No. 63 requires the classification of net position into three components – net investment in capital assets, net position-restricted, and net position-unrestricted.

These classifications are defined as follows:

- Net investment in capital assets – This component of net position consists of capital assets and intangible assets, including restricted capital assets, net of accumulated depreciation and amortization and reduced by the outstanding balances of any bonds, mortgages, notes, lease and subscription liabilities, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Knoxville Utilities Board Water Division

Notes to Financial Statements

June 30, 2025 and 2024

- Net position-restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
- Net position-unrestricted – This component of net position consists of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Contributions in Aid of Construction and Capital Contributions

Contributions in aid of construction are cash collections from customers, grantors, or others for a particular purpose, generally the construction of new facilities to serve new customers in excess of the investment KUB is willing to make for a particular incremental revenue source. KUB reduces the plant account balances to which contributions relate by the actual amount of the contribution and recognizes the contributions as non-operating revenue in accordance with Statement No. 62.

Capital contributions represent contributions of utility plant infrastructure constructed by developers and others in industrial parks and other developments and transferred to KUB upon completion of construction and the initiation of utility service. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, such contributions are recognized as revenues and capital assets upon receipt.

Inventories

Inventories, consisting of plant materials and operating supplies, are valued at the lower of average cost or replacement value.

OPEB Trust

KUB's OPEB Trust was established by KUB's Board of Commissioners through Resolution No. 1168, as amended, dated October 18, 2007. The purpose of the Trust is to fund KUB's post-employment health care plan (the "Plan"), which provides certain medical benefits for qualifying KUB retirees and beneficiaries. Effective January 1, 2022, the Plan was expanded to include two benefit offerings. Employees with a benefit service date prior to July 1, 1999, will continue to be eligible for the Retiree Medical Benefit, while those with a later benefit service date will participate in a new Retiree Health Reimbursement Arrangement, given that each eligible employee meets the "Rule of 80", the sum of age and at least 20 years of qualified service equal to or exceeding 80, at retirement.

KUB's policy is to fully fund the annual actuarially determined contributions, which are determined by actuarial valuation. As required by GASB Statement No. 75, KUB measures net OPEB liability as total OPEB liability less the amount of the Plan's fiduciary net position. The amounts reported as of June 30, 2025, and 2024, must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2025, and 2024, are based on a June 30, 2025, and 2024, measurement date, respectively. The net OPEB liability is \$5,315,804 (Division's share \$891,811) as of June 30, 2025, and \$9,373,073 (Division's share \$1,617,952) as of June 30, 2024.

Pension Plan and Qualified Excess Benefit Arrangement

KUB's employees are participants in the Knoxville Utilities Board Pension Plan as authorized by the Charter of the City of Knoxville §1107(J) (Note 12). KUB's policy is to fully fund the annual actuarially determined contributions. As required by GASB Statement No. 68, KUB measures net pension liability as total pension liability less the amount of the Plan's fiduciary net position. The amounts reported as of June 30, 2025, and 2024, must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2025, and 2024, are based on a December 31, 2024, and 2023, measurement date, respectively. The net pension

Knoxville Utilities Board Water Division

Notes to Financial Statements

June 30, 2025 and 2024

liability is \$3,054,172 (Division's share \$548,581) as of June 30, 2025, and \$7,452,380 (Division's share \$1,324,191) as of June 30, 2024.

KUB implemented a qualified governmental excess benefit arrangement (QEBA) under IRC section 415(m), which was created by Congress to allow the payment of pension benefits that exceed the IRC section 415(b) limits (and therefore cannot be paid from a qualified retirement plan). The QEBA is a single employer defined benefit pension plan administered by KUB (Note 13). As required by GASB Statement No. 73, KUB measures the total pension liability of the QEBA. The amounts reported as of June 30, 2025, and 2024, must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2025, and 2024, are based on a December 31, 2024, and 2023, measurement date, respectively. The total pension liability of the QEBA is \$21,226 (Division's share \$2,972) as of June 30, 2025, and \$0 as of June 30, 2024.

For presentation purposes, the Pension Plan net pension liability and the QEBA total pension liability are disclosed in the Statement of Net Position as Net pension liability of \$551,553 as of June 30, 2025 and \$1,324,191 as of June 30, 2024. The Pension Plan deferred outflows and QEBA deferred outflows are disclosed as Pension outflow of \$2,819,099 as of June 30, 2025 and \$5,024,181 as of June 30, 2024. The Pension Plan deferred inflows and QEBA deferred inflows are disclosed as Pension inflow of \$128,269 as of June 30, 2025 and \$326,827 as of June 30, 2024.

Investments

Investments are carried at fair value as determined by quoted market prices at the reporting date.

Self-Insurance

KUB has established self-insurance programs covering portions of workers' compensation, employee health, environmental liability, general liability, property and casualty liability, and automobile liability claims. A liability is accrued for claims as they are incurred. When applicable, claims in excess of the self-insured risk are covered by KUB's insurance carrier. Additionally, KUB provides certain lifetime health benefits to eligible retired employees under a self-insurance plan administered by a third party.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are based on historical experience and various other assumptions that KUB believes are reasonable under the circumstances. However, future events are subject to change and the best estimates and judgments routinely require adjustment. Estimates are used for, but not limited to, inventory valuation, allowance for uncollectible accounts, depreciable lives of plant assets, unbilled revenue volumes, lease liabilities, subscription liabilities, developer contributions, compensated absences, pension trust valuations, OPEB trust valuations, insurance liability reserves, and potential losses from contingencies and litigation. Actual results could differ from those estimates.

Restricted and Designated Assets

Certain assets are restricted by bond resolutions for the construction of utility plant and debt repayment. Certain additional assets are designated by management for contingency purposes and economic development.

Cash Equivalents

For purposes of the Statements of Cash Flows, KUB considers all unrestricted and undesignated highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Knoxville Utilities Board Water Division

Notes to Financial Statements

June 30, 2025 and 2024

Leases

KUB determines if an arrangement is or contains a lease at contract inception and recognizes an intangible right of use asset and a lease liability at the lease commencement date. Subsequently, the intangible right of use asset is amortized on a straight-line basis over its useful life. KUB also enters into agreements, as lessor, to lease office space or property, recognizing a lease receivable and a deferred inflow of resources. The lease term includes the non-cancelable period of the lease plus an additional period covered by either an option to extend or not to terminate the lease that the lessee is reasonably certain to exercise, or an option to extend or not to terminate the lease controlled by the lessor. KUB uses its estimated incremental borrowing rate as the discount rate for leases.

KUB monitors for events or changes in circumstances that require a reassessment of its leases. When a reassessment results in the remeasurement of a lease liability, a corresponding adjustment is made to the carrying amount of the intangible right of use asset.

Subscription-Based Information Technology Arrangements

KUB determines if an arrangement is or contains a subscription-based information technology arrangement (subscription) at contract inception and recognizes an intangible subscription asset and a subscription liability at the commencement date. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life. The subscription term includes the non-cancelable period of the subscription plus an additional period covered by either an option to extend or not to terminate the subscription that KUB is reasonably certain to exercise, or an option to extend or not to terminate the subscription controlled by the vendor. KUB uses its estimated incremental borrowing rate as the discount rate for subscriptions.

KUB monitors for events or changes in circumstances that require a reassessment of its subscriptions. When a reassessment results in the remeasurement of a subscription liability, a corresponding adjustment is made to the carrying amount of the subscription asset.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources are items related to the acquisition of assets or related debt which are amortized over the life of the asset or debt. Deferred inflows of resources are items related to the acquisition of assets or related debt which are amortized over the life of the asset or debt. KUB records costs associated with the gain or loss on refunding of debt as either a deferred outflow or inflow based on the parameters of Statement No. 65. Deferred outflows of resources also include employer pension contributions made subsequent to the measurement date of the net pension liability and before the end of the employer's reporting period in accordance with Statement No. 71. Deferred inflows and deferred outflows also include the net difference between projected and actual earnings on pension plan investments and OPEB plan investments, differences between expected and actual experience, and changes in assumptions in accordance with Statements No. 68, 73, and 75. Deferred inflows are also recorded at the commencement of the lease term and recognized as revenue over the course of the lease in accordance with Statement No. 87.

Debt Premium/Discount

KUB records unamortized premium and discount on debt as a separate line item in the Long-Term Debt section of the Financial Statements. Amortization of these amounts is recorded over the life of the applicable debt as amortization expense.

Debt Issuance Costs

In accordance with regulatory accounting, KUB records debt issuance costs as an Other Asset. Amortization of these amounts is recorded over the life of the applicable debt as amortization expense.

Knoxville Utilities Board Water Division

Notes to Financial Statements

June 30, 2025 and 2024

Deferred Gain/Loss on Refunding of Debt

KUB records costs associated with the gain or loss on refunding of debt as either a deferred outflow or inflow based on the parameters of Statement No. 65. Amortization of these amounts is recorded over the life of the applicable debt as amortization expense.

Compensated Absences

KUB accrues a liability for earned but unpaid paid time off (PTO) days. During fiscal year 2025, KUB adopted GASB Statement No. 101, *Compensated Absences* (GASB 101). GASB 101 requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash items. The accompanying financial statements, as of and for the year ended June 30, 2024, have not been restated due to immaterial impact on the net position.

Subsequent Events

KUB has evaluated events and transactions through October 23, 2025, the date these financial statements were available to be issued, for items that should potentially be recognized or disclosed.

Recently Issued Accounting Pronouncements

In April 2024, the GASB issued GASB Statement No. 103 (Statement No. 103), *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. Statement No. 103 is effective for fiscal years beginning after June 15, 2025.

In September 2024, the GASB issued GASB Statement No. 104 (Statement No. 104), *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. Statement No. 104 is effective for fiscal years beginning after June 15, 2025.

KUB has not elected early implementation of these standards and has not completed the process of evaluating the impact of these statements on its financial statements.

3. Deposits and Investments

KUB follows the provisions of Statement No. 40 of the Governmental Accounting Standards Board, *Deposit and Investment Risk Disclosures—an amendment of GASB Statement No. 3*. This Statement establishes and modifies disclosure requirements for state and local governments related to deposit and investment risks. KUB classifies its fair value measurements within the fair value hierarchy established by Statement No. 72 of the Governmental Accounting Standards Board, *Fair Value Measurement and Application*.

KUB's investment policy provides the framework for the administration and investment of cash deposits. The investment policy follows Tennessee State law and defines the parameters under which KUB funds should be invested. State law authorizes KUB to invest in obligations of the United States Treasury, its agencies and instrumentalities; certificates of deposit; repurchase agreements; money market funds; and the State Treasurer's Investment Pool.

Interest Rate Risk. KUB's primary investment objectives are to place investments in a manner to ensure the preservation of capital, remain sufficiently liquid to meet all operating requirements, and maximize yield of return. KUB minimizes its exposure to interest rate risk by adhering to Tennessee State law requirements for the investment of public funds. This includes limiting investments to those types described above and limiting maturity horizons. The maximum maturity is four years

Knoxville Utilities Board Water Division

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from the date of investment. KUB also limits its exposure by holding investments to maturity unless cash flow requirements dictate otherwise.

Credit Risk. KUB's investment policy, as required by state law, is to apply the prudent-person rule: Investments are made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable income to be derived, as well as the probable safety of their capital.

Custodial Credit Risk. KUB's investment policy limits exposure to custodial credit risk by restricting investments to a standard set forth by state law. All deposits in excess of federal depository insurance limits are collateralized with government securities held in KUB's name by a third-party custodian bank(s) acting as KUB's agent(s), or through the State of Tennessee's collateral pool. Financial institutions that participate in the collateral pool are subject to special assessment; therefore, the deposits are considered insured. A portion of KUB's investments is generally held in the State of Tennessee Local Government Investment Pool (LGIP). The LGIP is a part of the State Pooled Investment Fund and is sponsored by the State of Tennessee Treasury Department. Tennessee Code Annotated ¶9-4-701 *et seq.* authorizes local governments to invest in the LGIP. None of KUB's investments are exposed to custodial credit risk.

Classification of deposits and investments per Statement of Net Position:

	2025	2024
Current assets		
Cash and cash equivalents	\$ 20,556,604	\$ 19,803,587
Short-term contingency fund investments	17,763,490	4,129,411
Other assets		
Long-term contingency fund investments	-	13,607,910
Restricted assets		
Water bond fund	5,420,352	5,018,415
Other funds	198	198
	<u>\$ 43,740,644</u>	<u>\$ 42,559,521</u>

The above amounts do not include accrued interest of \$188,092 in fiscal year 2025 and \$96,270 in fiscal year 2024. Interest income is recorded on an accrual basis.

Investments and maturities of KUB's cash equivalents and investments as held by financial institutions as of June 30, 2025:

	Cash Equivalents and Investment Maturities (in Years)		
	Fair Value	Less Than 1	1-5
Supersweep NOW and Other Deposits	\$ 21,683,104	\$ 21,683,104	\$ -
State Treasurer's Investment Pool	5,426,035	5,426,035	-
Agency Bonds	17,757,707	17,757,707	-
	<u>\$ 44,866,846</u>	<u>\$ 44,866,846</u>	<u>\$ -</u>

KUB categorizes its fair value measurements within the fair value hierarchy established by Statement No. 72 of the Governmental Accounting Standards Board, *Fair Value Measurement and Application*. The hierarchy is based on the valuation inputs used to measure the fair value of an asset with a maturity at purchase of greater than one year. Level 1 inputs are quoted prices in

Knoxville Utilities Board Water Division

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active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Division has no recurring fair value measurements as of June 30, 2025.

KUB measures investments with a maturity at purchase of one year or less at amortized cost, which is considered a fair value equivalent due to their nature. Investments in the State Treasurer's Investment Pool are measured at net asset value (NAV) per share.

4. Accounts Receivable

Accounts receivable consists of the following:

	2025	2024
Wholesale and retail customers		
Billed services	\$ 4,896,166	\$ 4,836,165
Unbilled services	2,538,608	2,520,074
Other	2,047,126	7,357,638
Allowance for uncollectible accounts	(68,308)	(63,857)
	<u>\$ 9,413,592</u>	<u>\$ 14,650,020</u>

5. Accounts Payable and Accruals

Accounts payable and accruals consist of the following:

	2025	2024
Trade accounts	\$ 6,180,819	\$ 2,723,363
Current portion of accrued compensated absences	1,438,424	1,286,578
Salaries and wages	387,151	364,796
Self-insurance liabilities	424,917	356,893
	<u>\$ 8,431,311</u>	<u>\$ 4,731,630</u>

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Knoxville Utilities Board Water Division

Notes to Financial Statements

June 30, 2025 and 2024

6. Long-Term Obligations

Long-term debt consists of the following:

		Balance				Balance	Amounts
		June 30,				June 30,	Due
		2024	Additions	Payments	Defeased	2025	Within
							One Year
Water							
BB-2015 - 2.0 - 5.0%	\$	15,915,000	\$ -	\$ 1,170,000	\$ -	\$ 14,745,000	\$ 1,210,000
CC-2015 - 2.0 - 4.0%		1,075,000	-	525,000	-	550,000	550,000
DD-2016 - 3.0 - 5.0%		20,825,000	-	675,000	-	20,150,000	700,000
EE-2016 - 2.0 - 5.0%		14,490,000	-	1,435,000	-	13,055,000	1,460,000
FF-2017 - 3.0 - 5.0%		1,815,000	-	575,000	-	1,240,000	605,000
GG-2017 - 2.125 - 5.0%		17,225,000	-	505,000	-	16,720,000	530,000
HH-2018 - 3.0 - 5.0%		17,415,000	-	465,000	-	16,950,000	485,000
II-2019 - 3.0 - 5.0%		18,030,000	-	440,000	-	17,590,000	465,000
JJ-2020 - 3.0 - 5.0%		17,505,000	-	450,000	-	17,055,000	460,000
KK-2020 - 3.0 - 5.0%		8,295,000	-	195,000	-	8,100,000	205,000
LL-2021 - 4.0 - 5.0%		29,385,000	-	1,350,000	-	28,035,000	1,400,000
MM-2022 - 3.0 - 5.0%		14,815,000	-	-	-	14,815,000	-
NN-2023 - 4.0 - 5.0%		19,745,000	-	335,000	-	19,410,000	350,000
OO-2024 - 4.0 - 5.0%		-	19,995,000	-	-	19,995,000	330,000
Total bonds	\$	<u>196,535,000</u>	\$ <u>19,995,000</u>	\$ <u>8,120,000</u>	\$ <u>-</u>	\$ <u>208,410,000</u>	\$ <u>8,750,000</u>
Unamortized Premium		<u>13,996,203</u>	<u>754,810</u>	<u>835,481</u>	<u>-</u>	<u>13,915,532</u>	<u>-</u>
Total long term debt	\$	<u><u>210,531,203</u></u>	\$ <u><u>20,749,810</u></u>	\$ <u><u>8,955,481</u></u>	\$ <u><u>-</u></u>	\$ <u><u>222,325,532</u></u>	\$ <u><u>8,750,000</u></u>

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Knoxville Utilities Board Water Division

Notes to Financial Statements

June 30, 2025 and 2024

	Balance June 30, 2023	Additions	Payments	Defeased	Balance June 30, 2024	Amounts Due Within One Year
Water						
BB-2015 - 2.0 - 5.0% \$	17,025,000 \$	-	\$ 1,110,000 \$	-	\$ 15,915,000 \$	\$ 1,170,000
CC-2015 - 2.0 - 4.0%	1,575,000	-	500,000	-	1,075,000	525,000
DD-2016 - 3.0 - 5.0%	21,475,000	-	650,000	-	20,825,000	675,000
EE-2016 - 2.0 - 5.0%	15,870,000	-	1,380,000	-	14,490,000	1,435,000
FF-2017 - 3.0 - 5.0%	2,365,000	-	550,000	-	1,815,000	575,000
GG-2017 - 2.125 - 5.0%	17,710,000	-	485,000	-	17,225,000	505,000
HH-2018 - 3.0 - 5.0%	17,855,000	-	440,000	-	17,415,000	465,000
II-2019 - 3.0 - 5.0%	18,450,000	-	420,000	-	18,030,000	440,000
JJ-2020 - 3.0 - 5.0%	17,950,000	-	445,000	-	17,505,000	450,000
KK-2020 - 3.0 - 5.0%	8,485,000	-	190,000	-	8,295,000	195,000
LL-2021 - 4.0 - 5.0%	30,690,000	-	1,305,000	-	29,385,000	1,350,000
MM-2022 - 3.0 - 5.0%	14,815,000	-	-	-	14,815,000	-
NN-2023 - 4.0 - 5.0%	-	19,995,000	250,000	-	19,745,000	335,000
Total bonds	\$ 184,265,000	\$ 19,995,000	\$ 7,725,000	\$ -	\$ 196,535,000	\$ 8,120,000
Unamortized Premium	14,439,030	365,073	807,900	-	13,996,203	-
Total long term debt	\$ 198,704,030	\$ 20,360,073	\$ 8,532,900	\$ -	\$ 210,531,203	\$ 8,120,000

Debt service over remaining term of the debt is as follows:

Fiscal Year	Principal	Total Interest	Grand Total
2026	\$ 8,750,000	\$ 7,510,757	\$ 16,260,757
2027	9,025,000	7,176,644	16,201,644
2028	9,390,000	6,815,918	16,205,918
2029	9,750,000	6,454,350	16,204,350
2030	10,110,000	6,076,948	16,186,948
2031 - 2035	48,330,000	24,865,717	73,195,717
2036 - 2040	44,170,000	17,227,022	61,397,022
2041 - 2045	39,370,000	9,698,633	49,068,633
2046 - 2050	21,750,000	3,673,151	25,423,151
2051 - 2054	7,765,000	747,807	8,512,807
Total	\$ 208,410,000	\$ 90,246,947	\$ 298,656,947

The Division has pledged sufficient revenue, after deduction of all current operating expenses (exclusive of tax equivalents), to meet bond principal and interest payments when due. The requirements for the bonds are being met through monthly deposits to the Water Bond Fund, as required by the bond covenants. As of June 30, 2025, these bond covenants had been satisfied.

The Division's outstanding bonds payable contain provisions that in an event of default, outstanding amounts are to become immediately due if the Division is unable to make payment.

During fiscal year 2025, KUB's Water Division issued Series OO 2024 bonds to fund water system capital improvements.

During fiscal year 2024, KUB's Water Division issued Series NN 2023 bonds to fund water system capital improvements.

Knoxville Utilities Board Water Division
Notes to Financial Statements
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Other liabilities consist of the following:

	Balance June 30, 2024	Increase	Decrease	Balance June 30, 2025
Accrued compensated absences	\$ 662,783	\$ 1,901,884	\$ (1,856,190)	\$ 708,477
Customer advances for construction	150,121	33,835	-	183,956
Other	36,179	79,790	(71,143)	44,826
	<u>\$ 849,083</u>	<u>\$ 2,015,509</u>	<u>\$ (1,927,333)</u>	<u>\$ 937,259</u>
	Balance June 30, 2023	Increase	Decrease	Balance June 30, 2024
Accrued compensated absences	\$ 660,687	\$ 1,092,163	\$ (1,090,067)	\$ 662,783
Customer advances for construction	117,395	32,726	-	150,121
Other	23,216	42,779	(29,816)	36,179
	<u>\$ 801,298</u>	<u>\$ 1,167,668</u>	<u>\$ (1,119,883)</u>	<u>\$ 849,083</u>

7. Lease Receivables

KUB, as lessor, leases office space under non-cancelable lease arrangements. Terms of the leases range from one to fourteen years and contain fixed payment terms. Certain leases contain an option to renew that has been considered in the lease receivable when the lessee is reasonably certain to exercise the renewal option. KUB recognized lease revenue, which is included in other operating revenues, of \$133,507 in 2025 and \$122,775 in 2024. KUB also recognized interest income from leases, which is included in non-operating revenues, totaling \$42,446 in 2025 and \$40,115 in 2024. Total lease receivables were \$1,175,704 (\$106,061 current) and \$1,195,969 (\$104,244 current) as of June 30, 2025, and 2024, respectively, and are included in other assets on the Statement of Net Position.

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Knoxville Utilities Board Water Division
Notes to Financial Statements
June 30, 2025 and 2024

8. Lease Liabilities

Changes in lease liabilities are summarized as follows:

	Balance June 30, 2024	Increase	Decrease	Balance June 30, 2025
Total lease liabilities	\$ 46,664	\$ -	\$ (13,395)	\$ 33,269
Less current portion	(12,365)			(10,455)
Long-term portion	<u>\$ 34,299</u>			<u>\$ 22,814</u>

	Balance June 30, 2023	Increase	Decrease	Balance June 30, 2024
Total lease liabilities	\$ 59,414	\$ -	\$ (12,750)	\$ 46,664
Less current portion	(12,750)			(12,365)
Long-term portion	<u>\$ 46,664</u>			<u>\$ 34,299</u>

KUB leases certain office space, equipment, and other assets under non-cancelable lease arrangements. Terms of the leases range from one to eighteen years and contain fixed payment terms. Certain office space leases contain the option for renewal, which has been considered in the lease liability when KUB is reasonably certain to exercise the renewal option.

Maturities and future interest requirements related to the balances of lease liabilities outstanding as of June 30, 2025, are summarized as follows:

	Lease Maturities	Interest Requirements
2026	\$ 10,455	\$ 1,234
2027	7,045	805
2028	581	679
2029	622	676
2030	666	671
2031-2035	4,112	3,201
2036-2040	5,791	2,687
2041-2043	3,997	1,058
	<u>\$ 33,269</u>	<u>\$ 11,011</u>

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Knoxville Utilities Board Water Division
Notes to Financial Statements
June 30, 2025 and 2024

9. Subscription-Based Information Technology Agreement Liabilities

Changes in SBITA liabilities are summarized as follows:

	Balance June 30, 2024	Increase	Decrease	Balance June 30, 2025
Total SBITA liabilities	\$ 445,982	\$ -	\$ (141,958)	\$ 304,024
Less current portion	<u>(142,047)</u>			<u>(147,328)</u>
Long-term portion	<u>\$ 303,935</u>			<u>\$ 156,696</u>

	Balance June 30, 2023	Increase	Decrease	Balance June 30, 2024
Total SBITA liabilities	\$ 791,855	\$ -	\$ (345,873)	\$ 445,982
Less current portion	<u>(180,818)</u>			<u>(142,047)</u>
Long-term portion	<u>\$ 611,037</u>			<u>\$ 303,935</u>

KUB has subscription-based information technology agreements (SBITAs) which grant non-cancelable rights to use underlying information technology software. Terms of agreement range from five to eighteen years and contain fixed and variable payment terms. Certain SBITAs contain the option for renewal, which has been considered in the SBITA liability when KUB is reasonably certain to exercise the renewal option.

Maturities and future interest requirements related to the balances of SBITA liabilities outstanding as of June 30, 2025, are summarized as follows:

	Subscription Maturities	Interest Requirements
2026	\$ 147,328	\$ 10,191
2027	76,261	4,619
2028	<u>80,435</u>	<u>1,577</u>
	<u>\$ 304,024</u>	<u>\$ 16,387</u>

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Knoxville Utilities Board Water Division

Notes to Financial Statements

June 30, 2025 and 2024

10. Capital and Intangible Assets

Capital and intangible asset activity was as follows:

	Balance June 30, 2024	Increase	Decrease	Balance June 30, 2025
Production Plant	\$ 727,863	\$ -	\$ -	\$ 727,863
Pumping & Treatment Plant	113,779,421	748,784	(108,729)	114,419,476
Distribution Plant				
Distribution Mains	241,632,248	11,787,978	(82,531)	253,337,695
Transmission Mains	50,935,372	281,127	-	51,216,499
Services & Meters	52,206,924	1,340,473	(1,290,703)	52,256,694
Other Accounts	29,758,627	643,905	(41,453)	30,361,079
Total Distribution Plant	<u>\$ 374,533,171</u>	<u>\$ 14,053,483</u>	<u>\$ (1,414,687)</u>	<u>\$ 387,171,967</u>
Total General Plant	<u>38,909,783</u>	<u>3,370,095</u>	<u>(2,282,734)</u>	<u>39,997,144</u>
Total Water Plant	<u>\$ 527,950,238</u>	<u>\$ 18,172,362</u>	<u>\$ (3,806,150)</u>	<u>\$ 542,316,450</u>
Less Accumulated Depreciation	<u>(162,334,691)</u>	<u>(13,546,070)</u>	<u>3,914,001</u>	<u>(171,966,760)</u>
Net Plant Assets	<u>\$ 365,615,547</u>	<u>\$ 4,626,292</u>	<u>\$ 107,851</u>	<u>\$ 370,349,690</u>
Work In Progress	<u>42,290,267</u>	<u>53,479,051</u>	<u>(18,152,116)</u>	<u>77,617,202</u>
Total Net Plant	<u>\$ 407,905,814</u>	<u>\$ 58,105,343</u>	<u>\$ (18,044,265)</u>	<u>\$ 447,966,892</u>
Intangible Right of Use Assets				
Office space	\$ 42,315	\$ -	\$ -	\$ 42,315
Equipment	11,445	880	-	12,325
Other	17,875	-	-	17,875
Total Intangible Right of Use Assets	<u>\$ 71,635</u>	<u>\$ 880</u>	<u>\$ -</u>	<u>\$ 72,515</u>
Less Accumulated Amortization	<u>(26,733)</u>	<u>(13,482)</u>	<u>-</u>	<u>(40,215)</u>
Net Intangible Right of Use Assets	<u>\$ 44,902</u>	<u>\$ (12,602)</u>	<u>\$ -</u>	<u>\$ 32,300</u>
Intangible Subscription Assets				
Intangible Subscription Assets	\$ 864,755	\$ -	\$ (26,290)	\$ 838,465
Less Accumulated Amortization	<u>(404,433)</u>	<u>(127,902)</u>	<u>26,290</u>	<u>(506,045)</u>
Net Intangible Subscription Assets	<u>\$ 460,322</u>	<u>\$ (127,902)</u>	<u>\$ -</u>	<u>\$ 332,420</u>

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Knoxville Utilities Board Water Division

Notes to Financial Statements

June 30, 2025 and 2024

	Balance June 30, 2023	Increase	Decrease	Balance June 30, 2024
Production Plant	\$ 727,863	\$ -	\$ -	\$ 727,863
Pumping & Treatment Plant	110,101,620	3,915,838	(238,037)	113,779,421
Distribution Plant				
Distribution Mains	233,568,350	9,234,262	(1,170,364)	241,632,248
Transmission Mains	47,706,941	3,228,431	-	50,935,372
Services & Meters	50,878,581	1,399,588	(71,245)	52,206,924
Other Accounts	28,990,928	796,772	(29,073)	29,758,627
Total Distribution Plant	\$ 361,144,800	\$ 14,659,053	\$ (1,270,682)	\$ 374,533,171
Total General Plant	39,248,894	2,814,639	(3,153,750)	38,909,783
Total Water Plant	\$ 511,223,177	\$ 21,389,530	\$ (4,662,469)	\$ 527,950,238
Less Accumulated Depreciation	(154,459,484)	(12,690,166)	4,814,959	(162,334,691)
Net Plant Assets	\$ 356,763,693	\$ 8,699,364	\$ 152,490	\$ 365,615,547
Work In Progress	30,734,129	32,360,377	(20,804,239)	42,290,267
Total Net Plant	\$ 387,497,822	\$ 41,059,741	\$ (20,651,749)	\$ 407,905,814
Intangible Right of Use Assets				
Office space	\$ 42,315	\$ -	\$ -	\$ 42,315
Equipment	17,290	-	(5,845)	11,445
Other	17,875	-	-	17,875
Total Intangible Right of Use Assets	\$ 77,480	\$ -	\$ (5,845)	\$ 71,635
Less Accumulated Amortization	(19,121)	(13,457)	5,845	(26,733)
Net Intangible Right of Use Assets	\$ 58,359	\$ (13,457)	\$ -	\$ 44,902
Intangible Subscription Assets				
Intangible Subscription Assets	\$ 1,133,065	\$ -	\$ (268,310)	\$ 864,755
Less Accumulated Amortization	(340,602)	(63,831)	-	(404,433)
Net Intangible Subscription Assets	\$ 792,463	\$ (63,831)	\$ (268,310)	\$ 460,322

11. Risk Management

KUB is exposed to various risks of loss related to active and retiree medical claims; injuries to workers; theft of, damage to, and destruction of assets; environmental damages; and natural disasters. Claims expenditures and liabilities are reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported.

These liabilities are included in accrued expenses in the Statement of Net Position. The liability is KUB's best estimate based on available information. As of June 30, 2025, and June 30, 2024, the amount of these liabilities was \$424,917 and \$356,893, respectively, resulting from the following changes:

	2025	2024
Balance, beginning of year	\$ 356,893	\$ 336,909
Current year claims and changes in estimates	2,810,878	2,654,062
Claims payments	(2,742,854)	(2,634,078)
Balance, end of year	\$ 424,917	\$ 356,893

Knoxville Utilities Board Water Division

Notes to Financial Statements

June 30, 2025 and 2024

12. Pension Plan

Description of Plan

The Knoxville Utilities Board Pension Plan (the Plan) is a governmental plan as defined by the Employee Retirement Income Security Act of 1974 (ERISA or the Act), is not subject to any of the provisions of the Act, and was revised January 1, 2020, to include all prior approved amendments. The Plan is a single employer contributory, defined benefit pension plan established by Knoxville Utilities Board Resolution No. 980 dated February 18, 1999, effective July 1, 1999, as authorized by the Charter of the City of Knoxville §1107(J). KUB Board Resolution No. 979, effective July 1, 1999, as amended by Resolution No. 1037, establishing the KUB Retirement System, was amended effective June 18, 2020, to amend the term "Trustee" to include both custodians and/or trustees, in order to provide flexibility should KUB choose to change from its current Pension trustee. The Plan is designed to provide retirement, disability, and death benefits to KUB employees. KUB administers the Plan through an Administrative Committee consisting of seven KUB employees that are appointed by KUB's President and CEO. Any amendments to the Plan involving costs not approved in the operating budget must be adopted by KUB's Board of Commissioners, upon recommendation by KUB's President and CEO. All other amendments to the Plan may be approved by KUB's President and CEO upon 60 days notification to the Board's Audit and Finance Committee. The Plan issues a financial report, which includes financial statements and required supplementary information. The report may be obtained by writing the Knoxville Utilities Board Retirement System, P.O. Box 59017, Knoxville, TN 37950-9017. For purposes of this disclosure, presentation is on a consolidated basis unless division's share is specified.

Effective January 1, 2011, KUB closed the Plan such that persons employed or re-employed by KUB on or after January 1, 2011, are not eligible to participate, but that eligible employees hired prior to January 1, 2011, who have not separated from service, shall continue as Participants and to accrue benefits under the Plan.

Participants in the Plan consisted of the following as of December 31:

	2024	2023
Inactive plan members:		
Terminated vested participants	10	9
Retirees and beneficiaries	589	602
Active plan members	<u>359</u>	<u>389</u>
Total	<u>958</u>	<u>1,000</u>

Retirement Benefits

The Plan provides three benefit arrangements for KUB participants, retirees, and beneficiaries.

The Plan provides pension benefits through the Career Equity Program ("CEP") for eligible employees hired on or after January 1, 1999, and for eligible former "City System Plan A" participants who elected CEP coverage as of July 1, 1999. The guaranteed pension benefit payable to a participant who has completed five or more years of service (or reached the normal retirement date, if earlier) upon termination of KUB employment shall be a lump sum equal to the participant's average compensation times their benefit percentage, as defined in the Plan document, or an annuity may be chosen by the participant.

In addition, the Plan provided retirement benefits through "Plan A" for former City System Plan A participants who elected not to participate in the CEP. Plan A is a closed plan and is not available to KUB employees hired after July 1, 1999. Plan A provides for early retirement benefits with 25 years of service and normal retirement benefits at age 62 or later. Benefits provided to Plan A participants include several different forms of monthly annuity payments.

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The Plan also provides retirement benefits through “Plan B” for former “City System Plan B” participants. Plan B is a closed plan providing benefits to participants not covered by Social Security. Benefits provided to Plan B participants include several different forms of monthly annuity payments available to participants.

Effective January 1, 2012, KUB began to provide for additional monthly supplements, which are not subject to cost-of-living adjustments, to certain former employees and surviving dependents of former employees who are eligible for and have elected coverage under the KUB retiree medical plan and are eligible for Medicare. This was done to compensate for the elimination of drug coverage under the KUB retiree medical plan and to assist such individuals in obtaining prescription drug coverage under Medicare Part D.

Contributions

Participation in Plan A requires employee contributions of three percent of the first \$4,800 of annual earnings and five percent of annual earnings in excess of \$4,800. KUB contributions are determined by the enrolled actuary of the Plan and equal the amount necessary to provide the benefits under the Plan determined by the application of accepted actuarial methods and assumptions. The method of funding shall be consistent with Plan objectives.

Plan Funding

KUB maintains a Funding Policy for the Plan in accordance with Tennessee State Law. The primary goal of the Policy is to document the method KUB has adopted to provide assurance that future KUB and employee contributions and current Plan assets will be sufficient to fund all benefits expected to be paid to current active, inactive and retired Plan participants and their beneficiaries. Per the Funding Policy, KUB fully funds its annual Actuarially Determined Contribution.

Investments

The Plan's investments are held by State Street Bank and Trust Company (the “Trustee”). The Plan's policy in regard to the allocation of invested assets is established by the Retirement System Investment Committee and approved by the KUB Board of Commissioners and may only be amended by the KUB Board of Commissioners. It is the policy of the Retirement System Investment Committee to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following was the Plan's adopted asset allocation policy as of December 31, 2024:

Asset Class	Target Allocation
Domestic equity – large cap	20% - 50%
Domestic equity – small/mid cap	0% - 30%
Multi-asset credit	0% - 20%
Non-U.S. equity	0% - 20%
U.S. core real estate	0% - 10%
Fixed income	20% - 40%
Cash and deposits	0% - 5%

Contributions of \$2,210,234 and \$1,108,147 for 2023 and 2022, respectively, were made during the Plan sponsor's fiscal years ended June 30, 2025, and 2024, respectively. Of these amounts, \$396,996 and \$193,559 are attributable to the Water Division. The fiscal year 2025 contribution was determined as part of the January 1, 2023, valuation using the Individual Entry Age Normal funding method. The objective under this method is to fund each participant's benefits under the Plan as payments which are level as a percentage of salary, starting on the original participation date (employment date) and continuing until the assumed retirement, termination, disability, or death.

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Net Pension Liability (Asset)

The below summarizes the disclosures of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* ("GASB 68"), which requires measurement of the net pension liability as total pension liability less the amount of the Plan's fiduciary net position. The amounts reported as of June 30 must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2025, and 2024, will be based on the December 31, 2024, and 2023, measurement date, respectively. The net pension liability is \$3,054,172 (Division's share \$548,581) as of June 30, 2025, and \$7,452,380 (Division's share \$1,324,191) as of June 30, 2024.

GASB 68 requires certain disclosures related to the net pension liability (asset) of the Plan as disclosed below:

	2024	2023
Total pension liability	\$ 274,028,893	\$ 263,351,035
Plan fiduciary net position	(270,974,721)	(255,898,655)
Plan's net pension liability	<u>\$ 3,054,172</u>	<u>\$ 7,452,380</u>

Plan fiduciary net position as a percentage of the total pension liability	98.89%	97.17%

Changes in Net Pension Liability (Asset) are as follows:

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at December 31, 2023	\$ 263,351,035	\$ 255,898,655	\$ 7,452,380
Changes for the year:			
Service cost	7,764,986	-	7,764,986
Interest	18,573,527	-	18,573,527
Changes of Benefits	-	-	-
Differences between Expected and Actual Experience	2,346,811	-	2,346,811
Changes of Assumptions	1,425,345	-	1,425,345
Contributions - employer	-	1,659,187	(1,659,187)
Contributions - rollovers	-	75	(75)
Contributions - member	-	4,971,073	(4,971,073)
Net investment income	-	28,541,389	(28,541,389)
Benefit payments	(19,432,811)	(19,432,811)	-
Administrative expense	-	(662,847)	662,847
Net changes	<u>10,677,858</u>	<u>15,076,066</u>	<u>(4,398,208)</u>
Balances at December 31, 2024	<u>\$ 274,028,893</u>	<u>\$ 270,974,721</u>	<u>\$ 3,054,172</u>

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Actuarial Assumptions

The total pension liability was determined by an actuarial valuation, using the following actuarial assumptions applied to all periods included in the measurement:

Valuation dates	January 1, 2024, rolled forward to December 31, 2024; January 1, 2023, rolled forward to December 31, 2023
Discount rate	7.00% as of December 31, 2024 and 2023
Salary increases	From 2.50% to 8.50%, based on years of service as of December 31, 2024 and from 2.50% to 5.65% as of December 31, 2023
Mortality	115% and 110% of the PubG-2010 table for males and females, respectively, using the Public Sector General Employee Table for ages prior to the start of the Healthy Annuitant Table, both projected from the 2010 base rates using scale MP-2021, fully generational as of December 31, 2024; Scale MP-2018 was used as of December 31, 2023
Inflation	2.5% as of December 31, 2024 and 2023

The actuarial assumptions used in the January 1, 2024, valuation was based on an actuarial experience study covering January 1, 2019 through December 31, 2023, and the assumptions used in the January 1, 2023 valuation were based on an actuarial experience study covering the period January 1, 2014 through December 31, 2018.

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of December 31, 2024, and 2023, are summarized in the following table. The real rate of return reported for fixed income is for aggregate fixed income. Prior to February 22, 2024, the Plan had both aggregate and long duration fixed income. As of December 31, 2024, the Plan has only aggregate fixed income. Effective September 30, 2024 the REIT fund was transferred to a U.S. core real estate fund.

Asset Class	Long Term Expected Real Rate of Return	
	2024	2023
Domestic equity	6.0%	5.6%
Non-U.S. equity	6.5%	6.5%
Real estate equity	n/a	5.8%
Real estate U.S. core	5.1%	n/a
Debt securities	2.5%	1.9%
Cash and deposits	1.2%	0.7%

Discount rate

The discount rate used to measure the total pension liability was 7.00 percent as of December 31, 2024, and December 31, 2023. The projection of cash flows used to determine the discount rate assumed that participant contributions will be made at the current contribution rate and that KUB contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term

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expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability (asset) to changes in the discount rate

The following presents the net pension liability of the Plan as of December 31, 2024, calculated using the discount rate of 7.00 percent, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is one percent lower (6.00 percent) or one percent higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Plan's net pension liability	\$ 29,141,576	\$ 3,054,172	\$ (19,335,531)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2025, KUB recognized pension expense of \$10,401,958, and the Water Division's share was \$1,630,916.

The impact of experience gains or losses and assumptions changes on the Total Pension Liability are recognized in the pension expense over the average expected remaining service life of all active and inactive members, determined as of the beginning of the measurement period. As of December 31, 2023, this average was three years. During the measurement year, there was a liability experience loss of \$2,346,811, with \$782,270 of that recognized in the current year and each of the next two years, resulting in a deferred outflow of \$1,564,541. Unrecognized liability experience losses from prior periods were \$2,580,215, of which \$1,463,476 was recognized as an increase in Pension Expense in the current year and resulted in a deferred outflow of \$1,116,739. The combination of unrecognized liability experience losses this year, along with unrecognized liability experience losses from prior periods, results in a deferred outflow of \$2,681,280 (Division's share \$481,604).

During the measurement year, there was an assumption change loss of \$1,425,345 with \$475,115 of that recognized in the current year and each of the next two years, resulting in a deferred outflow of \$950,230. Net unrecognized assumption change losses from prior periods were \$2,634,336, of which \$1,317,168 was recognized as an increase in Pension Expense in the current year and resulted in a net deferred outflow of \$1,317,168. The combination of unrecognized assumption change losses this year, along with unrecognized assumption change losses from prior periods, results in a deferred outflow of \$2,267,398 (Division's share \$407,263).

The impact of investment gains or losses is recognized over a period of five years. During the measurement year, there was an investment gain of \$11,091,799, of which \$2,218,360 was recognized in the current year and will be recognized in each of the next four years. Net unrecognized investment losses from prior periods were \$22,505,337, of which \$4,001,667 was recognized as an increase in Pension Expense in the current year. The combination of unrecognized investment gains this year, along with net unrecognized investment losses from prior periods, results in a deferred outflow of \$9,630,231 (Division's share \$1,729,753).

The impact of the change in proportionate share for the Water Division during the measurement period is recognized over the average future working life of the Plan's active and inactive members, which is three years. This change resulted in a deferred inflow of \$39,116, with \$13,039 of that recognized in the current year and the remaining amount recognized over the next two years, resulting in a deferred inflow of resources of \$26,077. Net proportionate share changes from prior periods were \$326,605, of which \$224,413 was recognized in the current year, resulting in a

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deferred inflow of resources of \$102,192. In addition, KUB's Water Division recorded a deferred outflow of resources of \$198,498 for employer contributions made between December 31, 2024 and June 30, 2025.

The following table summarizes the current balances of deferred outflows and deferred inflows of resources of the Water Division.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 481,604	\$ -
Changes in assumptions	407,263	-
Net difference between projected and actual earnings on pension plan investments	1,729,753	-
Change in proportionate share	-	128,269
Contributions subsequent to measurement date	198,498	-
Total	<u>\$ 2,817,118</u>	<u>\$ 128,269</u>

\$198,498 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

Year ended June 30:		
2026	\$	1,776,953
2027		2,232,346
2028		(1,120,493)
2029		(398,455)
2030		-
Thereafter		-

For the year ended June 30, 2024, KUB recognized pension expense of \$6,394,757, and the Water Division's share was \$911,853.

The impact of experience gains or losses and assumptions changes on the Total Pension Liability are recognized in the pension expense over the average expected remaining service life of all active and inactive members, determined as of the beginning of the measurement period. As of December 31, 2022, this average was four years. During the measurement year, there was a liability experience loss of \$2,092,475, with \$523,119 of that recognized in the current year and each of the next three years, resulting in a deferred outflow of \$1,569,356. Unrecognized liability experience losses from prior periods were \$1,951,216, of which \$940,357 was recognized as an increase in Pension Expense in the current year and resulted in a deferred outflow of \$1,010,859. The combination of unrecognized liability experience losses this year, along with unrecognized liability experience losses from prior periods, results in a deferred outflow of \$2,580,215 (Division's share \$458,470). Unrecognized liability gains from prior periods were \$210,825, of which \$210,825 was recognized as a decrease in Pension Expense in the current year and resulted in a deferred inflow of \$0.

During the measurement year, there were no benefit changes or assumption changes. Net unrecognized assumption change losses from prior periods were \$5,646,136, of which \$3,011,800

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was recognized as an increase in Pension Expense in the current year and resulted in a net deferred outflow of \$2,634,336 (Division's share \$468,087).

The impact of investment gains or losses is recognized over a period of five years. During the measurement year, there was an investment gain of \$20,099,370, of which \$4,019,874 was recognized in the current year and will be recognized in each of the next four years. Net unrecognized investment losses from prior periods were \$39,628,509, of which \$1,043,676 was recognized as an increase in Pension Expense in the current year. The combination of unrecognized investment gains this year, along with net unrecognized investment losses from prior periods, results in a deferred outflow of \$22,505,337 (Division's share \$3,998,906).

The impact of the change in proportionate share for the Water Division during the measurement period is recognized over the average future working life of the Plan's active and inactive members, which is four years. This change resulted in a deferred inflow of \$74,845, with \$18,712 of that recognized in the current year and the remaining amount recognized over the next three years, resulting in a deferred inflow of resources of \$56,133. Net proportionate share changes from prior periods were \$476,174, of which \$205,702 was recognized in the current year, resulting in a deferred inflow of resources of \$270,472. In addition, KUB's Water Division recorded a deferred outflow of resources of \$98,451 for employer contributions made between December 31, 2023, and June 30, 2024.

The table below summarizes the current balances of deferred outflows and deferred inflows of resources of the Water Division.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 458,470	\$ -
Changes in assumptions	468,087	-
Net difference between projected and actual earnings on pension plan investments	3,998,906	-
Change in proportionate share	-	326,605
Contributions subsequent to measurement date	98,451	-
Total	<u>\$ 5,023,914</u>	<u>\$ 326,605</u>

13. Qualified Excess Benefit Arrangement

Description

In fiscal year 2017, KUB implemented a qualified governmental excess benefit arrangement (QEBA) under IRC section 415(m), which was created by Congress to allow the payment of pension benefits that exceed the IRC section 415(b) limits (and therefore cannot be paid from a qualified retirement plan). The QEBA is a single employer defined benefit pension plan administered by KUB. The number of participants in any given year for the QEBA is determined by the number of KUB Pension Plan participants who exceed the current year's section 415(b) limitations, as calculated by the KUB Pension Plan actuary. The amount of QEBA benefit will be the amount specified by the terms of the KUB Pension Plan without regard to Section 415(b) limitations minus the amount payable from the KUB Pension Plan as limited by Section 415(b). QEBA benefits are subject to cost-of-living adjustments.

As of June 30, 2025, there are 341 active employees eligible for the KUB Pension Plan who are potentially eligible to receive QEBA benefits. The KUB Pension Plan was closed effective January

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1, 2011, such that persons employed or re-employed by KUB on or after January 1, 2011, are not eligible to participate, but that eligible employees hired prior to January 1, 2011, who have not separated from service, shall continue as Participants and accrue benefits under the KUB Pension Plan. The KUB Pension Plan was amended to include the provision of QEBA benefits; therefore, amendments to the QEBA require the same authority as amendments to the KUB Pension Plan. As required by federal tax law, the QEBA is unfunded within the meaning of the federal tax laws. KUB may not pre-fund the QEBA to cover future liabilities beyond the current year. KUB has established procedures to pay for these benefits on a pay-as-you-go basis. There are no assets accumulated in a trust that meets the GASB's criteria.

Total Pension Liability of the QEBA

The below summarizes the disclosures of GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* ("GASB 73"). GASB 73 extends a similar approach of financial reporting to plans meeting specific criteria that are not administered through trusts that GASB 68 established for pension plans. GASB 73 requires measurement of the total pension liability of the QEBA. The amounts reported as of June 30 must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2025, and 2024, are based on a December 31, 2024, and 2023, measurement date, respectively. The total pension liability of the QEBA is \$21,226 (Division's share \$2,972) as of June 30, 2025, and \$0 as of June 30, 2024.

GASB 73 requires certain disclosures related to the total pension liability of the QEBA, as disclosed below:

	2024	2023
Total pension liability	\$21,226	\$0
Deferred outflows	(14,151)	(2,051)
Deferred inflows	-	1,704
Net impact on Statement of Net Position	<u>\$7,075</u>	<u>(\$347)</u>
Covered payroll	\$34,776,504	\$35,604,464
Total pension liability as a % of covered payroll	0.06%	0.00%

Changes in total pension liability of the QEBA are as follows:

	Increase (Decrease)
	Total Pension Liability
Balances at December 31, 2023	\$ -
Changes for the year:	
Service cost	-
Interest	-
Changes of Benefits	-
Differences between Expected and Actual Experience	21,226
Changes of Assumptions	-
Benefit payments	-
Net changes	<u>21,226</u>
Balances at December 31, 2024	<u>\$ 21,226</u>

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Actuarial Assumptions

The total pension liability was determined by an actuarial valuation, using the following actuarial assumptions applied to all periods included in the measurement:

Valuation dates	January 1, 2024, rolled forward to December 31, 2024
Actuarial cost method	Individual entry age
Discount rate	4.08% at January 1, 2024
Salary increases	From 2.50% to 8.50%, based on years of service
Mortality	115% and 110% of the PubG-2010 table for males and females, respectively, using the benefits-weighted Public Sector General Healthy Annuitant Mortality Table for ages 50 and older and the benefits-weighted Public Sector General Employee Table for ages under 50, both projected from the 2010 base rates using scale MP-2021, fully generational as of December 31, 2024
Inflation	2.50%

Discount rate

The QEBA is not funded. In accordance with paragraph 31 of GASB 73, the discount rate is based on the Bond Buyer 20-Bond GO index. This rate was 4.08% at December 31, 2024.

Sensitivity of the total pension liability to changes in the discount rate

The following presents the total pension liability of the QEBA as of December 31, 2024, calculated using the discount rate of 4.08 percent, as well as what the QEBA's liability would be if it were calculated using a discount rate that is one percent lower (3.08 percent) or one percent higher (5.08 percent) than the current rate.

	1% Decrease (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08%)
QEBA's total pension liability	\$ 24,131	\$ 21,226	\$ 18,639

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2025, KUB recognized pension expense of \$7,422 (Division's share \$1,036) for the QEBA. This amount is not expected to be the same as KUB's contribution to the QEBA (\$-), but instead represents the change in the net impact on KUB's Statement of Net Position plus employer contributions [\$7,075 – (\$347)+ \$-].

The impact of experience gains or losses and assumption changes on the total pension liability are recognized in the pension expense over the average expected remaining service life of all active and inactive members, determined as of the beginning of the measurement period. As of December 31, 2023, this average was three years.

During the measurement year, there was an experience loss of \$21,226 with \$7,075 recognized in the current year and the remaining deferred outflow of \$14,151 (Division's share \$1,981) to be recognized over the next two years. Unrecognized experience losses from prior periods were \$2,033, with the full amount recognized as an increase in pension expense in the current year. Unrecognized experience gains from prior periods were \$1,704, with the full amount recognized as a decrease in pension expense in the current year.

Unrecognized assumption change losses from prior periods were \$19, with the full amount recognized as an increase in pension expense in the current year.

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The following table summarizes the current balances of deferred outflows and deferred inflows of resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 14,151	\$ -
Changes in assumptions	-	-
Total	<u>\$ 14,151</u>	<u>\$ -</u>
Division's share	<u>\$ 1,981</u>	<u>\$ -</u>

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

Year ended June 30:

2026	\$ 7,075
2027	7,076
2028	-
2029	-
2030	-
Thereafter	-

For the year ended June 30, 2024, KUB recognized pension expense of \$3,024 (Division's share \$393) for the QEBA. This amount is not expected to be the same as KUB's contribution to the QEBA (\$-), but instead represents the change in the net impact on KUB's Statement of Net Position plus employer contributions [(\$347) – (\$3,371) + \$-].

The impact of experience gains or losses and assumption changes on the total pension liability are recognized in the pension expense over the average expected remaining service life of all active and inactive members, determined as of the beginning of the measurement period. As of December 31, 2020, this average was four years. There was a deferred inflow at the end of the measurement year of \$1,717 (Division's share \$222) from experience gains in prior years and a deferred outflow of \$2,033 (Division's share \$264) from experience losses in prior years.

There was a deferred outflow of \$18 (Division's share \$3) from assumption changes in prior years.

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The following table summarizes the current balances of deferred outflows and deferred inflows of resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,033	\$ 1,717
Changes in assumptions	18	-
Total	<u>\$ 2,051</u>	<u>\$ 1,717</u>
Division's share	<u>\$ 267</u>	<u>\$ 222</u>

14. Defined Contribution Plan

The KUB Asset Accumulation 401(k) Plan (the "401(k) Plan") is a defined contribution 401(k) employee retirement savings plan covering eligible KUB employees established by the KUB Board of Commissioners in accordance with the Charter of the City of Knoxville, Tennessee. The 401(k) plan's assets are held in trust under an agreement between KUB and Fidelity Management Trust Company. Employees hired prior to January 1, 2011, may participate and receive a matching contribution of 50 percent of their own contribution up to a maximum match of three percent. Employees hired on or after January 1, 2011, have an enhanced 401(k) due to the closure of the Defined Benefit Pension Plan. They may participate and receive a matching contribution of 50 percent of their own contribution up to a maximum match of three percent. They also receive a non-elective KUB contribution of three percent to six percent, depending on years of service, whether they contribute or not.

KUB funded 401(k) matching contributions and non-elective contributions of \$4,799,996 (Division's share \$672,000) and \$3,909,598 (Division's share \$508,248), respectively, for the years ended June 30, 2025, and 2024.

Vesting

Participants are immediately vested in their own contributions to the Plan, plus actual earnings on these contributions. Participants become 100% vested and entitled to the full value of their account, less any loans outstanding, upon death or disability or upon retirement after attaining their normal retirement age (first of the month coinciding with or following attainment of age 62).

Otherwise, vesting in the KUB matching contribution and non-elective contribution (as applicable) portion of their account plus related earnings are based on years of service and date of hire, as follows:

Participants hired prior to January 1, 2011 are 100% vested in the KUB matching contribution portion of their account.

Participants hired by KUB after December 31, 2010 are vested in the KUB matching and non-elective contribution portion of their account as follows:

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<u>Years of Service</u>	<u>Vested Percentage</u>
Less than 2 years	0%
2	20%
3	40%
4	60%
5	80%
6 or more	100%

Forfeitures

Forfeitures are created when participants terminate employment before becoming entitled to their full benefits under the Plan. Upon forfeiture, the match and non-elective funds become available to offset Plan expenses. The Plan experienced forfeitures of \$243,630 during calendar year 2024 and \$306,016 during calendar year 2023. Forfeitures of \$271,595 and \$295,955 were used to reduce employer contributions in 2024 and 2023, respectively. The ending balance of forfeited assets in the Plan, including contributions and dividends, totaled \$10,862 and \$37,985 as of December 31, 2024 and 2023, respectively.

15. Other Post-Employment Benefits (OPEB)

Description of Trust

The Knoxville Utilities Board Other Post-Employment Benefits Trust (the Trust) is a single employer trust established by the KUB Board of Commissioners through Resolution No. 1168, as amended, dated October 18, 2007. The Trust, along with the KUB Health Plan, make up a Voluntary Employee Beneficiary Association ("VEBA") and are intended to be tax-exempt pursuant to Code §501(c)(9). The purpose of the Trust is to fund KUB's post-employment health care plan (the "Plan"), which provides certain medical benefits for qualifying KUB retirees and beneficiaries. The applicable documentation was submitted to the State Funding Board and, in December 2007, the State Funding Board approved the Trust. The Trust was also approved by the Internal Revenue Service in June 2008. KUB administers the Trust through a Board of Trustees consisting of seven KUB employees that are appointed by KUB's President and CEO. Any amendments to the Trust involving costs not approved in the operating budget must be approved by KUB's Board of Commissioners, upon recommendation by KUB's President and CEO. All other amendments to the Trust may be approved by KUB's President and CEO upon 60 days notification to the Board's Audit and Finance Committee. The investment of all deposits to the Trust is governed by an Investment Policy, which was adopted by the KUB Board and approved by the State Funding Board. The Trust issues a financial report, which includes financial statements and required supplementary information. The report may be obtained by writing the Knoxville Utilities Board Retirement System, P.O. Box 59017, Knoxville, TN 37950-9017. For purposes of this disclosure, presentation is on a consolidated basis unless division's share is specified.

Effective January 1, 2022, the Plan was expanded to two benefit offerings. Employees with a benefit service date prior to July 1, 1999, will continue to be eligible for the Retiree Medical Benefit, while those with a later benefit service date will participate in a new Retiree Health Reimbursement Arrangement (HRA), given that each eligible employee meets the "Rule of 80", the sum of age and at least 20 years of qualified service equal to or exceeding 80, at retirement.

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June 30, 2025 and 2024

Participants in the Plan consisted of the following as of June 30:

	HRA		Retiree Medical Benefit	
	2025	2024	2025	2024
Retirees	16	9	707	722
Dependents of retirees	16	7	385	401
Eligible active employees	1,109	1,127	128	144
Total	1,141	1,143	1,220	1,267

Benefits

Benefits for pre-July 1, 1999, eligible participants may include, but shall not be limited to, medical, prescription drugs, dental, vision, hearing, Medicare Part B or Part D premiums, life insurance, long-term care, and long-term disability. Post-July 1, 1999, eligible participants are eligible for HRA benefits which include up to \$50,000 to be used exclusively for reimbursement of qualified medical expenses of the retiree and his or her spouse and dependents. Any unused HRA amounts will remain assets of the OPEB Trust.

Contributions and Funding

The primary goal of the Funding Policy for the Trust is to document the method KUB has adopted to provide assurance that future KUB and retiree contributions and current Trust assets will be sufficient to fund all benefits expected to be paid to Trust beneficiaries. Per the Funding Policy, KUB's current practice is to fully fund its annual Actuarially Determined Contribution, which is determined by actuarial valuation.

Contributions are authorized by the terms of the Trust as established by KUB Resolution No. 1168, as amended, as approved by the Tennessee State Funding Board. KUB shall have the right at any time to amend, in whole or in part, the provisions of this Trust; however, no such amendment shall authorize or permit the assets of the Trust to be used for or diverted to purposes other than those expressed in the Declaration of Trust.

It shall be the sole and exclusive responsibility of KUB to determine the level of contributions KUB will make to the Trust for the purpose of financing other post-employment benefits accrued by its respective participants. Neither the Trust, nor the Trust's Board, shall be responsible for collecting or otherwise determining the level of contributions needed by KUB to finance any other post-employment benefits offered by KUB. The assets of the Trust shall be expended solely to make payments for other post-employment benefits pursuant to, and in accordance with, the terms of the Trust and to pay the cost of administration.

Based on the date of retirement, certain retired members are required to contribute specified amounts monthly to maintain health insurance. Those who retired prior to July 1983 have no required monthly premiums for themselves or dependents. The retirees, or their surviving dependents, who retired between August 1983 and January 1998 are required to pay \$275 per month for pre-Medicare family health insurance. For individuals who retired after January 1998, the required monthly premium for pre-Medicare health insurance is \$275 for single coverage and \$550 for family coverage. There is currently no premium for Medicare eligible retirees or dependents. KUB is responsible for determining the level of retired plan member contributions on an annual basis as part of its review of healthcare cost sharing.

Participants in the Health Reimbursement Arrangement are not eligible for health insurance and are not required to make contributions.

Knoxville Utilities Board Water Division

Notes to Financial Statements

June 30, 2025 and 2024

Investments

The Trust holds investments in a balanced fund, which invests in passively managed common trust index funds, managed and sponsored by State Street Global Advisors (SSgA), with an asset allocation mirroring the asset allocation of the Trust and rebalanced monthly. The Trust's Investment Policy was established and may only be amended by the KUB Board of Commissioners. The Trust's Investment Policy is to invest in a manner that will provide sufficient investment return to meet current and future retiree health benefits, while conforming to all governing State and Federal statutes. It allows investment of Trust assets in any type of security instrument allowed for in T.C.A 8-50-1203.

The following was the Trust's adopted investment target allocations as set forth in the Trust's Investment Policy as of June 30, 2025:

Asset Class	Target Allocation
Domestic Equity:	
Large Cap	30%
Small Cap	8%
International Equity:	
Developed	16%
Emerging	8%
Real Estate Equity	8%
Debt Securities	30%
Total	100%

Actuarially determined contributions for the Water Division of \$214,738 and \$205,029 were made to the OPEB Trust in fiscal years ended June 30, 2025 and 2024, respectively. These were based on the OPEB actuarial valuations as of January 1, 2023, and 2022.

Net OPEB Liability

The below summarizes the disclosures of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75"), which requires measurement of the net OPEB liability as total OPEB liability less the amount of the Trust's fiduciary net position. The amounts reported as of June 30 are based on the reporting date for the KUB Other Post-Employment Benefits Plan which is June 30. Measurements as of the reporting date are based on the fair value of assets as of June 30, 2025, and 2024, and the Total OPEB Liability as of the valuation date, January 1, 2024, updated to June 30, 2025, and January 1, 2023, updated to June 30, 2024, respectively. The Division's share of the total net OPEB liability was \$891,811 as of June 30, 2025, and \$1,617,952 as of June 30, 2024.

The components of the net OPEB liability of the Trust are as follows as of June 30:

	2025	2024
Total OPEB liability	\$ 60,675,101	\$ 61,042,928
Plan fiduciary net position	55,359,297	51,669,855
Net OPEB liability	\$ 5,315,804	\$ 9,373,073
Plan fiduciary net position as a percentage of the total OPEB liability	91.24%	84.65%

Knoxville Utilities Board Water Division

Notes to Financial Statements

June 30, 2025 and 2024

Changes in Net OPEB Liability are as follows:

	Total OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2024	\$ 61,042,928	\$ 51,669,855	\$ 9,373,073
Changes for the year:			
Service cost	506,802	-	506,802
Interest	4,176,096	-	4,176,096
Changes of Benefits	-	-	-
Differences between Expected and Actual Experience	(154,501)	-	(154,501)
Changes of Assumptions	(1,302,021)	-	(1,302,021)
Contributions - employer	-	1,279,985	(1,279,985)
Contributions - member	-	-	-
Net investment income	-	6,084,906	(6,084,906)
Benefit payments	(3,594,203)	(3,594,203)	-
Administrative expense	-	(81,246)	81,246
Net changes	(367,827)	3,689,442	(4,057,269)
Balances at June 30, 2025	\$ 60,675,101	\$ 55,359,297	\$ 5,315,804

Actuarial assumptions

The total OPEB liability was determined by actuarial valuations, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation dates:	January 1, 2024, rolled forward to June 30, 2025; January 1, 2023, rolled forward to June 30, 2024
Discount rate:	7.00% as of June 30, 2025 and June 30, 2024
Healthcare cost trend rates:	<i>Pre-Medicare</i> : 8.00% grading down to 3.935% over 20 years as of June 30, 2025; 5.75% grading down to 3.935% over 20 years as of June 30, 2024 <i>Medicare</i> : 6.00% grading down to 3.935% over 20 years as of June 30, 2025; 11.30% grading down to 3.935% over 20 years as of June 30, 2024 <i>Administrative expenses</i> : 3.0% per year
Salary increases:	From 2.50% to 8.50%
Mortality:	115% and 110% of the benefits-weighted Public Sector General Healthy Annuitant Mortality Table (PubG-2010) respectively for males and females, using the Public Sector General Employee Table (PubG-2010) for ages prior to the start of the Healthy Annuitant Mortality Table, both projected using scale MP-2021 fully generational
Inflation:	2.50%

The actuarial assumptions used in the January 1, 2024 valuation were based on the results of an actuarial experience study for the period January 1, 2019 through December 31, 2023. The

Knoxville Utilities Board Water Division

Notes to Financial Statements

June 30, 2025 and 2024

January 1, 2023 valuation assumptions were based on the results of actuarial experience study for the periods January 1, 2014, through December 31, 2018.

The long-term expected rate of return on Trust investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Trust investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The long-term expected rate of return may be lower in periods of current strong performance due to future valuations that mean revert to the long-term average. Best estimates of arithmetic real rates of return for each major asset class included in the Trust's target asset allocation (see the discussion of the Trust's Investment Policy) are summarized in the chart below.

Asset Class	Long Term Expected Real Rate of Return	
	2025	2024
Domestic equity	6.0%	5.4%
International equity	6.4%	6.1%
Emerging Market equity	7.3%	7.8%
Real estate equity	6.3%	5.5%
Debt securities	2.4%	2.3%
Cash and deposits	0.9%	0.9%

Discount rate

The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2025 and June 30, 2024. The projection of cash flows used to determine the discount rate assumed that participant contributions will be made at the current contribution rate and that KUB contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the Trust's fiduciary net position was projected to be available to make all projected future benefit payments. Therefore, the long-term expected rate of return on Trust investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the net OPEB liability to changes in the discount rate.

The following presents the net OPEB liability of the Trust as of June 30, 2025, calculated using the discount rate of 7.00 percent, as well as what the Trust's net OPEB liability would be if it were calculated using a discount rate that is one percent lower (6.00 percent) or one percent higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB liability	\$10,974,569	\$5,315,804	\$512,532

Knoxville Utilities Board Water Division

Notes to Financial Statements

June 30, 2025 and 2024

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates.

The following presents the net OPEB liability of the Trust as of June 30, 2025, as well as what the Trust's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percent lower or one percent higher than the current rate:

	1% Decrease	Baseline Trends	1% Increase
Net OPEB liability	\$435,302	\$5,315,804	\$10,948,243

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2025, KUB's Water Division recognized OPEB expense of \$92,651.

The impact of liability experience gains or losses and assumption changes on the Total OPEB Liability are recognized in the OPEB expense over the average expected remaining service life of all active and inactive members of the OPEB Plan. As of the beginning of the measurement period, this average was seven years. During the measurement year, there was an experience gain of \$154,501, with \$22,072 of that recognized in the current year. The remaining amount will be recognized over the next six years, resulting in a deferred inflow of resources of \$132,429 (Division's share \$22,217). Unrecognized experience losses from prior periods were \$587,407, of which \$100,703 is recognized as an increase in OPEB expense in the current year, resulting in a deferred outflow of resources of \$486,704 (Division's share \$81,652).

During the measurement year, there were no benefit changes.

During the measurement year, there was an assumption change gain of \$1,302,021, with \$186,003 of that recognized in the current year. The remaining amount will be recognized over the next six years, resulting in a deferred inflow of resources of \$1,116,018. Unrecognized assumption change gains from prior period were \$1,801,872, of which \$300,312 was recognized as a decrease in OPEB expense in the current year and resulted in a deferred inflow of resources of \$1,501,560. The combination of unrecognized assumption change gains this year, along with unrecognized assumption change gains from prior periods, results in a deferred inflow of resources of \$2,617,578 (Division's share \$439,141). Unrecognized assumption losses from prior periods were \$1,805,588, of which \$361,118 is recognized as an increase in OPEB expense in the current year, resulting in a deferred outflow of \$1,444,470 (Division's share \$242,333).

The impact of investment gains or losses is recognized over a period of five years. During the measurement year, there was an investment gain of \$2,550,439, of which \$510,088 was recognized in the current year and will be recognized in each of the next four years, resulting in a deferred inflow of resources of \$2,040,351. Net unrecognized investment losses from prior periods were \$496,150, of which \$140,457 was recognized as an increase in OPEB expense in the current year, resulting in a net deferred outflow of \$636,607. The combination of unrecognized gains and losses from the current year and prior periods results in a deferred inflow of resources of \$1,403,744 (Division's share \$235,500).

The impact of the change in proportionate share for the Water Division during the measurement period is recognized over the average future working life of the Plan's active and inactive members, which is seven years. This change resulted in a deferred inflow of \$40,195, with \$5,742 of that recognized in the current year and the remaining amount recognized over the next six years, resulting in a deferred inflow of resources of \$34,453. Net proportionate share changes from prior periods were \$54,190, with \$9,046 of that recognized in the current year resulting in a deferred

Knoxville Utilities Board Water Division

Notes to Financial Statements

June 30, 2025 and 2024

outflow of resources of \$45,144. The table below summarizes the current balances of deferred outflows and deferred inflows of resources for the Water Division.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 81,652	\$ 22,217
Changes in assumptions	242,333	439,141
Net difference between projected and actual earnings on OPEB plan investments	-	235,500
Change in proportionate share	45,144	34,453
Total	<u>\$ 369,129</u>	<u>\$ 731,311</u>

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:

2026	\$ 207,517
2027	(202,382)
2028	(168,585)
2029	(90,087)
2030	(67,995)
Thereafter	(40,650)

For the year ended June 30, 2024, KUB's Water Division recognized OPEB expense of \$358,007.

The impact of liability experience gains or losses and assumption changes on the Total OPEB Liability are recognized in the OPEB expense over the average expected remaining service life of all active and inactive members of the OPEB Plan. As of the beginning of the measurement period, this average was seven years. During the measurement year, there was an experience loss of \$587,252, with \$83,893 of that recognized in the current year. The remaining amount will be recognized over the next six years, resulting in a deferred outflow of resources of \$503,359. Unrecognized experience losses from prior periods were \$100,858, of which \$16,810 is recognized as an increase in OPEB expense in the current year, resulting in a deferred outflow of resources of \$84,048. The combination of unrecognized experience gains or losses results in a deferred outflow of resources of \$587,407 (Division's share \$101,397).

During the measurement year, there was a benefit change gain of \$164,746. The entire amount was recognized as a decrease in OPEB expense in the current year.

During the measurement year, there was an assumption change gain of \$2,102,184, with \$300,312 of that recognized in the current year. The remaining amount will be recognized over the next six years, resulting in a deferred inflow of resources of \$1,801,872 (Division's share \$311,034). Unrecognized assumption losses from prior periods were \$2,166,706, of which \$361,118 is recognized as an increase in OPEB expense in the current year, resulting in a deferred outflow of \$1,805,588 (Division's share \$311,675).

The impact of investment gains or losses is recognized over a period of five years. During the measurement year, there was an investment gain of \$2,339,599, of which \$467,920 was recognized in the current year and will be recognized in each of the next four years, resulting in a

Knoxville Utilities Board Water Division
Notes to Financial Statements
June 30, 2025 and 2024

deferred inflow of resources of \$1,871,679. Net unrecognized investment losses from prior periods were \$3,211,114, of which \$843,284 was recognized as an increase in OPEB expense in the current year, resulting in a net deferred outflow of \$2,367,829. The combination of unrecognized gains and losses from the current year and prior periods results in a deferred outflow of resources of \$496,150 (Division's share \$85,644).

The impact of the change in proportionate share for the Water Division during the measurement period is recognized over the average future working life of the Plan's active and inactive members, which is seven years. This change resulted in a deferred outflow of \$62,723, with \$8,960 of that recognized in the current year and the remaining amount recognized over the next six years, resulting in a deferred outflow of resources of \$53,763. Net proportionate share changes from prior periods were \$513, with \$86 of that recognized in the current year resulting in a deferred outflow of resources of \$427. The table below summarizes the current balances of deferred outflows and deferred inflows of resources for the Water Division.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 101,397	\$ -
Changes in assumptions	311,675	311,034
Net difference between projected and actual earnings on OPEB plan investments	85,644	-
Change in proportionate share	54,190	-
Total	<u>\$ 552,906</u>	<u>\$ 311,034</u>

16. Related Party Transactions

The Division, in the normal course of operations, is involved in transactions with the City of Knoxville and with other divisions of KUB. Such transactions for the years ended June 30, 2025, and 2024, are summarized as follows:

	2025	2024
City of Knoxville		
Amounts billed by the Division for utilities and related services	\$ 6,102,680	\$ 5,743,179
Payments by the Division in lieu of property tax	2,777,013	3,629,904
Payments by the Division for services provided	12,853	360,977
Grant expenditures incurred	-	7,581,000
Other divisions of KUB		
Amounts billed to other divisions for utilities and related services provided	583,337	605,627
Interdivisional rental expense	460,382	490,554
Interdivisional rental income	240,269	214,872
Amounts billed to the Division by other divisions for utilities services provided	4,180,334	3,738,234

Knoxville Utilities Board Water Division

Notes to Financial Statements

June 30, 2025 and 2024

With respect to these transactions, accounts receivable from the City of Knoxville included in the balance sheet at year end were as follows:

	2025	2024
Accounts receivable	\$ 475,454	\$ 476,778
Amounts eligible for reimbursement from grants	-	5,518,000

17. Other Commitments and Contingencies

In the normal course of business, there are various lawsuits pending against KUB. Management has reviewed these lawsuits with counsel, who is vigorously defending KUB's position and is of the opinion that the ultimate disposition of these matters will not have a material adverse effect on KUB's financial position, results of operations, or cash flows.

Knoxville Utilities Board Water Division

Required Supplementary Information – Schedule of Changes in Net Pension Liability and Related Ratios

June 30, 2025

	Year ended December 31									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability										
Service cost	\$ 7,764,986	\$ 8,221,181	\$ 6,349,402	\$ 6,647,220	\$ 5,227,657	\$ 6,142,213	\$ 5,095,488	\$ 4,607,486	\$ 4,226,985	\$ 4,157,062
Interest	18,573,527	17,868,490	17,430,465	16,982,226	16,393,202	16,030,626	15,344,193	15,015,282	14,966,559	14,812,784
Changes of benefit terms	-	-	-	-	-	163,199	-	-	-	-
Differences between expected and actual experience	2,346,811	2,092,475	282,014	1,935,276	1,930,170	(1,054,117)	(605,649)	(1,087,161)	(2,233,762)	(1,890,334)
Changes of assumptions	1,425,345	-	5,268,672	-	-	8,473,160	-	(357,633)	(2,932,883)	-
Benefit payments, including refunds of member contributions	(19,432,811)	(19,237,834)	(17,125,610)	(17,725,963)	(16,006,565)	(15,094,475)	(15,274,814)	(14,969,979)	(14,138,511)	(15,350,926)
Net change in total pension liability	10,677,858	8,944,312	12,204,943	7,838,759	7,544,464	14,660,606	4,559,218	3,207,995	(111,612)	1,728,586
Total pension liability - beginning	263,351,035	254,406,723	242,201,780	234,363,021	226,818,557	212,157,951	207,598,733	204,390,738	204,502,350	202,773,764
Total pension liability - ending (a)	\$ 274,028,893	\$ 263,351,035	\$ 254,406,723	\$ 242,201,780	\$ 234,363,021	\$ 226,818,557	\$ 212,157,951	\$ 207,598,733	\$ 204,390,738	\$ 204,502,350
Plan fiduciary net position										
Contributions - employer	\$ 1,659,187	\$ 1,866,261	\$ 3,144,770	\$ 3,416,428	\$ 2,876,752	\$ 2,871,241	\$ 3,456,475	\$ 4,286,597	\$ 5,243,146	\$ 5,991,887
Contributions - participants	4,971,148	5,752,609	3,812,595	3,939,687	2,284,727	3,170,825	2,081,125	1,488,632	555,075	487,546
Net investment income	28,540,651	35,927,438	(63,493,985)	37,575,566	44,814,914	49,938,315	(11,748,396)	32,360,219	13,788,263	(95,430)
Other additions	738	4,568	9,415	112,484	7,740	13,579	62,616	82,239	45,848	30,879
Benefit payments, including refunds of member contributions	(19,400,811)	(19,193,834)	(17,065,610)	(17,653,963)	(15,962,565)	(15,030,475)	(15,174,814)	(14,895,979)	(14,044,511)	(15,274,926)
Administrative expense	(662,847)	(602,078)	(498,988)	(441,017)	(455,191)	(467,748)	(445,916)	(385,282)	(441,332)	(397,160)
Death benefits	(32,000)	(44,000)	(60,000)	(72,000)	(44,000)	(64,000)	(100,000)	(74,000)	(94,000)	(76,000)
Net change in plan fiduciary net position**	15,076,066	23,710,964	(74,151,803)	26,877,185	33,522,377	40,431,737	(21,868,910)	22,862,426	5,052,489	(9,333,204)
Plan fiduciary net position - beginning**	255,898,655	232,187,691	306,339,494	279,462,309	245,939,932	205,508,195	227,377,105	204,514,679	199,462,190	208,795,394
Plan fiduciary net position - ending (b)**	\$ 270,974,721	\$ 255,898,655	\$ 232,187,691	\$ 306,339,494	\$ 279,462,309	\$ 245,939,932	\$ 205,508,195	\$ 227,377,105	\$ 204,514,679	\$ 199,462,190
Plan's net pension liability - ending (a) - (b)	\$ 3,054,172	\$ 7,452,380	\$ 22,219,032	\$ (64,137,714)	\$ (45,099,288)	\$ (19,121,375)	\$ 6,649,756	\$ (19,778,372)	\$ (123,941)	\$ 5,040,160
Plan fiduciary net position as a percentage of the total pension liability	98.89%	97.17%	91.27%	126.48%	119.24%	108.43%	96.87%	109.53%	100.06%	97.54%
Covered payroll	\$ 34,776,504	\$ 35,604,464	\$ 37,412,132	\$ 38,074,863	\$ 41,524,273	\$ 40,276,197	\$ 42,150,040	\$ 43,309,374	\$ 44,437,747	\$ 44,446,743
Plan's net pension liability as a percentage of covered payroll	8.78%	20.93%	59.39%	(168.45%)	(108.61%)	(47.48%)	15.78%	(45.67%)	(0.28%)	11.34%

Notes to Schedule:

** Excludes amounts related to 401(k) matching contributions.

See accompanying Independent Auditor's Report

Knoxville Utilities Board Water Division

Required Supplementary Information – Schedule of Employer Pension Contributions

June 30, 2025

	Year ended December 31									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 1,659,187	\$ 1,866,261	\$ 3,144,770	\$ 3,416,428	\$ 2,876,752	\$ 2,871,241	\$ 3,456,475	\$ 4,286,597	\$ 5,243,146	\$ 5,991,887
Contribution in relation to the actuarially determined contribution	1,659,187	1,866,261	3,144,770	3,416,428	2,876,752	2,871,241	3,456,475	4,286,597	5,243,146	5,991,887
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 34,776,504	\$ 35,604,464	\$ 37,412,132	\$ 38,074,863	\$ 41,524,273	\$ 40,276,197	\$ 42,150,040	\$ 43,309,374	\$ 44,437,747	\$ 44,446,743
Contributions as a percentage of covered payroll	4.77%	5.24%	8.41%	8.97%	6.93%	7.13%	8.20%	9.90%	11.80%	13.48%

Notes to Schedule:

Timing: Actuarially determined contributions for a Plan year are based upon 50% of the amounts determined at the actuarial valuations for each of the two prior Plan years.

Valuation Dates: January 1, 2023 and January 1, 2022

Key methods and assumptions used to determine contribution rates:

Actuarial cost method: Individual entry age

Asset valuation method: 5-year smoothed market, adjusted to remain within 20% of the market value

Amortization method: As of January 1, 2023: Level dollar, 30-year closed period with 18 years remaining, or a level dollar, 30-year open period for a negative unfunded liability
As of January 1, 2022: Level dollar, 30-year closed period with 19 years remaining, or a level dollar, 30-year open period for a negative unfunded liability
As of January 1, 2023 and 2022, the unfunded liability was negative.

Discount rate: 7.00% as of January 1, 2023; 7.25% as of January 1, 2022

Salary increases: 2.50% to 5.65%, based on years of service

Mortality: 115% and 110% of the benefits-weighted Public Sector General Healthy Annuitant Mortality Table (PubG-2010), respectively, for males and females, using the Public Sector General Employee Table while in active employment and for annuitant ages prior to the start of the Healthy Annuitant Mortality Table, both projected from the 2010 base rates using scale MP2018 fully generational

Inflation: 2.5%

Please refer to prior year's audited financial statements for prior methods and assumptions.

See accompanying Independent Auditor's Report

Knoxville Utilities Board Water Division

Required Supplementary Information – Schedule of Changes in Net OPEB Liability and Related Ratios

June 30, 2025

	2025	2024	2023	*Year ended June 30 2022	2021	2020	2019	2018
Total OPEB liability								
Service cost	\$ 506,802	\$ 615,753	\$ 595,392	\$ 416,277	\$ 283,786	\$ 256,270	\$ 270,515	\$ 202,603
Interest	4,176,096	4,256,122	4,133,008	3,858,276	3,861,304	3,672,291	3,624,737	3,295,240
Change of benefit terms	-	(164,746)	-	6,594,293	-	(202,408)	-	-
Differences between expected and actual experience	(154,501)	587,252	117,668	60,951	42,802	43,902	999,098	1,324,769
Changes of assumptions	(1,302,021)	(2,102,184)	2,527,824	-	(4,105,835)	3,604,843	3,231,601	(397,180)
Benefit payments	(3,594,203)	(3,786,371)	(4,273,070)	(3,908,635)	(3,111,179)	(3,028,596)	(3,532,444)	(3,298,739)
Net change in total OPEB liability	(367,827)	(594,174)	3,100,822	7,021,162	(3,029,122)	4,346,302	4,593,507	1,126,693
Total OPEB liability - beginning	61,042,928	61,637,102	58,536,280	51,515,118	54,544,240	50,197,938	45,604,431	44,477,738
Total OPEB liability - ending (a)	\$ 60,675,101	\$ 61,042,928	\$ 61,637,102	\$ 58,536,280	\$ 51,515,118	\$ 54,544,240	\$ 50,197,938	\$ 45,604,431
Plan fiduciary net position								
Contributions - employer	\$ 1,279,985	\$ 1,187,768	\$ 1,413,392	\$ 1,989,066	\$ 757,226	\$ 311,324	\$ -	\$ -
Net investment income	6,084,906	5,656,390	4,333,538	(8,122,417)	12,890,602	975,155	2,981,928	3,705,473
Benefit payments	(3,594,203)	(3,786,371)	(4,273,070)	(3,908,635)	(3,111,179)	(3,028,596)	(3,532,444)	(3,298,739)
Administrative expense	(81,246)	(94,379)	(101,186)	(71,187)	(44,496)	(53,286)	(54,787)	(51,668)
Net change in plan fiduciary net position	3,689,442	2,963,408	1,372,674	(10,113,173)	10,492,153	(1,795,403)	(605,303)	355,066
Plan fiduciary net position - beginning	51,669,855	48,706,447	47,333,773	57,446,946	46,954,793	48,750,196	49,355,499	49,000,433
Plan fiduciary net position - ending (b)	\$ 55,359,297	\$ 51,669,855	\$ 48,706,447	\$ 47,333,773	\$ 57,446,946	\$ 46,954,793	\$ 48,750,196	\$ 49,355,499
Net OPEB liability (asset) - ending (a) - (b)	\$ 5,315,804	\$ 9,373,073	\$ 12,930,655	\$ 11,202,507	\$ (5,931,828)	\$ 7,589,447	\$ 1,447,742	\$ (3,751,068)
Plan fiduciary net position as a percentage of the total OPEB liability	91.24%	84.65%	79.02%	80.86%	111.51%	86.09%	97.12%	108.23%
Covered employee payroll**	\$ 89,939,256	\$ 83,596,708	\$ 70,129,341	\$ 73,927,857	\$ 21,578,366	\$ 23,363,536	\$ 24,346,735	\$ 23,677,080
Net OPEB liability (asset) as a percentage of covered employee payroll	5.91%	11.21%	18.44%	15.15%	(27.49%)	32.48%	5.95%	(15.84%)

Notes to Schedule:

* Information not reflected prior to 2018 due to changes in actuary methodologies required under GASB 75, which was implemented in 2018.

** The covered-employee payroll increased in FY 2022 due to the inclusion of plan participants eligible for the HRA benefits.

See accompanying Independent Auditor's Report

Knoxville Utilities Board Water Division

Required Supplementary Information – Schedule of Employer OPEB Contributions

June 30, 2025

	2025	2024	2023	*Year ended June 30 2022	2021	2020	2019	2018
Actuarially determined contribution	\$ 1,279,985	\$ 1,187,768	\$ 1,413,392	\$ 489,066	\$ 757,226	\$ 311,324	\$ -	\$ -
Contribution in relation to the annual required contribution	1,279,985	1,187,768	1,413,392	1,989,066	757,226	311,324	-	-
Contribution deficiency/(excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,500,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll*	\$ 89,939,256	\$ 83,596,708	\$ 70,129,341	\$ 73,927,857	\$ 21,578,366	\$ 23,363,536	\$ 24,346,735	\$ 23,677,080
Contributions as a percentage of covered employee payroll	1.42%	1.42%	2.02%	2.69%	3.51%	1.33%	0.00%	0.00%

* The covered-employee payroll increased in FY 2022 due to the inclusion of plan participants eligible for the HRA benefits.

KUB elected to make a \$1,500,000 voluntary contribution to the Trust to initially fund the HRA benefit which was effective January 1, 2022. This contribution was not required.

Notes to Schedule:

Valuation Date: January 1, 2023 and January 1, 2022
Timing: Actuarially determined contribution rates are calculated based on the actuarial valuation completed 18 months before the beginning of the fiscal year.

Key methods and assumptions used to determine contribution rates:

Actuarial cost method: Entry age normal
Asset valuation method: 5-year smoothed market
Amortization method: 15-year layered amortization bases for annual changes in the unfunded liabilities as of January 1, 2022 and 2023; 30-year rolling amortization for a funding surplus; As of January 1, 2022 and 2023, there was an unfunded liability
Discount rate: 7.25% and 7.00% as of January 1, 2022 and 2023, respectively
Healthcare cost trend rate: Pre-Medicare: 5.75% in 2022 and 5.70% in 2023 grading down to 3.935% in 2042 and beyond using the Getzen trend model
Medicare: 11.30% in 2022 and 7.40% in 2023 grading down to 3.935% in 2042 and beyond using the Getzen trend model
Administrative expenses: 3.0% per year
Salary increases: From 2.50% to 5.65%, based on years of service
Mortality: 115% and 110% of the Public Sector Healthy Annuitant Mortality Table (PubG-2010), respectively for males and females, using the Public Sector General Employee Table (PubG-2010) for ages prior to the start of the Health Annuitant Mortality Table, both projected using scale MP2018 fully generational
Inflation: 2.5%
Investment rate of return: 7.25% and 7.00% as of January 1, 2022 and 2023, respectively
Retirement age: 2% at ages 50-57, grading up to 100% at age 70

* Schedule of Employer Contribution information is not reflected prior to 2018 due to changes in actuary methodologies required under GASB 75, which was implemented in 2018. Please refer to prior year's audited financial statement for prior methods and assumptions.

See accompanying Independent Auditor's Report

Knoxville Utilities Board Water Division
Required Supplementary Information – Qualified Governmental Excess Benefit Arrangement
Schedule of Changes in Total Pension Liability and Related Ratios
June 30, 2025

	*Year ended December 31								
	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total pension liability									
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 941	\$ 584	\$ -
Interest (includes interest on service cost)	-	-	-	268	388	9,181	9,676	7,535	-
Changes of benefit terms	-	-	-	-	-	(218,272)	-	-	185,077
Differences between expected and actual experience	21,226	-	-	(6,816)	10,165	34	(36,125)	13,684	-
Changes of assumptions	-	-	-	-	91	13,342	(22,950)	73,461	-
Benefit payments, including refunds of member contributions	-	-	-	(12,166)	(12,166)	(15,932)	-	-	-
Net change in total pension liability	<u>21,226</u>	<u>-</u>	<u>-</u>	<u>(18,714)</u>	<u>(1,522)</u>	<u>(211,647)</u>	<u>(48,458)</u>	<u>95,264</u>	<u>185,077</u>
Total pension liability - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,714</u>	<u>20,236</u>	<u>231,883</u>	<u>280,341</u>	<u>185,077</u>	<u>-</u>
Total pension liability - ending	<u>\$ 21,226</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,714</u>	<u>\$ 20,236</u>	<u>\$ 231,883</u>	<u>\$ 280,341</u>	<u>\$ 185,077</u>
Covered payroll	\$ 34,776,504	\$ 35,604,464	\$ 37,412,132	\$ 38,074,863	\$ 41,524,273	\$ 40,276,197	\$ 42,150,040	\$ 43,309,374	\$ 44,437,747
Total pension liability as a percentage of covered payroll	0.06%	0.00%	0.00%	0.00%	0.05%	0.05%	0.55%	0.65%	0.42%

Notes to Schedule:

* There are no assets accumulated in a trust that meet the criteria in paragraph 4 of GASB 73 to pay related benefits.

See accompanying Independent Auditor's Report

Knoxville Utilities Board Water Division
Supplemental Information - Schedule of Debt Maturities by Fiscal Year
June 30, 2025

Continued on Next Page

FY	BB-2015		CC-2015		DD-2016		EE-2016		FF-2017		GG-2017		HH-2018	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
25-26	\$ 1,210,000	\$ 467,900	\$ 550,000	\$ 14,438	\$ 700,000	\$ 604,500	\$ 1,460,000	\$ 278,594	\$ 605,000	\$ 49,600	\$ 530,000	\$ 533,556	\$ 485,000	\$ 604,813
26-27	1,245,000	428,575			725,000	583,500	1,515,000	249,394	635,000	25,400	555,000	512,356	510,000	580,562
27-28	1,260,000	385,000			750,000	561,750	1,560,000	219,094			575,000	490,156	535,000	555,063
28-29	1,275,000	340,900			775,000	539,250	1,605,000	187,894			590,000	477,938	555,000	539,013
29-30	1,315,000	296,275			800,000	516,000	1,645,000	155,794			600,000	464,662	570,000	522,362
30-31	2,740,000	256,825			825,000	492,000	1,710,000	120,838			625,000	440,663	590,000	504,550
31-32	2,800,000	174,625			825,000	467,250	1,750,000	82,362			650,000	415,662	605,000	485,375
32-33	2,900,000	90,625			850,000	442,500	1,810,000	42,988			675,000	389,662	625,000	464,956
33-34					900,000	417,000					695,000	369,413	645,000	444,644
34-35					925,000	390,000					715,000	348,563	670,000	423,681
35-36					950,000	362,250					740,000	327,112	690,000	401,906
36-37					975,000	333,750					760,000	304,913	710,000	379,481
37-38					1,000,000	304,500					785,000	282,112	735,000	356,406
38-39					1,025,000	274,500					805,000	258,562	760,000	331,600
39-40					1,050,000	243,750					830,000	234,413	785,000	305,950
40-41					1,100,000	212,250					855,000	208,475	815,000	274,550
41-42					1,125,000	179,250					885,000	181,756	850,000	241,950
42-43					1,150,000	145,500					910,000	154,100	885,000	207,950
43-44					1,200,000	111,000					940,000	125,662	920,000	172,550
44-45					1,225,000	75,000					970,000	96,288	950,000	140,350
45-46					1,275,000	38,250					1,000,000	65,976	985,000	107,100
46-47											1,030,000	33,476	1,020,000	72,625
47-48													1,055,000	36,925
48-49														
49-50														
50-51														
51-52														
52-53														
53-54														
	<u>\$ 14,745,000</u>	<u>\$ 2,440,725</u>	<u>\$ 550,000</u>	<u>\$ 14,438</u>	<u>\$ 20,150,000</u>	<u>\$ 7,293,750</u>	<u>\$ 13,055,000</u>	<u>\$ 1,336,958</u>	<u>\$ 1,240,000</u>	<u>\$ 75,000</u>	<u>\$ 16,720,000</u>	<u>\$ 6,715,476</u>	<u>\$ 16,950,000</u>	<u>\$ 8,154,362</u>

See accompanying Independent Auditor's Report

Knoxville Utilities Board Water Division

Supplemental Information - Schedule of Debt Maturities by Fiscal Year

June 30, 2025

Continued from Previous Page

	II-2019		JJ-2020		KK-2020		LL-2021		MM-2022		NN-2023		OO-2024		TOTAL		Grand
FY	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
25-26	\$ 465,000	\$ 584,800	\$ 460,000	\$ 558,350	\$ 205,000	\$ 260,800	\$ 1,400,000	\$ 1,241,650	\$ 562,744	\$ 350,000	\$ 860,275	\$ 330,000	\$ 888,737	\$ 8,750,000	\$ 7,510,757	\$ 16,260,757	
26-27	485,000	561,550	465,000	535,350	215,000	250,550	1,450,000	1,171,650	505,000	562,744	370,000	842,775	350,000	872,238	9,025,000	7,176,644	16,201,644
27-28	510,000	537,300	465,000	512,100	230,000	239,800	2,210,000	1,099,150	540,000	537,494	390,000	824,275	365,000	854,736	9,390,000	6,815,918	16,205,918
28-29	535,000	511,800	470,000	488,850	240,000	228,300	2,340,000	988,650	575,000	510,494	405,000	804,775	385,000	836,486	9,750,000	6,454,350	16,204,350
29-30	565,000	485,050	475,000	465,350	250,000	216,300	2,450,000	871,650	610,000	481,744	430,000	784,525	400,000	817,236	10,110,000	6,076,948	16,186,948
30-31	590,000	456,800	480,000	441,600	260,000	208,800	1,105,000	749,150	645,000	451,244	450,000	763,025	420,000	797,238	10,440,000	5,682,733	16,122,733
31-32	615,000	433,200	475,000	427,200	265,000	201,000	1,070,000	693,900	680,000	418,994	470,000	740,525	445,000	776,238	10,650,000	5,316,331	15,966,331
32-33	635,000	414,750	470,000	412,950	275,000	193,050	1,000,000	640,400	720,000	384,994	495,000	717,025	465,000	753,988	10,920,000	4,947,888	15,867,888
33-34	655,000	395,700	1,965,000	398,850	285,000	184,800	1,175,000	600,400	740,000	363,394	520,000	692,275	490,000	730,738	8,070,000	4,597,214	12,667,214
34-35	675,000	376,050	1,945,000	339,900	290,000	176,250	1,215,000	553,400	755,000	341,194	545,000	666,275	515,000	706,238	8,250,000	4,321,551	12,571,551
35-36	695,000	355,800	1,925,000	281,550	300,000	167,550	1,255,000	504,800	775,000	317,600	575,000	639,025	540,000	680,486	8,445,000	4,038,079	12,483,079
36-37	715,000	334,950	1,900,000	223,800	310,000	158,550	1,285,000	454,600	795,000	292,412	600,000	610,275	565,000	653,488	8,615,000	3,746,219	12,361,219
37-38	735,000	313,500	1,880,000	166,800	320,000	149,250	1,335,000	403,200	820,000	265,582	625,000	586,275	595,000	625,238	8,830,000	3,452,863	12,282,863
38-39	760,000	291,450	1,855,000	110,400	330,000	139,650	1,370,000	349,800	870,000	237,904	650,000	561,275	625,000	595,488	9,050,000	3,150,629	12,200,629
39-40	780,000	268,650	1,825,000	54,750	335,000	129,750	1,405,000	295,000	890,000	207,456	675,000	535,275	655,000	564,238	9,230,000	2,839,232	12,069,232
40-41	805,000	245,250			350,000	119,700	1,460,000	238,800	910,000	176,306	705,000	508,275	690,000	531,488	7,690,000	2,515,094	10,205,094
41-42	830,000	221,100			360,000	109,200	1,470,000	180,400	955,000	144,456	730,000	480,075	725,000	496,988	7,930,000	2,235,175	10,165,175
42-43	855,000	196,200			370,000	98,400	1,520,000	121,600	975,000	109,838	760,000	449,963	760,000	460,738	8,185,000	1,944,289	10,129,289
43-44	880,000	170,550			380,000	87,300	1,520,000	60,800	1,020,000	74,494	795,000	418,612	790,000	430,338	8,445,000	1,651,306	10,096,306
44-45	905,000	144,150			390,000	75,900			1,035,000	37,518	825,000	384,825	820,000	398,738	7,120,000	1,352,769	8,472,769
45-46	930,000	117,000			405,000	64,200					865,000	349,762	855,000	365,938	6,315,000	1,108,226	7,423,226
46-47	960,000	89,100			415,000	52,050					900,000	313,000	890,000	330,668	5,215,000	890,919	6,105,919
47-48	990,000	60,300			425,000	39,600					940,000	274,750	925,000	293,956	4,335,000	705,531	5,040,531
48-49	1,020,000	30,600			440,000	26,850					980,000	233,625	965,000	255,800	3,405,000	546,875	3,951,875
49-50					455,000	13,650					1,020,000	190,750	1,005,000	217,200	2,480,000	421,600	2,901,600
50-51											1,065,000	146,125	1,040,000	177,000	2,105,000	323,125	2,428,125
51-52											1,115,000	99,532	1,085,000	135,400	2,200,000	234,932	2,434,932
52-53											1,160,000	50,750	1,125,000	92,000	2,285,000	142,750	2,427,750
53-54													1,175,000	47,000	1,175,000	47,000	1,222,000
	\$ 17,590,000	\$ 7,595,600	\$ 17,055,000	\$ 5,417,800	\$ 8,100,000	\$ 3,591,250	\$ 28,035,000	\$ 11,219,000	\$ 14,815,000	\$ 6,478,606	\$ 19,410,000	\$ 14,527,919	\$ 19,995,000	\$ 15,386,063	\$ 208,410,000	\$ 90,246,947	\$ 298,656,947

See accompanying Independent Auditor's Report

Knoxville Utilities Board Water Division
Supplemental Information - Schedule of Changes in Long-term Debt by Individual Issue
June 30, 2025

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding Balance 7/1/2024	Issued During Period	Paid/Matured During Period	Refunded During Period	Outstanding Balance 6/30/2025
Business-Type Activities									
<u>BONDS PAYABLE</u>									
<u>Payable through Water Fund</u>									
Revenue Bond Refunding, Series BB-2015	\$ 23,005,000	2.0-5.0	05/01/15	03/01/33	\$ 15,915,000	\$ -	\$ 1,170,000	\$ -	\$ 14,745,000
Revenue Bond, Series CC-2015	\$ 20,000,000	2.0-4.0	05/20/15	03/01/26	1,075,000	-	525,000	-	550,000
Revenue Bond, Series DD-2016	\$ 25,000,000	3.0-5.0	08/05/16	03/01/46	20,825,000	-	675,000	-	20,150,000
Revenue Bond Refunding, Series EE-2016	\$ 20,875,000	2.0-5.0	08/05/16	03/01/33	14,490,000	-	1,435,000	-	13,055,000
Revenue Bond Refunding, Series FF-2017	\$ 5,310,000	3.0-5.0	04/07/17	03/01/27	1,815,000	-	575,000	-	1,240,000
Revenue Bond, Series GG-2017	\$ 20,000,000	2.125-5.0	09/15/17	03/01/47	17,225,000	-	505,000	-	16,720,000
Revenue Bond, Series HH-2018	\$ 19,995,000	3.0-5.0	09/14/18	03/01/48	17,415,000	-	465,000	-	16,950,000
Revenue Bond, Series II-2019	\$ 19,995,000	3.0-5.0	08/20/19	03/01/49	18,030,000	-	440,000	-	17,590,000
Revenue Bond Refunding, Series JJ-2020	\$ 19,520,000	3.0-5.0	05/22/20	03/01/40	17,505,000	-	450,000	-	17,055,000
Revenue Bond, Series KK-2020	\$ 9,045,000	3.0-5.0	10/30/20	03/01/50	8,295,000	-	195,000	-	8,100,000
Revenue Bond Refunding, Series LL-2021	\$ 33,180,000	4.0-5.0	04/19/21	03/01/44	29,385,000	-	1,350,000	-	28,035,000
Revenue Bond Refunding, Series MM-2022	\$ 14,915,000	3.0-5.0	05/13/22	03/01/45	14,815,000	-	-	-	14,815,000
Revenue Bond, Series NN-2023	\$ 19,995,000	4.0-5.0	12/08/23	03/01/53	19,745,000	-	335,000	-	19,410,000
Revenue Bond, Series OO-2024	\$ 19,995,000	4.0-5.0	08/29/24	03/01/54	-	19,995,000	-	-	19,995,000
					<u>\$ 196,535,000</u>	<u>\$ 19,995,000</u>	<u>\$ 8,120,000</u>	<u>\$ -</u>	<u>\$ 208,410,000</u>

See accompanying Independent Auditor's Report

Knoxville Utilities Board Water Division
Supplemental Information - Schedule of Changes in Lease Liabilities
June 30, 2025

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Maturity Date	Outstanding 6/30/2024	Issued During Period	Paid and/or Matured During Period	Remeasure- ments	Outstanding 6/30/2025
<u>Lease Liabilities</u>									
<u>Payable through Water Fund</u>									
Crown Castle	\$ 17,875	3.90%	3/1/2023	2/1/2043	\$ 17,291	\$ -	\$ (473)	\$ -	\$ 16,818
Manki 1 Investments	42,315	3.88%	7/1/2020	5/31/2027	25,673	-	(8,479)	(1,028)	16,166
Ricoh Americas	4,850	3.88%	7/1/2020	7/31/2025	1,954	-	(1,797)	128	285
RJ Young Company	6,595	3.88%	7/1/2020	6/30/2026	1,746	-	(1,880)	134	-
Total Lease Liabilities					<u>\$ 46,664</u>	<u>\$ -</u>	<u>\$ (12,629)</u>	<u>\$ (766)</u>	<u>\$ 33,269</u>

See accompanying Independent Auditor's Report

Knoxville Utilities Board Water Division
Statistical Information - Schedule of Insurance in Force
June 30, 2025
(Unaudited)

Insurance coverage is for KUB as a consolidated entity.

Crime

Covers losses resulting from employee dishonesty, robbery, burglary, and computer fraud. Limits of coverage - \$5,000,000; \$250,000 retention.

Directors' and Officers' Liability Insurance

Covers KUB personnel appropriately authorized to make decisions on behalf of KUB (including but not limited to Commissioners, President and CEO, Senior Vice Presidents, Vice Presidents, and Directors) for wrongful acts. Limits of coverage - \$20,000,000; \$500,000 corporate deductible, \$0 individual deductible.

Employment Practices Liability

Coverage for costs related to actual or alleged employment practices violations for amounts exceeding specified amount (\$500,000). Limits of coverage - \$10,000,000.

Fiduciary

Covers losses resulting from wrongful acts related to KUB's Pension, 401(k), OPEB Trust funds, and Medical Plan. Limits of coverage - \$10,000,000; \$150,000 deductible.

Environmental and Pollution Legal Liability

Environmental and Pollution coverage for covered losses resulting from a pollution or environmental event. Limits of coverage - \$15,000,000.

Property Insurance

This coverage provides protection of KUB's property for fire, extended coverage, vandalism and malicious mischief, and coverage on boilers and machinery. Also included are flood and earthquake damage and mechanical failure. Limits of coverage - \$250,000,000 per occurrence (subject to certain sub limits); \$3,500,000 deductible per occurrence.

Travel Accident

Covers losses related to employees' business travel. Limits of coverage - \$3,000,000 aggregate.

Excess Insurance for General Liability

As a governmental entity, KUB's liability is limited under the Tennessee Governmental Tort Liability Act (TCA §29-20-403). Limits of coverage - \$5,000,000; \$700,000 retention.

Excess Insurance for Workers' Compensation

Covers all losses exceeding specified amount per occurrence (\$1,000,000). Limits of coverage - Statutory; stop loss coverage applies for aggregate losses over \$5,000,000.

Employee Health Plan Stop Loss Coverage

KUB's employee health plan is self-funded. KUB has purchased stop loss insurance, which covers KUB's exposure to annual expenses for more than \$700,000 per individual participant.

Cyber Security Liability

Liability coverage resulting from losses related to a covered event such as data breaches, ransomware, regulatory fines, cyber extortion, business interruption and other cyber-related events. Limits of coverage - \$5,000,000; \$500,000 deductible.

Drone

Liability coverage resulting from losses related to bodily injury or damaged property arising out of the ownership, maintenance, or use of a drone aircraft. Limits of coverage - \$2,000,000.

See accompanying Independent Auditor's Report

Knoxville Utilities Board Water Division
Statistical Information - Schedule of Current Rates in Force
June 30, 2025
(Unaudited)

Rate Class	Base Charge	Number of Customers
Residential Inside City rate	For water furnished to premises entirely within the corporate limits of the City of Knoxville:	57,910
Commodity Charge		
	First 2 CCF Per Month at \$2.00 Per CCF	
	Over 2 CCF Per Month at \$3.70 Per CCF	
Additional Monthly Customer Charge		
	For 5/8" meter \$ 18.00	
Residential Outside City rate	For water furnished to premises upon which any water faucet or other outlet is outside the corporate limits of the City of Knoxville:	15,106
Commodity Charge		
	First 2 CCF Per Month at \$2.20 Per CCF	
	Over 2 CCF Per Month at \$4.45 Per CCF	
Additional Monthly Customer Charge		
	For 5/8" meter \$ 19.40	

See accompanying Independent Auditor's Report

Knoxville Utilities Board Water Division
Statistical Information - Schedule of Current Rates in Force
June 30, 2025
(Unaudited)

Rate Class	Base Charge	Number of Customers
Non-Residential Inside City rate/ Industrial Park rate	For water furnished to premises entirely within the corporate limits of the City of Knoxville or within the boundaries of an area recognized as an industrial park by the Tennessee Department of Economic and Community Development:	10,463

Commodity Charge

First	2	CCF Per Month at \$3.40 Per CCF
Next	8	CCF Per Month at \$5.45 Per CCF
Next	90	CCF Per Month at \$5.90 Per CCF
Next	300	CCF Per Month at \$5.45 Per CCF
Next	4,600	CCF Per Month at \$3.10 Per CCF
Next	5,000	CCF Per Month at \$1.40 Per CCF

Additional Monthly Customer Charge

For	5/8" meter	\$ 22.00
For	1" meter	\$ 35.00
For	1 1/2" meter	\$ 81.00
For	2" meter	\$ 116.00
For	3" meter	\$ 227.00
For	4" meter	\$ 342.00
For	6" meter	\$ 636.00
For	8" meter	\$1,026.00
For	10" meter	\$1,563.00
For	12" meter	\$2,400.00

Non-Residential Outside City rate	For water furnished to premises upon which any water faucet or other outlet is outside the corporate limits of the City of Knoxville, excluding premises within the boundaries of an area recognized as an industrial park by the Tennessee Department of Economic and Community Development:	783

Commodity Charge

First	2	CCF Per Month at \$3.80 Per CCF
Next	8	CCF Per Month at \$6.15 Per CCF
Next	90	CCF Per Month at \$6.90 Per CCF
Next	300	CCF Per Month at \$6.15 Per CCF
Next	4,600	CCF Per Month at \$3.65 Per CCF
Next	5,000	CCF Per Month at \$1.60 Per CCF

Additional Monthly Customer Charge

For	5/8" meter	\$ 24.35
For	1" meter	\$ 39.00
For	1 1/2" meter	\$ 90.00
For	2" meter	\$ 128.00
For	3" meter	\$ 252.00
For	4" meter	\$ 376.00
For	6" meter	\$ 715.00
For	8" meter	\$1,260.00
For	10" meter	\$1,920.00
For	12" meter	\$2,840.00

See accompanying Independent Auditor's Report

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners
Water Division of the Knoxville Utilities Board

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Water Division (the Division) of the Knoxville Utilities Board, a component unit of the City of Knoxville, Tennessee, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Division's basic financial statements, and have issued our report thereon dated October 17, 2025, which references, that the financial statements, are only that portion of Knoxville Utilities Board that resulted from the transactions of the Water Division.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Division's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Division's internal control. Accordingly, we do not express an opinion on the effectiveness of the Division's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Division's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

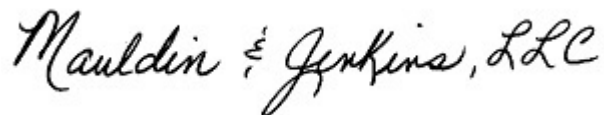
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Division's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Division's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Division's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Chattanooga, Tennessee
October 17, 2025

GENERAL INFORMATION

THE CITY OF KNOXVILLE

THE CITY

The City of Knoxville (the “City”) was founded in 1791 and incorporated in 1815. It is governed by a Mayor-Council form of government. The Mayor is the chief executive and administrative officer and is elected by direct vote of the people to a four-year term. The Mayor is responsible for the day-to-day operations of the City and appoints and supervises the heads of all major City departments. The City Council is composed of six district and three at-large members, each elected for a four-year overlapping term. As the City's legislative body, the Council is responsible for acting on ordinances and resolutions which govern the City as well as for the confirmation of members to most boards and commissions. A municipal judge is elected by direct vote to a four-year term and is responsible for the enforcement of certain City ordinances and the administration of the City court system.

On a continuing basis, the City provides a full range of municipal services contemplated by its Charter and various state statutes. Governmental functions include police and fire protection, sanitation services, inspections, engineering, street maintenance, parks and recreation, economic development, and general administrative support systems. The City is also engaged in several proprietary activities and owns and operates (under a separate authority) two municipal airports, utility systems (electric, fiber, gas, water and wastewater), an auditorium / coliseum, a convention center, an exhibition center, a public transportation system and several parking facilities.

Knoxville, the county seat, is the largest incorporated municipality in Knox County (the “County”). The City is located on the Tennessee River near the geographic center of East Tennessee and has a land area of approximately 98 square miles within its corporate limits. The 2020 U.S. Census figures show the population of Knox County as being 478,971.

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KNOXVILLE UTILITIES BOARD

HISTORY AND ORGANIZATION

The Knoxville Utilities Board (the “Board” or “KUB”) (under its then name of Knoxville Electric Power and Water Board) was organized on March 14, 1939. The present name of Knoxville Utilities Board was adopted in 1947. As originally established, the Board consisted of five members with terms of ten years. A Charter amendment, adopted in compliance with the home rule provisions of the Tennessee Constitution, including approval in a city-wide referendum held November 5, 1974, changed some of the provisions concerning the membership of the Board. The Board was enlarged to seven members. The term for each member was reduced to seven years with the terms being so arranged that the appointment of one member will be made each year. Members of the Board are limited to one seven-year term.

The selection procedure for a member is initiated by the Board submitting to the mayor a list of at least five nominees from which list the mayor selects one nominee to present to the City Council for confirmation or rejection. In case the City Council rejects a nominee, the nominating procedure is repeated until an appointment is made.

The Board operates the City's Water Division (purchased in 1909), the City's Electric Division (purchased in 1939), the City's Gas Division (purchased in 1945), the City's Wastewater Division (transferred to the Board by referendum in 1987), the City's Fiber Division (created 2021). The joint operation of these five city-owned utilities provides cost savings to each system by reason of joint billing and other operating economies.

KUB's organizational structure has three major functional areas including an Engineering and Operations Division, Finance Division and Administrative Division.

Except as specifically limited by the provisions of the City Charter relating to the Board, the Board is authorized to exercise all powers of the City to construct, acquire, expand, operate, manage, and control the City's electric, fiber, gas, water, and wastewater systems free from the jurisdiction, direction and control of the mayor, city council and its officers.

THE BOARD OF COMMISSIONERS

Members of the Board of Commissioners are:

CYNTHIA GIBSON, Chair, Commissioner. Senior Vice President and General Counsel, Bush Brothers & Company.

CLAUDIA CABALLERO, Vice Chair, Commissioner. President and CEO of Centro Hispano de East Tennessee.

RON FEINBAUM, Commissioner. Chief Marketing Officer, PYA PC.

KATHY HAMILTON, CPA (inactive), Commissioner.

CELESTE HERBERT, Commissioner. Attorney, Herbert, Meadows and Wall, PLLC.

PHYLLIS NICHOLS, Commissioner.

DR. CRAIG PICKETT JR., Commissioner, Director of Workplace Culture and Early Career Development, University of Tennessee Medical Center.

OFFICERS

GABRIEL J. BOLAS II, President and Chief Executive Officer, was appointed to this position in 2018. Mr. Bolas has been with KUB since 1995. He has a B.S. in Electric Engineering, as well as a Master of Science in Engineering/Industrial Management from the University of Tennessee.

MARK A. WALKER, Senior Vice President and Chief Financial Officer, was appointed to this position in 2011 and serves as the fifth CFO since KUB was formed. Mr. Walker currently serves as Secretary of the Board of Commissioners. He has been with KUB since 1993. Mr. Walker received a B.S. in Finance from the University of Tennessee's College of Business and received an M.B.A. in Economics from the University of Tennessee.

JOHN W. WILLIAMS III, Senior Vice President and Chief Infrastructure and Compliance Officer, was appointed to this position in 2024. Mr. Williams has been with KUB since 1998. He has a B.S. in Business Administration from the University of Tennessee.

JAMIE DAVIS, Senior Vice President Fiber and Chief Technology Officer, was appointed to this position in 2024. Mr. Davis has been with KUB since 1996. He has a B.S. in Business Administration from Tennessee Tech, as well as a Master of Accountancy from the University of Tennessee.

TIFFANY MARTIN, Senior Vice President and Chief Customer Officer, was appointed to this position in 2024. Mrs. Martin has been with KUB since 2001. She has a B.S. in Business Administration/Marketing from the University of Tennessee.

JOHN GRESHAM, Senior Vice President and Chief Engineering and Operations Officer, was appointed to this position in 2024. Mr. Gresham has been with KUB since 1989. He has a B.S. in Electrical and Computer Engineering from the University of Tennessee.

ERIN GILL, Vice President Communications and External Relations, joined KUB and was appointed to this position in 2023. She has a Master of Environmental Management from Yale University's School of the Environment and a B.A. in History from the University of Notre Dame.

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INSURANCE

Crime. Coverage for losses resulting from employee dishonesty, robbery, burglary, and computer fraud. Limits of coverage - \$5,000,000; \$250,000 retention.

Directors' and Officers' Liability. Covers KUB personnel appropriately authorized to make decisions on behalf of KUB (including but not limited to Commissioners, President and CEO, Senior Vice Presidents, Vice Presidents, and Directors) for wrongful acts. Limits of coverage – \$20,000,000; \$500,000 corporate deductible, \$0 individual deductible.

Employment Practices Liability. Coverage for costs related to actual or alleged employment practices violations for amounts exceeding specified amount (\$500,000). Limits of coverage - \$10,000,000.

Fiduciary. Covers losses resulting from wrongful acts related to KUB's Pension, 401(k), OPEB Trust funds, and Medical Plan. Limits of coverage - \$10,000,000; \$150,000 deductible.

Environmental and Pollution Legal Liability. Environmental and Pollution coverage for covered losses resulting from a pollution or environmental event. Limits of coverage - \$15,000,000.

Property Insurance. This coverage provides protection of KUB's property for fire, extended coverage, vandalism and malicious mischief, and coverage on boilers and machinery. Also included are flood and earthquake damage and mechanical failure. Limits of coverage - \$250,000,000 per occurrence (subject to certain sub limits); \$3,500,000 deductible per occurrence.

Travel Accident. Covers losses related to employees' business travel. Limits of coverage - \$3,000,000 aggregate.

Excess Insurance for General Liability. As a governmental entity, KUB's liability is limited under the Tennessee Governmental Tort Liability Act (TCA §29-20-403). Limits of coverage - \$5,000,000; \$700,000 retention.

Excess Insurance for Workers' Compensation. Covers all losses exceeding specified amount per occurrence (\$1,000,000). Limits of coverage - Statutory; stop loss coverage applies for aggregate losses over \$5,000,000.

Employee Health Plan Stop Loss Coverage. KUB's employee health plan is self-funded. KUB has purchased stop loss insurance, which covers KUB's exposure to annual expenses for more than \$700,000 per individual participant.

Cyber Security Liability. Liability coverage resulting from losses related to a covered event such as data breaches, ransomware, regulatory fines, cyber extortion, business interruption and other cyber-related events. Limits of coverage - \$5,000,000; \$500,000 deductible.

Drone. Liability coverage resulting from losses related to bodily injury or damaged property arising out of the ownership, maintenance, or use of a drone aircraft. Limits of coverage - \$2,000,000.

RETIREMENT PLAN

For more information concerning KUB's retirement and disability plans, please refer to the "Notes to the Financial Statements" attached hereto.

SERVICE AREA

KUB provides electric, fiber, natural gas, water, and wastewater services for all of Knoxville, and certain utilities in most of Knox County, a substantial area of Union County and a limited area of Grainger, Jefferson, Blount, Anderson, Loudon, and Sevier Counties. Knox County has a land area of about 508 square miles of which approximately 98 square miles are within the corporate limits of Knoxville. KUB is the distributor of electric power supplied by the Tennessee Valley Authority (the "TVA"), for natural gas energy purchased from various suppliers, and for water which is taken from the Tennessee River.

ELECTRIC DIVISION

The Electric Division, which was established in 1939, is owned by the City and operated by KUB. KUB purchases all its electric power requirements from TVA. During year ended June 30, 2025, sales revenues of the Electric Division totaled \$705,911,157, of which \$497,351,097 or 70%, was paid to TVA for the purchase of power.

The electric system includes 5,570 miles of service lines, serving a portion of seven different counties. As of June 30, 2025, KUB had 226,224 electric system customers. The electric system's record peak demand remains 1,350.5 megawatts, set in January 2024. The Division's outstanding long-term debt as of June 30, 2025, including the current portion, totaled \$483,005,000. KUB sold \$91 million in electric system revenue bonds in July 2024 for the purpose of funding electric system capital improvements.

FIBER DIVISION

KUB continued to expand its broadband network this fiscal year reaching more of the service territory and adding 11,657 customers.

During fiscal year 2021, KUB developed a Fiber to the Home Business Plan for the provision of broadband services to customers within its electric system service territory. In accordance with state law and KUB's wholesale power supply contract with TVA, the Business Plan was submitted to the Office of the Comptroller of the Treasury for Tennessee and TVA for review. The Office of the Comptroller found KUB's Business Plan to be financially feasible, and TVA approved it, finding no cross-subsidization exists between the proposed Fiber Division and the Electric Division.

After gaining the required approvals from TVA, the State of Tennessee, KUB's Board, and City Council, KUB launched its new Fiber Division. Broadband services are provided by a high-speed fiber optic network that is owned and maintained by the Electric Division. The Fiber Division shares in the cost of building and operating the Fiber network by paying the Electric Division an annual access fee based on the year-end value of those assets and the related expenses. The Fiber Division also pays the Electric Division an annual utilization fee based on attachments

to the network. In addition to providing broadband services, the fiber network is also allowing KUB to implement new advanced technologies to improve the reliability of its electric system.

As a component of the Fiber Division's start-up financing plan, approved by KUB's Board and TVA, the Electric Division will provide \$55 million of interdivisional loans. The first \$10 million was provided in October 2021, \$7 million was provided in August 2022, \$13 million was provided in February 2023, and \$5 million was provided in May 2024, all maturing in June 2030. The Electric Division issued a \$2 million loan in May 2024, and a \$7 million loan in December 2024 to the Fiber Division, both maturing in June 2032.

In fiscal year 2022, KUB began the seven-year buildout on extending fiber infrastructure to make broadband service available to electric customers. KUB commenced a pilot customer program in June 2022, and the first broadband customers began receiving service in September 2022.

As of June 30, 2025, the Fiber Division had 22,416 customers.

The Tennessee Emergency Broadband Fund selected KUB for a grant of \$15.3 million to assist in the provision of broadband access to Grainger, Jefferson, Sevier, and Union Counties. As of June 30, 2025, KUB has received \$10.6 million in reimbursements.

KUB's internet assistance program, ConnectED, provides free high-speed internet to student households who qualify, with funding from the City of Knoxville and Knox County. ConnectED participants receive \$80 monthly toward fiber-related charges.

The fiber network is an integral component of a \$702 million ten-year Enhanced Grid Modernization effort for the Electric Division. The program will be funded by a combination of electric rate increases, new bonds, grant funds, and projected payments from the Fiber Division.

GAS DIVISION

The Gas Division has been owned by the City and operated by KUB since 1945 when it was purchased from City Service Company for \$450,000. KUB purchases natural gas from multiple suppliers. During the year ended June 30, 2025, sales revenues of the Gas Division totaled \$127,146,822 of which \$58,366,378 or 46% was paid to natural gas suppliers and pipelines.

KUB's natural gas system has 2,609 miles of service mains. As of June 30, 2025, KUB had 111,101 gas system customers. The Division's outstanding long-term debt as of June 30, 2025, including the current portion, totaled \$64,815,000.

WATER DIVISION

In 1939, the City's Electric Power and Water Board, now KUB, was established and granted responsibility for the operation of the city-owned Water and Electric Divisions. The Water Division consists of facilities for the treatment, storage and distribution of water obtained from the Tennessee River. The Water Division distributes water throughout the City of Knoxville, a portion of East Knox County, and other small portions of Knox, Jefferson, and Sevier Counties.

During year ended June 30, 2025, the operating revenues of the Water Division totaled \$77,461,933. As of June 30, 2025, KUB had 84,262 water system customers. The Division's outstanding long-term debt as of June 30, 2025, including the current portion, totaled \$208,410,000. KUB sold \$20 million in water system revenue bonds in July 2024 for the purpose of funding water system capital improvements.

WASTEWATER DIVISION

On November 4, 1986, voters in the City elected to transfer operation of the City's Wastewater Division to KUB effective July 1, 1987. While the Wastewater Division is a self-sustained financial entity, the operations of both the Water and Wastewater Divisions have been merged to achieve operating efficiencies. The Wastewater Division provides collection and treatment throughout the City and portions of East Knox County.

For the fiscal year ended June 30, 2025, operating revenues for the Wastewater Division totaled \$119,864,643. As of June 30, 2025, KUB served 75,540 wastewater system customers. The Division's outstanding long-term debt as of June 30, 2025, including the current portion, totaled \$437,965,000.

CENTURY II INFRASTRUCTURE PROGRAM

Century II is KUB's proactive long-range program to improve and maintain the electric, natural gas, water, and wastewater systems for its customers. It includes maintenance and asset replacement strategies for each system and establishes sustainable replacement cycles. Century II moves KUB into its second century of service by improving each system through sound planning, resource allocation, and continued investment.

In September 2021, the Board approved electric rate increases to support both the Century II program and expanded fiber network. The three approved 3 percent electric rate increases went into effect April 2022, April 2023, and April 2024 generating \$16.7 million, \$17.4 million, and \$18 million in additional annual Electric Division revenue, respectively.

In June 2022, the Board approved water and wastewater rate increases to support the Century II program. The water rate increases took effect in July 2022, July 2023, and July 2024, generating additional annual Water Division revenue of \$3.4 million, \$3.4 million, and \$3.6 million, respectively. The wastewater rate increases took effect in July 2022, July 2023, and July 2024, generating additional annual Wastewater Division revenue of \$3.9 million, \$4 million, and \$4.2 million, respectively.

In June 2024, as part of KUB's Inflation Response Plan, the Board approved the next phase of electric, gas, water, and wastewater rate increases to support the Century II program and the expanded fiber network. The first of three approved electric rate increases took effect in April 2025 generating additional annual Electric Division revenue of \$26 million. The remaining rate increases, effective April 2026 and April 2027, are expected to provide \$20.7 million and \$14.2 million in additional annual Electric Division revenue, respectively. The first of three approved 3 percent gas rate increases took effect in October 2024, generating additional annual Gas Division revenue of \$4.1 million. The remaining rate increases, effective October 2025 and October 2026, are expected to provide \$4.5 million in additional annual Gas Division revenue each. The three

approved 6 percent water rate increases are effective in July 2025, July 2026, and July 2027 and are expected to provide \$4.5 million, \$4.8 million, and \$5.1 million in additional annual Water Division revenue, respectively. The three approved wastewater rate increases are effective in July 2025, July 2026, and July 2027 and are expected to provide \$2.3 million, \$2.4 million, and \$2.4 million in additional annual Wastewater Division revenue, respectively.

KUB is currently in the process of implementing a Water Plant Redundancy initiative to ensure that high quality, reliable water service will be provided to customers over the long term. KUB maintains a single water treatment plant for its system. In lieu of building a second treatment facility to ensure capacity will be available to meet the needs of current and future water customers, KUB will invest approximately \$161 million in various redundant facilities at the site of its existing Mark B. Whitaker Water Treatment Plant over a 16-year period that began in fiscal year 2017. Construction of a new generator building with three 2,500 kW diesel generators and associated switchgear was completed in fiscal year 2022 at the Mark B. Whitaker Water Treatment Plant. Construction of the new water filter project commenced in October 2022 and is projected to be completed by November 2025.

Knox County committed \$2.6 million through a Tennessee Department of Environment and Conservation (TDEC) non-competitive grant and an additional \$10 million in direct funding from the American Rescue Plan Act (ARPA). The City of Knoxville contributed \$7.5 million through a TDEC non-competitive grant and \$5 million in direct ARPA funding. In total, \$25.1 million in grant funding was awarded. All funds have been received by KUB and were used to support KUB's new water filter project at its Mark B. Whitaker Water Treatment Plant.

In fiscal year 2025, the electric system replaced 8 miles of transmission lines and 5.3 miles of underground cable. In the natural gas system, 8.4 miles of gas steel main were replaced. In the water system, 2.7 miles of galvanized water main and 9.2 miles of cast iron water main were replaced. In the wastewater system, 7.9 miles of main were rehabilitated or replaced.

FIBER NETWORK

During fiscal year 2021, KUB developed a Fiber to the Home Business Plan for the provision of broadband services to customers within its electric system service territory. In accordance with state law and KUB's wholesale power supply contract with TVA, the Business Plan was submitted to the Office of the Comptroller of the Treasury for Tennessee and TVA for review. The Office of the Comptroller found KUB's Business Plan to be financially feasible, and TVA approved it, finding no cross-subsidization exists between the proposed Fiber Division and the Electric Division.

After gaining the required approvals from TVA, the State of Tennessee, KUB's Board, and City Council, KUB launched its new Fiber Division. Broadband services are provided by a high-speed fiber optic network that is owned and maintained by the Electric Division. The Fiber Division shares in the cost of building and operating the Fiber network by paying the Electric Division an annual access fee based on the year-end value of those assets and the related expenses. The Fiber Division also pays the Electric Division an annual utilization fee based on attachments to the network. In addition to providing broadband services, the fiber network is also allowing KUB to implement new advanced technologies to improve the reliability of its electric system.

As a component of the Fiber Division's start-up financing plan, approved by KUB's Board and TVA, the Electric Division will provide \$55 million of interdivisional loans. The first \$10 million was provided in October 2021, \$7 million was provided in August 2022, \$13 million was provided in February 2023, and \$5 million was provided in May 2024, all maturing in June 2030. The Electric Division issued a \$2 million loan in May 2024, and a \$7 million loan in December 2024 to the Fiber Division, both maturing in June 2032.

In fiscal year 2022, KUB began the seven-year buildout on extending fiber infrastructure to make broadband service available to electric customers. KUB commenced a pilot customer program in June 2022, and the first broadband customers began receiving service in September 2022.

As of June 30, 2025, the Fiber Division had 22,416 customers.

The Tennessee Emergency Broadband Fund selected KUB for a grant of \$15.3 million to assist in the provision of broadband access to Grainger, Jefferson, Sevier, and Union Counties. As of June 30, 2025, KUB has received \$10.6 million in reimbursements.

KUB's internet assistance program, ConnectED, provides free high-speed internet to student households who qualify, with funding from the City of Knoxville and Knox County. ConnectED participants receive \$80 monthly toward fiber-related charges.

The fiber network is an integral component of a \$702 million ten-year Enhanced Grid Modernization effort for the Electric Division. The program will be funded by a combination of electric rate increases, new bonds, grant funds, and projected payments from the Fiber Division.

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KNOX COUNTY AND CITY OF KNOXVILLE

LOCATION

Knox County (the “County”) is located in the eastern portion of the State. Founded in 1791 where the French Broad and Holston Rivers converge to form the Tennessee River, the County is located in a broad valley between the Cumberland Mountains to the northwest and the Great Smoky Mountains to the southeast. The County is the hub of the areas of East Tennessee, Southeast Kentucky, Southwest Virginia and Western North Carolina. This area encompasses over two million people. To the north, Union and Grainger Counties border the County. Jefferson and Sevier Counties make up the County's eastern border, while the County's southern border is provided by Blount and Loudon Counties. To the immediate west of the County lies Anderson County. The total land area of the County is approximately 528 square miles.

The U.S. Census Bureau’s 2020 census demographic population data reported that 478,971 citizens reside within the County, which ranks it as the third largest county in Tennessee.

The City of Knoxville (the “City”), the County seat, is the largest city in East Tennessee and within the County. Also, Knoxville is the third largest city in the state and is about 50 miles west of the North Carolina state line. The City has a land area of approximately 104 square miles within its corporate limits and is located on the Tennessee River near the geographic center of East Tennessee, a highly industrialized section of the state.

The City’s 2020 population was reported at 190,740. Farragut, the only other municipality in the County, has an estimated population of 23,506.

GENERAL

In 2004, Knoxville was designated a Metropolitan Statistical Area (the “MSA”) with a population of 879,773 according to the 2020 U.S. Census. The MSA includes Knox (Knoxville and Farragut), Anderson (Oak Ridge and Clinton), Blount (Maryville and Alcoa), Campbell (LaFollette), Grainger (Rutledge), Loudon (Loudon), Morgan (Wartburg), Roane (Harriman) and Union (Maynardville) Counties.

The City is also part of the Knoxville-Sevierville-Harriman Combined Statistical Area (the “CSA”). The CSA’s population is 1,156,861 according to the 2020 U.S. Census. The CSA includes Roane, Anderson, Blount, Knox, Loudon, Union, Grainger, Hamblen, Jefferson, Campbell, Cocke, and Sevier Counties.

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The following table shows past and current population figures for the City and County:

Population Growth

	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2020</u>	<u>2023*</u>
Knoxville	175,045	165,121	173,890	178,874	190,740	198,162
Knox County	319,694	335,749	382,032	432,226	478,971	500,669

* 2023 Estimates from U.S. Census Bureau
Source: U.S. Census Bureau.

The only other municipality within the County, the Town of Farragut, has an estimated 2023 population of approximately 25,579 persons.

SOCIOECONOMIC DATA

The following socioeconomic factors indicate the standard of living in the County, as compared to that of the Nation and State:

Social and Economic Characteristics

	<u>National</u>	<u>Tennessee</u>	<u>Knox County</u>	<u>Knoxville</u>	<u>Farragut</u>
Median Value Owner Occupied Housing	\$303,400	\$256,800	\$279,700	\$214,000	\$513,100
% High School Graduates or Higher Persons 25 Years Old and Older	89.40%	89.60%	92.3%	89.9%	98.1%
% Persons with Income Below Poverty Level	11.10%	14.00%	13.8%	20.5%	2.9%
Median Household Income	\$78,538	\$67,097	\$71,662	\$50,994	\$142,402

Source: U.S. Census Bureau State & County QuickFacts - 2023.

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Per Capita Personal Income

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
National	\$55,567	\$59,123	\$64,460	\$66,244	\$69,810
Tennessee	\$48,903	\$51,959	\$57,508	\$59,210	\$62,229
Knox County	\$52,249	\$56,003	\$62,742	\$63,634	\$67,323
Index vs. National	94	95	97	96	96
Index vs. State	107	108	109	107	108
Knoxville MSA	\$48,434	\$51,757	\$57,581	\$58,941	\$62,167
Index vs. National	87	88	89	89	89
Index vs. State	99	100	100	100	100
Knoxville-Sevierville-Harriman CSA	\$46,208	\$49,392	\$55,135	\$56,474	\$59,503
Index vs. National	83	84	86	85	85
Index vs. State	94	95	96	95	96

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

TRANSPORTATION

The area has transportation facilities by rail, air, river and highway. The CSX, Norfolk Southern, and KXHR-Gulf & Ohio Railroads have terminals and stops in the County, with 270 miles of lines radiating in nine directions. Major highways serving the County include Interstates 40, 75, 81, 140, 275, and 640. Pellissippi Parkway (I-140) provides a direct link to Oak Ridge from I-40 and I-75 in Knox County. U.S. Highways in the County include 44, 129, 321, 411, and 441, as well as State Routes 33, 75 and 95.

McGhee Tyson Airport. The McGhee Tyson Airport is the principal commercial airport in East Tennessee, serving the commercial airline industry, air cargo, military aviation and general aviation. With parallel 9,000 feet runways, McGhee Tyson Airport can accommodate any size aircraft. The Airport is located within the city limits of Alcoa, which is 12 miles south of downtown Knoxville. The airport occupies more than 2,000 acres of land with space for additional air cargo facilities or economic development. This facility is owned and managed by the Metropolitan Knoxville Airport Authority (MKAA). In 2024, the MKAA officially announced the launch of Flight Plan, a decade-long growth and development plan to elevate McGhee Tyson Airport's footprint by adding gates, concessions, and renovating restrooms, the security checkpoint and replacing escalators, all in an effort to improve the passenger experience and attract more air service to East Tennessee.

According to a study by the University of Tennessee's Center for Transportation Research, the airport contributes over \$1 billion to the local economy (including Anderson, Blount, Knox, Loudon and Sevier Counties) every year. The report examined the employment, business, and tax impacts of the airport, including the Downtown Island Airport.

The MCAA was established in 1978 as an independent nonprofit agency to own and operate McGhee Tyson Airport and Downtown Island Airport. The Authority's nine-member Board of Commissioners is appointed by the Mayor of Knoxville and confirmed by City Council. The Board appoints a President who serves as the chief administrator and executive officer. All of the revenues are generated by user fees and rental income so no taxpayer dollars are used to support airport operations.

Two air cargo services provide daily service. In addition, six passenger airlines carry air cargo on most flights. More than 44,206 tons of airfreight annually pass through its cargo facilities. Federal Express and United Parcel Service are the main couriers.

McGhee Tyson Airport has several major airlines serving more than 30 non-stop destinations including Atlanta, Boston, Charlotte, Chicago, Dallas/Ft. Worth, Denver, Fort Lauderdale, Gulf Shores, Key West, Memphis, New York, Orlando, and Washington D.C. McGhee Tyson has more than 100 arrivals and departures each day and more than 8,000 seats available.

Beginning in Spring 2026, Southwest Airlines will begin offering twice-daily service between Knoxville and Nashville plus daily roundtrip flights between Knoxville and Baltimore, Maryland; Dallas, Texas; and Orlando, Florida. Southwest Airlines is one of the largest airline carriers in the United States.

The airport is served by several low-fare carriers: Allegiant Air, Avelo Airlines, and Frontier Airlines. Allegiant Travel Company is focused on linking travelers in small cities to world-class leisure destinations. Through its subsidiary, Allegiant Air, the company operates a low-cost, high-efficiency, all-jet passenger airline offering air travel both on a stand-alone basis and bundled with hotel rooms, rental cars and other travel related services. Ultra-low-cost carrier Avelo Airlines began offering flights from McGhee Tyson Airport in 2024. Frontier Airlines started flights in the summer of 2011 from Knoxville to its hub in Denver, Colorado.

McGhee Tyson is served by major and regional carriers including:

Major Airlines:

Allegiant Air	Delta Airlines
American Airlines	Frontier Airlines
Avelo Airlines	United Airlines

Regional Carriers:

American Eagle	United Express

Source: Metropolitan Knoxville Airport Authority.

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These airlines connect passengers with service to several hub airports across the nation on more than 100 flights daily.

McGhee Tyson Airport

<u>Total Year</u>	<u>Commercial Passengers</u>	<u>Total Air Cargo in Tons</u>
2013	1,676,374	84,029,942
2014	1,738,133	74,115,672
2015	1,747,472	77,395,631
2016	1,827,989	84,831,987
2017	1,988,626	82,884,887
2018	2,221,137	81,363,507
2019	2,572,822	84,678,684
2020	1,161,447	84,151,936
2021	1,995,197	89,230,552
2023	2,343,910	85,823,544

Source: Metropolitan Knoxville Airport Authority, and Knoxville-Knox County Planning “2023 Facts and Figures”.

TACAir is McGhee Tyson Airport’s general aviation services provider. In addition to providing fuel and services to commercial carriers, they also accommodate the general aviation industry, which includes corporate aviation, charter flights, flight schools and people who fly as a hobby.

The Tennessee Air National Guard’s 134th Air Refueling Group operates 10 aircraft at McGhee Tyson Airport. The Guard’s KC-135E tankers provide refueling to the country’s military aircraft. In addition, the Army Aviation Support Facility, the 110th and 119th Tactical Control Squadrons and the 228th Combat Communications Squadron operate on the base.

Downtown Island Home Airport. Knoxville’s Downtown Island Home Airport, located five minutes from downtown, serves as another home base for smaller and privately owned airplanes. The Island Home Airport is a 150-acre general aviation facility with a 3,500-foot runway. It is home to nearly 140 private and corporate aircraft, with 24 hours a day service available.

Waterways. Fifteen miles away is the head of the Tennessee River navigation channel in Knoxville. This river is part of the Interconnected Inland Water System that links Knoxville with 21 states, the Mississippi River and the Great Lakes. Linkages may be made to the entire inland waterway system, allowing shipments to be made by water to Houston, Tampa, Pittsburgh, Minneapolis and Little Rock. Cargo through the Fort Loudoun Lock was over 637,000 tons in 2022.

Six active river terminals handle barge shipments throughout the area. The Tennessee-Tombigbee Waterway links East Tennessee with 13 other states and the Gulf of Mexico. This 234-mile canal connects 16,000 miles of waterways throughout Tennessee, Mississippi and Alabama leading to the Port of Mobile and the Gulf of Mexico. This Waterway shortens the shipping between Tennessee and the Gulf of Mexico by 882 miles and enables East Tennessee products to arrive at their Gulf destination from eight to nine days earlier. Barge shipping has always been a popular alternative to rail in East Tennessee because of the existence of the Inland Water System.

Knoxville has a Foreign Trade Zone and is an inland Port of Entry with a U.S. Customs Office. In 1988, Knoxville was given its Foreign Trade Zone designation by the U.S. Department of Commerce. This designation allows manufacturers to ship foreign raw materials and components to parts of Knoxville and store them duty free in Knoxville until used. In May 1991, the Foreign Trade Zone was activated.

EDUCATION

Knox County School System. The County operates 93 schools. Included are five magnet schools offering enhanced arts and science curriculum and a Science, Technology, Engineering, and Mathematics (STEM) Academy. Knox County is also home to Tennessee School for the Deaf, serving toddlers through age 22 in both residential and day programs. The district enrolls over 60,800 students and employs over 4,592 teachers. In addition to public education, there are 37 private and parochial schools offering elementary and secondary instruction in Knox County.

Post-secondary education is available at ten public and private four-year institutions in Knox County and the surrounding area. The University of Tennessee's main campus is in Knoxville. Pellissippi State Technical Community College and Roane State Community College offer two-year programs for technical and associate degrees along with two other vocational/technical institutions. There are four business colleges located in the area.

Source: Tennessee Department of Education, Knox Metropolitan Planning Commission and Knox County Schools.

University of Tennessee, Knoxville (the “UT” or “UTK”). UTK is one of the oldest land-grant universities in the nation. There are over 250 buildings on a 920-acre campus. Blount College, UTK's forerunner, was established in Knoxville in 1794, two years before Tennessee became a state. With a fall 2024 enrollment of over 40,000 students and over 1,700 full-time instructional faculty, UTK is the largest campus in the University of Tennessee System (the “System”).

The System is a statewide institution governed by a 26-member Board of Trustees appointed by the governor of Tennessee. Institutions of the System are UTK, UT Health Science Center in Memphis, UT Chattanooga, UT Martin, UT Southern Campus, UT Space Institute in Tullahoma, and UT Institute for Public Service in Knoxville. In addition to the primary campus, the Agricultural Campus houses the UT Institute of Agriculture, a statewide administrative unit that includes the College of Veterinary Medicine, the College of Agricultural Sciences and Natural Resources, the Agricultural Extension Service and the Agricultural Experiment Stations.

UTK is a major research institution, attracting more than \$130 million in externally sponsored programs annually. The Division of Aeromedical Services is one of the country's most respected and comprehensive aeromedical programs. UTK is a co-manager with UT-Battelle, LLC of the nearby Oak Ridge National Lab (the “ORNL”). UT-Battelle, LLC was established in 2000 as a private not-for-profit company for the sole purpose of managing and operating the ORNL for the U.S. Department of Energy (the “DOE”). Formed as a 50-50 limited liability partnership between the UTK and Battelle Memorial Institute, UT-Battelle, LLC is the legal entity responsible for delivering the DOE's research mission at ORNL. Faculty and students experience unparalleled research and learning opportunities at the DOE's largest science and energy lab.

UTK conducts externally-funded research totaling more than \$300 million annually, including some \$17 million annually in research sponsored by ORNL. Areas of joint research with ORNL include the Bioenergy Science Center's work on cellulosic ethanol; the Center for Computational Sciences' partnership with the National Science Foundation; and the Science Alliance, with divisions in biological, chemical, physical, and mathematical/computer science.

The System and its statewide campuses bring in over \$2 billion in annual income to the State and support more than 50,000 jobs. UTK also generates over \$200 million in state and local tax revenue per year. Students and visitors attending athletic events at each campus spent approximately \$348 million, accounting for \$147.3 million in income and more than 4,800 jobs. During the 2024-2025 fiscal year, UTK received more than \$428 million in donor support, with \$92 million of those funds being contributed to the university's endowment.

Source: University of Tennessee, UT-Battelle and the Knoxville News Sentinel.

Knox County Center for Health Sciences. In 2022, Roane State Community College, the Tennessee College of Applied Technology - Knoxville and Covenant Health built a new healthcare training facility to East Tennessee. The 16,000-square-foot campus was an estimated \$75 million investment. The facility was built in West Knoxville on land gifted by Covenant Health, the release stated. The parcel is located near Parkwest Medical Center.

Source: The Oak Ridger.

Johnson University – Tennessee. Johnson University-Tennessee is a private, coeducational institution of higher learning offering associate, bachelor's, and master's degrees about 12 miles from Knoxville. Founded in 1893, Johnson University-Tennessee is the second oldest continuing university in America. The purpose of the University is to educate students for specialized Christian ministries with emphasis on the preaching ministry. In the fall of 2024, total enrollment was over 1,000 for the 350-acre campus.

Source: Johnson University.

Oak Ridge Associated Universities (the "ORAU"). ORAU is a consortium of 121 universities and a contractor for the DOE located in Oak Ridge, Tennessee. Founded in 1946, ORAU works with its member institutions that include UTK and its satellite campuses. The purposes are to help their students and faculty gain access to federal research facilities throughout the country; to keep its members informed about opportunities for fellowship, scholarship, and research appointments; and to organize research alliances among its members. Through the Oak Ridge Institute for Science and Education (the "ORISE"), the DOE facility that ORAU operates, undergraduates, graduates, postgraduates, and faculty enjoy access to a multitude of opportunities for study and research. A pioneer in technology transfer with historic contributions in nuclear medicine and health physics, ORAU today conducts specialized training in nuclear related areas of energy, health and the environment.

Source: Oak Ridge Associated Universities.

Pellissippi State Community College (the "PSCC"). Since its founding in 1974 as State Technical Institute at Knoxville, PSCC has expanded the teaching of technology, the use of technology in instruction, and the transfer of technology to local business and industry in support of regional economic development. Enrollment for fall 2023 was 8,826. PSCC continues to support and develop career/technical associate's degrees and institutional certificates, university parallel associate's degree programs, and continuing education opportunities for the citizens of Knox,

Blount, and surrounding counties. PSCC has released a 2018 report showing the school has added more than \$346 million annually into the Knoxville-area economy over the preceding 5 years.

Five campuses make up PSCC. The main campus is the Hardin Valley Campus in west Knoxville. The Division Street Campus and the Magnolia Avenue Campus, which opened in 2000, are also in Knoxville. A \$22 million campus was completed in late 2010 in Blount County. The Strawberry Plains campus began offering coursework in August 2012.

Source: Pellissippi State Community College and TN Higher Education Commission.

Roane State Community College (the “RSCC”). RSCC, which began operation in 1971 in Harriman, Tennessee, is a two-year higher education institution which serves a fifteen county area. Fall 2024 enrollment was 5,015 students. Designed for students who plan to transfer to senior institutions, RSCC academic transfer curricula include two years of instruction in the humanities, mathematics, natural sciences, and social sciences.

RSCC’s 138-acre main campus is centrally located in Roane County where a wide variety of programs are offered. RSCC has nine locations across East Tennessee – the Roane County flagship campus; an Oak Ridge campus; campuses in Campbell, Cumberland, Fentress, Loudon, Morgan, and Scott Counties; and a new center for health science education that is currently being built in west Knoxville, where they plan to begin classes by the spring of 2026.

Source: Roane State Community College.

South College. South College is a private institution that has been a part of Knoxville since 1882. South College has 10 campuses in Tennessee, Georgia North Carolina, Florida, Indiana, Pennsylvania and Texas. Throughout its history, South College has endeavored to meet the demands of the East Tennessee business community. South College offers a Master's of Health Science in Physician Assistant Studies and baccalaureate degree programs including Pharmaceutical Science (Pre-Pharmacy), Nursing, Health Science (Radiography/Nuclear Medicine), Elementary Education, Business Administration, and Legal Studies. Current associate degree programs include Radiography, Physical Therapist Assistant, Paralegal Studies, Business Administration, Accounting, and Medical Assisting. Nuclear Medicine and Post-Baccalaureate Program (Elementary Education K-6) are the certificate programs offered.

Source: South College.

Tennessee College of Applied Technology-Knoxville (the “TCAT-Knoxville”). TCAT-Knoxville is part of a statewide system of 27 vocational-technical schools. TCAT-Knoxville meets a Tennessee mandate that no resident is more than 50 miles from a vocational-technical shop. TCAT-Knoxville’s primary purpose is to meet the occupational and technical training needs of the citizens including employees of existing and prospective businesses and industries in the region. TCAT-Knoxville serves the central east region of the state including Knox and Blount Counties. TCAT-Knoxville began operations in 1966, and the main campus is located in Knox County. Fall 2022 enrollment was 2,282 students.

Source: Tennessee College of Applied Technology-Knoxville.

Tusculum College Graduate and Professional Studies Program (the “Tusculum”). Tusculum maintains offices in Knoxville for its Graduate and Professional Studies Program. Located in Greeneville, Tusculum is a private college affiliated with the Presbyterian Church. Tusculum was founded in 1794, making it the oldest college in Tennessee and the twenty-eighth oldest college in the nation. Fall 2023 enrollment was 1,200. The wooded 140-acre Tusculum

campus has eight buildings and the Tusculum Arch that are listed on the National Register of Historic Places. Tusculum is one of three colleges in the country to operate on a focused calendar, in which courses are scheduled one at a time.

Source: Tusculum College.

MEDICAL FACILITIES

Knoxville serves as a regional medical center for 27 counties in East Tennessee and Kentucky. The available technology, the specialized institutions, and a reputation for quality health care bring people into Knoxville from a 200-mile radius. There are 2,238 beds in five acute care hospitals in the County, including three healthcare systems (Covenant Health Care, Tennova Health System and University of Tennessee). There is also a Children's Hospital with 152 beds.

Source: Knox Metropolitan Planning Commission and the Knoxville News Sentinel, Covenant Health

Covenant Health

Covenant Health is a comprehensive health system established in 1996 by the consolidation of Fort Sanders Health System, Knoxville, Tennessee, and MMC HealthCare System, parent company of Methodist Medical Center of Oak Ridge, Tennessee. Covenant Health, headquartered in Knoxville, has nine acute-care hospitals plus inpatient and outpatient cancer care, behavioral and rehabilitation centers, home health, outpatient surgery and diagnostic centers, physician offices and more. More than 11,000 people are employed by Covenant Health and its member organizations, with nearly 1,500 affiliated physicians.

Covenant Health includes 30 member organizations, nine of which are acute care hospitals in East Tennessee: Fort Sanders Regional Medical Center and Parkwest Medical Center in Knoxville, Methodist Medical Center in Oak Ridge, Fort Loudon Medical Center in Lenoir City, LeConte Medical Center in Sevierville, Roane Medical Center in Harriman, Morristown-Hamblen Healthcare System in Morristown, Cumberland Medical Center in Crossville and Claiborne Medical Center in Tazewell. It also includes Peninsula Hospital, a psychiatric hospital in East Tennessee's Blount County. Covenant Health also operates numerous other healthcare facilities for outpatient clinics, cancer centers, breast centers, behavioral health, rehabilitation, home health, and weight management facilities.

Fort Sanders Regional Medical Center (the "Fort Sanders"). Part of Covenant Health, Fort Sanders is a 590-bed full-service acute care hospital with more than 350 doctors located in the Fort Sanders community of downtown Knoxville. The hospital was built in 1919 and has about 2,100 employees. In 2013, Fort Sanders received national recognition as a comprehensive stroke center; they are the second Tennessee hospital to receive this award. This certification from the Joint Commission on Accreditation of Healthcare Organizations means that the medical center is recognized as having the infrastructure, staff, and training to receive and treat complex cases. Fort Sanders is a regional referral center for neurosurgery, neurological disorders, orthopedics, oncology, cardiology, obstetrics and rehabilitation medicine. Fort Sanders offers a variety of specialized services such as a 24-hour Chest Pain Center, one-day surgery, electrodiagnostics, a Sleep Disorders Center, a Diabetes Center, prenatal education, and sports medicine.

Parkwest Medical Center (the "Parkwest"). Part of Covenant Health, Parkwest is the region's only Top 100 Heart Hospital. Parkwest has 492 beds with over 600 doctors on staff. The total employment is about 1,300. The campus includes one of the area's first all-digital

catheterization laboratories and a comprehensive breast center with a multidisciplinary approach to women's health. Peninsula Behavioral Health is a division of Parkwest Medical. See “RECENT DEVELOPMENTS” for more information on a three year renovation that began in 2018.

Tennova Healthcare

Tennova Healthcare is a for-profit healthcare system and has several acute care hospitals in Knoxville and the surrounding area and is owned by Community Health Systems, Inc. (the “CHS”). Tennova Healthcare employs over 2,900 people. CHS is one of the nation's leading operators of general acute care hospitals based in Franklin, TN. The organization’s affiliates own, operate, or lease 81 hospitals in 16 states with approximately 17,000 licensed beds. There are seven CHS hospitals in Tennessee.

North Knoxville Medical Center. Part of Tennova Healthcare, North Knoxville Medical Center opened in the fall of 2007 in north Knox County. The full-service facility has 116 beds. The North Knoxville Medical Center expanded its cancer care services and underwent renovations to add cardiac catheterization laboratories and operating rooms so it can begin taking cardiac care and orthopedic, general, and vascular surgeries originally performed at Physicians Regional. This was completed in 2020. In 2024, North Knoxville Medical Center completed a new tower expansion, which increased the hospital's capacity to serve patients with the addition of 28 ICU beds, 28 adult acute beds, and an expanded emergency department with observation rooms.

Turkey Creek Medical Center (the “Turkey Creek”). Part of Tennova Healthcare, Turkey Creek Medical Center has 131 beds in west Knoxville. Turkey Creek has a 24-hour, full-service, all-digital campus, with a completely staffed emergency department that cares for men, women, and children of all ages. Every patient room is a private room. An intensive care unit, state-of-the-art surgical suites, imaging services, rehabilitation services, and specialized staff and physicians bring groundbreaking, comprehensive treatment. Turkey Creek converted its existing obstetrical beds to general medical/surgical beds and added operating rooms and intensive care unit beds to accommodate more general and cardiovascular surgeries originally performed at Physicians Regional. This was completed in 2020.

East Tennessee Children’s Hospital (the “Children’s”)

Located in Knoxville, Children’s is a private, independent, not-for-profit pediatric medical center. There are 152 beds with doctors on staff, representing 32 pediatric subspecialties. Nearly 2,000 people are employed at the hospital. Children’s Hospital originally opened in 1937 and is the only Comprehensive Regional Pediatric Center in East Tennessee certified by the state. Pediatric services offered include ICUs, emergency services, outpatient clinics for oncology, hematology, diabetes, cystic fibrosis, and a rehabilitation center.

University Health System, Inc. (the “UHS”)

UHS is a regional health system that is comprised of the UT Medical Center, the UT Heart Hospital, UT Health Network, and various partnerships and joint ventures with physicians and healthcare companies. UHS is affiliated with the University of Tennessee Graduate School of Medicine and numerous regional hospitals and physician organizations. UHS supports and collaborates with the UT Graduate School of Medicine and other academic endeavors as part of its commitment to excellence in education and research.

University of Tennessee Medical Center (the “UT Medical Center”). The UT Medical Center in Knoxville is an acute care teaching hospital with 710 beds and more than 800 doctors. The UT Medical Center employs 5,290 people. Designated as the region’s Level I adult and pediatric Trauma Center by the State of Tennessee, UT Medical Center provides the highest level of programs and emergency services. Critically ill patients are transported to UT Medical Center via one of LIFESTAR’S two helicopters.

Special care units such as cardiac care, open heart, medical intensive care, neuro-respiratory, and trauma surgical intensive care are available for patients who require maximum medical attention. A Level IV Intensive Care Nursery, a Pediatric Intensive Care Unit, a newborn nursery and many other programs comprising Children’s Health Services enable UT Medical Center to provide the region’s most comprehensive medical services for infants and children. UT Medical Center also serves as the Regional Perinatal Center.

Source: Covenant Health, Tennova Healthcare, East TN Children’s Hospital, University Health System and the Knoxville News Sentinel.

SCIENCE AND ENERGY

The DOE and Oak Ridge

Oak Ridge History

The City of Oak Ridge has a unique history. This area was selected by the United States government in 1942 as the location for its production plants for uranium 235, a component of the first atomic bomb. The original town site was built during World War II to house and furnish necessary facilities for the employees of the uranium plants. This project (known as the "Manhattan Project") was transferred to the Atomic Energy Commission in 1947, and the community was operated by contractors under the control of the Atomic Energy Commission. In 1955, the Atomic Energy Commission sold the homes and land to the residents. In 1959, the residents voted in favor of incorporation under a modified city manager-council form of government.

Since the 1940's, the nuclear industry has been the largest employer for the City of Oak Ridge and Roane and Anderson Counties when a weapons fabrication division was built by the U.S. Corps of Engineers. As part of the secret World War II "Manhattan Project", the early task of the plant was the separation of fissionable uranium-235 from the more stable uranium-238 by an electro-magnetic process to be utilized in the world's first atomic bomb. Some 80,000 workers were hired for emergency construction of the laboratories and offices on the 56,000-acre site. At the peak of production during the war, 23,000 employees kept the separation units working at a cost of \$500 million for the entire project.

Currently, the DOE occupies approximately 37,000 acres and almost 1,200 buildings within the Oak Ridge city limits, and employs nearly 16,000 in engineering, skilled and semi-skilled crafts, technical and administrative support. Since October 1999, DOE has contracted with the University of Tennessee and Battelle to manage the ORNL. UT-Battelle began management of the lab on June 1, 2000. Consolidated Nuclear Security, a Bechtel-led contractor team, took over management of the Y-12 nuclear weapons plant effective July 1, 2014 (BWXT, Inc. was the appointed contractor for the Y-12 Plant).

Oak Ridge Research

The extensive energy research and development conducted by private and public agencies make Oak Ridge one of the world's great research centers. The presence of the University of Tennessee, the ORNL, Oak Ridge Associated Universities and the Tennessee Valley Authority (the "TVA") makes Oak Ridge a prime location for research facilities, as well as technology-based and conventional manufacturing industries. Science is a worldwide business, and the facilities at DOE in Oak Ridge have attracted a large number of technical people and their families. There are more than 4,000 employees that work for the ORNL, including scientists and engineers in more than 100 disciplines. ORNL campus also houses visiting scientists and researchers that come to work at the world-class facility in an \$8.9 million Guest House (built in 2010) with 47 units. Over 3,000 facility users and scientists visit the ORNL each year.

BioEnergy Sciences Center (the "BESC"). BESC is one of only three sites in the country operated by one of the DOE's new bioenergy research centers. It opened in ORNL in 2007. BESC works to accelerate research in the development of cellulosic ethanol and other biofuels and make biofuel production cost competitive on a national scale. The new site received \$135 million in federal funding. The University of Tennessee serves as one of the academic partners, providing specialized instrumentation, plant breeding technologies and new microbe discovery. Energy crops like switchgrass, which can be grown on marginal crop land, can produce affordable, domestic renewable fuel without raising food or feed costs. The BESC is dedicated to studying how to economically break down the cellulose in those sources to convert it into usable sugars for ethanol production.

Oak Ridge National Lab. ORNL is a multi-program science and technology laboratory managed for the DOE by UT-Battelle, LLC. Scientists and engineers at ORNL conduct basic and applied research and development to create scientific knowledge and technological solutions that strengthen the nation's leadership in key areas of science; increase the availability of clean, abundant energy; restore and protect the environment; and contribute to national security. Over 5,000 research guests were hosted in 2024, and over 80 patents were received by ORNL researchers during the same year.

Between 2020-2024, employment and funding for national security, science, energy, and partnerships have all increased. ORNL has grown from 4,900 employees and a budget of \$1.8 billion to 7,200 employees and a budget of \$2.6 billion. In 2024, more than \$1 billion was spent on modernization (office and parking spaces). The local economic impact of the lab is estimated to be \$223 million in 2024.

ORNL also performs other work for DOE, including isotope production, information management, and technical program management, and provides research and technical assistance to other organizations. The laboratory is a program of DOE's Oak Ridge Field Office. World-class neutron sources and several supercomputers are located at ORNL for scientific purposes. These unique projects bring about 3,000 scientists to visit each year for varying periods of time, and numerous small industries to be spun off from the experiments and findings. Each job created is expected to have an impact on housing, retail banking, automobile and transportation, hotels, restaurants, hospitals, and business services.

ORNL is in the final stages of a \$300 million project that has been ongoing for well over a decade to provide a modern campus for the next generation of great science. A unique combination

of federal, state and private funds is building 13 new facilities. Included in these new facilities will be the Laboratory for Comparative and Functional Genomics, the Center for Nanophase Materials Sciences, the Advanced Microscopy Laboratory, the Oak Ridge Center for Advanced Studies and the joint institutes for computational sciences, biological sciences, and neutron sciences. ORNL has been selected as the site of the Office of Science's National Leadership Computing Facility for unclassified high-performance computing.

ORNL also is the world leader neutron sources, the Spallation Neutron Source (the "SNS"), the High Flux Isotope Reactor, and a planned third neutron source dubbed the Proton Power Upgrade (the "PPU") to be completed in the 2030s.

Neutron-scattering research has a lot to do with everyday lives. For example, things like jets; credit cards; pocket calculators; compact discs, computer disks, and magnetic recording tapes; shatter-proof windshields; adjustable seats; and satellite weather information for forecasts have all been improved by neutron-scattering research. Neutron research also helps researchers improve materials used in high-temperature superconductors, powerful lightweight magnets, aluminum bridge decks, and stronger, lighter plastic products.

The world's most powerful neutron science project is the *Spallation Neutron Source* at ORNL. The giant research complex, spread across 75 acres on Chestnut Ridge a couple of miles from the main ORNL campus, is the world's top source of neutrons for experiments. The SNS is an accelerator-based neutron source built in Roane County by DOE. The SNS provides the most intense pulsed neutron beams in the world for scientific research and industrial development. At a total cost of \$1.4 billion, construction began in 1999 and was completed in 2006. In 2009, SNS reached full power when it set the world record in producing beam power three times more powerful than the previous world record. More neutrons are produced with a higher beam power.

The *Proton Power Upgrade* project to the SNS will double the power capability of the SNS linear accelerator from 1.4 to 2.8 megawatts. This will facilitate new types of experiments and discovery by increasing the beam energy by 30% and the beam current by 50%. This upgrade will enable scientists to work on smaller samples that are easier to handle. The upgrade of the two target stations began in 2021. The first target station is expected to be finished by 2027, and the second of the target stations should be completed between 2032 and 2039.

ORNL is also completing a series of upgrades at the *High Flux Isotope Reactor*. This ORNL facility is sometimes referred to as the lab's "other" billion-dollar machine. It is the world's most powerful research reactor, and it is used to perform experiments similar to - but different from - those to be done at the SNS.

A new *Stable Isotope Production and Research Center* is under construction as of 2024 to help secure the U.S. stable isotope supply. ORNL-produced isotopes have a wide variety of applications, from powering the Perseverance Rover on Mars, detecting hidden explosives at airports, and to image tumors and treat cancer.

LEGEND-1000 is an international high-energy physics collaboration in 2025 involving 290 scientists, 55 institutions and 12 countries. The experiment design includes the use of 1,000 kilograms of the ultrapure germanium isotope that ORNL plans to produce for a deep underground laboratory in Europe that will shield neutrinos passing through from cosmic rays. This will explore

the Standard Model of particle physics and possibly find a new theory to explain how the universe is assembled and behaves.

The DOE selected ORNL in 2020 to lead a collaboration, the *Quantum Science Center*, charged with developing quantum technologies that will usher in a new era of innovation. The center supports the National Quantum Initiative Act of 2018 by enhancing America's national security and retaining its global leadership in scientific research and development - goals that require broad expertise and capabilities.

The Quantum Science Center will receive \$115 million over five years from DOE's Office of Science to realize the potential of topological quantum materials for manipulating, transferring and storing quantum information. Quantum materials exhibit exotic properties under specific conditions, and the center will transition this knowledge to the private sector for use in practical applications such as quantum computers and sensors.

The new *Center for AI Security Research* at ORNL is scientifically analyzing vulnerabilities, threats and risks related to emerging and advanced artificial intelligence (the "AI"). ORNL aims to collaborate with industrial firms such as IBM, Google, Elon Musk's xAI company (building a supercomputer in Memphis as of 2024), and Intel that are building more data centers with powerful supercomputers for AI purposes to help them make these machines more energy efficient. This is expected to be more than \$1 billion in research investments.

Since 2005, the *Oak Ridge Leadership Computing Facility* at ORNL has housed several supercomputers in its 170,000-square-foot facility that includes over 400 staff and 40,000 square feet of space for computer systems and data storage. The facility's supercomputers are the exascale computer "Frontier", the "Kraken", the decommissioned "Summit", the retired "Titan", and the dismantled "Jaguar". In late 2027 or early 2028, there will be a new exascale supercomputer named "Discovery" installed that is expected to be faster than all the others.

Each machine was 10 times more powerful than its predecessor when it debuted, and each was the fastest in the world at its debut. However, thanks to a revolution in artificial intelligence driven by private industry, "Discovery" likely will not set the same records.

"Frontier" was ranked as the world's fastest supercomputer when it became fully operational in 2022 and held the number one spot until late 2024. "Summit" was the third computer at Oak Ridge to be ranked as the fastest supercomputer in the world in 2018. The "Titan" was the world's fastest at its November 2012 debut, and the "Jaguar", while in operation, held the title twice in November 2009 and June 2010. The machines work on breakthrough discoveries in biology, fusion energy, climate prediction, nanoscience and many other fields that will fundamentally change both science and its impact across society.

The first-of-its-kind system, the "Frontier" exascale supercomputer, started out capable of calculating one quintillion operations per second and by 2024, it was completing 1.35 quintillion calculations per second. This makes "Frontier" 50 times faster than other supercomputers, including ORNL's "Summit". By solving calculations up to 50 times faster than other top supercomputers, "Frontier" enables researchers to deliver breakthroughs in scientific discovery, energy assurance, economic competitiveness, national security, and a new kind of jet engine. Since its debut, Frontier has helped scientists across the world simulate the origins of the universe, train

artificial intelligence models and optimize materials such as medicines. The lab's computing space is a user facility, meaning scientists can apply to the Department of Energy for time to use the machine.

This second-generation artificial intelligence system, “Frontier”, replaces the “Titan” at ORNL. Built by Cray Inc., the “Frontier” system is valued in excess of \$600 million. Due to the system’s advanced nature, the largest, most comprehensive upgrade in the history of ORNL had to be completed to the power and cooling infrastructures of the facility. Frontier, which holds the No. 11 spot on the Green500 list of the world's most energy efficient supercomputers, uses only 30 megawatts to power its 60 million parts.

The “Summit” supercomputer cost an estimated \$200 million to build and was used for a wide range of scientific applications including combustion science, climate change, energy storage and nuclear power. “Summit” also serves as an artificial intelligence and deep learning computer, capable of analyzing massive amounts of data and automating critical steps of the discovery process.

The “Summit” was operational from 2018-2024 and is eight times faster than the “Titan”. “Summit” was able to make over 140 quadrillion calculations per second, measured as 140 petaflops. Due to all the energy and heat produced by the calculations, “Summit” produced more heat per square centimeter than tiles on the bottom of a spaceship re-entering Earth's atmosphere. Therefore, “Summit” was cooled by water pumped through plates that sit on top of the computer's chips. In all, “Summit” used up to 15 megawatts, equivalent to the power 9,000 to 18,000 homes would consume, depending on the time of day. At peak, “Titan” uses about 9 megawatts.

The supercomputer “Titan” was replaced by the “Frontier” in 2023. The National Oceanic and Atmospheric Administration (the “NOAA”) sponsored the “Titan”, funded with Recovery Act money. NOAA awarded Cray and ORNL a \$47 million contract to provide the “Titan” to work on climate research, energy, efficient engines and materials science. The “Titan” was online in late 2012 after several years of development, and it replaced the “Jaguar” supercomputer at ORNL. When the “Titan” was listed as the world’s fastest computer in late 2012, it marked the fourth time a computer from ORNL has achieved that distinction since 1953. “Titan” was capable of a peak performance of about 27-petaflops. That speed is about 10 times the capability of the first “Jaguar”, which at one time was also the world's fastest computer. The total cost of the “Titan” was estimated to be about \$100 million, but about \$20 million was saved by reusing much of the “Jaguar” structure.

The DOE and the National Science Foundation (the “NSF”) sponsor the supercomputer “Kraken” which came online in 2009. The NSF awarded the University of Tennessee (the “UT”), ORNL and other institutions a \$65 million grant to build “Kraken” to work on a range of scientific challenges, such as climate change and new medicines. UT’s “Kraken” is housed with the ORNL’s “Titan”.

Through interagency agreements, DOE's Oak Ridge facilities have launched a highly successful "work for others" program. Local firms contract with numerous federal agencies to provide services and products. The value of these contracts have grown from approximately \$50 million in 1983 to \$270 million in recent years.

Other projects at ORNL include working with the *ITER fusion facility* under construction as of 2024 in France. ORNL will be the headquarters for that facility that will be responsible for fabricating and delivering important components to the international ITER fusion facility. ORNL is also building a *Materials Plasma Exposure eXperiment (the “MPEX”)* in 2024 to help scientists identify promising candidate materials for inner walls of vessels that will most likely hold up against the superhot fusion plasmas they contain.

In collaboration with *Volkswagen*, ORNL broke a record in 2024 by demonstrating high-speed wireless charging of an electric vehicle, energizing it with 270 kilowatts in 15 minutes. The specially equipped car was aligned with electromagnetic coils in a mat on which the car is parked. Widespread use of this technology for faster charging could make EV’s more attractive to potential consumers.

In early 2009 and in 2012 ORNL dedicated two *solar arrays*, respectively. The first one is a 288-foot span of solar array panels that provides 51.25 kilowatts of power to the lab’s grid. The latest array cost \$800,000 and provides 200 kilowatts. These arrays will offset nearly half of the power use in one of ORNL’s research facilities and expand a green initiative known as the “sustainable campus” project.

University of Tennessee (the “UT”). The University of Tennessee's flagship campus in Knoxville is home to a wide array of vigorous programs doing research on issues vital to the community, the state, the nation, and the world. The university has collaborative relationships with public and private agencies including ORNL, Battelle Memorial Institute (forming UT-Battelle), St. Jude Children's Research Hospital, the Memphis Bioworks Foundation, and the Boston-Baskin Cancer group (forming UT Cancer Institute). The *UT-Oak Ridge Innovation Institute* focuses on clean manufacturing, advanced materials, energy storage and radiopharmaceutical therapies.

Cherokee Campus at UT. The Cherokee Farm concept came into being in 2001 as a way to further research by UT and ORNL in computational sciences, climate and environment, advanced materials, biomedical sciences, and renewable energy. UT and ORNL started development of the campus with \$87 million in capital investments and incentives. This is part of a UT goal to join the ranks of the nation’s top 25 public research universities. The former site of UT’s 188-acre dairy operation was chosen and development of 77 acres of the property began in 2010. The farm is less than a mile from the Knoxville campus.

The first building, the \$47 million, 142,000-square-foot Joint Institute for Advanced Materials facility, opened in early 2016. The rest of the campus will include 16 building sites. These sites, ranging up to 2 acres, should allow a total of 1.6 million square feet of development. Moving research to the Cherokee campus would free up buildings on the main campus, which could be renovated and used for additional administration and instructional space.

The Joint Institute for Advanced Materials building will house seven high-powered microscopes that researchers from UT, ORNL and elsewhere will use in screening and analyzing materials. The work is oriented toward producing strong, lightweight materials for the automotive and aerospace industries. Researchers will also be able to make use of supercomputers at ORNL.

The first private tenant at Cherokee Farm was announced in May 2016. Civil and Environmental Consultants, Inc. (CEC) is recognized for providing innovative design solutions

and integrated expertise in the primary practice areas of civil engineering, ecological sciences, environmental engineering and sciences, survey, waste management and water resources.

National Institute for Mathematical and Biological Synthesis (NIMBioS) is a first-of-its-kind institute dedicated to combining mathematics and biology to solve problems in both scientific fields. The center was funded by a 2008 \$16 million award from the National Science Foundation and is located at the University of Tennessee. A unique aspect of NIMBioS will be its partnership with the Great Smoky Mountains National Park. The park and its Twin Creeks Science Center play a key role in the institute's work, with the park serving as a testing ground for many of the ideas that come from NIMBioS. Partners in NIMBioS include the US Department of Agriculture and the US Department of Homeland Security, IBM and ESRI, a developer of software and technology related to geographic information systems. It draws over 600 researchers each year to Knoxville.

Knoxville Community Development Corporation. Oak Ridge National Lab and the DOE with work with the Knoxville Community Development Corporation on a \$5 million project to combat the climate crisis in helping reduce home energy costs. It's part of the DOE's Advanced Building Construction Initiative. Knoxville's retrofit project was one of seven awardees chosen nationwide. The test will consist of the exteriors of a dozen of single-family housing units that will be retrofitted with a 3D printed shell to fit around the existing buildings. The test will help advance the technology, transform the look of the building's exterior and save residents in energy costs. If the test is successful, the families living in these homes will see 75% reductions in home energy use and achieving decarbonization goals.

Locally, the project is part of Knoxville Community Development Corporation's Transform Western Plan in the Western Heights neighborhood. Part of the plan involves renovating 8 to 12 buildings in the aging section of Western Heights. The panels are made of fiberglass and foam insulation and have an integrated heat pump system. The pumps are tied into the home HVAC system to maximize energy efficiency. The installation is expected to be finished in four years. Four buildings are expected to be done by the end of 2023. The final piece of the project will involve retrofitting the exterior of the Boys & Girls Clubs building in Western Heights.

Source: City of Oak Ridge, ORNL, Tennessee Department of Military, Y-12 National Security Complex and the Knoxville News Sentinel.

Oak Ridge Nuclear

BWX Technologies, Inc. (the "BWXT"). A subsidiary of BWXT, Nuclear Fuel Services, Inc., was awarded in 2024 a \$122 million contract extension from the Tennessee Valley Authority for the downblending of highly enriched uranium into low enriched uranium to support the National Nuclear Security Administration's defense programs objectives. The new contract extends until June 2027. The downblended uranium is needed for various commercial and national defense purposes, for example as fuel material for all naval nuclear reactors.

Integrated Facilities Disposition Program. The DOE has approved a massive \$18 billion Oak Ridge cleanup campaign. The cleanup program would demolish more than 400 contaminated buildings at ORNL and the Y-12 nuclear weapons plant. The program would also focus on mitigating polluted ground water at the sites and other actions to reduce environmental damage. The work began in 2008 and could take up to 45 years to complete. In 2015, \$424 million was set aside for the environmental cleanup activities in Oak Ridge.

The 2009 stimulus act passed by Congress gave the DOE Oak Ridge's office \$1.9 billion for environmental cleanup projects. The stimulus money sent directly for projects in Oak Ridge, \$1.2 billion, saved or created more than 3,800 new jobs through sub-contracting construction-type jobs as well as technical and specialty positions associated with handling radioactive materials and evaluating environmental risks. The clean-up money was divided among four sites: \$239 million to ORNL, \$292 million to Y-12, \$144 million to East Tennessee Technology Park and \$80 million to the Transuranic Waste Processing Center. At Y-12 alone, seven cleanup projects created more than 2,000 jobs, demolished about 150,000 square feet of old buildings and got rid of about 74,000 cubic meters of waste.

K-25, a group of former gaseous diffusion buildings, was torn down by the DOE as part of its program to convert the former K-25 site for use by private industry. K-25 was once the largest building in the world. The building in size equated to 6 1/2 football fields under one roof. The gigantic K-25 building was a mile-long, U-shaped structure that was built to process the uranium in WWII.

In 1945, the uranium from K-25 was fed into Y-12's machines to be enriched even further. From there, it was shipped to Los Alamos, New Mexico, where a team of scientists led by J. Robert Oppenheimer fed the fuel into Little Boy, the bomb dropped on Hiroshima on Aug. 6, 1945. In 1946, K-25 began producing bomb-grade uranium by itself, and the electromagnetic separation plant at Y-12 was shut down. K-25 and its sister building K-27 were shut down in 1964 and all gaseous diffusion operations in Oak Ridge ended in 1985.

Bechtel Jacobs began demolishing K-25 in 2008 and passed the project on to its successor United Cleanup Oak Ridge in 2011. UCOR finished the job in 2020, four years ahead of schedule and \$80 million below budget. The five main gaseous diffusion buildings were all demolished by 2016 and the historic cleanup project ended in 2020.

The site has been known by many names in its 80-year history: the Oak Ridge Gaseous Diffusion Plant, the East Tennessee Technology Park and the Heritage Center and Horizon Center. The large brown site is slated for the new Oak Ridge General Aviation Airport and nuclear power startups (see "RECENT DEVELOPMENTS" for more information).

Y-12 National Security Complex. The Y-12 National Security Complex is another large federal plant in Oak Ridge. The ongoing functions of the Y-12 plant are to support the DOE's weapons design labs, recover U-235 from spent nuclear weapons, store nuclear materials, and fuel naval reactors.

Y-12 has been undergoing a major modernization program. Y-12 is a key facility in the U.S. Nuclear Weapons Complex and is responsible for ensuring the safety, reliability, and security of the nuclear weapons stockpile and serves as the nation's primary repository of highly enriched uranium. Y-12 houses the country's stockpile of bomb-grade uranium, builds uranium bomb parts and dismantles nuclear weapon systems as needed to support a much smaller nuclear arsenal. The National Nuclear Security Administration (the "NNSA") is planning to transform the nuclear weapons complex to be smaller, more efficient and more cost effective. The goal is to have only two facilities where there used to be 700 buildings.

One of the largest *clean-up efforts* in the world, billions of federal funding has been spent to dismantle and dispose of radioactive waste that was generated to produce nuclear weapons during World War II and the Cold War across the three facilities that were built during the Manhattan Project – ORNL, K-25, and Y-12. Organizing the effort, Oak Ridge Office of Environmental Management duties include shipping highly radioactive materials out of the state, monitoring mercury contamination in the Upper East Fork Poplar Creek and clearing contaminated buildings across the region for future clean energy and national security missions. Clean-up is aimed at preventing further environmental harm and saving the U.S. government the exorbitant cost of maintaining useless contaminated buildings. Contractors have already demolished dozens of World War II era buildings, or about a million square feet since 2001. As of 2023, the cleanup effort has cost approximately \$14.6 billion, about half of the expected amount for an effort that will last at least another 25 years. Buildings to be demolished will number more than 90 at Y-12 and 125 at ORNL.

Some new office buildings already have been built, including the Jack Case Center that holds about a third of the workforce, or around 1,500 employees. This \$58 million, 420,000-square-foot office building was completed in the summer of 2007. A new 137,000-square-foot visitor’s center and auditorium, for about \$18 million, was also completed in 2007.

Mercury Treatment Facility, a water treatment plant designed to capture Y-12 mercury runoff, began site preparation in 2017 and cost \$1.4 million. A four-year construction period for the plant began in 2019 with a projected cost of \$92 million. Once operational, the treatment facility will have a treatment capacity of 3,000 gallons of water per minute and have a 2-million-gallon storage capacity. This facility will enable large scale demolition to begin in the mercury-contaminated areas at Y-12. The two major components at two locations, a headworks facility and a treatment plant, will be connected by a pipeline nearly a mile long. The headworks facility will capture creek flow, store excess stormwater collected during large rainfalls, remove grit, and pump water through the pipeline to the treatment plant.

The \$549 million *Highly Enriched Uranium Materials Facility* at Y-12, a storage complex for weapons-grade uranium, was completed in late 2008. This storage facility replaced multiple aging facilities and allows for storage of its uranium stocks in one central location that represents maximized physical security with minimal vulnerabilities and operating costs. It is designed to protect the large cache of U-235 against any type of terrorist assault. The facility is currently over 85% storage capacity of bomb-grade uranium.

The Tennessee Valley Authority in 2022 voted to expand the use of multiple advanced nuclear reactors, starting with a GE-Hitachi BWRX-300 *small modular reactor* (the “SMR”) at its Clinch River site in Oak Ridge. TVA is one of first utilities in the nation to publicly commit to exploring the development of an advanced reactor fleet. The new program will pursue phased activities that will kick off with design and licensing of a potential BWRX-300 SMR at Oak Ridge, for which TVA holds the nation’s only early site permit from the Nuclear Regulatory Commission (the “NRC”). TVA expects that phase to last about two to three years. TVA chose GE-Hitachi’s (GEH’s) BWRX-300 because it is based on light water reactor technology. The BWRX-300 is a 300-MW boiling water reactor that launched in 2017. The reactor design is the 10th evolution of GE’s BWR technology, and GEH says it represents “the simplest, yet most innovative BWR design since GE began developing nuclear reactors in 1955.”

The *Molten Salt Reactor Experiment* (the “MSR”) facility, which use molten salt as liquid fuel and coolant, came online in 1965. The entire facility is part of the DOE’s environmental cleanup project since it has become contaminated with the prevalent radioactivity at the site. Work and research began in 2023 to make the site safe for decommissioning. MSRs hope to be a major contributor to the nuclear energy sector with benefits including safety, efficiency, and flexibility in fuels and applications.

The *Uranium Processing Facility* (the “UPF”) Project, cornerstone of Y-12's new modernization strategy, will replace current enriched uranium and other processing operations. It will replace Y-12's main production center and cost \$6.5 billion. In 2018, the last approval from the DOE was given to build the final three buildings that will make up the UPF. The \$6.5 billion project will be the largest construction project the state has ever seen, and the project is expected to create more than 2,000 jobs during peak construction. The design phase began in 2006, construction began in 2009, and the facility should be in operation by 2025. Construction of the UPF will accelerate consolidation of aging facilities, bringing production operations currently housed in multiple buildings together, reducing the size of the plant's highest security area by 90 percent, improving the overall security posture, making the plant more secure and saving millions of dollars in annual operating costs. See “RECENT DEVELOPMENTS” for more information.

Source: City of Oak Ridge, ORNL, Y-12 National Security Complex and the Knoxville News Sentinel.

POWER PRODUCTION

Tennessee Valley Authority (the “TVA”)

TVA was established as a wholly-owned corporate agency and instrumentality of the United States of America by the Tennessee Valley Authority Act of 1933 (the “TVA Act”), as amended. TVA Act’s objective is the development of the resources of the Tennessee Valley and adjacent areas in order to strengthen the regional and national economy and the national defense. Its specific purposes include: (1) flood control on the Tennessee River and its tributaries, and assistance to flood control on the lower Ohio and the Mississippi Rivers; (2) a modern navigable channel for the Tennessee River; (3) ample supply of power within an area of 80,000 square miles in most of Tennessee and parts of Alabama, Mississippi, Kentucky, Georgia, North Carolina and Virginia; (4) development and introduction of more efficient soil fertilizers; and (5) greater agricultural and industrial development and improved forestry in the region.

TVA is primarily a wholesaler of power. TVA manages 16,400 miles of transmission line to deliver 99.999% reliability that connects and supplies power to 153 local power providers and power companies that supply electricity to approximately 10 million people across seven Southeastern states with 61 directly served customers, including 54 industrial customers and 7 military and federal installations. These include coal, gas, nuclear, and hydroelectric plants as well as renewable resources.

About 80 percent of the nation paid more for energy than customers served by TVA. TVA’s industrial rates are lower than more than 95 percent of the nation. As of 2024, TVA has ranked the top utility for economic development for 19 consecutive years. Projected capital investments in the region are expected to be 326,000 jobs in \$45.9 billion with investment.

TVA’s generation portfolio is 39% nuclear, 14% coal, 34% natural gas, 9% hydro, and 4% wind and solar with a total capacity of 32,190 megawatts as of 2024.

TVA'S GENERATING ASSETS (as of 2024)

Located Over Seven States

3 Nuclear Sites
 4 Coal-Fired Sites
 29 Hydroelectric Sites
 1 Pumped-Storage Site

 9 Combustion Turbine Gas Site
 8 Combined Cycle Gas Sites
 9 Solar Energy Sites
 1 Diesel Generation Site

Located in Tennessee

2 Nuclear Sites
 3 Coal-Fired Plants
 19 Hydroelectric Dams
 1 Pumped-Storage Hydroelectric Plant
 8 Natural Gas-Fueled Facilities
 13 Non-Power Dams
 9,455 Miles of Transmission Line
 298 Substations & Switchyards

TVA in Tennessee. TVA supplies energy for over 7 million people through 82 local power companies and for 26 large, direct-served customers in Tennessee. TVA also manages 33 reservoirs, 179,510 acres of public land, and 7,700 miles of shoreline within the state. Projected capital investments for Tennessee are expected to be 30,760 jobs with \$3.6 billion in investment. TVA employs 7,592 people in the state as of 2024.

TVA's Hydropower and Flood Control. Tennessee is one of the top three hydroelectric power producers east of the Rocky Mountains due to the many TVA hydroelectric power plants located on the Tennessee and Cumberland River systems. Hydroelectric power, although variable, has been contributing about one-eighth of the state's net generation in recent years.

Managing the Tennessee River System. TVA manages the Tennessee River system and 293,000 acres of public land, 11,000 miles of shoreline, and 650,000 surface acres of reservoir water. TVA dams on the Tennessee River system provide multiple public benefits: food control, navigation, power production, recreation, water quality and water supply, and protection of natural resources.

TVA's Solar and Other Fuels. TVA will add 10,000 megawatts of solar energy by 2035, representing more than a 15-fold increase from 2021. And by 2050, TVA plans to achieve net-zero carbon emissions by the development of emerging technologies, such as advanced nuclear, long-duration energy storage, carbon-capture technologies and alternative fuels like hydrogen. TVA has contracted or installed around 400 megawatts of solar generating capacity, has more than 1,200 megawatts of wind power, and over 50 megawatts from burning organic garbage. About 13 percent of TVA's power comes from renewable sources, with 3 percent of that coming from wind and solar. Biomass, primarily from wood and wood waste, also contributes a small amount to the state's net generation. TVA also uses methane gas from the Memphis wastewater treatment plant to boost generating capacity at one coal-fired power plant, increasing the plant's capacity by 8 megawatts.

TVA's Transmission System Improvements. TVA invested nearly \$1.5 billion in transmission improvements between 2022-2025, to include a \$289 million investment in a new System Operations Center and \$90 million in a new Energy Management System.

The U.S. Department of Energy awarded a \$250 million grant in late 2024 to TVA and 10 of its local power companies that will fund 84 projects aimed at strengthening the electric grid and building renewable energy. These projects will help the utility add up to 2,400 megawatts of capacity to its grid, moving enough additional electricity to power 1.4 million homes, and speed development of solar and wind projects. It will allow the utility to create its first interconnection with the Southwest Power Pool, which manages much of the Midwest's wind-heavy grid, adding 800 megawatts of wind to TVA's system. Updates to the grid could reduce the duration of local power outages by 94%, creating \$250 million in economic benefits, according to a TVA news release. TVA anticipates the money will create approximately 800 jobs over five years.

TVA's Carbon Reduction. TVA has initiated a decarbonization plan to reduce carbon emissions to 70 percent by 2030 and a path to reaching 80 percent by 2035, all while using existing technology and without impacting reliability or costs. By 2035, TVA plans to have retired all of its coal plants to fulfill a goal for net-zero carbon emissions by 2050. TVA has already shut down 32 of the 59 coal-fired units it once operated, cutting the share of its power generated by burning coal from nearly two-thirds of TVA's generation in the 1980s to less than 20 percent in fiscal 2018. TVA estimates the shutdown of the aging facilities, which would have required an estimated \$1.3 billion in equipment and maintenance investments over an extended life of the plants, will save TVA \$320 million. In an agreement with the Environmental Protection Agency, the utility will invest \$3 billion to \$5 billion on pollution controls and \$350 million on clean energy projects.

TVA's Nuclear Power. TVA applied for a \$800 million federal grant to help finance small *modular nuclear reactors* to be built at its Clinch River Nuclear Site in Oak Ridge. The grant could cut the timeline for building the reactors by two years, with a plan for commercial operation by 2033. TVA plans to build up to four 300-megawatt reactors at the site. Small modular reactors are not just smaller than large traditional nuclear power plants but could be built faster and in more places. Nuclear energy is the largest single source of clean energy in the U.S., at around 20% of the electricity supply. In 2024, about 40% of TVA's energy is nuclear in nature.

TVA began exploring options for advanced reactors in 2010 and submitted an early site permit in 2016. The project was the first of its kind to receive an early site permit from the U.S. Nuclear Regulatory Commission in 2019, and the TVA Board of Directors has approved \$350 million to fund early development. TVA listed 11 partners applying for the grant money, including Bechtel, BWX Technologies, Duke Energy, GE Hitachi Nuclear Energy, Oak Ridge Associated Universities and the state of Tennessee.

TVA is also collaborating with Type One Energy to support the world's first *fusion power plant* at TVA's former Bull Run Fossil Plant in Clinton. Type One is planning in 2026 to build the commercial nuclear fusion plant using the former TVA site to house a prototype dubbed "Infinity One". The company aims to use a machine called a stellarator to contain plasma much hotter than the sun at the pilot plant. It would be developed in the former fossil fuel plant's turbine room. The prototype is designed to verify aspects of the design and serve as a training platform.

Described as clean energy, fusion reactions smash hydrogen isotopes together to make energy. This is unlike traditional nuclear power plants, which use fission to split uranium isotopes to create heat. Nuclear fusion can't produce a nuclear meltdown, and it won't create intensely radioactive waste that remains dangerous for hundreds of thousands of years. Scientists have worked to develop nuclear fusion power plants since the 1950s, but rapid advancements in

supercomputing have sped up stellarator breakthroughs. Type One Energy solved the basic physics problems of the design by running more than 70,000 simulations on supercomputers.

If Type One's "Infinity One" stellarator moves forward successfully, then the world's first commercial nuclear fusion plant, or "Infinity Two", will be built. The plant could be operational by the mid-2030s, and the power it generates could add to the Tennessee Valley's baseload. The plant is envisioned as producing 350 megawatts of continuous electricity, a little over a fifth of one of the reactors at TVA's Sequoyah Nuclear Plant near Chattanooga. Once the plant is online, it could create as many as 330 jobs and have an estimated investment of \$223.5 million.

Source: Tennessee Valley Authority and the Knoxville News Sentinel.

Solar Companies

U.S. utilities are quickly building power-grid-level batteries that can store nearly 21,000 megawatts of electricity across the country in 2024, compared to just 4,000 megawatts in 2010, according to the U.S. Energy Information Administration. Energy storage in batteries is especially important to developers of solar and wind energy, which depend on the weather.

Efficient Energy of Tennessee. Efficient Energy, in partnership with Natural Energy Group, built a solar panel site in East Knoxville in 2010. The site has more than one megawatt worth of solar panels on a five-acre lot. The 4,608 solar panels can produce nearly 1.2 megawatts of electricity, enough to power about 125 homes. The site is also a resource for local research and educational organizations, such as the Oak Ridge National Lab, Cleveland State Community College and Pellissippi State Community College.

Sharp Electronics. In West Tennessee, Sharp Electronics in Shelby County (Memphis) has a large array consisting of nearly 4,160 solar panels for \$4.3 million that cover the plant's roof to generate about 200 kilowatts of power. Sharp Electronics also has produced over 2 million solar panels since 2003 and has over 480 employees.

Tennessee Solar Institute. Located in Knoxville, the Tennessee Solar Institute is part of the Volunteer State Solar Initiative with UTK and ORNL. The objective of the initiative will be to find ways of reducing the cost of producing solar energy and ways to store energy until needed. Among other purposes, it brings together scientists, engineers and technical experts with business leaders, policymakers, and industry workers to help speed the deployment of solar photovoltaic technology.

Solar Manufacturing Plants. East Tennessee has several manufacturing plants. In East Knoxville, Efficient Energy built a 1.2-megawatt solar panel site with Natural Energy Group to be used for local research and education. In Roane County near the ORNL, a smaller array of 200-kilowatts was online in 2012. In Bradley County, the \$2.5 billion Wacker Polysilicon plant created approximately 650 jobs to produce silicon used for the solar energy industry. The plant was operational in early 2016. Also in Bradley County, a new \$30 million, 9.5-megawatts solar park is providing power to the Volkswagen Plant in Chattanooga.

Volunteer State Solar Initiative (the "VSSI"). In 2009, the State of Tennessee and the Department of Economic and Community Development allocated more than \$60 million in American Recovery and Reinvestment Act Funds from the DOE to form the VSSI, including the

West Tennessee Solar Farm and the Tennessee Solar Institute. The VSSI was a comprehensive solar energy and economic development program focused on job creation, education, renewable power production and technology commercialization.

West Tennessee Solar Farm. The University of Tennessee's West Tennessee Solar Farm is a \$31 million, five-megawatt solar electricity generation facility. The solar farm stores enough to power 500 homes and offset 250 tons of coal per month with approximately 21,000 photovoltaic solar panels on 25 acres in Haywood County.

The West Tennessee Solar Farm is the product of a multi-sector collaboration between higher education, business, and government. Tennessee-based Signal Energy designed and built the facility in 2011, and connection to TVA's electrical grid came in early 2012 through Chickasaw Rural Electric Cooperative. Visible to 12 million Interstate 40 travelers a year, the TN Dept of Transportation built an Information and Welcome Center at the West Tennessee Solar Farm to house SPECTRUM, an educational solar exhibit.

Source: U.S. Department of Energy (Energy Information Administration), Memphis Commercial Appeal, the Knoxville News Sentinel and the University of Tennessee.

TRADE AREA

Because of its central location in the eastern United States, the County metropolitan area serves thousands of industrial and commercial customers in a concentrated eight-state area. It is within 500 miles of approximately one-third of the population of the United States, and nearly half of the nation's population is within a day's drive of Knoxville. For many years the County has been known as one of the South's leading wholesale markets. Based on 2023 estimates, there were approximately 1,240 wholesale establishments, 1,904 retail establishments, and 11,572 service industries located in the County.

The area is the trade center for a 42-county region, located in East Tennessee, Kentucky, Virginia and North Carolina, which serves over two million people. It also is the cultural, tourist, and professional center for this region. The MSA includes more than 909 manufacturing firms, which produce a large variety of items including medical devices, electronic components, chemicals, manufactured housing, apparel, and automobile parts.

Source: 2024 Knox County, Tennessee Annual Comprehensive Financial Report.

BUSINESS CLIMATE AND INDUSTRIAL INVESTMENT

The County has a history of being a regional leader in economic activity. The County offers premier location opportunities for high-technology and precision manufacturing firms. The University of Tennessee, Tennessee Valley Authority and the Oak Ridge National Laboratory help to provide a stable, secure employment base. The Knoxville area is home to many medium-sized manufacturing and distribution operations as well as customer service centers. The Knoxville area boasts a strong and reliable workforce, and low union membership rates. These assets, combined with an excellent location at the intersections of Interstates 40, 75 and 81, make Knox County a great location for any business. The County is also well served by 250 trucking companies, three railroads, five airlines, and three local river terminals that provide direct links to the Great Lakes and to the Gulf of Mexico. The Knoxville area continually receives recognition for high quality of

life, combining an attractive natural setting with a moderate four-season climate. In addition, the Knoxville area ranks among the nation's top markets for low cost of living. The Knoxville MSA ranks as one of the top southeastern urban areas with an index of 83.7 compared to the average of all participating cities of 100. The County has over 6,418 acres of park and recreation space, with approximately 198 miles of greenways and walking trails. The arts and culture are well served, with the Knoxville Symphony, Knoxville Opera Company, Knoxville Museum of Art, and several performing arts organizations, including the Clarence Brown Theater, providing numerous cultural opportunities. Live entertainment includes touring Broadway productions and many concerts at numerous venues throughout the area, including the historic, beautifully renovated Tennessee and Bijou theaters.

Source: 2024 Knox County, Tennessee Annual Comprehensive Financial Report.

Commerce and industry vary from the media success of Discovery, Inc. formerly Scripps Television Networks (HGTV, DIY, Food, Cooking, GAC, and Travel), to Sysco Corporation's (largest food service marketer and distributor in North America) regional warehouse and distribution center. In addition, many other local companies are recognized as national and global leaders, including Clayton Homes, Brunswick Corporation, Keurig Green Mountain, Bush Brothers, Pilot/Flying J Travel Centers, and Denso Manufacturing.

The area is also gaining a reputation as a prime location for corporate headquarters. High profile companies headquartered here in the MSA include the Tennessee Valley Authority, Jewelry Television, AC Entertainment, DeRoyal Industries, PetSafe/Radio Systems Corporation, and Regal Entertainment. Knox County has eight business parks and a Technology Corridor to meet a wide range of corporate facility needs.

Four regional shopping malls and over 200 shopping centers and factory outlets meet the retail needs of Knox County citizens and visitors. Knox County has traditionally been the regional hub of the MSA. The 2023 retail sales in the MSA grossed over \$22.1 billion, with approximately 66% of that total generated in Knox County.

Source: 2024 Knox County, Tennessee Annual Comprehensive Financial Report.

MANUFACTURING AND COMMERCE

The County has eight business parks and a Technology Corridor to meet a wide range of corporate facility needs. The Forks of The River Industrial Park has 1,615 acres. EastBridge Business Park has 800 acres. WestBridge Business Park has 250 acres. Pellissippi Corporate Center has 150 acres. Hardin Business Park is a light industrial park with 95 acres. CenterPoint Business Park is a commercial park with 60 acres.

A proposed 345-acre business park off Midway Road was approved in 2016 by the Metropolitan Planning Commission and the Knox County Commission. It is expected to be several years before any development occurs, but when complete, it could add approximately 2,200 new jobs to the area.

A new 80-acre business park in Karns Valley will feature four to five development-ready sites with convenient access to ORNL and McGhee Tyson Airport.

The County had 15,862 businesses and the MSA had 24,428 businesses operating in 2021. The County also had 594 manufacturing facilities in 2021 and the MSA had 1,043 for the same period.

Knoxville-Oak Ridge Innovation Valley Inc. is an investor-directed program for five counties designed to recruit, retain, and expand business growth throughout the Innovation Valley region. The organization is focused on technology-led economic development, as well as education and workforce development. These two areas of focus represent key differentiators in this plan of work.

The Pavilion at Turkey Creek (the “Turkey Creek”). Turkey Creek is the largest single commercial development ever built in the metropolitan area of Knoxville. Designed for mixed use and beautifully landscaped, Turkey Creek boasts more than 300 acres of space zoned for retail shopping outlets, medical facilities, theaters, office space, banks, restaurants, and hotels. The developers of Turkey Creek also created a 58-acre nature preserve and designed greenways throughout the site. Being only three miles from the junction of Interstate 75 and 40 to the west and 14 miles from downtown Knoxville makes the site a quick drive from the urban center, suburban Knoxville, and rural counties.

Select Tennessee Certified Sites Program (the “STCSP”). Two lots in the Pellissippi Corporate Center (33 acres) and three lots in the Eastbridge Business Park (121 acres) have both been certified with the STCSP. The STCSP has helped communities prepare industrial sites for private investment and job creation since 2012. The certification process ensures that each certified site meets high quality standards and are primed for development. Certified sites must have documented environmental conditions and geotechnical analysis, existing onsite utilities or a formal plan to extend utilities to the site, and truck-quality road access. The program’s goal is to give companies detailed and reliable information during the site selection process and markets the sites to a targeted group of site selection consultants and business leaders in Tennessee’s key industry clusters. As of 2024, seventy-three sites in Tennessee have been certified and 23 companies have invested over \$2.01 billion in capital investment to construct facilities on certified sites, accounting for more than 7,494 new job commitments.

Source: Tennessee Department of Economic and Community Development.

The *Technology 2020* project was initiated in 1993 to capitalize on the unique resources of the East Tennessee region: the presence of the ORNL, the University of Tennessee-Knoxville, the headquarters of the Tennessee Valley Authority, and a significant number of both large and small technology companies in the region. A \$4.5 million investment has been made by DOE, South Central Bell, the Tennessee Public Service Commission and Lockheed-Martin to set up a regional telecommunications laboratory. This economic development resource center is located in Oak Ridge's Commerce Park. An 18,000 square foot facility has been constructed on the 5.2-acre site. The facility will be used for testing and demonstrating new communications technologies and applications.

The *Tennessee Valley Authority* (the “TVA”) provides support, technology, expertise, and financial resources to existing businesses and industries in the Valley to help them grow and be more efficient and profitable. These resources include technical assistance, low-interest loans, and other tools needed by businesses for successful operation.

The *University of Tennessee's* flagship campus in Knoxville is home to a wide array of vigorous programs doing research on issues vital to the community, the state, the nation, and the world. The university has collaborative relationships with public and private agencies including ORNL, Battelle Memorial Institute (forming UT-Battelle), St. Jude Children's Research Hospital, the Memphis Bioworks Foundation, and the Boston-Baskin Cancer group (forming UT Cancer Institute).

Source: Knoxville News Sentinel and Knox County Metro Planning Commission.

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Major Employers in the Knoxville MSA

<u>Name</u>	<u>County</u>	<u>Industry</u>	<u>Employment</u>
Covenant Health Alliance ¹	Knox	Health Care	11,963
The University of TN, Knoxville	Knox	Education	11,197
Knox County Public Schools	Knox	Education	10,118
Y-12 National Security Complex ²	Roane	National Security	8,600
Wal-Mart Stores	MSA	Retail	6,614
Oak Ridge National Lab ²	Roane	National Security	6,000
Clayton Homes ³	Blount	Mobile Homes	5,047
University Health System	Knox	Health Care	5,047
Denso	Blount	Automotive Parts	5,000
Dollywood Co ⁴	Sevier	Amusement Park	4,500
Roark Capital Group	MSA	Restaurant	4,608
K-VA-T Food Stores (Food City)	Knox	Retail	4,023
State of Tennessee	Knox	Regional Government	3,811
Knox County	Knox	Government	2,941
Tennova Health System ⁵	Knox	Health Care	2,927
McDonald's Corp	MSA	Restaurant	2,813
Blount Memorial Hospital	Blount	Healthcare	2,801
Sevier County Schools	Sevier	Education	2,572
Oak Ridge Office of Environmental Management ²	Roane	National Security	2,375
City of Knoxville	Knox	Government	2,303
Team Health Inc.	Knox	Healthcare	2,300
UCOR	Roane	Environmental Engineering	2,200
Kroger Co	MSA	Retail	2,071
Yum! Brands	MSA	Restaurants (KFC, Pizza Hut & Taco Bell)	2,027
JTEKT Automotive	Monroe	Automotive Manufacturing	1,900
East TN Children's Hospital	Knox	Health Care	1,861
Hamblen County Schools	Hamblen	Education	1,786
McGhee Tyson ANG Base	Blount	Air National Guard Unit	1,728
Blount County Schools	Blount	Education	1,701
Summit Medical Group	Knox	Health Care Providers	1,700
Amazon	Blount	Distribution	1,700
Cracker Barrel	MSA	Restaurant	1,626
U.S. Postal Service	MSA	Mail Service	1,576
Hilton Worldwide	MSA	Hotel	1,533
Maryville Schools	Blount	Education	1,499
CVS Caremark Inc.	MSA	Retail	1,444
United Parcel Service	Knox	Transportation	1,400

<u>Name</u>	<u>County</u>	<u>Industry</u>	<u>Employment</u>
Lowe's Home Improvement	MSA	Retail	1,375
U.S. Bank & Elavon	MSA	Bank	1,311
McNabb Center	Knox	Healthcare	1,300
Home Depot	MSA	Retail	1,290
Darden Restaurants	MSA	Restaurants (LongHorn & Olive Garden)	1,212
Jewelry Television	Knox	Home-Shopping Cable Network	1,207
Restaurant Brands Int'l	MSA	Restaurants (Burger King)	1,206
Copper Cellar Corp	Knox	Restaurants (Calhoun's & etc)	1,197
Jefferson County Schools	Jefferson	Education	1,190
Tennessee Valley Authority ⁶	Knox	Power	1,184
Anderson County Schools	Anderson	Education	1,144
Knoxville Utilities Board	Knox	Utility	1,131
Quality Home Health	Knox	Healthcare	1,124
Arconic (formerly ALCOA) ⁷	Blount	Aluminum Ingot, Coiled Steel	1,100
Target Co.	MSA	Retail	1,045
Old Dominion Freight	Hamblen	Transportation	1,007
Foundever	Knox	Business Services	1,000
University Physicians Association	Knox	Health Care Providers	995
Oak Ridge Associated Universities ²	Roane	National Security	965
The Wendy's Co.	MSA	Restaurant	964
Dollar General Corp.	MSA	Retail	960
Koch Foods, Inc.	MSA	Poultry Production	951
Eagle Bend (Cosma)	Anderson	Manufacturing	941
Ortho Tennessee	Knox	Healthcare	937
Howmet Aerospace	Hamblen	Aerospace Technologies	900
Keurig Dr. Pepper	Knox	Coffee Manufacturing	900
Newell Brands	Blount	Manufacturing	900
SL America Corp	Anderson	Manufacturing	892
Walgreens Co.	MSA	Retail	856
Pellissippi State Tech. College	Knox	Education	841
Dine Brands	MSA	Restaurants	827
MAHLE Engine	Hamblen	Automotive Manufacturing	801
Wyndham Hotel Group	Sevier	Hotel	771

¹ Includes Ft. Sanders Reg Med Center, Parkwest, Methodist Med Center & all other Covenant Hospitals in the area.

² Joint venture of University of Tennessee and Battelle. The total employees for the ORNL, Y-12 facility and contractors is 16,975.

³ Headquarters based in Blount Co., but employment excludes some employees working in McMinn Co.

⁴ Employment figure is based on Operating season; it drops to around 300 during the off-season.

⁵ Includes all Tennova Health System hospitals in the area.

⁶ Includes Corporate headquarters in Knoxville, Bull Run Steam Plant, Norris and Corryton.

⁷ Includes some employees working in Knox Co.

Source: Knoxville Chamber of Commerce - 2024.

RECREATION AND TOURISM

Although industry is frequently considered the core of an economic base, secondary and tertiary activities also make important contributions to economic development. The convention and tourist business contribute to the County's economic base in the sense that income is drawn into the region resulting in employment and investment opportunities in tourist-related facilities. Tourism in Knox County generated more than \$1.8 billion in visitor spending during 2022, ranking fourth in the state. Overall, tourism in Tennessee generated \$29 billion in domestic and international travel spending, up 19% from 2021. 2022 also marked the largest visitor spending nationally in Tennessee's history. The release said that travelers in Tennessee spent an estimated \$79 million per day.

Source: 2022 Economic Impact of Travel on Tennessee.

Sports. In April 2025, Covenant Health Park, a new state-of-the-art, multi-use stadium opened in downtown Knoxville's historic Old City. The Covenant Health Park was built in order to host both the Knoxville Smokies (MiLB) baseball games and One Knoxville SC (USL1) soccer matches. The park has seating for 7,000 sports fans and can accommodate 10,000 at special events.

The Knoxville Ice Bears provide professional hockey at the Coliseum October through March. National championship UTK sports teams, including the 2007 and 2008 NCAA National Champion Lady Vols, draw thousands of enthusiasts to games each year. One Knoxville SC, Knoxville's pre-professional soccer team, began its inaugural season in 2022 and gained a large following of local fans. The City is also home to the Women's Basketball Hall of Fame.

State and National Parks. The County is the principal gateway area to the Great Smoky Mountains National Park (the "GSMNP"), located 40 miles to the southeast. The beauty of the Great Smoky Mountains has always attracted visitors to this region. There are over 500,000 acres that make up the nation's most visited National Park, extending over the states of Tennessee and North Carolina. The GSMNP received over 12.9 million visitors in 2022, more than twice the number of any other national park in the country. Major attractions in the Smokies are Gatlinburg (40 miles southeast of the City) and Pigeon Forge (20 miles southeast of the City). Numerous restaurants, gift and craft shops, along with ski lodge, ski lifts and tramway, make Gatlinburg a year-round resort town. Pigeon Forge is known for being home to hundreds of retail outlets and Dollywood, a theme park named for the country music singer, Dolly Parton.

Other parks and recreational areas in the Greater Knoxville area include: Big South Fork National River and Recreational Area 100,000 acres; Frozen Head State Natural Area 11,562 acres; Norris Dam State Resort Park 4,000 acres; Big Ridge State Park 3,687 acres; Cumberland Mountain State Park 1,720 acres; Panther Creek State Park 1,400 acres; Cove Lake State Recreational Area 667 acres; Roan Mountain State Resort Park 600 acres; Fort Loudon State Historical Area 500 acres; Indian Mountain State Park 213 acres; Warriors' Path State Recreational Park 500 acres; Trail of the Lonesome Pine: State Scenic Trail 35 miles; and Cumberland Trail: Section II: Tennessee Scenic Trails System Act 31 miles.

Lakes and Wildlife. Seven TVA lakes surround Knoxville and provide year-round fishing and boating. There are no closed seasons on TVA waterways. Area lakes provide over 3,425 miles of shoreline and 266 square miles of water surface.

Alpine Skiing. Ober Gatlinburg Ski Resort in Sevier County and Cumberland Gardens Resort in nearby Cumberland County offer convenient facilities for winter skiing.

Conventions, Events and Festivals. Special seasonal events include the Dogwood Arts Festival in the spring and December's celebration, Christmas in the City. Knoxville supports an active tourism and convention trade with a 500,000-square-foot convention center located downtown at World's Fair Park. Other local facilities are a large civic coliseum/auditorium, two exhibition halls, and UTK's 22,000-seat Thompson Boling Arena at Food City Center.

Cultural Activities. The General James White Memorial Civic Auditorium and Coliseum Complex, the historic Tennessee Theatre, and the Bijou Theater host a variety of performances, including the Knoxville Symphony Orchestra, touring Broadway productions, ice shows, circuses, concerts of all types and the professional hockey team, The Knoxville Ice Bears. Local radio station WDVX hosts a live radio broadcast weekdays downtown called "The Blue Plate Special" where nationally known artists and area performers appear free of charge.

The University of Tennessee Theaters continue to provide a wealth of entertainment and culture to Knoxville. The Clarence Brown Theater, UTK's premier performance space, seats 600 in a proscenium theater. The Clarence Brown Theater Company is dedicated to the classics of the stage and produces three full scale and one or two touring productions each season. The Carousel Theater is UTK's smaller theater which holds 250-300 people.

The Knoxville Museum of Art and the Emporium Center for Arts and Culture feature changing exhibits throughout the year, while the area's libraries, historic sites, and museums, such as East Tennessee History Center, McClung Museum of Natural History and Culture, Museum of Appalachia, and Beck Cultural Center, celebrate regional heritage.

Other popular events in Knoxville are presented by the Knoxville Symphony Orchestra, Knoxville Opera, the Appalachian Ballet Company, Circle Modern Dance Company, Carpet Bag Theatre, Tennessee Stage Company, Tennessee Valley Players, Knoxville Choral Society, and the Tennessee Children's Dance Ensemble, the only professional dance troupe for children in the country.

Ijams Nature Center. Ijams Nature Center is a nonprofit environmental education and resource center located on 318 acres on the banks of the Tennessee River in South Knoxville. The area encompasses woods, meadows, sinkholes, a spring-fed pond, and informal perennial gardens connected by a series of trails. The park has been developed to display East Tennessee's ecological systems at work and provide a conservation area for wildlife indigenous to the park. A number of high-quality programs, events, and environmental information are available to schools, the media, and the general public.

Knoxville Zoological Gardens (the "Zoo Knoxville"). Zoo Knoxville is recognized as one of the top 20 zoos in America. It is located on 80 acres and has more than 1,000 species of animals. Zoo Knoxville has the largest "big cat" collection in the United States and is home to the first African Elephant birth in the United States. Zoo Knoxville is also home to Gorilla Valley, where three baby gorillas were born during 2015 and 2016. The gorillas are the first of the endangered species to be born at the park and the first born in Tennessee in 30 years. Zoo Knoxville has a collection of red pandas and is the world leader in captive breeding of this rare breed. In addition,

a critically endangered red wolf pup was born at the zoo in 2016; the male pup is the first red wolf born at the zoo in 23 years.

Source: Knoxville News Sentinel and the Knox County Metro Planning Commission.

Tennessee Whiskey Trail. The Tennessee Whiskey Trail was launched in 2017 and is more than 800 miles to distilleries throughout the state, including the Jack Daniel Distillery in Middle Tennessee. Tennessee has been a leader in spirits distillation throughout the nation's history, including the time before, during, and after Prohibition.

According to the Department of Tourist Development's 2018 Economic Impact report, more than 6.3 million visitors crisscrossed the state to experience the distilleries on the Trail. Since Tennessee state law changed in 2009 to allow more distilleries, almost 30 distilleries in Tennessee are now on the Tennessee Whiskey Trail. The distilleries on the Trail house three million barrels of whiskey valued at \$5 billion and accounting for nearly 100 percent of all distilled spirits produced in Tennessee. More than \$280 million has been invested in Trail distilleries since 2009, adding more than 500 jobs throughout the state.

Knoxville has two distilleries on the Trail. Knox Whiskey Works was established in 2015 and produces multiple spirits, including bourbon from made from locally grown heirloom corn. Post Modern Spirits opened in 2017 and produces unaged spirits and single malt whiskey.

Source: Tennessee Whiskey Trail.

RECENT DEVELOPMENTS

Following are some recent developments within the boundaries of the City and County and the Knoxville MSA that have had a direct economic impact on the area. The source for statistical information below is the Knoxville Area Chamber Partnership, the City of Knoxville, the Knoxville-Knox County Metropolitan Planning Commission, the Knoxville News Sentinel and The Daily Times.

EAST and WEST KNOX COUNTY

ATC Drivetrain. ATC Drivetrain, a leading global independent remanufacturer of automotive powertrain and drivetrain systems, in 2022, the company built a \$8.3 million manufacturing facility in Knoxville and expects to create approximately 218 new jobs over the next five years. The site began production in 2022 and supports the company's growing remanufacturing and battery life cycle management businesses. Founded in 1938 and headquartered in Farmington Hills, Michigan, ATC Drivetrain supplies remanufacturing products and services to various international blue-chip automakers. In addition to operations in Europe and Asia, the Knoxville facility will be ATC Drivetrain's third manufacturing facility in the U.S. ATC Drivetrain currently operates two manufacturing facilities and a distribution center in Oklahoma City, Oklahoma.

Hardcoat Technologies LLC. Hardcoat Technologies LLC invested \$6.6 million in 2022 to expand manufacturing operations at its Papermill Drive location in Knoxville. Hardcoat Technologies created approximately 85 jobs in Knox County as the company locates additional operations adjacent to its headquarters and original injection molding plant. As part of this project, Hardcoat Technologies will acquire an existing building and construct a new 23,500-square-foot

facility on Papermill Drive. Both operations support the company's contract with SL Tennessee and, upon completion, more than doubling Hardcoat Technologies' injection molding, warehousing and assembly capabilities. Founded in 2014 and headquartered in Knoxville, Tennessee, Hardcoat Technologies specializes in injection molding and hardcoating for the automotive, ATV and industrial markets. Through this project, Hardcoat Technologies will employ more than 130 people in Tennessee.

IGT Technologies Inc. IGT Technologies Inc. (IGT) invested \$3.9 million in 2021 to expand its operations in Knoxville and expects to add approximately 200 new jobs. IGT is a business process management and software development company. Its Knoxville facility will oversee and assist with the operations for IGT's North American customers by working with the latest technologies in chat, email, analytics and robotics process automation. This project will comprise an inbound call center and a technology development center, catering to the growing demand of travel, retail, eCommerce and hi-tech companies. It also plans to set up a Customer Experience Incubation Lab to support startups. Founded in 1998 and headquartered in Gurugram, India, IGT has more than 14,000 employees who are customer experience and technology specialists providing services to more than 80 marquee customers worldwide. Having a presence in the United States for over 15 years, IGT's global footprint consists of 20 delivery centers across 10 countries. These delivery centers provide 24/7 support in multiple languages and allow each customer to choose a global sourcing delivery that is best suited to its specific business needs.

Knox County Center for Health Sciences. In 2022, Roane State Community College, the Tennessee College of Applied Technology – Knoxville, and Covenant Health formed a partnership that brought a healthcare training facility to East Tennessee. The center replaced Roane State's current Knox County Center for Health Sciences, a 16,000-square-foot campus currently located in West Knoxville and became the new home of TCAT Knoxville's health science programs. As proposed, the Knox Regional Health Science and Simulation Center has 130,000 square feet in total, with at least 11,000 square feet devoted to the simulation center.

The total estimated dollar amount for the project is \$75 million, which includes previous funding of \$1 million appropriated in fiscal year 2021-22 for the preliminary design phase. \$67.5 million in state funding is expected for the Knox Regional Health Science and Simulation Center. Roane State is expected to provide at least a \$6.5 million campus match. The facility will enable instructors to provide comprehensive simulations of the work students will be doing when they graduate, in settings similar to clinics and hospitals. Plans are to construct the facility in West Knoxville on land gifted by Covenant Health. The parcel is located near Parkwest Medical Center.

Pilot Flying J Travel Centers. In 2017, Berkshire Hathaway purchased a minority share in the Knoxville-based Pilot Flying J, the largest operator of travel centers in North America with 750 locations and more than \$20 billion in revenues. Until 2023, Berkshire Hathaway had 38.6 percent equity stake, while the Haslam family held a majority interest with 50.1 percent ownership. After 2023, Berkshire Hathaway became the majority shareholder with 41.1 percent stake with the Haslam family dropping to hold 20 percent ownership.

Type One Energy. In 2024 Type One Energy began planning a nuclear fusion prototype at the retired Bull Run coal plant. Type One Energy expects to begin building its prototype by 2026 and to launch a pilot power plant with a third party by 2030. With a \$223 million investment over the next five years, it plans to create more than 300 jobs in the region with an average salary of

\$130,000. \$82.4 million has been funded as of 2025, which includes money from Bill Gates' Breakthrough Energy Ventures. Type One Energy also will move its headquarters from Oak Ridge to Knoxville.

Type One Energy's stellarator, a device shaped like a twisted doughnut, uses complex magnetic fields to contain burning plasma several times hotter than the core of the sun. Various companies and institutions have been developing the technology for decades as a source of clean energy. The controlled plasma in the device releases heat to generate electricity with no carbon emissions or radioactive waste. It is estimated that just one gram of fusion fuel in a stellarator can generate as much energy as 11 tons of coal. The promise of a virtually limitless supply of clean energy from fusion became more real after a Department of Energy lab in California successfully ignited a fusion reaction that created more energy than it took to produce in 2022.

NORTH KNOX COUNTY

Axle Logistics, LLC. Founded in 2012, Axle Logistics, LLC invested \$37.9 million in 2023 to expand logistics operations at its Knoxville headquarters. Axle Logistics created approximately 650 jobs in Knox County over the next five years, nearly tripling its total headcount in Tennessee. As part of the project, the company will construct an 85,000-square-foot facility adjacent to its existing operations on North Central Street. Axle Logistics, LLC is a Tennessee-based, third-party logistics company that serves an array of transportation customers across the U.S., Canada and Mexico. Today, the company is headquartered in Knoxville, Tennessee, with one satellite office in Chattanooga.

Custom Foods of America Inc. Custom Foods of America Inc. invested more than \$51 million in 2024 to expand its manufacturing and distribution operations in Knoxville, Tennessee. This created approximately 249 new jobs, to bring its total headcount in the region to approximately 500 people. The expansion added nearly 200,000 square feet of new space for manufacturing, storage, staging and shipping. Founded in 1982, Custom Foods of America Inc. is a Tennessee-based manufacturer and supplier of food products such as soups, side dishes, appetizers and sauces. Today, the company serves its customers in the restaurant and convenience store industries from its sole location in Knoxville, Tennessee.

Lincoln Memorial University (the "LMU"). LMU began offering nursing programs on a portion of the former Physicians Regional Medical Center in 2021.

Public Safety Complex. Opened in June 2023, the City invested \$40 million to reconstruct vacant office buildings on the former Physicians Regional Medical Center site. The complex is for the police and fire department, E911, pension system officers and city court operations. The historic 1929 original St. Mary's hospital building will be preserved with its parapets and marble accents. An additional \$6.5 million was also invested on the former hospital campus for private redevelopment.

SOUTH KNOX COUNTY

Greenheck Group. Greenheck Group constructed its fourth corporate campus in Knoxville in 2024. This created approximately 440 new jobs and invested \$300 million. The corporate campus includes manufacturing and warehousing facilities as well as a main office and dedicated

space for training and research and development. Greenheck Group is one of Wisconsin's largest privately owned manufacturers. The company specializes in manufacturing industrial ventilation equipment, which can be found in schools, malls, office spaces and industrial plants. Today, Greenheck Group employs more than 5,000 people across its operations in the U.S., Mexico and India.

Kelvion Inc. The global heat exchanger manufacturer, Kelvion Inc., expanded its operations in Knoxville in 2021 and expects to add approximately 74 new jobs over the next few years. Kelvion invested \$3.8 million and expanded at the Forks of the River Valley Industrial Park in Knoxville, where the company established operations in 2018. This expansion increases Kelvion's production of innovative heat exchangers, which can be offered as configurable or customized, for the Refrigeration and Data Center Industries.

DOWNTOWN BUSINESS DISTRICT

Bassmaster Classic. In March of 2019, the GEICO Bassmaster Classic was held in downtown Knoxville on the Tennessee River. The Economic impact during the competition was \$32.2 million with 153,000 people in attendance. This exceeded the economic impact and attendance made in the prior year's Bassmaster Classic held in South Carolina. The event returned to Knoxville in March 2023. The economic impact of the 2023 event was \$35.5 million with 163,914 fans in attendance.

CGI. Global IT and business consulting company CGI located new operations in Knoxville for its eighth U.S. IT delivery center. In 2021, CGI invested \$27 million and expects to add approximately 300 jobs over the next five years (2021-2026). CGI offers IT delivery options to its government and commercial industry clients. The Knoxville location was the newest member of CGI's innovative U.S. delivery center network that will help clients gain access to high quality, U.S.-based IT services, support, and solutions. CGI is partnering with the University of Tennessee, Knoxville on the launch of the IT delivery center and will be working with the university to engage students across interdisciplinary programs in colleges such as the Haslam College of Business and the Tickle College of Engineering. CGI will partner with the university to build a talent pipeline focusing primarily on advanced analytics, cybersecurity, and digital transformation through emerging technologies for the new Knoxville facility. Founded in 1976, CGI's fiscal year 2020 reported revenue is \$12.16 billion.

East Tennessee Children's Hospital (the" ETCH"). In 2021, the ETCH opened a \$14 million renovation to the Emergency Department. The improvements include a renovated lobby, dedicated trauma rooms, exam rooms with increased privacy for patients and sensory-sensitive rooms.

UNIVERSITY OF TENNESSEE

The University of Tennessee Knoxville Campus is undergoing a record \$1 billion makeover to transform the look and feel of the campus to improve facilities and infrastructure to become a Top 25 public research institution.

Energy and Environmental Science Research Building (EESRB). The EESRB is about 157,000 gross square feet over four stories. This facility houses teaching laboratories, research and

public service labs, offices, and new classrooms for the UT Institute of Agriculture. With a budget of \$95 million, it was completed in 2023.

Johnson Ward Pedestrian Mall Extension. The Johnson Ward Pedestrian Mall Extension project involved the conversion of Andy Holt Avenue from a vehicular roadway to a pedestrian mall. The \$2.5 million project was completed in 2022.

Nuclear Education Funding. The fund assists nuclear power-related businesses choosing to relocate or grow in the Volunteer State and supports the state's universities and research institutions in further developing their nuclear education programs.

The University of Tennessee, Knoxville and Roane State Community College received \$50 million in 2024 from Tennessee's Nuclear Energy Fund to support existing nuclear programs as well as develop and implement new nuclear education curriculum. Both campuses, which are in close proximity to Oak Ridge National Laboratory, play a vital role in attracting nuclear companies to the region with the enhanced curriculum and equipment.

The University of Tennessee established a new program for non-nuclear engineers to obtain a minor in nuclear engineering at its Knoxville campus. The additional degree better prepares these engineers entering the nuclear energy field and will shorten the time needed to provide extensive training by their employers. Separately, funding was also to be used to support Roane State Community College in purchasing laboratory equipment for its inaugural nuclear technology program, which launched in the fall of 2024.

Veterinary Medical Center – Teaching and Learning Center. A 19,375 gross-square-foot addition to the Veterinary Medical Center provides classroom, instructional laboratory, and informal gathering space for the UT Institute for Agriculture's College of Veterinary Medicine. The \$9 million project was completed in 2022.

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**CONSOLIDATED SYSTEMS
REPORT OF INDEPENDENT AUDITORS AND FINANCIAL STATEMENTS**



Consolidated

Financial Statements and Supplemental Information June 30, 2025 and 2024

KUB Board of Commissioners

Cynthia Gibson, Chair

Ron Feinbaum

Celeste Herbert

Dr. Craig Pickett, Jr.

Claudia Caballero, Vice Chair

Kathy Hamilton

Phyllis Nichols

Management

Gabriel Bolas II

President and Chief Executive Officer

Mark Walker

Senior Vice President and Chief Financial Officer

Jamie Davis

Senior Vice President Fiber and Chief Technology Officer

John Gresham

Senior Vice President and Chief Engineering and Operations Officer

John Williams

Senior Vice President and Chief Infrastructure and Compliance Officer

Tiffany Martin

Senior Vice President and Chief Customer and Talent Officer

Erin Gill

Vice President Communications and External Relations

Knoxville Utilities Board

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Knoxville Utilities Board

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Knoxville Utilities Board (KUB), a component unit of the City of Knoxville, Tennessee, as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise KUB's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of KUB as of June 30, 2025 and 2024, and the changes in financial position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of KUB and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about KUB's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of KUB's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

-
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about KUB's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 29, the schedule of changes in net pension liability and related ratios, the schedule of employer pension contributions, the schedule of changes in net OPEB liability and related ratios, the schedule of employer OPEB contributions and the schedule of changes in total pension liability and related ratios - qualified governmental excess benefit arrangement on pages 77 – 81 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise KUB's basic financial statements. The schedule of expenditures of federal awards and combining statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and combining statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the statistical information but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Matter

The financial statements of KUB as of June 30, 2024, were audited by other auditors whose report dated October 23, 2024, expressed an unmodified opinion on those statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2025, on our consideration of KUB's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of KUB's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering KUB's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Chattanooga, Tennessee
October 17, 2025

Knoxville Utilities Board

Management's Discussion and Analysis

June 30, 2025 and 2024

Knoxville Utilities Board (KUB), comprised of the Electric Division, Fiber Division, Gas Division, Water Division, and Wastewater Division (Divisions), is reported as a component unit enterprise fund in the financial statements of the City of Knoxville. KUB's responsibility is to oversee the purchase, production, distribution, and processing of electricity, broadband, natural gas, water, and wastewater services. A seven-member Board of Commissioners (Board) governs KUB. The Board has all powers to construct, acquire, expand, and operate the Divisions. It has full control and complete jurisdiction over the management and operation of the Divisions, including setting rates. KUB's accounts are maintained in conformity with the Uniform System of Accounts of the Federal Energy Regulatory Commission (FERC), the Uniform System of Accounts of the National Association of Regulatory Utility Commissioners (NARUC), and the Governmental Accounting Standards Board (GASB), as applicable.

This discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of KUB's financial activity, (c) identify major changes in KUB's financial position, and (d) identify any financial concerns.

The Management Discussion and Analysis (MD&A) focuses on the fiscal year ended June 30, 2025, activities, resulting changes, and current known facts, and should be read in conjunction with KUB's consolidated financial statements.

Consolidated Highlights

System Highlights

Progress continues on the construction of the fiber network, as well as at the Mark B. Whitaker Water Treatment Plant, where redundancy is being built into KUB's water treatment process.

The Knoxville area continues to grow, and customers are being added across all divisions. As of June 30, 2025, KUB served 519,543 customers. KUB added 18,228 new customers to these systems in fiscal year 2025, representing growth of three percent.

The electric system's record peak demand remains 1,350.5 megawatts, set in January 2024. The natural gas system's record peak demand remains 169,458 dekatherms, set in December 2022.

During fiscal year 2025, KUB sold \$111 million in revenue bonds for the purpose of funding system expenditures.

On August 24, 2024, TVA's board voted to approve a 5.25 percent electric base rate increase effective October 1, 2024. The increase flowed directly to KUB's electric customers.

In September 2023, KUB elected to participate in TVA's Power Supply Expanded Flexibility Program which will allow KUB to produce up to 5 percent of KUB's electric energy supply. The goals of this program include achieving significant power cost savings, advancing the goal to generate 400 megawatts of renewable energy by 2030, and demonstrating KUB's commitment to a cleaner environment. During the fiscal year, KUB contracted three TVA Flexibility projects. These include a TVA Green Invest Flexibility Conversion for 20 megawatts which began January 2025, a joint project with EPB and SR Durhamville for 33 megawatts beginning June 2028, and a short-term Biomass contract that will scale down as future solar resources come online. KUB also received Board approval in June 2025 for a fourth Flexibility contract, securing a 21 megawatts local project to be hosted at Cemex.

In the fall of 2024, KUB completed installation of two public fast-charging stations for electric vehicles in Downtown Knoxville and Seymour. These stations were installed as part of TVA's Fast Charge Tennessee

Knoxville Utilities Board

Management's Discussion and Analysis

June 30, 2025 and 2024

Network. Since going live, they have provided over 3,000 charging sessions for electric vehicle drivers in the Knoxville region.

KUB's electric system maintains a Diamond Level designation by the American Public Power Association's (APPA) Reliable Public Power Provider (RP3) program, the highest level of recognition of the program.

KUB's natural gas system was named to the American Public Gas Association's (APGA) System Operational Achievement Recognition (SOAR) Program in 2018, reflecting KUB's commitment to system integrity, continuous improvement, safety, and employee development. As a Gold Level designee, the company remains a member of the program through 2027. In recognition of safety performance, KUB was named a 2025 APGA Safety Contest Winner. KUB also received the 2025 APGA Safety Management Excellence Award and the 2025 Community Service Award for excellence in operating its natural gas utility.

KUB's wastewater treatment plants have a strong track record of excellent performance, recognized through numerous awards from the National Association of Clean Water Agencies (NACWA) over the years. In 2025, KUB met the 2024 criteria to earn a NACWA Peak Performance Gold Award for its Fourth Creek Wastewater Treatment Plant, and Silver Awards for its Eastbridge, Kuwahee, and Loves Creek facilities.

KUB was named a NACWA National Environmental Achievement Awards 2024 honoree. These awards recognize individuals and NACWA member agencies that have made outstanding contributions to environmental protection and the clean water community. In 2024, KUB received two awards: one in the Operations & Environmental Performance category for its Biologically Enhanced High-Rate Clarifier, and another in the Workforce Development category for its Utility Apprentice Program.

In 2023, KUB obtained Diamond Certification from the National Biosolids Partnership, a ten-year recognition that represents the highest and newest level of certification within the program. Biosolids are nutrient-rich organic matter produced by wastewater treatment and are registered fertilizers with the Tennessee Department of Agriculture.

Century II Infrastructure Program

Century II is KUB's proactive long-range program to improve and maintain the electric, natural gas, water, and wastewater systems for its customers. It includes maintenance and asset replacement strategies for each system and establishes sustainable replacement cycles. Century II moves KUB into its second century of service by improving each system through sound planning, resource allocation, and continued investment.

In September 2021, the Board approved electric rate increases to support both the Century II program and expanded fiber network. The three approved 3 percent electric rate increases went into effect April 2022, April 2023, and April 2024 generating \$16.7 million, \$17.4 million, and \$18 million in additional annual Electric Division revenue, respectively.

In June 2022, the Board approved water and wastewater rate increases to support the Century II program. The water rate increases took effect in July 2022, July 2023, and July 2024, generating additional annual Water Division revenue of \$3.4 million, \$3.4 million, and \$3.6 million, respectively. The wastewater rate increases took effect in July 2022, July 2023, and July 2024, generating additional annual Wastewater Division revenue of \$3.9 million, \$4 million, and \$4.2 million, respectively.

In June 2024, as part of KUB's Inflation Response Plan, the Board approved the next phase of electric, gas, water, and wastewater rate increases to support the Century II program and the expanded fiber network. The first of three approved electric rate increases took effect in April 2025 generating additional annual Electric Division revenue of \$26 million. The remaining rate increases, effective April 2026 and April

Knoxville Utilities Board

Management's Discussion and Analysis

June 30, 2025 and 2024

2027, are expected to provide \$20.7 million and \$14.2 million in additional annual Electric Division revenue, respectively. The first of three approved 3 percent gas rate increases took effect in October 2024, generating additional annual Gas Division revenue of \$4.1 million. The remaining rate increases, effective October 2025 and October 2026, are expected to provide \$4.5 million in additional annual Gas Division revenue each. The three approved 6 percent water rate increases are effective in July 2025, July 2026, and July 2027 and are expected to provide \$4.5 million, \$4.8 million, and \$5.1 million in additional annual Water Division revenue, respectively. The three approved wastewater rate increases are effective in July 2025, July 2026, and July 2027 and are expected to provide \$2.3 million, \$2.4 million, and \$2.4 million in additional annual Wastewater Division revenue, respectively.

KUB is currently in the process of implementing a Water Plant Redundancy initiative to ensure that high quality, reliable water service will be provided to customers over the long term. KUB maintains a single water treatment plant for its system. In lieu of building a second treatment facility to ensure capacity will be available to meet the needs of current and future water customers, KUB will invest approximately \$161 million in various redundant facilities at the site of its existing Mark B. Whitaker Water Treatment Plant over a 16-year period that began in fiscal year 2017. Construction of a new generator building with three 2,500 kW diesel generators and associated switchgear was completed in fiscal year 2022 at the Mark B. Whitaker Water Treatment Plant. Construction of the new water filter project commenced in October 2022 and is projected to be completed by November 2025.

Knox County committed \$2.6 million through a Tennessee Department of Environment and Conservation (TDEC) non-competitive grant and an additional \$10 million in direct funding from the American Rescue Plan Act (ARPA). The City of Knoxville contributed \$7.5 million through a TDEC non-competitive grant and \$5 million in direct ARPA funding. In total, \$25.1 million in grant funding was awarded. All funds have been received by KUB and were used to support KUB's new water filter project at its Mark B. Whitaker Water Treatment Plant.

In fiscal year 2025, the electric system replaced 8 miles of transmission lines and 5.3 miles of underground cable. In the natural gas system, 8.4 miles of gas steel main were replaced. In the water system, 2.7 miles of galvanized water main and 9.2 miles of cast iron water main were replaced. In the wastewater system, 7.9 miles of main were rehabilitated or replaced.

Fiber Network

During fiscal year 2021, KUB developed a Fiber to the Home Business Plan for the provision of broadband services to customers within its electric system service territory. In accordance with state law and KUB's wholesale power supply contract with TVA, the Business Plan was submitted to the Office of the Comptroller of the Treasury for Tennessee and TVA for review. The Office of the Comptroller found KUB's Business Plan to be financially feasible, and TVA approved it, finding no cross-subsidization exists between the proposed Fiber Division and the Electric Division.

After gaining the required approvals from TVA, the State of Tennessee, KUB's Board, and City Council, KUB launched its new Fiber Division. Broadband services are provided by a high-speed fiber optic network that is owned and maintained by the Electric Division. The Fiber Division shares in the cost of building and operating the Fiber network by paying the Electric Division an annual access fee based on the year-end value of those assets and the related expenses. The Fiber Division also pays the Electric Division an annual utilization fee based on attachments to the network. In addition to providing broadband services, the fiber network is also allowing KUB to implement new advanced technologies to improve the reliability of its electric system.

As a component of the Fiber Division's start-up financing plan, approved by KUB's Board and TVA, the Electric Division will provide \$55 million of interdivisional loans. The first \$10 million was provided in October 2021, \$7 million was provided in August 2022, \$13 million was provided in February 2023, and \$5 million

Knoxville Utilities Board

Management's Discussion and Analysis

June 30, 2025 and 2024

was provided in May 2024, all maturing in June 2030. The Electric Division issued a \$2 million loan in May 2024, and a \$7 million loan in December 2024 to the Fiber Division, both maturing in June 2032.

In fiscal year 2022, KUB began the seven-year buildout on extending fiber infrastructure to make broadband service available to electric customers. KUB commenced a pilot customer program in June 2022, and the first broadband customers began receiving service in September 2022.

As of June 30, 2025, the Fiber Division had 22,416 customers.

The Tennessee Emergency Broadband Fund selected KUB for a grant of \$15.3 million to assist in the provision of broadband access to Grainger, Jefferson, Sevier, and Union Counties. As of June 30, 2025, KUB has received \$10.6 million in reimbursements.

KUB's internet assistance program, ConnectED, provides free high-speed internet to student households who qualify, with funding from the City of Knoxville and Knox County. ConnectED participants receive \$80 monthly toward fiber-related charges.

The fiber network is an integral component of a \$702 million ten-year Enhanced Grid Modernization effort for the Electric Division. The program will be funded by a combination of electric rate increases, new bonds, grant funds, and projected payments from the Fiber Division.

Financial Highlights

Fiscal Year 2025 Compared to Fiscal Year 2024

KUB's consolidated Change in Net Position increased \$132.4 million in fiscal year 2025. Comparatively, net position increased by \$96.2 million in fiscal year 2024.

Operating revenue increased \$108.4 million, driven by increased volumes, a higher customer base in the Fiber Division, and rate increases in the Electric, Gas, Water, and Wastewater Divisions. Purchased energy expense (power and natural gas) increased \$58.3 million, or 11.9 percent, the combined effect of a \$49.5 million increase in purchased power cost and a \$8.8 million increase in purchased gas cost. Increased levels of purchased power expense were driven by higher customer demand and wholesale power costs from TVA's 5.25 percent rate increase. Increased purchased gas cost was due to higher storage injections, natural gas prices, and customer demand. Margin from sales (operating revenue less purchased energy expense) increased \$50.1 million, or 10.9 percent, compared with the prior fiscal year.

Operating expenses (excluding purchased power and purchased gas expense) increased \$6.7 million. Operating and maintenance (O&M) expenses were \$1.9 million higher than the previous year, due to an increase in labor-related expenses and materials and chemicals. Depreciation and amortization expense increased \$7.8 million, or 8 percent. Taxes and tax equivalents decreased \$3 million, or 7.2 percent.

Interest income was \$2.8 million higher than the prior fiscal year, driven by higher cash balances and the replacement of maturing low-yield investments with new investments at significantly higher rates, despite a modest decline in overall interest rates. Interest expense increased \$4.2 million, or 9.2 percent, reflecting interest expense from new revenue bonds sold during fiscal year 2025 and interest on increased levels of customer deposits.

Capital contributions decreased \$1.3 million, the result of a lower level of assets contributed by developers.

Total capital assets (net) increased \$148.7 million, or 5.9 percent over the last fiscal year.

Knoxville Utilities Board Management's Discussion and Analysis June 30, 2025 and 2024

Long-term debt represented 41.8 percent of KUB's consolidated capital structure, compared to 42.5 percent last fiscal year. Capital structure equals long-term debt (including the current and long-term portion of revenue bonds), plus net position.

Fiscal Year 2024 Compared to Fiscal Year 2023

KUB's consolidated Change in Net Position increased \$96.2 million in fiscal year 2024. Comparatively, net position increased by \$69.5 million in fiscal year 2023.

Operating revenue decreased \$21.1 million, the net result of the flow through of lower energy costs in KUB's rates, along with rate increases in the Electric, Water, and Wastewater Divisions. Purchased energy expense (power and natural gas) decreased \$62.1 million or 11.2 percent, the combined effect of a \$28.5 million decrease in purchased power cost and a \$33.6 million decrease in purchased gas cost. Margin from sales (operating revenue less purchased energy expense) increased \$41.1 million or 9.8 percent compared with the prior fiscal year.

Operating expenses (excluding purchased power and purchased gas expense) increased \$19.2 million. Operating and maintenance (O&M) expenses were \$12.9 million higher than the previous year, due to an increase in outside contractor and consultant expenses, materials and chemicals, labor-related expenses, and vegetation management expenses. Depreciation and amortization expense increased \$4.1 million or 4.3 percent. Taxes and tax equivalents increased \$2.3 million or 5.9 percent.

Interest income was \$3.5 million higher than the prior fiscal year, due to higher interest rates throughout the fiscal year. Interest expense increased \$2.4 million or 5.7 percent, reflecting interest expense from new revenue bonds sold during fiscal year 2024.

Capital contributions decreased \$1.8 million, the result of a lower level of assets contributed by developers.

Total capital assets (net) increased \$156.1 million or 6.6 percent over the last fiscal year.

Long-term debt represented 42.5 percent of KUB's consolidated capital structure, compared to 43.4 percent last fiscal year. Capital structure equals long-term debt (including the current and long-term portion of revenue bonds), plus net position.

Knoxville Utilities Board Consolidated Financial Statements

KUB's financial performance is reported under three basic consolidated financial statements: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows.

KUB's basic financial statements were expanded to meet the requirement of GASB Statement No. 84. The fiduciary activities of KUB include the Knoxville Utilities Board Pension Plan and the Knoxville Utilities Board Other Post-Employment Benefits Trust and are included on Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position.

Statement of Net Position

KUB reports its assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position in the Statement of Net Position. Assets are classified as current, restricted, plant in service, intangible, or other assets.

Knoxville Utilities Board

Management's Discussion and Analysis

June 30, 2025 and 2024

Liabilities are classified as current, other, or long-term debt. Net position is classified as net investment in capital assets, restricted, or unrestricted. Net position tells the user what KUB has done with its accumulated earnings, not just the balance.

Net investment in capital assets reflects the book value of all capital assets and intangible assets, less lease and subscription liabilities and the outstanding balances of debt used to acquire, construct, or improve those assets.

Restricted net position includes assets that have been limited to specific uses by KUB's bond covenants or through resolutions passed by the KUB Board.

Unrestricted net position is a residual classification; the amount remaining after reporting net position as either invested in capital or restricted is reported there.

Statement of Revenues, Expenses and Changes in Net Position

KUB reports its revenues and expenses (both operating and non-operating) on the Statement of Revenues, Expenses and Changes in Net Position. In addition, any capital contributions or assets donated by developers are reported on this statement.

Total revenue less total expense equals the change in net position for the reporting period. Net position at the beginning of the period is increased or decreased, as applicable, by the change in net position for the reporting period.

The change in net position for the reporting period is added to the net position segment of the Statement of Net Position.

Statement of Cash Flows

KUB reports cash flows from operating activities, capital and related financing activities, non-capital and related financing activities, and investing activities on the Statement of Cash Flows. This statement tells the user the sources and uses of cash during the reporting period.

The statement indicates the beginning cash balance and ending cash balance and how it was either increased or decreased during the reporting period.

The statement also reconciles cash flow to operating income as it appears on the Statement of Revenues, Expenses and Changes in Net Position.

Knoxville Utilities Board
Management's Discussion and Analysis
June 30, 2025 and 2024

Condensed Financial Statements

Statement of Net Position

The following table reflects the condensed consolidated Statement of Net Position for KUB compared to the prior two fiscal years.

Statements of Net Position
As of June 30

<i>(in thousands of dollars)</i>	2025	2024	2023
Current, restricted, intangible, and other assets	\$ 517,109	\$ 450,473	\$ 460,223
Capital assets, net	<u>2,660,614</u>	<u>2,511,915</u>	<u>2,355,801</u>
Total assets	<u>3,177,723</u>	<u>2,962,388</u>	<u>2,816,024</u>
Deferred outflows of resources	<u>29,457</u>	<u>43,938</u>	<u>67,744</u>
Total assets and deferred outflows of resources	<u>3,207,180</u>	<u>3,006,326</u>	<u>2,883,768</u>
Current and other liabilities	276,254	271,665	277,812
Long-term debt outstanding	<u>1,255,871</u>	<u>1,193,277</u>	<u>1,167,157</u>
Total liabilities	<u>1,532,125</u>	<u>1,464,942</u>	<u>1,444,969</u>
Deferred inflows of resources	<u>13,578</u>	<u>12,337</u>	<u>5,939</u>
Total liabilities and deferred inflows of resources	<u>1,545,703</u>	<u>1,477,279</u>	<u>1,450,908</u>
Net position			
Net investment in capital assets	1,364,989	1,280,751	1,154,845
Restricted	25,257	25,949	23,818
Unrestricted	<u>271,231</u>	<u>222,347</u>	<u>254,197</u>
Total net position	<u>\$ 1,661,477</u>	<u>\$ 1,529,047</u>	<u>\$ 1,432,860</u>

Normal Impacts on Statement of Net Position

The following is a description of activities which will normally impact the comparability of the Statement of Net Position presentation:

- Change in net position (from Statement of Revenues, Expenses and Changes in Net Position): impacts (increase/decrease) current and other assets and/or capital and intangible assets and unrestricted net position.
- Issuing debt for capital: increases deferred outflows of resources and long-term debt.
- Spending debt proceeds on new capital: reduces current assets and increases capital assets.
- Spending of non-debt related current assets on new capital: (a) reduces current assets and increases capital assets, and (b) reduces unrestricted net position and increases net investment in capital assets.
- Principal payment on debt: (a) reduces current and other assets and reduces long-term debt, and (b) reduces unrestricted net position and increases net investment in capital assets.
- Reduction of capital assets through depreciation: reduces capital assets and net investment in capital assets.

Knoxville Utilities Board

Management's Discussion and Analysis

June 30, 2025 and 2024

Impacts and Analysis

Current, Restricted, Intangible, and Other Assets

Fiscal Year 2025 Compared to Fiscal Year 2024

Current, restricted, intangible, and other assets increased \$66.6 million, or 14.8 percent, due to an increase in general fund cash (including cash and cash equivalents, short-term investments, and long-term investments) of \$56.2 million, an increase in accounts receivable of \$11.1 million. These increases were offset by a decrease in inventories of \$2.6 million.

KUB under recovered \$5.9 million in wholesale power costs from its customers in fiscal year 2025, as compared to a \$5.1 million under recovery in fiscal year 2024. This under recovery of costs will be charged to KUB's electric customers during the next fiscal year through adjustments to rates via the Purchased Power Adjustment. KUB under recovered \$2.7 million in wholesale gas costs from its customers in fiscal year 2025, as compared to a \$1.1 million under recovery in fiscal year 2024. This under recovery of costs will be charged to KUB's gas customers during the next fiscal year through adjustments to rates via the Purchased Gas Adjustment.

Fiscal Year 2024 Compared to Fiscal Year 2023

Current, restricted, intangible, and other assets decreased \$9.8 million or 2.1 percent, due to a decrease in general fund cash (including cash and cash equivalents, short-term investments, and long-term investments) of \$38.3 million offset by an increase in accounts receivable of \$14.2 million, an increase in under recovered purchased power cost of \$5.1 million, an increase in lease receivable of \$5 million, and an increase in inventories of \$3.8 million.

KUB under recovered \$5.1 million in wholesale power costs from its customers in fiscal year 2024, as compared to a \$3.5 million over recovery in fiscal year 2023. This under recovery of costs will be charged to KUB's electric customers during the next fiscal year through adjustments to rates via the Purchased Power Adjustment. KUB under recovered \$1.1 million in wholesale gas costs from its customers in fiscal year 2024, as compared to a \$4.4 million over recovery in fiscal year 2023. This under recovery of costs will be charged to KUB's gas customers during the next fiscal year through adjustments to rates via the Purchased Gas Adjustment.

Capital Assets

Fiscal Year 2025 Compared to Fiscal Year 2024

Capital assets (net) increased \$148.7 million, or 5.9 percent. Major capital expenditures (reflected in both plant additions and work in progress) in fiscal year 2025 included \$76.3 million for fiber network buildout, \$27.8 million for various electric distribution system improvements, \$23.4 million for water plant redundancy, \$23.3 million related to wastewater Century II projects, \$22.7 million for electric services and extensions, \$15 million for water main replacements, \$8.9 million for pole replacements for the electric system, and \$8.4 million for gas service extensions. System assets of \$20.9 million were retired during fiscal year 2025.

Fiscal Year 2024 Compared to Fiscal Year 2023

Capital assets (net) increased \$156.1 million or 6.6 percent. Major capital expenditures (reflected in both plant additions and work in progress) in fiscal year 2024 included \$67.7 million for fiber network buildout, \$32.3 million for various electric distribution system improvements, \$21 million related to wastewater Century II projects, \$17.6 million for electric services and extensions, \$11.2 million for water plant redundancy, \$9.1 million for water main replacements, \$7.7 million for gas service extensions, and \$7.3

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million for pole replacements for the electric system. System assets of \$36.7 million were retired during fiscal year 2024.

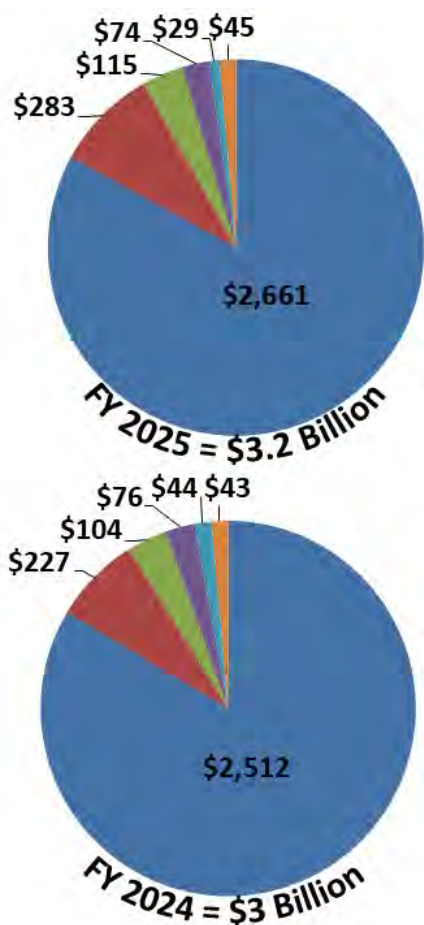
Deferred Outflows of Resources

Fiscal Year 2025 Compared to Fiscal Year 2024

Deferred outflows of resources decreased \$14.5 million compared to the prior year, due to a decrease in pension outflow of \$12.6 million, a decrease in OPEB outflow of \$1 million, and a decrease in unamortized bond refunding costs of \$0.9 million when compared to the prior fiscal year.

Fiscal Year 2024 Compared to Fiscal Year 2023

Deferred outflows of resources decreased \$23.8 million compared to the prior year, due to a decrease in pension outflow of \$20.3 million, a decrease in OPEB outflow of \$2.6 million, and a decrease in unamortized bond refunding costs of \$0.9 million when compared to the prior fiscal year.



Consolidated Total Assets and Deferred Outflows of Resources (in Millions)

	FY25	FY24
Plant	83%	84%
General and Contingency Funds	9%	8%
Accounts Receivable	4%	3%
Other Assets	2%	3%
Deferred Outflows of Resources	1%	1%
Restricted Assets	1%	1%

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Current and Other Liabilities

Fiscal Year 2025 Compared to Fiscal Year 2024

Current and other liabilities increased \$4.6 million, or 1.7 percent, compared to the prior fiscal year. This reflects an increase of \$4.7 million in accrued expenses, an increase of \$4.1 million in payables, an increase of \$1.8 million in customer deposits, a \$1.7 million increase in customer advances for construction, and a \$1.4 million increase in accrued interest on revenue bonds. These increases were offset by a decrease of \$4.4 million in the actuarially determined net pension liability, a \$4.1 million decrease in the actuarially determined net OPEB liability, and a \$1 million decrease in subscription liability.

Fiscal Year 2024 Compared to Fiscal Year 2023

Current and other liabilities decreased \$6.1 million, or 2.2 percent, compared to the prior fiscal year. This reflects a decrease of \$14.8 million in the actuarially determined net pension liability, a decrease of \$4.4 million in over recovered purchased gas cost, a \$3.6 million decrease in the actuarially determined net OPEB liability, and a decrease of \$3.5 million over recovered purchased power cost. These decreases were offset by an increase of \$13.5 million in payables, an increase of \$2.8 million in the current portion of revenue bonds, an increase of \$2.6 million in accrued expenses, and an increase of \$1.3 million in customer deposits.

Long-term Debt

Fiscal Year 2025 Compared to Fiscal Year 2024

Long-term debt increased \$62.6 million, or 5.2 percent. The increase is due in part to the net impact of the scheduled repayment of debt and \$111 million in electric and water system revenue bonds sold in July 2024.

Fiscal Year 2024 Compared to Fiscal Year 2023

Long-term debt increased \$26.1 million, or 2.2 percent. The increase is due in part to the net impact of the scheduled repayment of debt and \$75 million in electric and water system revenue bonds sold in November 2023.

Deferred Inflows of Resources

Fiscal Year 2025 Compared to Fiscal Year 2024

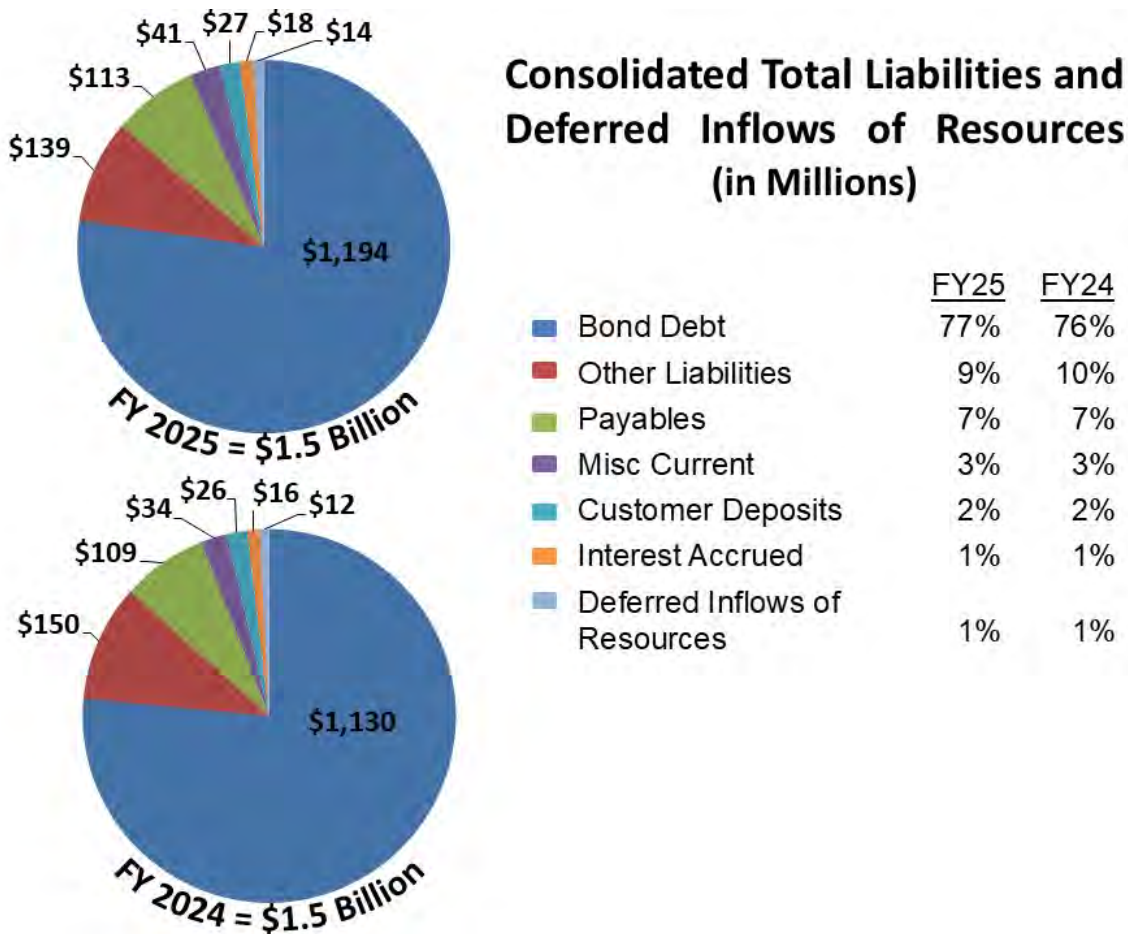
Deferred inflows increased \$1.2 million compared to the prior fiscal year, primarily due to a \$2.4 million increase in OPEB inflow offset by a \$1 million decrease in lease inflow.

Fiscal Year 2024 Compared to Fiscal Year 2023

Deferred inflows increased \$6.4 million compared to the prior fiscal year, primarily due to a \$4.8 million increase in lease inflow and a \$1.8 million increase in OPEB inflow.

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Net Position

Fiscal Year 2025 Compared to Fiscal Year 2024

Total net position increased \$132.4 million, or 8.7 percent. Net investment in capital assets increased \$84.2 million, or 6.6 percent, the result of an increase of \$148.7 million in net plant additions offset by a \$64.1 million increase in the current and long-term portions of revenue bonds. Restricted net position decreased \$0.7 million compared to the prior year. Unrestricted net position increased \$48.9 million, or 22 percent compared to the previous fiscal year, primarily due to an increase in general fund cash (including cash and cash equivalents, short-term investments, and long-term investments) of \$56.2 million.

Fiscal Year 2024 Compared to Fiscal Year 2023

Total net position increased \$96.2 million, or 6.7 percent. Net investment in capital assets increased \$125.9 million, or 10.9 percent, the result of an increase of \$156.1 million in net plant additions offset by a \$30.6 million increase in the current and long-term portions of revenue bonds. Restricted net position increased \$2.1 million compared to the prior year. Unrestricted net position decreased \$31.8 million, or 12.5 percent, compared to the previous fiscal year, primarily due to a decrease in general fund cash (including cash and cash equivalents, short-term investments, and long-term investments) of \$38.3 million.

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Statement of Revenues, Expenses and Changes in Net Position

The following table reflects the condensed consolidated Statement of Revenues, Expenses and Changes in Net Position for KUB compared to the prior two fiscal years.

Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30

<i>(in thousands of dollars)</i>	2025	2024	2023
Operating revenues	\$ 1,059,872	\$ 951,461	\$ 972,519
Less: Purchased energy expense	<u>549,793</u>	<u>491,481</u>	<u>553,595</u>
Margin from sales	<u>510,079</u>	<u>459,980</u>	<u>418,924</u>
Operating expenses			
Treatment	23,789	21,663	20,707
Fiber products and promotions	6,793	5,313	3,142
Distribution and collection	90,808	92,564	86,742
Customer service	11,347	10,708	15,659
Administrative and general	73,963	74,556	65,698
Depreciation and amortization	105,819	97,979	93,928
Taxes and tax equivalents	<u>38,557</u>	<u>41,562</u>	<u>39,260</u>
Total operating expenses	<u>351,076</u>	<u>344,345</u>	<u>325,136</u>
Operating income	159,003	115,635	93,788
Interest income	15,455	12,606	9,122
Interest expense	(49,247)	(45,086)	(42,674)
Other income/(expense)	<u>5,977</u>	<u>10,502</u>	<u>4,971</u>
Change in net position before capital contributions	<u>131,188</u>	<u>93,657</u>	<u>65,207</u>
Capital contributions	<u>1,242</u>	<u>2,530</u>	<u>4,325</u>
Change in net position	\$ <u>132,430</u>	\$ <u>96,187</u>	\$ <u>69,532</u>

Normal Impacts on Statement of Revenues, Expenses and Changes in Net Position

The following is a description of activities which will normally impact the comparability of the Statement of Revenues, Expenses and Changes in Net Position presentation:

- Operating revenue is largely determined by volume of sales for the fiscal year. Any change (increase/decrease) in retail rates would also be a cause of change in operating revenue.
- Purchased energy expense is determined by volume of power purchases from TVA and volume of natural gas purchases for the fiscal year. Also, any change (increase/decrease) in wholesale power and/or gas rates would result in a change in purchased energy expense.
- Operating expenses (distribution, customer service, administrative and general) are normally impacted by changes in areas including, but not limited to, labor cost (staffing, wage rates), active employee and retiree medical expenses, and system maintenance.
- Depreciation and amortization expense is impacted by intangible assets, plant additions and retirements during the fiscal year.

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- Taxes and equivalents are impacted by plant additions/retirements, changes in property tax rates, and gross margin levels.
- Interest income is impacted by level of interest rates and investments.
- Interest expense on debt is impacted by level of outstanding debt and the interest rate(s) on the outstanding debt.
- Other income/(expense) is impacted by miscellaneous non-operating revenues and expenses.
- Capital contributions are impacted by a donation of facilities/infrastructure to KUB by developers and governmental agencies. The contributions are recognized as revenue and recorded as plant in service based on the fair market value of the asset(s).

Impacts and Analysis

Change in Net Position

Fiscal Year 2025 Compared to Fiscal Year 2024

KUB's consolidated Change in Net Position increased \$132.4 million in fiscal year 2025. Comparatively, net position increased \$96.2 million in fiscal year 2024.

Fiscal Year 2024 Compared to Fiscal Year 2023

KUB's consolidated Change in Net Position increased \$96.2 million in fiscal year 2024. Comparatively, net position increased \$69.5 million in fiscal year 2023.

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Management's Discussion and Analysis

June 30, 2025 and 2024

Margin from Sales

Fiscal Year 2025 Compared to Fiscal Year 2024

Operating revenue was \$108.4 million higher than the previous fiscal year. Both electric and natural gas experienced increases in wholesale energy prices. Electric Division operating revenue increased \$73.2 million, driven by a 3 percent increase in billed sales volumes, additional revenue from the April 2024 and April 2025 rate increases, and increased wholesale energy costs from TVA's 5.25 percent rate increase. Fiber Division operating revenue increased \$10.7 million due to the addition of fiber customers this fiscal year. Gas Division revenue increased \$14.7 million for the fiscal year, driven by a 6 percent increase in billed volumes and additional revenue from the October 2024 rate increase. Water Division revenue increased \$4.6 million, due to an increase in billed water sales volumes of 0.4 percent and additional revenue from the July 2024 rate increase. Wastewater Division revenue was \$5.3 million higher than the previous year, reflecting additional revenue from the July 2024 rate increase.

Wholesale energy expense increased \$58.3 million, or 11.9 percent. Purchased power expense increased \$49.5 million compared to last year, due to higher customer demand and increased wholesale power costs resulting from TVA's 5.25 percent rate increase. KUB received \$10.4 million as a result of TVA's Long-Term Partnership Credit and \$0.6 million in a Flexibility Energy Credit, which decreased power expenses by \$11 million in the current fiscal year. Purchased gas expense was \$8.8 million higher than the prior year, reflecting increased storage injection, higher natural gas prices, and higher customer demand.

Margin from sales (operating revenue less purchased energy expense) increased \$50.1 million compared to the previous year.

Fiscal Year 2024 Compared to Fiscal Year 2023

Operating revenue was \$21.1 million lower than the previous fiscal year. Both electric and natural gas experienced decreases in wholesale energy prices. Electric Division operating revenue decreased \$4.9 million, the net result of a 0.6 percent increase in billed sales volumes, additional revenue from the April 2024 rate increase, and lower wholesale energy costs. Fiber Division operating revenue increased \$5.5 million due to the addition of fiber customers this fiscal year. Gas Division revenue decreased \$31.9 million for the fiscal year, the net result of a 1.7 percent increase in billed sales volumes and lower natural gas prices. Water Division revenue increased \$4 million, reflecting a 1.8 percent increase in billed sales volumes and additional revenue from the July 2023 rate increase. Wastewater Division revenue was \$6.2 million higher than the previous year, reflecting a 2.2 percent increase in billable wastewater flows and additional revenue from the July 2023 rate increase.

Wholesale energy expense decreased \$62.1 million, or 11.2 percent. Purchased power expense decreased \$28.5 million compared to last year, due to the flow through of lower wholesale power costs. KUB received \$9.7 million in wholesale power rate credits during the fiscal year as part of KUB's Long-Term Partnership Agreement with TVA, which decreased power expenses in the current fiscal year. Purchased gas expense was \$33.6 million lower than the prior year, reflecting lower natural gas prices for the fiscal year.

Margin from sales (operating revenue less purchased energy expense) increased \$41.1 million compared to the previous year.

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Management's Discussion and Analysis

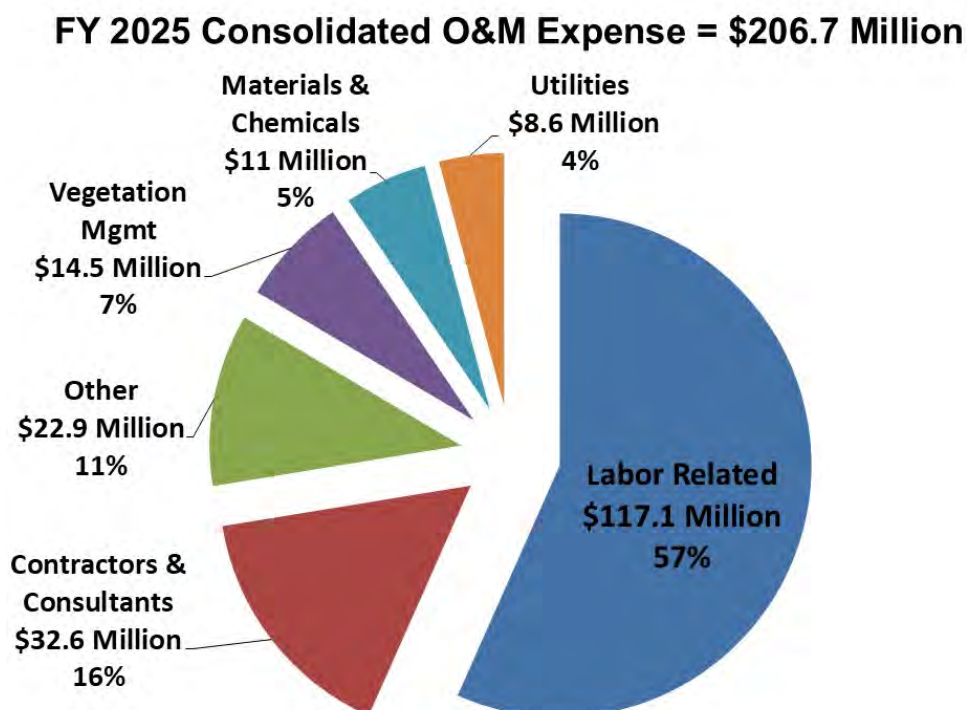
June 30, 2025 and 2024

Operating Expenses

Fiscal Year 2025 Compared to Fiscal Year 2024

Operating expenses (excluding wholesale purchased energy expense) increased \$6.7 million compared to fiscal year 2024. Operating expenses include operations and maintenance (O&M) expense, depreciation/amortization, and taxes/tax equivalents. O&M expenses can be further classified as treatment, fiber products and promotions, distribution and collection, customer service, and administrative and general.

- Treatment expenses increased \$2.1 million, primarily due to higher materials and chemicals expenses and labor-related expenses
- Fiber products and promotions increased \$1.5 million, primarily due to television expenses, and materials costs.
- Distribution and collection expenses decreased \$1.8 million, or 1.9 percent, primarily due to lower outside contractor and consultant expenses, partially offset by higher labor-related expenses and vegetation management circuit work.
- Customer service expenses increased \$0.6 million, primarily due to labor-related expenses.
- Administrative and general expenses decreased \$0.6 million, primarily due to lower outside contractor and consultant costs, partially offset by higher labor-related expenses and technology subscriptions.



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- Depreciation and amortization expense increased \$7.8 million, or 8 percent. KUB added \$212.1 million in assets during fiscal year 2025. A partial year of depreciation expense was recorded on these capital investments and a full year of depreciation expense was incurred on \$290.3 million in assets placed in service during fiscal year 2024. In addition, \$20.9 million of assets were retired during fiscal year 2025.
- Taxes and tax equivalents decreased \$3 million, or 7.2 percent, primarily due to the City of Knoxville's reduction in equalization rates offset by higher plant in service levels and increased employer Federal Insurance Contributions Act (FICA) taxes.

Fiscal Year 2024 Compared to Fiscal Year 2023

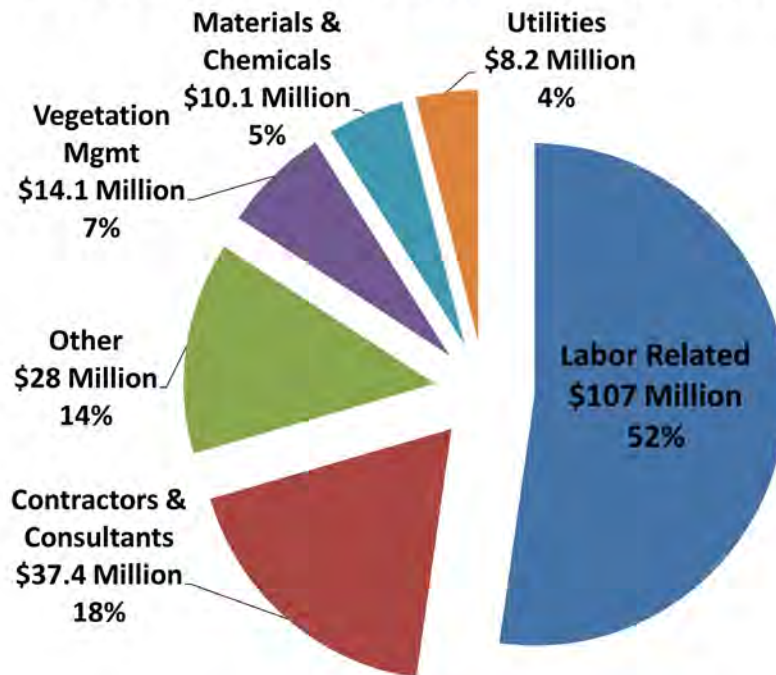
Operating expenses (excluding wholesale purchased energy expense) increased \$19.2 million compared to fiscal year 2023. Operating expenses include operations and maintenance (O&M) expense, depreciation/amortization, and taxes/tax equivalents. O&M expenses can be further classified as treatment, fiber products and promotions, distribution and collection, customer service, and administrative and general.

- Treatment expenses increased \$1 million, primarily due to higher labor-related expenses and chemical expenses.
- Fiber products and promotions increased \$2.2 million, primarily due to materials, corporate advertising, and labor-related expenses.
- Distribution and collection expenses increased \$5.8 million, or 6.7 percent, primarily due to outside contractor and consultant expenses, labor-related expenses, and vegetation management circuit work.
- Customer service expenses decreased \$5 million, primarily due to a change in methodology for technology-related costs that resulted in an offsetting increase in administration and general expenses.
- Administrative and general expenses increased \$8.9 million, primarily due to a change in methodology for technology-related costs that resulted in an offsetting decrease in customer service expenses and increased insurance costs.

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June 30, 2025 and 2024

FY 2024 Consolidated O&M Expense = \$204.8 Million



- Depreciation and amortization expense increased \$4.1 million, or 4.3 percent. KUB added \$290.3 million in assets during fiscal year 2024. A partial year of depreciation expense was recorded on these capital investments and a full year of depreciation expense was incurred on \$137.4 million in assets placed in service during fiscal year 2023. In addition, \$36.7 million of assets were retired during fiscal year 2024.
- Taxes and tax equivalents increased \$2.3 million, or 5.9 percent, primarily due to increased plant in service levels and employer Federal Insurance Contributions Act (FICA) taxes.

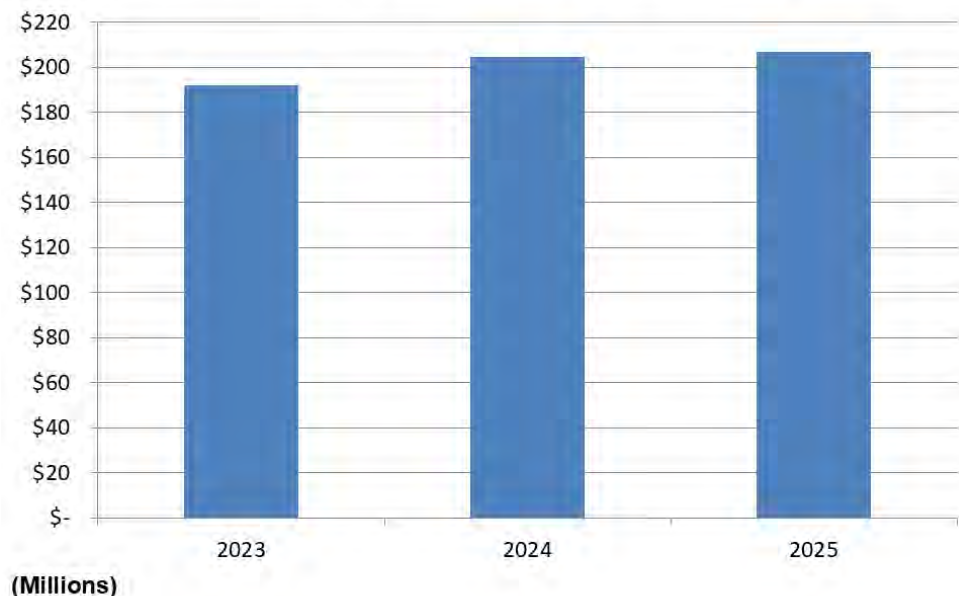
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Management's Discussion and Analysis

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Consolidated Operation & Maintenance Expense



Other Income and Expense

Fiscal Year 2025 Compared to Fiscal Year 2024

Interest income increased \$2.8 million compared to the prior fiscal year, driven by higher cash balances and the replacement of maturing low-yield investments with new investments at significantly higher rates, despite a modest decline in overall interest rates.

Interest expense increased \$4.2 million, or 9.2 percent, reflecting the interest expense from new revenue bonds sold during the fiscal year and interest on increased levels of customer deposits.

Other income (net) decreased \$4.5 million, primarily due a reduction in grant reimbursements and to mark-to-market adjustments on investments.

Capital contributions by developers were \$1.3 million lower, due to a decrease in donated utility assets compared to the prior fiscal year.

Fiscal Year 2024 Compared to Fiscal Year 2023

Interest income increased \$3.5 million compared to the prior fiscal year, reflecting higher interest rates throughout the year.

Interest expense increased \$2.4 million, or 5.7 percent, reflecting the interest expense from new revenue bonds sold during the fiscal year.

Other income (net) increased \$5.5 million, primarily due to grant reimbursements and mark-to-market adjustments on investments.

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Capital contributions by developers were \$1.8 million lower, due to a decrease in donated utility assets compared to the prior fiscal year.

Capital Assets

Capital Assets				
As of June 30				
(Net of Depreciation)				
<i>(in thousands of dollars)</i>		2025	2024	2023
Production Plant (Intakes)	\$	6	\$	6
Pumping and Treatment Plant		281,538	284,752	268,410
Distribution and Collection Plant				
Mains and metering	\$	1,011,549	\$	979,996
Services and meters		186,804	174,027	164,010
Electric station equipment		186,334	144,074	85,676
Poles, towers and fixtures		179,304	175,823	163,802
Overhead conductors		188,191	174,932	150,166
Line transformers		67,146	65,160	62,002
Other accounts		197,436	197,904	188,126
Total Distribution & Collection Plant	\$	2,016,764	\$	1,911,916
General Plant		135,387	130,872	112,247
Total Plant Assets	\$	2,433,695	\$	2,327,546
Work In Progress		226,919	184,369	221,322
Total Net Plant	\$	2,660,614	\$	2,511,915

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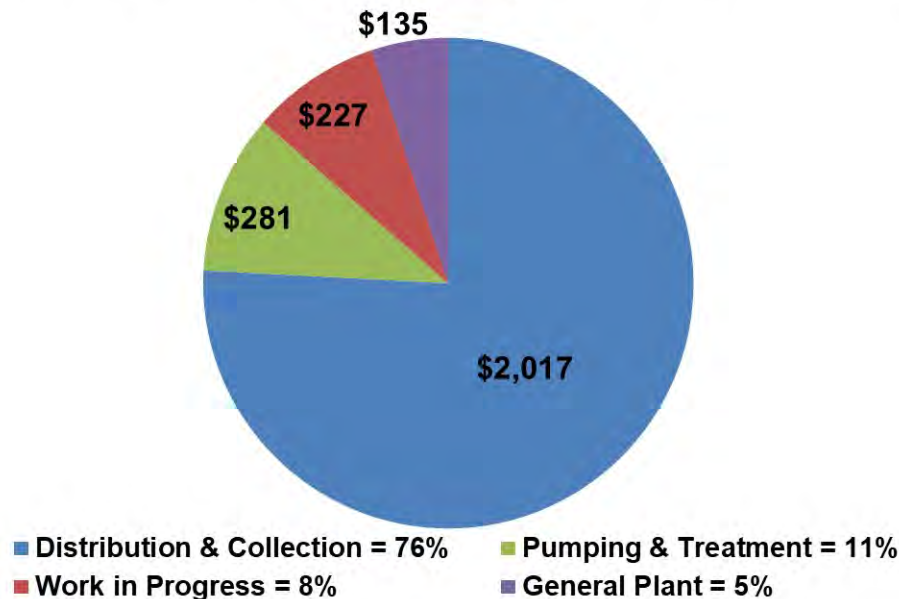
Management's Discussion and Analysis

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Fiscal Year 2025 Compared to Fiscal Year 2024

As of June 30, 2025, KUB had \$2.7 billion invested in capital assets, as reflected in the schedule of capital assets, which represents a net increase (including additions, retirements, and depreciation) of \$148.7 million, or 5.9 percent, over the end of the last fiscal year.

FY 2025 Consolidated Capital Assets = \$2.7 Billion (in Millions)



Major capital asset additions during the year were as follows:

- \$76.3 million for fiber network buildout
- \$27.8 million for various electric distribution system improvements
- \$23.4 million for water plant redundancy
- \$23.3 million related to wastewater Century II projects
 - \$10.3 million for collection system improvements
 - \$8.3 million for pump station construction and improvements
 - \$3.5 million for wastewater treatment plant upgrades
 - \$0.6 million for sewer mini-basin rehabilitation and replacement
 - \$0.6 million for short line projects
- \$22.7 million for installation of new electric services and the upgrade or replacement of existing services.
- \$15 million for water main replacements
- \$8.9 million for pole replacements for the electric system
- \$8.4 million for the gas service extensions
- \$7.3 million for auto and truck purchases

Knoxville Utilities Board

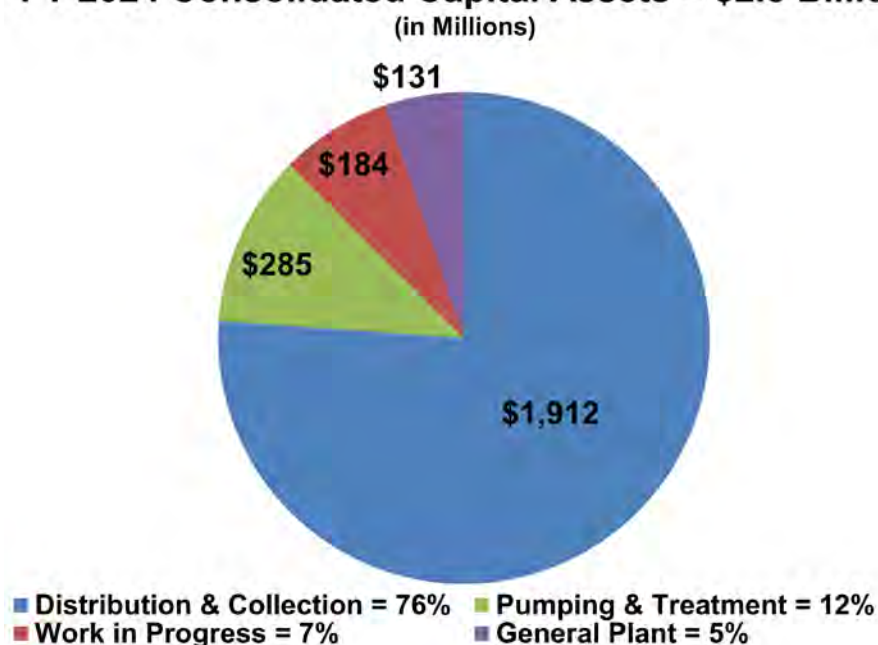
Management's Discussion and Analysis

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Fiscal Year 2024 Compared to Fiscal Year 2023

As of June 30, 2024, KUB had \$2.5 billion invested in capital assets, as reflected in the schedule of capital assets, which represents a net increase (including additions, retirements, and depreciation) of \$156.1 million, or 6.6 percent, over the end of the last fiscal year.

FY 2024 Consolidated Capital Assets = \$2.5 Billion



Major capital asset additions during the year were as follows:

- \$67.7 million for fiber network buildout
- \$32.3 million for various electric distribution system improvements
- \$21 million related to wastewater Century II projects
 - \$4.4 million for pump station construction and improvements
 - \$7.2 million for sewer mini-basin rehabilitation and replacement
 - \$4.2 million for wastewater treatment plant upgrades
 - \$4.4 million for short line projects
 - \$0.8 million for trunkline improvements
- \$17.6 million for installation of new electric services and the upgrade or replacement of existing services.
- \$11.2 million for water plant redundancy
- \$9.1 million for water main replacements
- \$7.7 million for the gas service extensions
- \$7.3 million for pole replacements for the electric system
- \$3.9 million for auto and truck purchases

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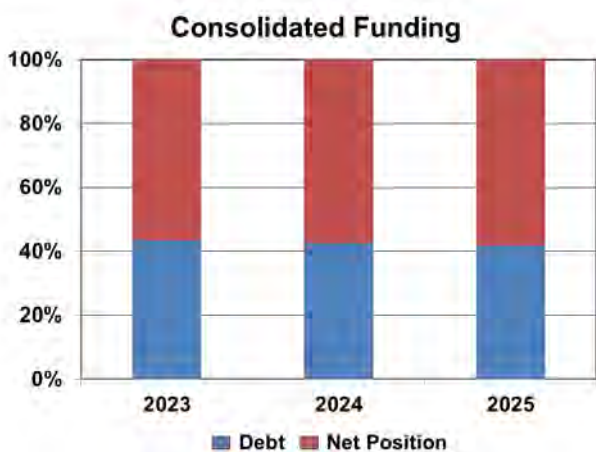
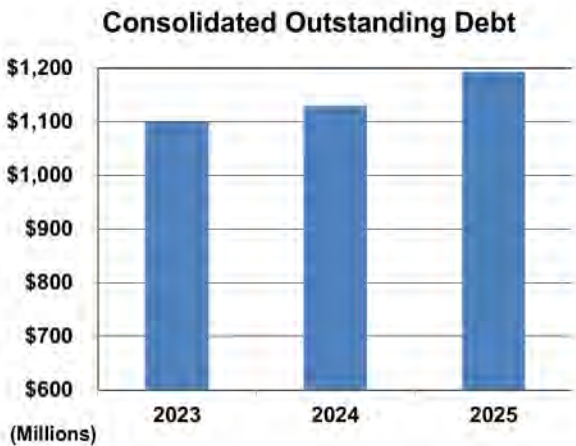
June 30, 2025 and 2024

Debt Administration

KUB’s outstanding debt was \$1.19 billion as of June 30, 2025. Debt as a percentage of capital structure was 41.8 percent in 2025, 42.5 percent in 2024, and 43.4 percent in 2023.

Outstanding Debt
As of June 30

(in thousands of dollars)	2025	2024	2023
Revenue bonds	\$ 1,194,195	\$ 1,130,115	\$ 1,099,510
Total outstanding debt	\$ 1,194,195	\$ 1,130,115	\$ 1,099,510



KUB will pay \$485.9 million in principal payments over the next ten years, representing 40.7 percent of outstanding bonds.

Fiscal Year 2025 Compared to Fiscal Year 2024

As of June 30, 2025, KUB had \$1.19 billion in outstanding debt (including the current portion of revenue bonds), representing an increase of \$64.1 million. As of June 30, 2025, KUB’s weighted average cost of debt was 3.99 percent (3.96 percent including the impact of Build America Bonds rebates).

KUB sold \$91 million in electric system revenue bonds in July 2024 for the purpose of funding electric system capital improvements. The true interest cost of the bonds, which were sold through a competitive bidding process, was 4.05 percent. The bonds mature over a period of 30 years with a final maturity in fiscal year 2055.

KUB sold \$20 million in water system revenue bonds in July 2024 for the purpose of funding water system capital improvements. The true interest cost of the bonds, which were sold through a competitive bidding process, was 4.04 percent. The bonds mature over a period of 30 years with a final maturity in fiscal year 2054.

KUB’s outstanding debt is rated by S&P Global Ratings and Moody’s Investors Service. In July 2024, S&P Global Ratings upgraded KUB’s wastewater system’s rating from AA+ to AAA, the highest rating available. As of June 30, 2025, S&P Global Ratings rated the revenue bonds of the both the Water Division and the Wastewater Division AAA, the revenue bonds of the Electric Division AA- and the Gas Division AA. Moody’s

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Investors Service rated the bonds of the Water Division Aa1 and the Electric, Gas, and Wastewater Divisions Aa2

Fiscal Year 2024 Compared to Fiscal Year 2023

As of June 30, 2024, KUB had \$1.13 billion in outstanding debt (including the current portion of revenue bonds), representing an increase of \$30.6 million. As of June 30, 2024, KUB's weighted average cost of debt was 3.95 percent (3.91 percent including the impact of Build America Bonds rebates).

KUB sold \$55 million in electric system revenue bonds in November 2023 for the purpose of funding electric system capital improvements. The true interest cost of the bonds, which were sold through a competitive bidding process, was 4.40 percent. The bonds mature over a period of 30 years with a final maturity in fiscal year 2054.

KUB sold \$20 million in water system revenue bonds in November 2023 for the purpose of funding water system capital improvements. The true interest cost of the bonds, which were sold through a competitive bidding process, was 4.33 percent. The bonds mature over a period of 30 years with a final maturity in fiscal year 2054.

KUB's outstanding debt is rated by S&P Global Ratings and Moody's Investors Service. As of June 30, 2024, S&P Global Ratings rated the revenue bonds of the Water Division AAA, the Wastewater Division AA+, the revenue bonds of the Electric Division AA- and the Gas Division AA. Moody's Investors Service rated the bonds of the Water Division Aa1 and the Electric, Gas, and Wastewater Divisions Aa2.

Impacts on Future Financial Position

KUB anticipates an increase of 15,750 customers, including 11,100 fiber system customers, during fiscal year 2026.

As a component of the Fiber Division's start-up financing plan, the Electric Division will provide \$55 million of interdivisional loans. To date, \$44 million has been issued to the Fiber Division. A \$6 million loan is anticipated during fiscal year 2026.

KUB long-term debt includes \$20.3 million of Wastewater Division 2010 Build America Bonds (BABs). The BABs were sold on a taxable basis with the United States Treasury providing a rebate to KUB for a percentage of the interest cost. The interest rebates were subject to federal sequestration during the fiscal year and were reduced by 5.7 percent. Any future actions by Congress may also affect the anticipated rebates for future fiscal years.

The Pension Plan actuarial valuation resulted in an actuarially determined contribution of \$2,793,313 for the fiscal year ending June 30, 2026, based on the Plan's current funding policy. Subsequent to June 30, 2025, an actuarial valuation was completed and resulted in an actuarially determined contribution of \$2,939,593 for the fiscal year ending June 30, 2027, based on the Plan's current funding policy. For the Plan year beginning January 1, 2025, the Plan's actuarial funded ratio is 103.9 percent, and the market value funded ratio is 100.3 percent.

The OPEB Plan actuarial valuation resulted in an actuarially determined contribution of \$1,217,234 for the fiscal year ending June 30, 2026, based on the Plan's current funding policy. Subsequent to June 30, 2025, an actuarial valuation was completed and resulted in an actuarially determined contribution of \$968,538 for the fiscal year ending June 30, 2027, based on the Plan's current funding policy. For the Plan year beginning January 1, 2025, the Plan's actuarial funded ratio is 96.3 percent, and the market value funded ratio is 93.8 percent.

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GASB Statement No. 103, *Financial Reporting Model Improvements*, is effective for fiscal years beginning after June 15, 2025. GASB Statement No. 104, *Disclosure of Certain Capital Assets*, is effective for fiscal years beginning after June 15, 2025. KUB has not elected early implementation of these standards and has not completed the process of evaluating the impact of these statements on its financial statements.

No other facts, decisions, or conditions are currently known which would have a significant impact on KUB's financial position or results of operations during fiscal year 2025.

Financial Contact

KUB's financial statements are designed to present users (citizens, customers, investors, and creditors) with a general overview of KUB's financial position and results of operations for the fiscal years ended June 30, 2025, and 2024. If you have questions about the statements or need additional financial information, contact KUB's Chief Financial Officer at 445 South Gay Street, Knoxville, Tennessee 37902.

Knoxville Utilities Board
Consolidated Statements of Net Position
June 30, 2025 and 2024

	2025	2024
Assets and Deferred Outflows of Resources		
Current assets:		
Cash and cash equivalents	\$ 156,248,936	\$ 109,288,248
Short-term contingency fund investments	90,077,072	60,673,701
Other current assets	892,229	892,885
Accrued interest receivable	154,373	155,663
Accounts receivable, less allowance of uncollectible accounts of \$989,403 in 2025 and \$800,861 in 2024	114,849,607	103,745,734
Current portion of lease receivable	795,306	838,178
Inventories	29,049,209	31,651,543
Prepaid expenses	1,332,827	1,284,871
Gas storage	7,703,575	7,442,708
Total current assets	<u>401,103,134</u>	<u>315,973,531</u>
Restricted assets:		
Bond funds	43,055,545	42,309,193
Student internet special fund	1,848,211	1,119,548
Other funds	1,526	1,524
Total restricted assets	<u>44,905,282</u>	<u>43,430,265</u>
Plant in service		
Plant in service	3,713,198,561	3,522,024,743
Less accumulated depreciation	<u>(1,279,503,318)</u>	<u>(1,194,478,688)</u>
	2,433,695,243	2,327,546,055
Retirement in progress	2,156,691	1,834,945
Construction in progress	224,761,781	182,534,146
Net plant in service	<u>2,660,613,715</u>	<u>2,511,915,146</u>
Intangible assets:		
Intangible right of use asset	4,672,493	4,672,493
Intangible subscription asset	9,114,411	9,323,779
Less accumulated amortization	<u>(7,215,435)</u>	<u>(5,429,107)</u>
Net intangible assets	<u>6,571,469</u>	<u>8,567,165</u>
Other assets:		
Long-term contingency fund investments	37,209,220	57,402,740
Long-term lease receivable	7,758,811	8,554,118
TVA conservation program receivable	10,729	78,051
Under recovered purchased power cost	5,929,336	5,057,514
Under recovered purchased gas cost	2,744,926	1,050,732
Other	10,875,962	10,358,699
Total other assets	<u>64,528,984</u>	<u>82,501,854</u>
Total assets	<u>3,177,722,584</u>	<u>2,962,387,961</u>
Deferred outflows of resources:		
Pension outflow	15,698,178	28,276,023
OPEB outflow	1,931,174	2,889,145
Unamortized bond refunding costs	11,828,240	12,773,238
Total deferred outflows of resources	<u>29,457,592</u>	<u>43,938,406</u>
Total assets and deferred outflows of resources	<u>\$ 3,207,180,176</u>	<u>\$ 3,006,326,367</u>

The accompanying notes are an integral part of these consolidated financial statements.

Knoxville Utilities Board
Consolidated Statements of Net Position
June 30, 2025 and 2024

	2025	2024
Liabilities, Deferred Inflows, and Net Position		
Current liabilities:		
Current portion of revenue bonds	\$ 46,585,000	\$ 46,915,000
Current portion of accrued compensated absences	7,923,816	7,122,995
Current portion of lease liability	937,961	889,422
Current portion of subscription liability	1,206,487	1,037,806
Sales tax collections payable	1,862,503	1,551,137
Accounts payable	110,876,150	107,113,618
Unearned revenue	901,316	428,327
Accrued expenses	29,646,425	24,899,002
Customer deposits plus accrued interest	27,405,189	25,650,667
Accrued interest on revenue bonds	17,800,120	16,361,685
Total current liabilities	<u>245,144,967</u>	<u>231,969,659</u>
Other liabilities:		
TVA conservation program	13,195	89,790
Accrued compensated absences	3,902,775	3,669,422
Customer advances for construction	13,193,204	11,479,966
Lease liability	899,442	1,837,403
Subscription liability	4,477,938	5,684,425
Net pension liability	3,075,398	7,452,380
Net OPEB liability	5,315,804	9,373,073
Other	231,356	108,402
Total other liabilities	<u>31,109,112</u>	<u>39,694,861</u>
Long-term debt:		
Revenue bonds	1,147,610,000	1,083,200,000
Unamortized premiums/discounts	108,261,114	110,077,252
Total long-term debt	<u>1,255,871,114</u>	<u>1,193,277,252</u>
Total liabilities	<u>1,532,125,193</u>	<u>1,464,941,772</u>
Deferred inflows of resources:		
Pension inflow	-	1,717
Unamortized bond refunding costs	1,429,427	1,530,785
OPEB inflow	4,153,751	1,801,872
Lease inflow	7,994,976	9,003,011
Total deferred inflows of resources	<u>13,578,154</u>	<u>12,337,385</u>
Total liabilities and deferred inflows of resources	<u>1,545,703,347</u>	<u>1,477,279,157</u>
Net position		
Net investment in capital assets	1,364,989,474	1,280,750,537
Restricted for:		
Debt service	25,255,424	25,947,508
Other	1,526	1,523
Unrestricted	271,230,405	222,347,642
Total net position	<u>1,661,476,829</u>	<u>1,529,047,210</u>
Total liabilities, deferred inflows, and net position	<u>\$ 3,207,180,176</u>	<u>\$ 3,006,326,367</u>

The accompanying notes are an integral part of these consolidated financial statements.

Knoxville Utilities Board

Consolidated Statements of Revenues, Expenses and Changes in Net Position Years Ended June 30, 2025 and 2024

	2025	2024
Operating revenues		
Electric	\$ 718,106,979	\$ 644,955,767
Fiber	17,004,668	6,330,281
Gas	128,874,496	114,178,993
Water	76,638,327	72,075,990
Wastewater	119,247,012	113,919,625
Total operating revenues	<u>1,059,871,482</u>	<u>951,460,656</u>
Operating expenses		
Purchased power	491,545,513	442,008,407
Purchased gas	58,247,192	49,472,739
Treatment	23,789,187	21,662,439
Fiber products and promotions	6,792,493	5,313,148
Distribution and collection	90,807,474	92,563,865
Customer service	11,347,365	10,708,141
Administrative and general	73,963,437	74,556,205
Depreciation and amortization	105,819,200	97,978,982
Taxes and tax equivalents	38,556,673	41,562,257
Total operating expenses	<u>900,868,534</u>	<u>835,826,183</u>
Operating income	<u>159,002,948</u>	<u>115,634,473</u>
Non-operating revenues (expenses)		
Contributions in aid of construction	20,483,247	27,291,771
Interest income	15,454,964	12,606,202
Interest expense	(49,247,108)	(45,085,501)
Amortization of debt costs	4,887,843	4,632,245
Write-down of plant for costs recovered through contributions	(20,483,247)	(27,291,771)
Other	1,088,675	5,869,543
Total non-operating revenues (expenses)	<u>(27,815,626)</u>	<u>(21,977,511)</u>
Change in net position before capital contributions	131,187,322	93,656,962
Capital contributions	1,242,297	2,530,416
Change in net position	132,429,619	96,187,378
Net position, beginning of year	1,529,047,210	1,432,859,832
Net position, end of year	<u>\$ 1,661,476,829</u>	<u>\$ 1,529,047,210</u>

The accompanying notes are an integral part of these consolidated financial statements.

Knoxville Utilities Board

Consolidated Statements of Cash Flows

Years Ended June 30, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Cash receipts from customers	\$ 1,049,590,366	\$ 939,005,214
Cash receipts from other operations	16,090,644	8,780,566
Cash payments to suppliers of goods or services	(680,108,393)	(625,052,483)
Cash payments to employees for services	(80,410,082)	(76,719,497)
Payment in lieu of taxes	(31,927,154)	(35,344,750)
Cash receipts from collections of TVA conservation loan program participants	69,308	184,825
Cash payments for TVA Conservation loan program	(78,582)	(193,934)
Net cash provided by operating activities	<u>273,226,107</u>	<u>210,659,941</u>
Cash flows from capital and related financing activities:		
Net proceeds from bond issuance	114,480,770	78,729,215
Principal paid on revenue bonds	(46,915,000)	(44,390,000)
Increase (decrease) in unused bond proceeds	-	13
Interest paid on revenue bonds	(46,254,306)	(42,885,965)
Acquisition and construction of plant	(276,751,433)	(281,297,034)
Changes in bond funds, restricted	(746,352)	(3,122,038)
Customer advances for construction	2,418,740	763,495
Proceeds received on disposal of plant	314,969	307,483
Principal paid on lease liabilities	(889,422)	(839,756)
Principal paid on subscription liabilities	(1,037,806)	(1,358,003)
Interest paid on lease and subscription liabilities	(333,168)	(400,444)
Cash received from developers and individuals for capital purposes	23,310,202	27,291,771
Net cash used in capital and related financing activities	<u>(232,402,806)</u>	<u>(267,201,263)</u>
Cash flows from investing activities:		
Purchase of investment securities	(32,971,642)	(92,326,733)
Maturities of investment securities	26,900,000	90,200,000
Interest received	12,711,678	12,344,500
Other property and investments	(502,649)	2,845,480
Net cash provided by investing activities	<u>6,137,387</u>	<u>13,063,247</u>
Net increase (decrease) in cash and cash equivalents	46,960,688	(43,478,075)
Cash and cash equivalents, beginning of year	<u>109,288,248</u>	<u>152,766,323</u>
Cash and cash equivalents, end of year	<u>\$ 156,248,936</u>	<u>\$ 109,288,248</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 159,002,948	\$ 115,634,473
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization expense	109,782,169	101,439,885
Changes in operating assets and liabilities:		
Accounts receivable	(13,930,828)	(14,231,545)
Lease receivable	838,179	(5,020,718)
Inventories	2,602,334	(3,821,523)
Prepaid expenses and gas storage	(308,823)	2,076,314
TVA conservation program receivable	67,322	172,240
Other assets	(103,832)	(502,376)
Sales tax collections payable	311,366	45,057
Accounts payable and other accrued expenses	15,275,958	27,753,318
TVA conservation program payable	(76,595)	(181,348)
Unrecovered purchased power cost	(871,822)	(8,606,036)
Underrecovered gas costs	(1,694,194)	(5,422,440)
Customer deposits plus accrued interest	1,735,981	991,646
Unearned revenue	472,989	344,215
Other liabilities	122,955	(11,221)
Net cash provided by operating activities	<u>\$ 273,226,107</u>	<u>\$ 210,659,941</u>
Noncash capital activities:		
Acquisition of plant assets through developer contributions	\$ 1,242,297	\$ 2,530,416
Record intangible right of use asset and lease liability	\$ -	\$ 39,002
Record intangible subscription asset and subscription liability	\$ -	\$ 447,577

The accompanying notes are an integral part of these consolidated financial statements.

Knoxville Utilities Board
Statement of Fiduciary Net Position
June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
	Pension (and Other Employee Benefit Trust Funds)	Pension (and Other Employee Benefit Trust Funds)
Assets		
Cash and cash equivalents	\$ 1,548,484	\$ 1,610,656
Interest and dividends receivable	262,693	546,051
Due from broker for investment sales	53,000	209,328
Prepaid assets	10,000	10,000
Investments at fair value	325,738,008	306,682,853
Total assets	<u>327,612,185</u>	<u>309,058,888</u>
Liabilities		
Accounts payable	287,382	366,518
Due to broker for investment purchases	53,000	269,866
Benefit obligations	937,785	853,994
Total liabilities	<u>1,278,167</u>	<u>1,490,378</u>
Total net position	<u><u>\$ 326,334,018</u></u>	<u><u>\$ 307,568,510</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

Knoxville Utilities Board
Statement of Changes in Fiduciary Net Position
June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
	Pension (and Other Employee Benefit Trust Funds)	Pension (and Other Employee Benefit Trust Funds)
Additions		
Contributions:		
Employer	\$ 2,939,172	\$ 3,054,029
Participants	4,971,148	5,752,609
Total contributions	<u>7,910,320</u>	<u>8,806,638</u>
Investment income:		
Net change in fair value of investments	29,101,568	35,316,569
Less investment expenses	(264,182)	(406,711)
Interest income	1,552,208	2,443,138
Dividend income	4,235,963	4,230,832
Net investment income	<u>34,625,557</u>	<u>41,583,828</u>
Other	738	4,568
Total net additions	<u>42,536,615</u>	<u>50,395,034</u>
Deductions		
Benefit payments	22,646,995	22,663,779
Claims processing fees	348,019	316,426
General and administrative expenses	744,093	696,457
Death benefits	32,000	44,000
Total deductions	<u>23,771,107</u>	<u>23,720,662</u>
 Change in net position	 18,765,508	 26,674,372
Total net position		
Beginning of the year	<u>307,568,510</u>	<u>280,894,138</u>
End of the year	<u>\$ 326,334,018</u>	<u>\$ 307,568,510</u>

The accompanying notes are an integral part of these consolidated financial statements.

Knoxville Utilities Board

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

1. Description of Business

Knoxville Utilities Board (KUB), comprised of the Electric Division, Fiber Division, Gas Division, Water Division, and Wastewater Division (Divisions), is reported as a component unit enterprise fund in the financial statements of the City of Knoxville. KUB's responsibility is to oversee the purchase, production, distribution, and processing of electricity, broadband, natural gas, water, and wastewater services. A seven-member Board of Commissioners (Board) governs KUB. The Board has all powers to construct, acquire, expand, and operate the Divisions. It has full control and complete jurisdiction over the management and operation of the Divisions, including setting rates. KUB's accounts are maintained in conformity with the Uniform System of Accounts of the Federal Energy Regulatory Commission (FERC), the Uniform System of Accounts of the National Association of Regulatory Utility Commissioners (NARUC), and the Governmental Accounting Standards Board (GASB), as applicable.

2. Significant Accounting Policies

Basis of Accounting

In conformity with Generally Accepted Accounting Principles (GAAP), KUB follows the provisions of GASB Statement No. 34 (Statement No. 34), *Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 63 (Statement No. 63), *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. Statement No. 34 established standards for external financial reporting for all state and local governmental entities. Under Statement No. 63, financial statements include deferred outflows of resources and deferred inflows of resources, in addition to assets and liabilities, and report *net position* instead of net assets. In addition, KUB follows GASB Statement No. 62 (Statement No. 62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, as it relates to certain items for regulatory accounting. Regulatory accounting allows a regulated utility to defer a cost (a regulatory asset) or recognize an obligation (a regulatory liability) if it is probable that through the rate making process, there will be a corresponding increase or decrease in future revenues. Accordingly, KUB has recognized certain regulatory assets and regulatory liabilities in the accompanying Statements of Net Position.

The consolidated financial statements are prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred. The accounting and financial reporting treatment applied is determined by measurement focus. The transactions are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the Statement of Net Position. Net position (i.e., total assets and deferred outflows of resources net of total liabilities and deferred inflows of resources) is segregated into net investment in capital assets, restricted for capital activity and debt service, and unrestricted components.

KUB's basic financial statements were expanded to meet the requirement of GASB Statement No. 84 (Statement No. 84), *Fiduciary Activities*. The fiduciary activities of KUB include the Knoxville Utilities Board Pension Plan and the Knoxville Utilities Board Other Post-Employment Benefits Trust and are included on Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position. The financial statements, note disclosures, and required supplementary information for these fiduciary activities are presented herein and can also be found in separately issued reports.

Recently Adopted New Accounting Pronouncements

In June 2022, the GASB issued GASB Statement No. 101 (Statement No. 101), *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. Statement No. 101 is effective for fiscal years beginning after December 15, 2023. Adoption of this Statement did not result in a restatement of prior periods due to immateriality.

Knoxville Utilities Board

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

In December 2023, the GASB issued GASB Statement No. 102 (Statement No. 102), *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. Statement No. 102 is effective for fiscal years beginning after June 15, 2024. Adoption of this Statement did not have a significant impact on KUB's financial statements.

Principles of Consolidation

The consolidated financial statements include the accounts of the Electric, Fiber, Gas, Water, and Wastewater Divisions. All significant intercompany balances and transactions have been eliminated in consolidation.

KUB issues separate financial reports, which include financial statements and required supplementary information, for the Electric, Fiber, Gas, Water, and Wastewater Divisions. These reports may be obtained by writing Knoxville Utilities Board, P.O. Box 59017, Knoxville, TN 37950-9017.

Plant

Plant and other property are stated on the basis of original cost. The costs of current repairs and minor replacements are charged to operating expense. The costs of renewals and improvements are capitalized. The original cost of utility plant assets retired or otherwise disposed of and the cost of removal less salvage value is charged to accumulated depreciation. When other property is retired, the related asset and accumulated depreciation are removed from the accounts, and the gain or loss is included in the results of operations.

The provision for depreciation of plants in service is based on the estimated useful lives of the assets, which range from three to sixty-seven years, and is computed using the straight-line method. Pursuant to FERC/NARUC, the caption "Depreciation and amortization" in the consolidated Statements of Revenues, Expenses and Changes in Net Position does not include depreciation for transportation equipment. Depreciation for transportation equipment of \$3,962,970 in fiscal year 2025 and \$3,460,902 in fiscal year 2024 is included in operation and maintenance expense.

Operating Revenue

Operating revenue consists primarily of charges for services provided by the principal operations of KUB. Operating revenue is recorded when the service is rendered, on a cycle basis, and includes an estimate of unbilled revenue. Revenues are reported net of bad debt expense of \$2,905,912 in fiscal year 2025 and of \$2,110,501 in fiscal year 2024.

Non-operating Revenue

Non-operating revenue consists of revenues that are related to financing and investing types of activities and result from non-exchange transactions or ancillary activities.

Expense

When an expense is incurred for purposes for which there are both restricted and unrestricted assets available, it is KUB's policy to apply those expenses to restricted assets to the extent such are available and then to unrestricted assets.

Net Position

GASB Statement No. 63 requires the classification of net position into three components – net investment in capital assets, net position-restricted, and net position-unrestricted.

These classifications are defined as follows:

- Net investment in capital assets – This component of net position consists of capital assets and intangible assets, including restricted capital assets, net of accumulated depreciation and amortization, and reduced by the outstanding balances of any bonds, mortgages, notes,

Knoxville Utilities Board

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

lease and subscription liabilities, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

- Net position-restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
- Net position-unrestricted – This component of net position consists of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Contributions in Aid of Construction and Capital Contributions

Contributions in aid of construction are cash collections from customers, grantors, or others for a particular purpose, generally the construction of new facilities to serve new customers in excess of the investment KUB is willing to make for a particular incremental revenue source. KUB reduces the plant account balances to which contributions relate by the actual amount of the contribution and recognizes the contributions as non-operating revenue in accordance with Statement No. 62.

Capital contributions represent contributions of utility plant infrastructure constructed by developers and others in industrial parks and other developments and transferred to KUB upon completion of construction and the initiation of utility service. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, such contributions are recognized as revenues and capital assets upon receipt.

Inventories

Inventories, consisting of plant materials and operating supplies, are valued at the lower of average cost or replacement value.

OPEB Trust

KUB's OPEB Trust was established by KUB's Board of Commissioners through Resolution No. 1168, as amended, dated October 18, 2007. The purpose of the Trust is to fund KUB's post-employment health care plan (the "Plan"), which provides certain medical benefits for qualifying KUB retirees and beneficiaries. Effective January 1, 2022, the Plan was expanded to include two benefit offerings. Employees with a benefit service date prior to July 1, 1999, will continue to be eligible for the Retiree Medical Benefit, while those with a later benefit service date will participate in a new Retiree Health Reimbursement Arrangement, given that each eligible employee meets the "Rule of 80", the sum of age and at least 20 years of qualified service equal to or exceeding 80, at retirement.

KUB's policy is to fully fund the annual actuarially determined contributions, which are determined by actuarial valuation. As required by GASB Statement No. 75, KUB measures net OPEB liability as total OPEB liability less the amount of the Plan's fiduciary net position. The amounts reported as of June 30, 2025, and 2024, must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2025, and 2024, are based on a June 30, 2025, and 2024, measurement date, respectively. The net OPEB liability is \$5,315,804 as of June 30, 2025, and \$9,373,073 as of June 30, 2024.

Knoxville Utilities Board

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

Pension Plan and Qualified Excess Benefit Arrangement

KUB's employees are participants in the Knoxville Utilities Board Pension Plan as authorized by the Charter of the City of Knoxville §1107(J) (Note 12). KUB's policy is to fully fund the annual actuarially determined contributions. As required by GASB Statement No. 68, KUB measures net pension liability as total pension liability less the amount of the Plan's fiduciary net position. The amounts reported as of June 30, 2025, and 2024, must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2025, and 2024, are based on a December 31, 2024, and 2023, measurement date, respectively. The net pension liability is \$3,054,172 as of June 30, 2025, and the net pension liability is \$7,452,380 as of June 30, 2024.

KUB implemented a qualified governmental excess benefit arrangement (QEBA) under IRC section 415(m), which was created by Congress to allow the payment of pension benefits that exceed the IRC section 415(b) limits (and therefore cannot be paid from a qualified retirement plan). The QEBA is a single employer defined benefit pension plan, administered by KUB (Note 13). As required by GASB Statement No. 73, KUB measures the total pension liability of the QEBA. The amounts reported as of June 30, 2025, and 2024, must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2025, and 2024, are based on a December 31, 2024, and 2023, measurement date, respectively. The total pension liability of the QEBA is \$21,226 as of June 30, 2025, and \$0 as of June 30, 2024.

For presentation purposes, the Pension Plan net pension liability and the QEBA total pension liability are disclosed in the Statement of Net Position as Net pension liability of \$3,075,398 as of June 30, 2025 and \$7,452,380 as of June 30, 2024. The Pension Plan deferred outflows and QEBA deferred outflows are disclosed as Pension outflow of \$15,698,178 as of June 30, 2025 and \$28,276,023 as of June 30, 2024. The Pension Plan deferred inflows and QEBA deferred inflows are disclosed as Pension inflow of \$0 as of June 30, 2025 and \$1,717 as of June 30, 2024.

Investments

Investments are carried at fair value as determined by quoted market prices at the reporting date.

Self-Insurance

KUB has established self-insurance programs covering portions of workers' compensation, employee health, environmental liability, general liability, property and casualty liability, and automobile liability claims. A liability is accrued for claims as they are incurred. When applicable, claims in excess of the self-insured risk are covered by KUB's insurance carrier. Additionally, KUB provides certain lifetime health benefits to eligible retired employees under a self-insurance plan administered by a third party.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are based on historical experience and various other assumptions that KUB believes are reasonable under the circumstances. However, future events are subject to change and the best estimates and judgments routinely require adjustment. Estimates are used for, but not limited to, inventory valuation, allowance for uncollectible accounts, depreciable lives of plant assets, unbilled revenue volumes, over/under purchased power and gas costs, lease liabilities, subscription liabilities, developer contributions, compensated absences, pension trust valuations, OPEB trust valuations, insurance liability reserves, and potential losses from contingencies and litigation. Actual results could differ from those estimates.

Restricted and Designated Assets

Certain assets are restricted by bond resolutions for the construction of utility plant and debt repayment. Certain additional assets are designated by management for contingency purposes and

Knoxville Utilities Board

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

economic development. Assets are reported as restricted when limitations on their use are either imposed by creditors, contributors, grantors or imposed by enabling legislation.

KUB has established a program called ConnectED that provides financial assistance to student households in need, with donations from the City of Knoxville and Knox County. ConnectED provides up to \$80 monthly to qualified families for internet and router services. The restricted asset is shown in the student internet special fund, while the associated liability is shown in accrued expenses.

Cash Equivalents

For purposes of the Statements of Cash Flows, KUB considers all unrestricted and undesignated highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Leases

KUB determines if an arrangement is or contains a lease at contract inception and recognizes an intangible right of use asset and a lease liability at the lease commencement date. Subsequently, the intangible right of use asset is amortized on a straight-line basis over its useful life. KUB also enters into agreements, as lessor, to lease office space or property, recognizing a lease receivable and a deferred inflow of resources. The lease term includes the non-cancelable period of the lease plus an additional period covered by either an option to extend or not to terminate the lease that the lessee is reasonably certain to exercise, or an option to extend or not to terminate the lease controlled by the lessor. KUB uses its estimated incremental borrowing rate as the discount rate for leases.

KUB monitors for events or changes in circumstances that require a reassessment of its leases. When a reassessment results in the remeasurement of a lease liability, a corresponding adjustment is made to the carrying amount of the intangible right of use asset.

Subscription-Based Information Technology Arrangements

KUB determines if an arrangement is or contains a subscription-based information technology arrangement (subscription) at contract inception and recognizes an intangible subscription asset and a subscription liability at the commencement date. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life. The subscription term includes the non-cancelable period of the subscription plus an additional period covered by either an option to extend or not to terminate the subscription that KUB is reasonably certain to exercise, or an option to extend or not to terminate the subscription controlled by the vendor. KUB uses its estimated incremental borrowing rate as the discount rate for subscriptions.

KUB monitors for events or changes in circumstances that require a reassessment of its subscriptions. When a reassessment results in the remeasurement of a subscription liability, a corresponding adjustment is made to the carrying amount of the subscription asset.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources are items related to the acquisition of assets or related debt which are amortized over the life of the asset or debt. Deferred inflows of resources are items related to the acquisition of assets or related debt which are amortized over the life of the asset or debt. KUB records costs associated with the gain or loss on refunding of debt as either a deferred outflow or inflow based on the parameters of Statement No. 65. Deferred outflows of resources also include employer pension contributions made subsequent to the measurement date of the net pension liability and before the end of the employer's reporting period in accordance with Statement No. 71. Deferred inflows and deferred outflows also include the net difference between projected and actual earnings on pension plan investments and OPEB plan investments, differences between expected and actual experience, and changes in assumptions in accordance with Statements No. 68, 73, and 75. Deferred inflows are also recorded at the commencement of the lease term and recognized as revenue over the course of the lease in accordance with Statement No. 87.

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Notes to Consolidated Financial Statements

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Debt Premium/Discount

KUB records unamortized premium and discount on debt as a separate line item in the Long-Term Debt section of the Financial Statements. Amortization of these amounts is recorded over the life of the applicable debt as amortization expense.

Debt Issuance Costs

In accordance with regulatory accounting, KUB records debt issuance costs as an Other Asset. Amortization of these amounts is recorded over the life of the applicable debt as amortization expense.

Deferred Gain/Loss on Refunding of Debt

KUB records costs associated with the gain or loss on refunding of debt as either a deferred outflow or inflow based on the parameters of Statement No. 65. In accordance with FERC presentation, amortization of these amounts is recorded over the life of the applicable debt as amortization expense.

Compensated Absences

KUB accrues a liability for earned but unpaid paid time off (PTO) days. During fiscal year 2025, KUB adopted GASB Statement No. 101, *Compensated Absences* (GASB 101). GASB 101 requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash items. The accompanying financial statements, as of and for the year ended June 30, 2024, have not been restated due to immaterial impact on the net position.

TVA Conservation Program

KUB previously served as a fiscal intermediary for the Tennessee Valley Authority (TVA), whereby loans were made to KUB customers by TVA to be used in connection with TVA's Energy Right Residential Program. While KUB still holds existing loans on behalf of TVA, no loans were made through this program after October 31, 2015.

Reclassification

Certain 2024 amounts have been reclassified to conform to the 2025 presentation.

Subsequent Events

KUB has evaluated events and transactions through October 23, 2025, the date these financial statements were available to be issued, for items that should potentially be recognized or disclosed.

Purchased Power Adjustment

In October 2002, the Board adopted a Purchased Power Adjustment (PPA) to address changes in wholesale power costs. The PPA was established in response to an amendment to KUB's power supply contract under which, among other things, TVA relinquished its regulatory authority over KUB retail electric rates. The PPA allows KUB to promptly adjust retail electric rates in response to wholesale rate changes or adjustments, thus ensuring that KUB will recover the costs incurred for purchased power. These changes in electric costs are reflected as adjustments to the base electric rates established by the Board. The rate-setting authority vested in the Board by the City Charter meets the "self-regulated" provisions of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, and KUB meets the remaining criteria of Statement No. 62.

TVA implemented a fuel cost adjustment in October 2006 applied on a quarterly basis to wholesale power rates. TVA's quarterly fuel cost adjustment became a monthly fuel cost adjustment effective October 2009. KUB flows changes to wholesale power rates from TVA's fuel cost adjustment mechanism directly through to its retail electric rates via the PPA.

In April 2011, TVA modified its wholesale rate structure to demand and energy billing for its distributors. In response, KUB revised its PPA to include a deferred accounting component to ensure

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appropriate matching of revenue and expense and cost recovery. KUB will adjust its retail rates on an annual basis to flow any over or under recovery of wholesale power costs through to its customers via the PPA.

During the period of October 2020 to September 2021, TVA provided a Pandemic Relief Credit to local power companies. KUB excluded the Standard Service portion of this credit from the Purchased Power Adjustment in order to assist customers in need of financial assistance due to the pandemic. \$6,550,000 was made available to residential and small business customers through the COVID Utility Relief Effort (CURE) fund.

During the period of October 2021 to September 2022, TVA provided a Pandemic Recovery Credit to local power companies. KUB excluded the Standard Service portion of this credit from the Purchased Power Adjustment in order to assist customers in need of financial assistance due to the pandemic, making \$7,300,000 available to residential and small business customers.

During the period of October 2022 to September 2023, TVA provided a Pandemic Recovery Credit to local power companies. KUB included this credit in the Purchased Power Adjustment in order for all customers to benefit from this credit.

Under the PPA mechanism, KUB tracks the actual over/(under) recovered amount in the Over/(Under) Recovered Purchased Power Cost accounts. These accounts are rolled into the PPA rate adjustments thereby assuring that any over/(under) recovered amounts are promptly passed on to KUB's electric customers. The amount of over/(under) recovered cost was (\$5,929,336) as of June 30, 2025, and (\$5,057,514) as of June 30, 2024.

Purchased Gas Adjustment

In November 1990, the Board implemented a deferred Purchased Gas (Cost) Adjustment (PGA) mechanism, which allows KUB to flow changes in purchased gas costs through to its customers. These changes in gas costs are reflected as adjustments to the base gas rates established by the Board. The rate-setting authority vested in the Board by the City Charter meets the "self-regulated" provisions of GASB Statement No. 62 (Statement No. 62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

The PGA is intended to ensure that KUB recovers the total cost of natural gas purchased, transported and/or reserved for delivery to its sales and transportation customers on an equitable basis. The PGA is also intended to ensure that no excess or deficient cost recovery from KUB's customers occurs.

Under the PGA mechanism, KUB tracks the actual over/(under) recovered amount in the Over/(Under) Recovered Purchased Gas Cost accounts. These accounts are rolled into the PGA rate adjustment on June 30 of each year thereby ensuring that any over/(under) recovered amounts are passed on to KUB's gas system customers. The amount of over/(under) recovered cost was (\$2,744,926) as of June 30, 2025, and (\$1,050,732) as of June 30, 2024.

Recently Issued Accounting Pronouncements

In April 2024, the GASB issued GASB Statement No. 103 (Statement No. 103), *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. Statement No. 103 is effective for fiscal years beginning after June 15, 2025.

In September 2024, the GASB issued GASB Statement No. 104 (Statement No. 104), *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. Statement No. 104 is effective for fiscal years beginning after June 15, 2025.

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KUB has not elected early implementation of these standards and has not completed the process of evaluating the impact of these statements on its financial statements.

3. Deposits and Investments

KUB follows the provisions of Statement No. 40 of the Governmental Accounting Standards Board, *Deposit and Investment Risk Disclosures—an amendment of GASB Statement No. 3*. This Statement establishes and modifies disclosure requirements for state and local governments related to deposit and investment risks. KUB classifies its fair value measurements within the fair value hierarchy established by Statement No. 72 of the Governmental Accounting Standards Board, *Fair Value Measurement and Application*.

KUB's investment policy provides the framework for the administration and investment of cash deposits. The investment policy follows Tennessee State law and defines the parameters under which KUB funds should be invested. State law authorizes KUB to invest in obligations of the United States Treasury, its agencies and instrumentalities; certificates of deposit; repurchase agreements; money market funds; and the State Treasurer's Investment Pool.

Interest Rate Risk. KUB's primary investment objectives are to place investments in a manner to ensure the preservation of capital, remain sufficiently liquid to meet all operating requirements, and maximize yield of return. KUB minimizes its exposure to interest rate risk by adhering to Tennessee State law requirements for the investment of public funds. This includes limiting investments to those types described above and limiting maturity horizons. The maximum maturity is four years from the date of investment. KUB also limits its exposure by holding investments to maturity unless cash flow requirements dictate otherwise.

Credit Risk. KUB's investment policy, as required by state law, is to apply the prudent-person rule: Investments are made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable income to be derived, as well as the probable safety of their capital.

Custodial Credit Risk. KUB's investment policy limits exposure to custodial credit risk by restricting investments to a standard set forth by state law. All deposits in excess of federal depository insurance limits are collateralized with government securities held in KUB's name by a third-party custodian bank(s) acting as KUB's agent(s), or through the State of Tennessee's collateral pool. Financial institutions that participate in the collateral pool are subject to special assessment; therefore, the deposits are considered insured. A portion of KUB's investments is generally held in the State of Tennessee Local Government Investment Pool (LGIP). The LGIP is a part of the State Pooled Investment Fund and is sponsored by the State of Tennessee Treasury Department. Tennessee Code Annotated §9-4-701 *et seq.* authorizes local governments to invest in the LGIP. None of KUB's investments are exposed to custodial credit risk.

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Knoxville Utilities Board

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

Classification of deposits and investments per Statement of Net Position:

	2025	2024
Current assets		
Cash and cash equivalents	\$ 156,248,936	\$ 109,288,248
Short-term contingency fund investments	89,034,211	60,002,890
Other assets		
Long-term contingency fund investments	37,209,220	57,402,740
Restricted assets		
Bond fund	43,055,545	42,309,193
Student internet special fund	1,848,211	1,119,548
Other funds	1,526	1,524
	<u>\$ 327,397,649</u>	<u>\$ 270,124,143</u>

The above amounts do not include accrued interest of \$1,042,861 in fiscal year 2025 and \$670,811 in fiscal year 2024. Interest income is recorded on an accrual basis.

Investments and maturities of KUB's cash equivalents and investments as held by financial institutions as of June 30, 2025:

	Cash Equivalents and Investment Maturities (in Years)		
	Fair Value	Less Than 1	1-5
Supersweep NOW and Other Deposits	\$ 191,112,171	\$ 191,112,171	\$ -
State Treasurer's Investment Pool	48,235,608	48,235,608	-
Agency Bonds	94,511,337	57,302,117	37,209,220
	<u>\$ 333,859,116</u>	<u>\$ 296,649,896</u>	<u>\$ 37,209,220</u>

KUB categorizes its fair value measurements within the fair value hierarchy established by Statement No. 72 of the Governmental Accounting Standards Board, Fair Value Measurement and Application. The hierarchy is based on the valuation inputs used to measure the fair value of an asset with a maturity at purchase of greater than one year. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

KUB has the following recurring fair value measurements as of June 30, 2025:

- U.S. Agency bonds of \$37,209,220, which have a maturity at purchase of greater than one year, are valued using quoted market prices (Level 1 inputs)

KUB measures investments with a maturity at purchase of one year or less at amortized cost, which is considered a fair value equivalent due to their nature. Investments in the State Treasurer's Investment Pool are measured at net asset value (NAV) per share.

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June 30, 2025 and 2024

4. Accounts Receivable

Accounts receivable consists of the following:

	2025	2024
Wholesale and retail customers		
Billed services	\$ 63,611,849	\$ 55,815,880
Unbilled services	39,294,597	33,514,225
Other	12,932,564	15,216,490
Allowance for uncollectible accounts	(989,403)	(800,861)
	<u>\$ 114,849,607</u>	<u>\$ 103,745,734</u>

5. Accounts Payable and Accruals

Accounts payable and accruals consist of the following:

	2025	2024
Trade accounts	\$ 110,876,150	\$ 107,113,618
Current portion of accrued compensated absences	7,923,816	7,122,995
Salaries and wages	2,494,326	2,272,345
Advances on pole rental	1,610,930	1,527,262
Self-insurance liabilities	2,934,693	2,720,264
Other current liabilities	22,606,476	18,379,131
	<u>\$ 148,446,391</u>	<u>\$ 139,135,615</u>

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Notes to Consolidated Financial Statements

June 30, 2025 and 2024

6. Long-Term Obligations

	Balance June 30, 2024	Additions	Payments	Defeased	Balance June 30, 2025	Amounts Due Within One Year
Electric						
EE-2015 - 2.0 - 5.0%	\$ 16,815,000	\$ -	\$ 2,555,000	\$ -	\$ 14,260,000	\$ 2,670,000
GG-2016 - 2.0 - 5.0%	33,650,000	-	1,100,000	-	32,550,000	1,125,000
HH-2017 - 2.5 - 5.0%	10,520,000	-	2,460,000	-	8,060,000	2,560,000
II-2017 - 3.0 - 5.0%	35,060,000	-	985,000	-	34,075,000	1,035,000
JJ-2018 - 3.0 - 5.0%	35,725,000	-	965,000	-	34,760,000	1,005,000
KK-2020 - 5.0%	10,740,000	-	1,335,000	-	9,405,000	1,400,000
LL-2021 - 4.0 - 5.0%	60,715,000	-	5,015,000	-	55,700,000	2,745,000
MM-2022 - 4.0 - 5.0%	44,885,000	-	805,000	-	44,080,000	850,000
NN-2022 - 4.0 - 5.0%	27,215,000	-	825,000	-	26,390,000	845,000
OO-2022 - 4.0 - 5.0%	79,000,000	-	1,275,000	-	77,725,000	1,340,000
PP-2023 - 5.0%	55,000,000	-	-	-	55,000,000	865,000
QQ-2024 - 4.0 - 5.0%	-	91,000,000	-	-	91,000,000	-
Total bonds	\$ 409,325,000	\$ 91,000,000	\$ 17,320,000	\$ -	\$ 483,005,000	\$ 16,440,000
Unamortized Premium	32,495,461	3,778,026	2,095,574	-	34,177,913	-
Total long term debt	\$ 441,820,461	\$ 94,778,026	\$ 19,415,574	\$ -	\$ 517,182,913	\$ 16,440,000
Gas						
U-2015 - 2.0 - 5.0%	\$ 6,575,000	\$ -	\$ 845,000	\$ -	\$ 5,730,000	\$ 880,000
V-2016 - 2.125 - 5.0%	9,900,000	-	325,000	-	9,575,000	350,000
W-2017 - 5.0%	2,835,000	-	900,000	-	1,935,000	940,000
X-2017 - 2.0 - 5.0%	10,205,000	-	315,000	-	9,890,000	330,000
Y-2018 - 3.0 - 5.0%	6,940,000	-	195,000	-	6,745,000	200,000
Z-2020 - 4.0 - 5.0%	4,385,000	-	645,000	-	3,740,000	675,000
AA-2021 - 4.0 - 5.0%	30,595,000	-	3,395,000	-	27,200,000	3,220,000
Total bonds	\$ 71,435,000	\$ -	\$ 6,620,000	\$ -	\$ 64,815,000	\$ 6,595,000
Unamortized Premium	7,056,536	-	922,377	-	6,134,159	-
Total long term debt	\$ 78,491,536	\$ -	\$ 7,542,377	\$ -	\$ 70,949,159	\$ 6,595,000
Water						
BB-2015 - 2.0 - 5.0%	\$ 15,915,000	\$ -	\$ 1,170,000	\$ -	\$ 14,745,000	\$ 1,210,000
CC-2015 - 2.0 - 4.0%	1,075,000	-	525,000	-	550,000	550,000
DD-2016 - 3.0 - 5.0%	20,825,000	-	675,000	-	20,150,000	700,000
EE-2016 - 2.0 - 5.0%	14,490,000	-	1,435,000	-	13,055,000	1,460,000
FF-2017 - 3.0 - 5.0%	1,815,000	-	575,000	-	1,240,000	605,000
GG-2017 - 2.125 - 5.0%	17,225,000	-	505,000	-	16,720,000	530,000
HH-2018 - 3.0 - 5.0%	17,415,000	-	465,000	-	16,950,000	485,000
II-2019 - 3.0 - 5.0%	18,030,000	-	440,000	-	17,590,000	465,000
JJ-2020 - 3.0 - 5.0%	17,505,000	-	450,000	-	17,055,000	460,000
KK-2020 - 3.0 - 5.0%	8,295,000	-	195,000	-	8,100,000	205,000
LL-2021 - 4.0 - 5.0%	29,385,000	-	1,350,000	-	28,035,000	1,400,000
MM-2022 - 3.0 - 5.0%	14,815,000	-	-	-	14,815,000	-
NN-2023 - 4.0 - 5.0%	19,745,000	-	335,000	-	19,410,000	350,000
OO-2024 - 4.0 - 5.0%	-	19,995,000	-	-	19,995,000	330,000
Total bonds	\$ 196,535,000	\$ 19,995,000	\$ 8,120,000	\$ -	\$ 208,410,000	\$ 8,750,000
Unamortized Premium	13,996,203	754,810	835,481	-	13,915,532	-
Total long term debt	\$ 210,531,203	\$ 20,749,810	\$ 8,955,481	\$ -	\$ 222,325,532	\$ 8,750,000
Wastewater						
2010C - 1.18 - 6.1%	\$ 20,250,000	\$ -	\$ -	\$ -	\$ 20,250,000	\$ -
2015A - 3.0 - 5.0%	95,225,000	-	3,785,000	-	91,440,000	1,425,000
2015B - 3.0 - 5.0%	625,000	-	625,000	-	-	-
2016 - 2.0 - 5.0%	16,225,000	-	575,000	-	15,650,000	575,000
2017A - 3.0 - 5.0%	1,915,000	-	615,000	-	1,300,000	640,000
2017B - 2.0 - 5.0%	21,405,000	-	660,000	-	20,745,000	690,000
2018 - 3.0 - 5.0%	10,435,000	-	290,000	-	10,145,000	305,000
2019 - 3.0 - 5.0%	14,460,000	-	360,000	-	14,100,000	380,000
2020A - 3.0 - 5.0%	25,300,000	-	785,000	-	24,515,000	825,000
2020B - 3.0 - 4.0%	25,175,000	-	625,000	-	24,550,000	650,000
2021A - 4.0 - 5.0%	178,180,000	-	6,150,000	-	172,030,000	8,360,000
2022A - 4.0 - 5.0%	10,700,000	-	210,000	-	10,490,000	220,000
2022B - 4.0 - 5.0%	23,100,000	-	-	-	23,100,000	545,000
2022C - 4.0 - 5.0%	9,825,000	-	175,000	-	9,650,000	185,000
Total bonds	\$ 452,820,000	\$ -	\$ 14,855,000	\$ -	\$ 437,965,000	\$ 14,800,000
Unamortized Premium	56,529,052	-	2,495,542	-	54,033,510	-
Total long term debt	\$ 509,349,052	\$ -	\$ 17,350,542	\$ -	\$ 491,998,510	\$ 14,800,000
Consolidated						
Total Bonds	\$ 1,130,115,000	\$ 110,995,000	\$ 46,915,000	\$ -	\$ 1,194,195,000	\$ 46,585,000
Total unamortized premium	110,077,252	4,532,836	6,348,974	-	108,261,114	-
Total long term debt	\$ 1,240,192,252	\$ 115,527,836	\$ 53,263,974	\$ -	\$ 1,302,456,114	\$ 46,585,000

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	Balance June 30, 2023	Additions	Payments	Defeased	Balance June 30, 2024	Amounts Due Within One Year
Electric						
EE-2015 - 2.0 - 5.0%	\$ 19,230,000	\$ -	\$ 2,415,000	\$ -	\$ 16,815,000	\$ 2,555,000
FF-2015 - 2.0 - 5.0%	850,000	-	850,000	-	-	-
GG-2016 - 2.0 - 5.0%	34,700,000	-	1,050,000	-	33,650,000	1,100,000
HH-2017 - 2.5 - 5.0%	12,920,000	-	2,400,000	-	10,520,000	2,460,000
II-2017 - 3.0 - 5.0%	35,995,000	-	935,000	-	35,060,000	985,000
JJ-2018 - 3.0 - 5.0%	36,655,000	-	930,000	-	35,725,000	965,000
KK-2020 - 5.0%	12,010,000	-	1,270,000	-	10,740,000	1,335,000
LL-2021 - 4.0 - 5.0%	65,570,000	-	4,855,000	-	60,715,000	5,015,000
MM-2022 - 4.0 - 5.0%	45,650,000	-	765,000	-	44,885,000	805,000
NN-2022 - 4.0 - 5.0%	27,215,000	-	-	-	27,215,000	825,000
OO-2022 - 4.0 - 5.0%	79,000,000	-	-	-	79,000,000	1,275,000
PP-2023 - 5.0%	-	55,000,000	-	-	55,000,000	-
Total bonds	\$ 369,795,000	\$ 55,000,000	\$ 15,470,000	\$ -	\$ 409,325,000	\$ 17,320,000
Unamortized Premium	30,341,874	4,074,569	1,920,982	-	32,495,461	-
Total long term debt	\$ 400,136,874	\$ 59,074,569	\$ 17,390,982	\$ -	\$ 441,820,461	\$ 17,320,000
Gas						
U-2015 - 2.0 - 5.0%	\$ 7,380,000	\$ -	\$ 805,000	\$ -	\$ 6,575,000	\$ 845,000
V-2016 - 2.125 - 5.0%	10,225,000	-	325,000	-	9,900,000	325,000
W-2017 - 5.0%	3,685,000	-	850,000	-	2,835,000	900,000
X-2017 - 2.0 - 5.0%	10,505,000	-	300,000	-	10,205,000	315,000
Y-2018 - 3.0 - 5.0%	7,125,000	-	185,000	-	6,940,000	195,000
Z-2020 - 4.0 - 5.0%	5,000,000	-	615,000	-	4,385,000	645,000
AA-2021 - 4.0 - 5.0%	34,185,000	-	3,590,000	-	30,595,000	3,395,000
Total bonds	\$ 78,105,000	\$ -	\$ 6,670,000	\$ -	\$ 71,435,000	\$ 6,620,000
Unamortized Premium	7,978,913	-	922,377	-	7,056,536	-
Total long term debt	\$ 86,083,913	\$ -	\$ 7,592,377	\$ -	\$ 78,491,536	\$ 6,620,000
Water						
BB-2015 - 2.0 - 5.0%	\$ 17,025,000	\$ -	\$ 1,110,000	\$ -	\$ 15,915,000	\$ 1,170,000
CC-2015 - 2.0 - 4.0%	1,575,000	-	500,000	-	1,075,000	525,000
DD-2016 - 3.0 - 5.0%	21,475,000	-	650,000	-	20,825,000	675,000
EE-2016 - 2.0 - 5.0%	15,870,000	-	1,380,000	-	14,490,000	1,435,000
FF-2017 - 3.0 - 5.0%	2,365,000	-	550,000	-	1,815,000	575,000
GG-2017 - 2.125 - 5.0%	17,710,000	-	485,000	-	17,225,000	505,000
HH-2018 - 3.0 - 5.0%	17,855,000	-	440,000	-	17,415,000	465,000
II-2019 - 3.0 - 5.0%	18,450,000	-	420,000	-	18,030,000	440,000
JJ-2020 - 3.0 - 5.0%	17,950,000	-	445,000	-	17,505,000	450,000
KK-2020 - 3.0 - 5.0%	8,485,000	-	190,000	-	8,295,000	195,000
LL-2021 - 4.0 - 5.0%	30,690,000	-	1,305,000	-	29,385,000	1,350,000
MM-2022 - 3.0 - 5.0%	14,815,000	-	-	-	14,815,000	-
NN-2023 - 4.0 - 5.0%	-	19,995,000	250,000	-	19,745,000	335,000
Total bonds	\$ 184,265,000	\$ 19,995,000	\$ 7,725,000	\$ -	\$ 196,535,000	\$ 8,120,000
Unamortized Premium	14,439,030	365,073	807,900	-	13,996,203	-
Total long term debt	\$ 198,704,030	\$ 20,360,073	\$ 8,532,900	\$ -	\$ 210,531,203	\$ 8,120,000
Wastewater						
2010C - 1.18 - 6.1%	\$ 20,250,000	\$ -	\$ -	\$ -	\$ 20,250,000	\$ -
2015A - 3.0 - 5.0%	98,945,000	-	3,720,000	-	95,225,000	3,785,000
2015B - 3.0 - 5.0%	1,225,000	-	600,000	-	625,000	625,000
2016 - 2.0 - 5.0%	16,775,000	-	550,000	-	16,225,000	575,000
2017A - 3.0 - 5.0%	2,510,000	-	595,000	-	1,915,000	615,000
2017B - 2.0 - 5.0%	22,035,000	-	630,000	-	21,405,000	660,000
2018 - 3.0 - 5.0%	10,715,000	-	280,000	-	10,435,000	290,000
2019 - 3.0 - 5.0%	14,805,000	-	345,000	-	14,460,000	360,000
2020A - 3.0 - 5.0%	26,050,000	-	750,000	-	25,300,000	785,000
2020B - 3.0 - 4.0%	25,775,000	-	600,000	-	25,175,000	625,000
2021A - 4.0 - 5.0%	184,265,000	-	6,085,000	-	178,180,000	6,150,000
2022A - 4.0 - 5.0%	10,900,000	-	200,000	-	10,700,000	210,000
2022B - 4.0 - 5.0%	23,100,000	-	-	-	23,100,000	-
2022C - 4.0 - 5.0%	9,995,000	-	170,000	-	9,825,000	175,000
Total bonds	\$ 467,345,000	\$ -	\$ 14,525,000	\$ -	\$ 452,820,000	\$ 14,855,000
Unamortized Premium	59,027,339	-	2,498,287	-	56,529,052	-
Total long term debt	\$ 526,372,339	\$ -	\$ 17,023,287	\$ -	\$ 509,349,052	\$ 14,855,000
Consolidated						
Total Bonds	\$ 1,099,510,000	\$ 74,995,000	\$ 44,390,000	\$ -	\$ 1,130,115,000	\$ 46,915,000
Total unamortized premium	111,787,156	4,439,642	6,149,546	-	110,077,252	-
Total long term debt	\$ 1,211,297,156	\$ 79,434,642	\$ 50,539,546	\$ -	\$ 1,240,192,252	\$ 46,915,000

Knoxville Utilities Board

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

Debt service over remaining term of the debt is as follows:

Fiscal Year	Principal	Interest	Total
2026	\$ 46,585,000	\$ 47,293,132	\$ 93,878,132
2027	49,525,000	45,294,854	94,819,854
2028	50,960,000	43,156,751	94,116,751
2029	50,005,000	41,039,645	91,044,645
2030	51,620,000	38,930,167	90,550,167
2031-2035	237,205,000	164,395,024	401,600,024
2036-2040	262,245,000	116,845,944	379,090,944
2041-2045	233,705,000	65,220,885	298,925,885
2046-2050	146,060,000	27,574,074	173,634,074
2051-2055	66,285,000	5,802,907	72,087,907
Total	\$ <u>1,194,195,000</u>	\$ <u>595,553,383</u>	\$ <u>1,789,748,383</u>

The Divisions have pledged sufficient revenue, after deduction of all current operating expenses (exclusive of tax equivalents), to meet bond principal and interest payments of revenue bonds when due. Such bond requirements are being met through monthly deposits to the bond funds as required by the bond covenants. As of June 30, 2025, these requirements have been satisfied.

The Divisions outstanding bonds payable contain provisions that in an event of default, outstanding amounts are to become immediately due if the Division is unable to make payment.

During fiscal year 2025, KUB's Electric Division issued Series QQ 2024 bonds to fund electric system capital improvements.

During fiscal year 2024, KUB's Electric Division issued Series PP 2023 bonds to fund electric system capital improvements.

During fiscal year 2025, KUB's Water Division issued Series OO 2024 bonds to fund water system capital improvements.

During fiscal year 2024, KUB's Water Division issued Series NN 2023 bonds to fund water system capital improvements.

During fiscal year 2011, KUB's Wastewater Division issued Series 2010C bonds to fund capital improvements. These bonds were issued as federally taxable Build America Bonds with a 35 percent interest payment rebate to be received from the United States Government for each interest payment. These bonds are subject to a reduction in rebate payment amounts which is subject to change based on Congressional action. As of October 1, 2021, the effective reduction in rebate is 5.7 percent.

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Knoxville Utilities Board

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

Other liabilities consist of the following:

	Balance June 30, 2024	Increase	Decrease	Balance June 30, 2025
TVA conservation program	\$ 89,790	\$ 1,987	(78,582)	\$ 13,195
Accrued compensated absences	3,669,422	11,884,349	(11,650,996)	3,902,775
Customer advances for construction	11,479,966	6,030,792	(4,317,554)	13,193,204
Other	108,402	296,381	(173,427)	231,356
	<u>\$ 15,347,580</u>	<u>\$ 18,213,509</u>	<u>\$ (16,220,559)</u>	<u>\$ 17,340,530</u>

	Balance June 30, 2023	Increase	Decrease	Balance June 30, 2024
TVA conservation program	\$ 271,138	\$ 13,659	\$ (195,007)	\$ 89,790
Accrued compensated absences	3,585,936	7,019,505	(6,936,019)	3,669,422
Customer advances for construction	11,299,795	4,687,643	(4,507,472)	11,479,966
Other	119,620	137,652	(148,870)	108,402
	<u>\$ 15,276,489</u>	<u>\$ 11,858,459</u>	<u>\$ (11,787,368)</u>	<u>\$ 15,347,580</u>

7. Lease Receivables

KUB, as lessor, leases office space, land, and fiber optic cables under non-cancelable lease arrangements. Terms of the leases range from one to fourteen years and contain fixed payment terms. Certain leases contain an option to renew that has been considered in the lease receivable when the lessee is reasonably certain to exercise the renewal option. KUB recognized lease revenue, which is included in other operating revenues, of \$991,065 in 2025 and \$981,984 in 2024. KUB also recognized interest income from leases, which is included in non-operating revenues, totaling \$310,164 in 2025 and \$315,652 in 2024. Total lease receivables were \$8,554,117 (\$795,306 current) and \$9,392,296 (\$838,178 current) as of June 30, 2025, and 2024, respectively, and are included in other assets on the Statement of Net Position.

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Knoxville Utilities Board
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

8. Lease Liability

Changes in lease liabilities are summarized as follows:

	Balance June 30, 2024		Increase		Decrease		Balance June 30, 2025
Total lease liabilities	\$ 2,726,825	\$	-	\$	(889,422)	\$	1,837,403
Less current portion	(889,422)						(937,961)
Long-term portion	<u>\$ 1,837,403</u>					\$	<u>899,442</u>

	Balance June 30, 2023		Increase		Decrease		Balance June 30, 2024
Total lease liabilities	\$ 3,527,578	\$	39,002	\$	(839,755)	\$	2,726,825
Less current portion	(830,979)						(889,422)
Long-term portion	<u>\$ 2,696,599</u>					\$	<u>1,837,403</u>

KUB leases certain office space, equipment, and other assets under non-cancelable lease arrangements. Terms of the leases range from one to eighteen years and contain fixed payment terms. Certain office space leases contain the option for renewal, which has been considered in the lease liability when KUB is reasonably certain to exercise the renewal option.

Maturities and future interest requirements related to the balances of lease liabilities outstanding as of June 30, 2025, are summarized as follows:

	Lease Maturities		Interest Requirements
2026	\$ 937,961	\$	56,798
2027	741,907		21,048
2028	19,470		6,992
2029	5,657		6,145
2030	6,058		6,098
2031-2035	37,377		29,101
2036-2040	52,643		24,423
2041-2043	36,330		9,614
	<u>\$ 1,837,403</u>	\$	<u>160,219</u>

Knoxville Utilities Board
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

9. Subscription-Based Information Technology Agreement Liabilities

Changes in SBITA liabilities are summarized as follows:

		Balance June 30, 2024		Increase		Decrease		Balance June 30, 2025
Total SBITA liabilities	\$	6,722,231	\$	-	\$	(1,037,806)	\$	5,684,425
Less current portion		<u>(1,037,806)</u>						<u>(1,206,487)</u>
Long-term portion	\$	<u>5,684,425</u>					\$	<u>4,477,938</u>

		Balance June 30, 2023		Increase		Decrease		Balance June 30, 2024
Total SBITA liabilities	\$	7,632,658	\$	447,577	\$	(1,358,004)	\$	6,722,231
Less current portion		<u>(910,426)</u>						<u>(1,037,806)</u>
Long-term portion	\$	<u>6,722,232</u>					\$	<u>5,684,425</u>

KUB has subscription-based information technology agreements (SBITAs) which grant non-cancelable rights to use underlying information technology software. Terms of agreement range from five to eighteen years and contain fixed and variable payment terms. Certain SBITAs contain the option for renewal, which has been considered in the SBITA liability when KUB is reasonably certain to exercise the renewal option.

Maturities and future interest requirements related to the balances of SBITA liabilities outstanding as of June 30, 2025, are summarized as follows:

	Subscription Maturities	Interest Requirements
2026	\$ 1,206,487	\$ 199,923
2027	1,237,452	151,138
2028	1,296,951	101,934
2029	588,127	65,191
2030	611,418	41,901
2031-2032	<u>743,990</u>	<u>18,215</u>
	<u>\$ 5,684,425</u>	<u>\$ 578,302</u>

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Knoxville Utilities Board

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

10. Capital and Intangible Assets

Capital and intangible asset activity was as follows:

	Balance				Balance	
	June 30, 2024		Increase		June 30, 2025	
Production Plant (Intakes)	\$ 742,503	\$	-	\$	742,503	
Pumping and Treatment Plant	446,788,009		9,329,749		(692,102)	455,425,656
Distribution and Collection Plant						
Mains and metering	1,289,523,337		60,094,780		(834,794)	1,348,783,323
Services and meters	272,753,507		24,640,938		(1,541,086)	295,853,359
Electric station equipment	286,073,633		54,258,301		(270,554)	340,061,380
Poles, towers and fixtures	255,203,197		10,573,687		-	265,776,884
Overhead conductors	222,392,698		19,623,756		-	242,016,454
Line transformers	116,531,268		4,816,592		-	121,347,860
Other accounts	326,699,808		8,123,699		(460,920)	334,362,587
Total Distribution & Collection Plant	\$ 2,769,177,448	\$	182,131,753	\$	(3,107,354)	\$ 2,948,201,847
General Plant	305,316,783		20,630,222		(17,118,450)	308,828,555
Total Plant Assets	\$ 3,522,024,743	\$	212,091,724	\$	(20,917,906)	\$ 3,713,198,561
Less Accumulated Depreciation	(1,194,478,688)		(107,880,557)		22,855,927	(1,279,503,318)
Net Plant Assets	\$ 2,327,546,055	\$	104,211,167	\$	1,938,021	\$ 2,433,695,243
Work In Progress	184,369,091		255,073,250		(212,523,869)	226,918,472
Total Net Plant	\$ 2,511,915,146	\$	359,284,417	\$	(210,585,848)	\$ 2,660,613,715
Intangible Right of Use Assets						
Office space	\$ 4,253,775	\$	3,022	\$	(3,022)	\$ 4,253,775
Equipment	88,040		880		(880)	88,040
Other	330,678		-		-	330,678
Total Intangible Right of Use Assets	\$ 4,672,493	\$	3,902	\$	(3,902)	\$ 4,672,493
Less Accumulated Amortization	(2,198,060)		(856,842)		-	(3,054,902)
Net Intangible Right of Use Assets	\$ 2,474,433	\$	(852,940)	\$	(3,902)	\$ 1,617,591
Intangible Subscription Assets						
Intangible Subscription Assets	\$ 9,323,779	\$	-	\$	(209,368)	\$ 9,114,411
Less Accumulated Amortization	(3,231,047)		(1,138,854)		209,368	(4,160,533)
Net Intangible Subscription Assets	\$ 6,092,732	\$	(1,138,854)	\$	-	\$ 4,953,878

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Knoxville Utilities Board

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

	Balance June 30, 2023		Increase	Decrease	Balance June 30, 2024
Production Plant (Intakes)	\$	742,503	\$	-	\$ 742,503
Pumping and Treatment Plant		419,411,768		(815,674)	446,788,009
Distribution and Collection Plant					
Mains and metering		1,226,555,606		(3,857,811)	1,289,523,337
Services and meters		252,205,063		(608,895)	272,753,507
Electric station equipment		218,924,364		(455,777)	286,073,633
Poles, towers and fixtures		237,092,817		(1,132,423)	255,203,197
Overhead conductors		199,084,887		(6,243,400)	222,392,698
Line transformers		111,182,883		(514,807)	116,531,268
Other accounts		309,980,838		(1,489,238)	326,699,808
Total Distribution & Collection Plant	\$	2,555,026,458	\$	(14,302,351)	\$ 2,769,177,448
General Plant		293,287,525		(21,599,639)	305,316,783
Total Plant Assets	\$	3,268,468,254	\$	(36,717,664)	\$ 3,522,024,743
Less Accumulated Depreciation		(1,133,989,255)		38,985,651	(1,194,478,688)
Net Plant Assets	\$	2,134,478,999	\$	2,267,987	\$ 2,327,546,055
Work In Progress		221,322,238		(289,952,449)	184,369,091
Total Net Plant	\$	2,355,801,237	\$	(287,684,462)	\$ 2,511,915,146
Intangible Right of Use Assets					
Office space	\$	4,206,577	\$	47,198	\$ 4,253,775
Equipment		133,003		(44,963)	88,040
Other		330,678		-	330,678
Total Intangible Right of Use Assets	\$	4,670,258	\$	(44,963)	\$ 4,672,493
Less Accumulated Amortization		(1,365,235)		44,963	(2,198,060)
Net Intangible Right of Use Assets	\$	3,305,023	\$	(830,590)	\$ 2,474,433
Intangible Subscription Assets					
Intangible Subscription Assets	\$	9,323,779	\$	-	\$ 9,323,779
Less Accumulated Amortization		(2,029,713)		-	(3,231,047)
Net Intangible Subscription Assets	\$	7,294,066	\$	(1,201,334)	\$ 6,092,732

11. Risk Management

KUB is exposed to various risks of loss related to active and retiree medical claims; injuries to workers; theft of, damage to, and destruction of assets; environmental damages; and natural disasters. Claims expenditures and liabilities are reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported.

These liabilities are included in accrued expenses in the Statement of Net Position. The liability is KUB's best estimate based on available information. On June 30, 2025, and June 30, 2024, the amount of these liabilities was \$2,934,693 and \$2,720,264, respectively, resulting from the following changes:

	2025	2024
Balance, beginning of year	\$ 2,720,264	\$ 2,566,095
Current year claims and changes in estimates	19,813,908	20,269,079
Claims payments	(19,599,479)	(20,114,910)
Balance, end of year	\$ 2,934,693	\$ 2,720,264

Knoxville Utilities Board
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

12. Pension Plan

Description of Plan

The Knoxville Utilities Board Pension Plan (the Plan) is a governmental plan as defined by the Employee Retirement Income Security Act of 1974 (ERISA or the Act), is not subject to any of the provisions of the Act, and was revised January 1, 2020, to include all prior approved amendments. The Plan is a single employer contributory, defined benefit pension plan established by Knoxville Utilities Board Resolution No. 980 dated February 18, 1999, effective July 1, 1999, as authorized by the Charter of the City of Knoxville §1107(J). KUB Board Resolution No. 979, effective July 1, 1999, as amended by Resolution No. 1037, establishing the KUB Retirement System, was amended effective June 18, 2020, to amend the term “Trustee” to include both custodians and/or trustees, in order to provide flexibility should KUB choose to change from its current Pension trustee. The Plan is designed to provide retirement, disability, and death benefits to KUB employees. KUB administers the Plan through an Administrative Committee consisting of seven KUB employees that are appointed by KUB’s President and CEO. Any amendments to the Plan involving costs not approved in the operating budget must be adopted by KUB’s Board of Commissioners, upon recommendation by KUB’s President and CEO. All other amendments to the Plan may be approved by KUB’s President and CEO upon 60 days notification to the Board’s Audit and Finance Committee. The Plan issues a financial report, which includes financial statements and required supplementary information. The report may be obtained by writing the Knoxville Utilities Board Retirement System, P.O. Box 59017, Knoxville, TN 37950-9017.

Effective January 1, 2011, KUB closed the Plan such that persons employed or re-employed by KUB on or after January 1, 2011, are not eligible to participate, but that eligible employees hired prior to January 1, 2011, who have not separated from service, shall continue as Participants and to accrue benefits under the Plan.

Participants in the Plan consisted of the following as of December 31:

	2024	2023
Inactive plan members:		
Terminated vested participants	10	9
Retirees and beneficiaries	589	602
Active plan members	<u>359</u>	<u>389</u>
Total	<u>958</u>	<u>1,000</u>

Retirement Benefits

The Plan provides three benefit arrangements for KUB participants, retirees, and beneficiaries.

The Plan provides pension benefits through the Career Equity Program (“CEP”) for eligible employees hired on or after January 1, 1999, and for eligible former “City System Plan A” participants who elected CEP coverage as of July 1, 1999. The guaranteed pension benefit payable to a participant who has completed five or more years of service (or reached the normal retirement date, if earlier) upon termination of KUB employment shall be a lump sum equal to the participant’s average compensation times their benefit percentage, as defined in the Plan document, or an annuity may be chosen by the participant.

In addition, the Plan provided retirement benefits through “Plan A” for former City System Plan A participants who elected not to participate in the CEP. Plan A is a closed plan and is not available to KUB employees hired after July 1, 1999. Plan A provides for early retirement benefits with 25 years of service and normal retirement benefits at age 62 or later. Benefits provided to Plan A participants include several different forms of monthly annuity payments.

Knoxville Utilities Board

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

The Plan also provides retirement benefits through “Plan B” for former “City System Plan B” participants. Plan B is a closed plan providing benefits to participants not covered by Social Security. Benefits provided to Plan B participants include several different forms of monthly annuity payments available to participants.

Effective January 1, 2012, KUB began to provide for additional monthly supplements, which are not subject to cost-of-living adjustments, to certain former employees and surviving dependents of former employees who are eligible for and have elected coverage under the KUB retiree medical plan and are eligible for Medicare. This was done to compensate for the elimination of drug coverage under the KUB retiree medical plan and to assist such individuals in obtaining prescription drug coverage under Medicare Part D.

Contributions

Participation in Plan A requires employee contributions of three percent of the first \$4,800 of annual earnings and five percent of annual earnings in excess of \$4,800. KUB contributions are determined by the enrolled actuary of the Plan and equal to the amount necessary to provide the benefits under the Plan determined by the application of accepted actuarial methods and assumptions. The method of funding shall be consistent with Plan objectives.

Plan Funding

KUB maintains a Funding Policy for the Plan in accordance with Tennessee State Law. The primary goal of the Policy is to document the method KUB has adopted to provide assurance that future KUB and employee contributions and current Plan assets will be sufficient to fund all benefits expected to be paid to current active, inactive and retired Plan participants and their beneficiaries. Per the Funding Policy, KUB fully funds its annual Actuarially Determined Contribution.

Investments

The Plan’s investments are held by State Street Bank and Trust Company (the “Trustee”). The Plan’s policy in regard to the allocation of invested assets is established by the Retirement System Investment Committee and approved by the KUB Board of Commissioners and may only be amended by the KUB Board of Commissioners. It is the policy of the Retirement System Investment Committee to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following was the Plan’s adopted asset allocation policy as of December 31, 2024:

Asset Class	Target Allocation
Domestic equity – large cap	20% - 50%
Domestic equity – small/mid cap	0% - 30%
Multi-asset credit	0% - 20%
Non-U.S. equity	0% - 20%
U.S. core real estate	0% - 10%
Fixed income	20% - 40%
Cash and deposits	0% - 5%

Contributions of \$2,210,234 and \$1,108,147 for 2023 and 2022, respectively, were made during the Plan sponsor’s fiscal years ended June 30, 2025, and 2024, respectively. The fiscal year 2025 contribution was determined as part of the January 1, 2023, valuation using the Individual Entry Age Normal funding method. The objective under this method is to fund each participant’s benefits under the Plan as payments which are level as a percentage of salary, starting on the original participation date (employment date) and continuing until the assumed retirement, termination, disability, or death.

Knoxville Utilities Board

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

Net Pension Liability (Asset)

The below summarizes the disclosures of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* (“GASB 68”), which requires measurement of the net pension liability as total pension liability less the amount of the Plan’s fiduciary net position. The amounts reported as of June 30 must be based upon a plan measurement date within the prior twelve months. Therefore, KUB’s measurements as of June 30, 2025 and 2024, will be based on the December 31, 2024, and 2023, measurement date, respectively.

GASB 68 requires certain disclosures related to the net pension liability (asset) of the Plan as disclosed below:

	2024	2023
Total pension liability	\$ 274,028,893	\$ 263,351,035
Plan fiduciary net position	<u>(270,974,721)</u>	<u>(255,898,655)</u>
Plan’s net pension liability	\$ <u>3,054,172</u>	\$ <u>7,452,380</u>

Plan fiduciary net position as a percentage of the total pension liability	98.89%	97.17%

Changes in Net Pension Liability (Asset) are as follows:

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at December 31, 2023	\$ 263,351,035	\$ 255,898,655	\$ 7,452,380
Changes for the year:			
Service cost	7,764,986	-	7,764,986
Interest	18,573,527	-	18,573,527
Changes of Benefits	-	-	-
Differences between Expected and Actual Experience	2,346,811	-	2,346,811
Changes of Assumptions	1,425,345	-	1,425,345
Contributions - employer	-	1,659,187	(1,659,187)
Contributions - rollovers	-	75	(75)
Contributions - member	-	4,971,073	(4,971,073)
Net investment income	-	28,541,389	(28,541,389)
Benefit payments	(19,432,811)	(19,432,811)	-
Administrative expense	-	(662,847)	662,847
Net changes	<u>10,677,858</u>	<u>15,076,066</u>	<u>(4,398,208)</u>
Balances at December 31, 2024	\$ 274,028,893	\$ 270,974,721	\$ 3,054,172

Knoxville Utilities Board

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation, using the following actuarial assumptions applied to all periods included in the measurement:

Valuation dates	January 1, 2024, rolled forward to December 31, 2024; January 1, 2023, rolled forward to December 31, 2023
Discount rate	7.00% as of December 31, 2024 and 2023
Salary increases	From 2.50% to 8.50%, based on years of service as of December 31, 2024 and from 2.50% to 5.65% as of December 31, 2023
Mortality	115% and 110% of the PubG-2010 table for males and females, respectively, using the Public Sector General Employee Table for ages prior to the start of the Healthy Annuitant Table, both projected from the 2010 base rates using scale MP-2021, fully generational as of December 31, 2024; Scale MP-2018 was used as of December 31, 2023
Inflation	2.5% as of December 31, 2024 and 2023

The actuarial assumptions used in the January 1, 2024, valuation was based on an actuarial experience study covering January 1, 2019 through December 31, 2023, and the assumptions used in the January 1, 2023 valuation were based on an actuarial experience study covering the period January 1, 2014 through December 31, 2018.

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of December 31, 2024, and 2023, are summarized in the following table. The real rate of return reported for fixed income is for aggregate fixed income. Prior to February 22, 2024, the Plan had both aggregate and long duration fixed income. As of December 31, 2024, the Plan has only aggregate fixed income. Effective September 30, 2024 the REIT fund was transferred to a U.S. core real estate fund.

Asset Class	Long Term Expected Real Rate of Return	
	2024	2023
Domestic equity	6.0%	5.6%
Non-U.S. equity	6.5%	6.5%
Real estate equity	n/a	5.8%
Real estate U.S. core	5.1%	n/a
Debt securities	2.5%	1.9%
Cash and deposits	1.2%	0.7%

Discount rate

The discount rate used to measure the total pension liability was 7.00 percent as of December 31, 2024, and December 31, 2023. The projection of cash flows used to determine the discount rate assumed that participant contributions will be made at the current contribution rate and that KUB contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to

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make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability (asset) to changes in the discount rate
The following presents the net pension liability of the Plan as of December 31, 2024, calculated using the discount rate of 7.00 percent, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is one percent lower (6.00 percent) or one percent higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Plan's net pension liability	\$ 29,141,576	\$ 3,054,172	\$ (19,335,531)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2025, KUB recognized pension expense of \$10,401,958.

The impact of experience gains or losses and assumptions changes on the Total Pension Liability are recognized in the pension expense over the average expected remaining service life of all active and inactive members, determined as of the beginning of the measurement period. As of December 31, 2023, this average was three years. During the measurement year, there was a liability experience loss of \$2,346,811, with \$782,270 of that recognized in the current year and each of the next two years, resulting in a deferred outflow of \$1,564,541. Unrecognized liability experience losses from prior periods were \$2,580,215, of which \$1,463,476 was recognized as an increase in Pension Expense in the current year and resulted in a deferred outflow of \$1,116,739. The combination of unrecognized liability experience losses this year, along with unrecognized liability experience losses from prior periods, results in a deferred outflow of \$2,681,280.

During the measurement year, there was an assumption change loss of \$1,425,345 with \$475,115 of that recognized in the current year and each of the next two years, resulting in a deferred outflow of \$950,230. Net unrecognized assumption change losses from prior periods were \$2,634,336, of which \$1,317,168 was recognized as an increase in Pension Expense in the current year and resulted in a net deferred outflow of \$1,317,168. The combination of unrecognized assumption change losses this year, along with unrecognized assumption change losses from prior periods, results in a deferred outflow of \$2,267,398.

The impact of investment gains or losses is recognized over a period of five years. During the measurement year, there was an investment gain of \$11,091,799, of which \$2,218,360 was recognized in the current year and will be recognized in each of the next four years. Net unrecognized investment losses from prior periods were \$22,505,337, of which \$4,001,667 was recognized as an increase in Pension Expense in the current year. The combination of unrecognized investment gains this year, along with net unrecognized investment losses from prior periods, results in a deferred outflow of \$9,630,231.

In addition, KUB recorded a deferred outflow of resources of \$1,105,118 for employer contributions made between December 31, 2024 and June 30, 2025.

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The following table summarizes the balances of deferred outflows and deferred inflows of resources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,681,280	\$ -
Changes in assumptions	2,267,398	-
Net difference between projected and actual earnings on pension plan investments	9,630,231	-
Contributions subsequent to measurement date	1,105,118	-
Total	<u>\$ 15,684,027</u>	<u>\$ -</u>

\$1,105,118 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

Year ended June 30:		
2026	\$	10,430,378
2027		12,605,124
2028		(6,238,234)
2029		(2,218,359)
2030		-
Thereafter		-

For the year ended June 30, 2024, KUB recognized pension expense of \$6,394,757.

The impact of experience gains or losses and assumptions changes on the Total Pension Liability are recognized in the pension expense over the average expected remaining service life of all active and inactive members, determined as of the beginning of the measurement period. As of December 31, 2022, this average was four years. During the measurement year, there was a liability experience loss of \$2,092,475, with \$523,119 of that recognized in the current year and each of the next three years, resulting in a deferred outflow of \$1,569,356. Unrecognized liability experience losses from prior periods were \$1,951,216, of which \$940,357 was recognized as an increase in Pension Expense in the current year and resulted in a deferred outflow of \$1,010,859. The combination of unrecognized liability experience losses this year, along with unrecognized liability experience losses from prior periods, results in a deferred outflow of \$2,580,215. Unrecognized liability gains from prior periods were \$210,825, of which \$210,825 was recognized as a decrease in Pension Expense in the current year and resulted in a deferred inflow of \$0.

During the measurement year, there were no benefit changes or assumption changes. Net unrecognized assumption change losses from prior periods were \$5,646,136, of which \$3,011,800 was recognized as an increase in Pension Expense in the current year and resulted in a net deferred outflow of \$2,634,336.

The impact of investment gains or losses is recognized over a period of five years. During the measurement year, there was an investment gain of \$20,099,370, of which \$4,019,874 was recognized in the current year and will be recognized in each of the next four years. Net

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unrecognized investment losses from prior periods were \$39,628,509, of which \$1,043,676 was recognized as an increase in Pension Expense in the current year. The combination of unrecognized investment gains this year, along with unrecognized investment losses from prior periods, results in a deferred outflow of \$22,505,337.

In addition, KUB recorded a deferred outflow of resources of \$554,084 for employer contributions made between December 31, 2023, and June 30, 2024.

The following table summarizes the balances of deferred outflows and deferred inflows of resources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,580,215	\$ -
Changes in assumptions	2,634,336	-
Net difference between projected and actual earnings on pension plan investments	22,505,337	-
Contributions subsequent to measurement date	554,084	-
Total	<u>\$ 28,273,972</u>	<u>\$ -</u>

13. Qualified Excess Benefit Arrangement

Description

In fiscal year 2017, KUB implemented a qualified governmental excess benefit arrangement (QEBA) under IRC section 415(m), which was created by Congress to allow the payment of pension benefits that exceed the IRC section 415(b) limits (and therefore cannot be paid from a qualified retirement plan). The QEBA is a single employer defined benefit pension plan administered by KUB. The number of participants in any given year for the QEBA is determined by the number of KUB Pension Plan participants who exceed the current year's section 415(b) limitations, as calculated by the KUB Pension Plan actuary. The amount of QEBA benefit will be the amount specified by the terms of the KUB Pension Plan without regard to Section 415(b) limitations minus the amount payable from the KUB Pension Plan as limited by Section 415(b). QEBA benefits are subject to cost-of-living adjustments.

As of June 30, 2025, there are 341 active employees eligible for the KUB Pension Plan who are potentially eligible to receive QEBA benefits. The KUB Pension Plan was closed effective January 1, 2011, such that persons employed or re-employed by KUB on or after January 1, 2011, are not eligible to participate, but that eligible employees hired prior to January 1, 2011, who have not separated from service, shall continue as Participants and accrue benefits under the KUB Pension Plan. The KUB Pension Plan was amended to include the provision of QEBA benefits; therefore, amendments to the QEBA require the same authority as amendments to the KUB Pension Plan. As required by federal tax law, the QEBA is unfunded within the meaning of the federal tax laws. KUB may not pre-fund the QEBA to cover future liabilities beyond the current year. KUB has established procedures to pay for these benefits on a pay-as-you-go basis. There are no assets accumulated in a trust that meets the GASB's criteria.

Total Pension Liability of the QEBA

The below summarizes the disclosures of GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* ("GASB 73"). GASB 73

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extends a similar approach of financial reporting to plans meeting specific criteria that are not administered through trusts that GASB 68 established for pension plans. GASB 73 requires measurement of the total pension liability of the QEBA. The amounts reported as of June 30 must be based upon a plan measurement date within the prior twelve months. Therefore, KUB's measurements as of June 30, 2025, and 2024, are based on a December 31, 2024 and 2023, measurement date, respectively. The total pension liability of the QEBA is \$21,226 as of June 30, 2025, and \$0 as of June 30, 2024.

GASB 73 requires certain disclosures related to the total pension liability of the QEBA, as disclosed below:

	2024	2023
Total pension liability	\$21,226	\$0
Deferred outflows	(14,151)	(2,051)
Deferred inflows	-	1,704
Net impact on Statement of Net Position	<u>\$7,075</u>	<u>(\$347)</u>
Covered payroll	\$34,776,504	\$35,604,464
Total pension liability as a % of covered payroll	0.06%	0.00%

Changes in total pension liability of the QEBA are as follows:

	Increase (Decrease)
	Total Pension Liability
Balances at December 31, 2023	\$ -
Changes for the year:	
Service cost	-
Interest	-
Changes of Benefits	-
Differences between Expected and Actual Experience	21,226
Changes of Assumptions	-
Benefit payments	-
Net changes	<u>21,226</u>
Balances at December 31, 2024	<u>\$ 21,226</u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation, using the following actuarial assumptions applied to all periods included in the measurement:

Valuation dates	January 1, 2024, rolled forward to December 31, 2024
Actuarial cost method	Individual entry age
Discount rate	4.08% at January 1, 2024
Salary increases	From 2.50% to 8.50%, based on years of service
Mortality	115% and 110% of the PubG-2010 table for males and females, respectively, using the benefits-weighted Public Sector General Healthy Annuitant Mortality Table for ages 50 and older and the benefits-weighted Public Sector General Employee Table for ages under 50, both projected from the 2010 base rates using scale MP-2021, fully generational as of December 31, 2024
Inflation	2.50%

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Discount rate

The QEBA is not funded. In accordance with paragraph 31 of GASB 73, the discount rate is based on the Bond Buyer 20-Bond GO index. This rate was 4.08% at December 31, 2024.

Sensitivity of the total pension liability to changes in the discount rate

The following presents the total pension liability of the QEBA as of December 31, 2024, calculated using the discount rate of 4.08 percent, as well as what the QEBA's liability would be if it were calculated using a discount rate that is one percent lower (3.08 percent) or one percent higher (5.08 percent) than the current rate.

	1% Decrease (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08%)
QEBA's total pension liability	\$ 24,131	\$ 21,226	\$ 18,639

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2025, KUB recognized pension expense of \$7,422 for the QEBA. This amount is not expected to be the same as KUB's contribution to the QEBA (\$-), but instead represents the change in the net impact on KUB's Statement of Net Position plus employer contributions [\$7,075 – (\$347)+ \$-].

The impact of experience gains or losses and assumption changes on the total pension liability are recognized in the pension expense over the average expected remaining service life of all active and inactive members, determined as of the beginning of the measurement period. As of December 31, 2023, this average was three years.

During the measurement year, there was an experience loss of \$21,226 with \$7,075 recognized in the current year and the remaining deferred outflow of \$14,151 to be recognized over the next two years. Unrecognized experience losses from prior periods were \$2,033, with the full amount recognized as an increase in pension expense in the current year. Unrecognized experience gains from prior periods were \$1,704, with the full amount recognized as a decrease in pension expense in the current year.

Unrecognized assumption change losses from prior periods were \$19, with the full amount recognized as an increase in pension expense in the current year.

The following table summarizes the current balances of deferred outflows and deferred inflows of resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 14,151	\$ -
Changes in assumptions	-	-
Total	<u>\$ 14,151</u>	<u>\$ -</u>

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Amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

Year ended June 30:

2026	\$	7,075
2027		7,076
2028		-
2029		-
2030		-
Thereafter		-

For the year ended June 30, 2024, KUB recognized pension expense of \$3,024 for the QEBA. This amount is not expected to be the same as KUB's contribution to the QEBA (\$-), but instead represents the change in the net impact on KUB's Statement of Net Position plus employer contributions [(\$347) – (\$3,371) + \$-].

The impact of experience gains or losses and assumption changes on the total pension liability are recognized in the pension expense over the average expected remaining service life of all active and inactive members, determined as of the beginning of the measurement period. As of December 31, 2020, this average was four years. There was a deferred inflow at the end of the measurement year of \$1,717 from experience gains in prior years and a deferred outflow of \$2,033 from experience losses in prior years.

There was a deferred outflow of \$18 from assumption changes in prior years.

The following table summarizes the current balances of deferred outflows and deferred inflows of resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,033	\$ 1,717
Changes in assumptions	18	-
Total	<u>\$ 2,051</u>	<u>\$ 1,717</u>

14. Defined Contribution Plan

The KUB Asset Accumulation 401(k) Plan (the "401(k) Plan") is a defined contribution 401(k) employee retirement savings plan covering eligible KUB employees established by the KUB Board of Commissioners in accordance with the Charter of the City of Knoxville, Tennessee. The 401(k) Plan's assets are held in trust under an agreement between KUB and Fidelity Management Trust Company. Employees hired prior to January 1, 2011, may participate and receive a matching contribution of 50 percent of their own contribution up to a maximum match of three percent. Employees hired on or after January 1, 2011, have an enhanced 401(k) due to the closure of the Defined Benefit Pension Plan. They may participate and receive a matching contribution of 50 percent of their own contribution up to a maximum match of three percent. They also receive a non-elective KUB contribution of three percent to six percent, depending on years of service, whether they contribute or not.

KUB funded 401(k) matching contributions and non-elective contributions of \$4,799,996 and \$3,909,598, respectively, for the years ended June 30, 2025, and 2024.

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Vesting

Participants are immediately vested in their own contributions to the Plan, plus actual earnings on these contributions. Participants become 100% vested and entitled to the full value of their account, less any loans outstanding, upon death or disability or upon retirement after attaining their normal retirement age (first of the month coinciding with or following attainment of age 62).

Otherwise, vesting in the KUB matching contribution and non-elective contribution (as applicable) portion of their account plus related earnings are based on years of service and date of hire, as follows:

Participants hired prior to January 1, 2011 are 100% vested in the KUB matching contribution portion of their account.

Participants hired by KUB after December 31, 2010 are vested in the KUB matching and non-elective contribution portion of their account as follows:

<u>Years of Service</u>	<u>Vested Percentage</u>
Less than 2 years	0%
2	20%
3	40%
4	60%
5	80%
6 or more	100%

Forfeitures

Forfeitures are created when participants terminate employment before becoming entitled to their full benefits under the Plan. Upon forfeiture, the match and non-elective funds become available to offset Plan expenses. The Plan experienced forfeitures of \$243,630 during calendar year 2024 and \$306,016 during calendar year 2023. Forfeitures of \$271,595 and \$295,955 were used to reduce employer contributions in 2024 and 2023, respectively. The ending balance of forfeited assets in the Plan, including contributions and dividends, totaled \$10,862 and \$37,985 as of December 31, 2024 and 2023, respectively.

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15. Other Post-Employment Benefits (OPEB)

Description of Trust

The Knoxville Utilities Board Other Post-Employment Benefits Trust (the Trust) is a single employer trust established by the KUB Board of Commissioners through Resolution No. 1168, as amended, dated October 18, 2007. The Trust, along with the KUB Health Plan, make up a Voluntary Employee Beneficiary Association ("VEBA") and are intended to be tax-exempt pursuant to Code §501(c)(9). The purpose of the Trust is to fund KUB's post-employment health care plan (the "Plan"), which provides certain medical benefits for qualifying KUB retirees and beneficiaries. The applicable documentation was submitted to the State Funding Board and, in December 2007, the State Funding Board approved the Trust. The Trust was also approved by the Internal Revenue Service in June 2008. KUB administers the Trust through a Board of Trustees consisting of seven KUB employees that are appointed by KUB's President and CEO. Any amendments to the Trust involving costs not approved in the operating budget must be approved by KUB's Board of Commissioners, upon recommendation by KUB's President and CEO. All other amendments to the Trust may be approved by KUB's President and CEO upon 60 days notification to the Board's Audit and Finance Committee. The investment of all deposits to the Trust is governed by an Investment Policy, which was adopted by the KUB Board and approved by the State Funding Board. The Trust issues a financial report, which includes financial statements and required supplementary information. The report may be obtained by writing the Knoxville Utilities Board Retirement System, P.O. Box 59017, Knoxville, TN 37950-9017.

Effective January 1, 2022, the Plan was expanded to two benefit offerings. Employees with a benefit service date prior to July 1, 1999, will continue to be eligible for the Retiree Medical Benefit, while those with a later benefit service date will participate in a new Retiree Health Reimbursement Arrangement, given that each eligible employee meets the "Rule of 80", the sum of age and at least 20 years of qualified service equal to or exceeding 80, at retirement.

Participants in the Plan consisted of the following as of June 30:

	HRA		Retiree Medical Benefit	
	2025	2024	2025	2024
Retirees	16	9	707	722
Dependents of retirees	16	7	385	401
Eligible active employees	1,109	1,127	128	144
Total	1,141	1,143	1,220	1,267

Benefits

Benefits for pre-July 1, 1999, eligible participants may include, but shall not be limited to, medical, prescription drugs, dental, vision, hearing, Medicare Part B or Part D premiums, life insurance, long-term care, and long-term disability. Post-July 1, 1999, eligible participants are eligible for HRA benefits which include up to \$50,000 to be used exclusively for reimbursement of qualified medical expenses of the retiree and his or her spouse and dependents. Any unused HRA amounts will remain assets of the OPEB Trust.

Contributions and Funding

The primary goal of the Funding Policy for the Trust is to document the method KUB has adopted to provide assurance that future KUB and retiree contributions and current Trust assets will be sufficient to fund all benefits expected to be paid to Trust beneficiaries. Per the Funding Policy, KUB's current practice is to fully fund its annual Actuarially Determined Contribution, which is determined by actuarial valuation.

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Contributions are authorized by the terms of the Trust as established by KUB Resolution No. 1168, as amended, as approved by the Tennessee State Funding Board. KUB shall have the right at any time to amend, in whole or in part, the provisions of this Trust; however, no such amendment shall authorize or permit the assets of the Trust to be used for or diverted to purposes other than those expressed in the Declaration of Trust.

It shall be the sole and exclusive responsibility of KUB to determine the level of contributions KUB will make to the Trust for the purpose of financing other post-employment benefits accrued by its respective participants. Neither the Trust, nor the Trust's Board, shall be responsible for collecting or otherwise determining the level of contributions needed by KUB to finance any other post-employment benefits offered by KUB. The assets of the Trust shall be expended solely to make payments for other post-employment benefits pursuant to, and in accordance with, the terms of the Trust and to pay the cost of administration.

Based on the date of retirement, certain retired members are required to contribute specified amounts monthly to maintain health insurance. Those who retired prior to July 1983 have no required monthly premiums for themselves or dependents. The retirees, or their surviving dependents, who retired between August 1983 and January 1998 are required to pay \$275 per month for pre-Medicare family health insurance. For individuals who retired after January 1998, the required monthly premium for pre-Medicare health insurance is \$275 for single coverage and \$550 for family coverage. There is currently no premium for Medicare eligible retirees or dependents. KUB is responsible for determining the level of retired plan member contributions on an annual basis as part of its review of healthcare cost sharing.

Participants in the Health Reimbursement Arrangement are not eligible for health insurance and are not required to make contributions.

Investments

The Trust holds investments in a balanced fund, which invests in passively managed common trust index funds, managed and sponsored by State Street Global Advisors (SSgA), with an asset allocation mirroring the asset allocation of the Trust and rebalanced monthly. The Trust's Investment Policy was established and may only be amended by the KUB Board of Commissioners. The Trust's Investment Policy is to invest in a manner that will provide sufficient investment return to meet current and future retiree health benefits, while conforming to all governing State and Federal statutes. It allows investment of Trust assets in any type of security instrument allowed for in T.C.A 8-50-1203. The following was the Trust's adopted investment target allocations as set forth in the Trust's Investment Policy as of June 30, 2025:

Asset Class	Target Allocation
Domestic Equity:	
Large Cap	30%
Small Cap	8%
International Equity:	
Developed	16%
Emerging	8%
Real Estate Equity	8%
Debt Securities	30%
Total	100%

Actuarially determined contributions of \$1,279,985 and \$1,187,768 were made to the OPEB Trust in fiscal years ended June 30, 2025 and 2024, respectively. These were based on the OPEB actuarial valuations as of January 1, 2023, and 2022.

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Net OPEB Liability

The below summarizes the disclosures of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75"), which requires measurement of the net OPEB liability as total OPEB liability less the amount of the Trust's fiduciary net position. The amounts reported as of June 30 are based on the reporting date for the KUB Other Post-Employment Benefits Plan which is June 30. Measurements as of the reporting date are based on the fair value of assets as of June 30, 2025, and 2024, and the Total OPEB Liability as of the valuation date January 1, 2024, updated to June 30, 2025, and January 1, 2023, updated to June 30, 2024, respectively. KUB's total net OPEB liability was \$5,315,804 as of June 30, 2025, and \$9,373,073 as of June 30, 2024.

The components of the total net OPEB liability of the Trust are as follows as of June 30:

	2025	2024
Total OPEB liability	\$ 60,675,101	\$ 61,042,928
Plan fiduciary net position	55,359,297	51,669,855
Net OPEB liability	<u>\$ 5,315,804</u>	<u>\$ 9,373,073</u>
Plan fiduciary net position as a percentage of the total OPEB liability	91.24%	84.65%

Changes in Net OPEB Liability are as follows:

	Total OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2024	\$ 61,042,928	\$ 51,669,855	\$ 9,373,073
Changes for the year:			
Service cost	506,802	-	506,802
Interest	4,176,096	-	4,176,096
Changes of Benefits	-	-	-
Differences between Expected and Actual Experience	(154,501)	-	(154,501)
Changes of Assumptions	(1,302,021)	-	(1,302,021)
Contributions - employer	-	1,279,985	(1,279,985)
Contributions - member	-	-	-
Net investment income	-	6,084,906	(6,084,906)
Benefit payments	(3,594,203)	(3,594,203)	-
Administrative expense	-	(81,246)	81,246
Net changes	<u>(367,827)</u>	<u>3,689,442</u>	<u>(4,057,269)</u>
Balances at June 30, 2025	<u>\$ 60,675,101</u>	<u>\$ 55,359,297</u>	<u>\$ 5,315,804</u>

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Actuarial assumptions

The total OPEB liability was determined by actuarial valuations, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation dates:	January 1, 2024, rolled forward to June 30, 2025; January 1, 2023, rolled forward to June 30, 2024
Discount rate:	7.00% as of June 30, 2025 and June 30, 2024
Healthcare cost trend rates:	<i>Pre-Medicare</i> : 8.00% grading down to 3.935% over 20 years as of June 30, 2025; 5.75% grading down to 3.935% over 20 years as of June 30, 2024 <i>Medicare</i> : 6.00% grading down to 3.935% over 20 years as of June 30, 2025; 11.30% grading down to 3.935% over 20 years as of June 30, 2024 <i>Administrative expenses</i> : 3.0% per year
Salary increases:	From 2.50% to 8.50%
Mortality:	115% and 110% of the benefits-weighted Public Sector General Healthy Annuitant Mortality Table (PubG-2010) respectively for males and females, using the Public Sector General Employee Table (PubG-2010) for ages prior to the start of the Healthy Annuitant Mortality Table, both projected using scale MP-2021 fully generational
Inflation:	2.50%

The actuarial assumptions used in the January 1, 2024 valuation were based on the results of an actuarial experience study for the period January 1, 2019 through December 31, 2023. The January 1, 2023 valuation assumptions were based on the results of actuarial experience study for the periods January 1, 2014, through December 31, 2018.

The long-term expected rate of return on Trust investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Trust investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The long-term expected rate of return may be lower in periods of current strong performance due to future valuations that mean revert to the long-term average. Best estimates of arithmetic real rates of return for each major asset class included in the Trust's target asset allocation (see the discussion of the Trust's Investment Policy) are summarized in the chart below.

Asset Class	Long Term Expected Real Rate of Return	
	2025	2024
Domestic equity	6.0%	5.4%
International equity	6.4%	6.1%
Emerging Market equity	7.3%	7.8%
Real estate equity	6.3%	5.5%
Debt securities	2.4%	2.3%
Cash and deposits	0.9%	0.9%

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Discount rate

The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2025 and June 30, 2024. The projection of cash flows used to determine the discount rate assumed that participant contributions will be made at the current contribution rate and that KUB contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the Trust's fiduciary net position was projected to be available to make all projected future benefit payments. Therefore, the long-term expected rate of return on Trust investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the net OPEB liability to changes in the discount rate.

The following presents the net OPEB liability of the Trust as of June 30, 2025, calculated using the discount rate of 7.00 percent, as well as what the Trust's net OPEB liability would be if it were calculated using a discount rate that is one percent lower (6.00 percent) or one percent higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB liability	\$10,974,569	\$5,315,804	\$512,532

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates.

The following presents the net OPEB liability of the Trust as of June 30, 2025, as well as what the Trust's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percent lower or one percent higher than the current rate:

	1% Decrease	Baseline Trends	1% Increase
Net OPEB liability	\$435,302	\$5,315,804	\$10,948,243

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2025, KUB recognized OPEB expense of \$532,566.

The impact of liability experience gains or losses and assumption changes on the Total OPEB Liability are recognized in the OPEB expense over the average expected remaining service life of all active and inactive members of the OPEB Plan. As of the beginning of the measurement period, this average was seven years. During the measurement year, there was an experience gain of \$154,501, with \$22,072 of that recognized in the current year. The remaining amount will be recognized over the next six years, resulting in a deferred inflow of resources of \$132,429. Unrecognized experience losses from prior periods were \$587,407, of which \$100,703 is recognized as an increase in OPEB expense in the current year, resulting in a deferred outflow of resources of \$486,704.

During the measurement year, there were no benefit changes.

During the measurement year, there was an assumption change gain of \$1,302,021, with \$186,003 of that recognized in the current year. The remaining amount will be recognized over the next six years, resulting in a deferred inflow of resources of \$1,116,018. Unrecognized assumption change gains from prior period were \$1,801,872, of which \$300,312 was recognized as a decrease in OPEB expense in the current year and resulted in a deferred inflow of resources of \$1,501,560.

Knoxville Utilities Board

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

The combination of unrecognized assumption change gains this year, along with unrecognized assumption change gains from prior periods, results in a deferred inflow of resources of \$2,617,578. Unrecognized assumption losses from prior periods were \$1,805,588, of which \$361,118 is recognized as an increase in OPEB expense in the current year, resulting in a deferred outflow of \$1,444,470.

The impact of investment gains or losses is recognized over a period of five years. During the measurement year, there was an investment gain of \$2,550,439, of which \$510,088 was recognized in the current year and will be recognized in each of the next four years, resulting in a deferred inflow of resources of \$2,040,351. Net unrecognized investment losses from prior periods were \$496,150, of which \$140,457 was recognized as an increase in OPEB expense in the current year, resulting in a net deferred outflow of \$636,607. The combination of unrecognized gains and losses from the current year and prior periods results in a deferred inflow of resources of \$1,403,744.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 486,704	\$ 132,429
Changes in assumptions	1,444,470	2,617,578
Net difference between projected and actual earnings on OPEB plan investments	-	1,403,744
Total	<u>\$ 1,931,174</u>	<u>\$ 4,153,751</u>

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:		
2026	\$	1,217,249
2027		(1,226,031)
2028		(1,024,573)
2029		(556,657)
2030		(424,493)
Thereafter		(208,072)

For the year ended June 30, 2024, KUB recognized OPEB expense of \$2,021,591.

The impact of liability experience gains or losses and assumption changes on the Total OPEB Liability are recognized in the OPEB expense over the average expected remaining service life of all active and inactive members of the OPEB Plan. As of the beginning of the measurement period, this average was seven years. During the measurement year, there was an experience loss of \$587,252, with \$83,893 of that recognized in the current year. The remaining amount will be recognized over the next six years, resulting in a deferred outflow of resources of \$503,359. Unrecognized experience losses from prior periods were \$100,858, of which \$16,810 is recognized as an increase in OPEB expense in the current year, resulting in a deferred outflow of resources of \$84,048. The combination of unrecognized experience gains or losses results in a deferred outflow of resources of \$587,407.

During the measurement year, there was a benefit change gain of \$164,746. The entire amount was recognized as a decrease in OPEB expense in the current year.

Knoxville Utilities Board

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

During the measurement year, there was an assumption change gain of \$2,102,184, with \$300,312 of that recognized in the current year. The remaining amount will be recognized over the next six years, resulting in a deferred inflow of resources of \$1,801,872. Unrecognized assumption losses from prior periods were \$2,166,706, of which \$361,118 is recognized as an increase in OPEB expense in the current year, resulting in a deferred outflow of \$1,805,588.

The impact of investment gains or losses is recognized over a period of five years. During the measurement year, there was an investment gain of \$2,339,599, of which \$467,920 was recognized in the current year and will be recognized in each of the next four years, resulting in a deferred inflow of resources of \$1,871,679. Net unrecognized investment losses from prior periods were \$3,211,114, of which \$843,284 was recognized as an increase in OPEB expense in the current year, resulting in a net deferred outflow of \$2,367,829. The combination of unrecognized gains and losses from the current year and prior periods results in a deferred outflow of resources of \$496,150. The following table summarizes the current balances of deferred outflows and deferred inflows of resources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 587,407	\$ -
Changes in assumptions	1,805,588	1,801,872
Net difference between projected and actual earnings on OPEB plan investments	496,150	-
Total	<u>\$ 2,889,145</u>	<u>\$ 1,801,872</u>

16. Related Party Transactions

KUB, in the normal course of operations, is involved in transactions with the City of Knoxville. Such transactions for the years ended June 30, 2025, and 2024, are summarized as follows:

	2025	2024
City of Knoxville		
Amounts billed by KUB for utilities and related services	\$ 16,215,411	\$ 14,962,620
Payments by KUB in lieu of property tax	22,496,330	24,101,630
Payments by KUB for services provided	1,148,597	846,753
Grant expenditures incurred	-	7,581,000

With respect to these transactions, accounts receivable from the City of Knoxville included in the balance sheet at year end were as follows:

	2025	2024
Accounts receivable	\$ 1,009,029	\$ 1,050,610
Amounts eligible for reimbursement from grants	-	5,518,000

Knoxville Utilities Board

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

17. Natural Gas Supply Contract Commitments

For fiscal year 2025, the Gas Division hedged 19 percent of its total gas purchases via gas supply contracts. As of June 30, 2025, the Gas Division had hedged the price on six percent of its anticipated gas purchases for fiscal year 2026.

The Gas Division contracts separately for the purchase, transportation, and storage of natural gas. Purchase commitments for the next five years and thereafter are as follows:

Firm obligations related to purchased gas - demand

	2026	2027	2028	2029	2030	2031
Transportation						
Tennessee Gas Pipeline	\$ 4,739,008	\$ 5,408,484	\$ 5,408,484	\$ 5,408,484	\$ 5,408,484	\$ 1,802,828
East Tennessee Natural Gas*	23,896,270	28,145,374	28,145,374	28,145,374	28,145,374	7,684,728
Texas Eastern	469,500	540,000	540,000	540,000	540,000	109,500
Storage						
Tennessee Gas Pipeline	1,452,708	1,452,708	1,452,708	1,452,708	1,452,708	484,236
East Tennessee Natural Gas*	3,010,280	3,010,280	3,010,280	3,010,280	3,010,280	-
Saltville Natural Gas	2,695,752	2,695,752	2,230,830	836,064	627,048	-
Bobcat	318,000	378,000	378,000	378,000	378,000	126,000
Demand Total	<u>\$ 36,581,518</u>	<u>\$ 41,630,598</u>	<u>\$ 41,165,676</u>	<u>\$ 39,770,910</u>	<u>\$ 39,561,894</u>	<u>\$ 10,207,292</u>

*The amounts reflect firm transportation and LNG storage rates filed by ETNG, but have not been approved by FERC. Shippers have intervened on the rate case at FERC and negotiations and/or a FERC trial may occur before resolution is reached and final rates are determined. Such process could take from one to two years to complete. To the extent that rates paid during this time are higher than the final approved rates, pipeline must provide rebates to shippers.

Firm obligations related to purchased gas - commodity

	2026	2027	2028	2029	2030	2031-2054
Baseload						
ConocoPhillips	\$ 1,123,320	\$ -	\$ -	\$ -	\$ -	\$ -
NextEra Energy	2,089,800	-	-	-	-	-
Enervest Operating LLC	3,675,642	3,796,772	2,830,572	-	-	-
CNX	4,098,390	-	-	-	-	-
Tennergy Corporation (2021A)	3,492,687	3,579,022	3,240,000	3,083,720	2,993,830	59,335,817
Tennergy Corporation (2022)	3,696,605	3,811,993	3,464,989	3,311,851	3,286,244	71,199,380
Commodity Total	<u>\$ 18,176,444</u>	<u>\$ 11,187,787</u>	<u>\$ 9,535,561</u>	<u>\$ 6,395,571</u>	<u>\$ 6,280,074</u>	<u>\$ 130,535,197</u>

The total commodity values presented here are based upon firm supply obligations with each individual natural gas supplier. The firm obligations value for ConocoPhillips and NextEra Energy are based upon firm supply obligations and locked prices with those suppliers. The firm obligations value for Enervest Operating LLC and CNX are based upon firm supply obligations and the applicable NYMEX strip prices on June 30, 2025. The firm obligations values for Tennergy Corporation are based upon 30-year prepay gas contracts valued at the applicable Tennessee Zone 0 and Tennessee 800L strip prices on June 30, 2025.

18. Other Commitments and Contingencies

In the normal course of business, there are various lawsuits pending against KUB. Management has reviewed these lawsuits with counsel, who is vigorously defending KUB's position and is of the opinion that the ultimate disposition of these matters will not have a material adverse effect on KUB's financial position, results of operations, or cash flows.

Knoxville Utilities Board

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

19. Segment Information

The following financial information represents identifiable activities for which the revenue bonds and other revenue backed debt are outstanding for the respective Divisions:

Condensed Statement of Net Position

	2025				
	Electric	Fiber	Gas	Water	Wastewater
Assets and Deferred Outflows of Resources					
Current assets	\$ 219,245,914	\$ 13,026,445	\$ 62,494,367	\$ 51,600,245	\$ 57,069,497
Restricted assets	26,552,434	1,848,257	3,011,822	5,420,550	8,072,218
Net capital assets	984,469,605	5,147,546	353,072,105	447,966,892	869,957,568
Net intangible assets	1,854,037	3,406,550	701,440	364,720	244,723
Other assets	75,994,989	234,080	4,770,626	3,518,177	17,373,615
Total assets	<u>\$ 1,308,116,979</u>	<u>\$ 23,662,878</u>	<u>\$ 424,050,360</u>	<u>\$ 508,870,584</u>	<u>\$ 952,717,621</u>
Deferred outflows of resources	8,718,317	586,263	3,098,527	4,903,336	13,137,658
Total assets and deferred outflows of resources	<u>\$ 1,316,835,296</u>	<u>\$ 24,249,141</u>	<u>\$ 427,148,887</u>	<u>\$ 513,773,920</u>	<u>\$ 965,855,279</u>
Liabilities and Deferred Inflows of Resources					
Current liabilities	\$ 173,046,100	\$ 6,457,516	\$ 21,999,544	\$ 21,649,019	\$ 24,326,126
Other liabilities	18,328,941	3,717,574	3,742,783	2,560,133	2,759,682
Long-term debt	500,742,913	37,362,500	64,354,159	213,575,532	477,198,511
Total liabilities	<u>\$ 692,117,954</u>	<u>\$ 47,537,590</u>	<u>\$ 90,096,486</u>	<u>\$ 237,784,684</u>	<u>\$ 504,284,319</u>
Deferred inflows of resources	7,443,823	643,805	2,160,393	1,958,351	2,358,290
Total liabilities and deferred inflows of resources	<u>\$ 699,561,777</u>	<u>\$ 48,181,395</u>	<u>\$ 92,256,879</u>	<u>\$ 239,743,035</u>	<u>\$ 506,642,609</u>
Net position					
Net investment in capital assets	\$ 458,504,837	\$ 4,342,405	\$ 281,381,356	\$ 229,558,746	\$ 391,202,131
Restricted	16,440,827	46	2,198,692	2,916,964	3,700,421
Unrestricted	142,327,855	(28,274,705)	51,311,960	41,555,175	64,310,118
Total net position	<u>\$ 617,273,519</u>	<u>\$ (23,932,254)</u>	<u>\$ 334,892,008</u>	<u>\$ 274,030,885</u>	<u>\$ 459,212,670</u>

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Knoxville Utilities Board
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

Condensed Statement of Net Position

	2024				
	Electric	Fiber	Gas	Water	Wastewater
Assets and Deferred Outflows of Resources					
Current assets	\$ 170,316,208	\$ 11,341,762	\$ 46,263,447	\$ 42,036,015	\$ 47,981,656
Restricted assets	25,944,381	1,119,594	3,123,122	5,018,613	8,224,554
Net capital assets	883,281,774	4,998,613	347,605,164	407,905,814	868,123,781
Net intangible assets	2,587,845	4,205,421	937,117	505,224	331,556
Other assets	69,986,304	253,072	10,480,123	17,072,904	17,446,950
Total assets	<u>\$ 1,152,116,512</u>	<u>\$ 21,918,462</u>	<u>\$ 408,408,973</u>	<u>\$ 472,538,570</u>	<u>\$ 942,108,497</u>
Deferred outflows of resources	14,930,378	907,934	5,506,471	7,509,369	16,361,045
Total assets and deferred outflows of resources	<u>\$ 1,167,046,890</u>	<u>\$ 22,826,396</u>	<u>\$ 413,915,444</u>	<u>\$ 480,047,939</u>	<u>\$ 958,469,542</u>
Liabilities and Deferred Inflows of Resources					
Current liabilities	\$ 163,775,211	\$ 4,615,208	\$ 20,506,655	\$ 16,972,156	\$ 28,065,983
Other liabilities	21,083,790	4,759,855	5,455,533	4,129,460	4,266,221
Long-term debt	424,500,461	32,737,500	71,871,536	202,411,203	494,494,052
Total liabilities	<u>\$ 609,359,462</u>	<u>\$ 42,112,563</u>	<u>\$ 97,833,724</u>	<u>\$ 223,512,819</u>	<u>\$ 526,826,256</u>
Deferred inflows of resources	6,778,289	721,663	2,086,126	1,784,325	2,243,775
Total liabilities and deferred inflows of resources	<u>\$ 616,137,751</u>	<u>\$ 42,834,226</u>	<u>\$ 99,919,850</u>	<u>\$ 225,297,144</u>	<u>\$ 529,070,031</u>
Net position					
Net investment in capital assets	\$ 433,775,494	\$ 4,305,980	\$ 268,290,027	\$ 201,447,697	\$ 372,931,337
Restricted	17,320,826	46	2,207,025	2,706,964	3,714,170
Unrestricted	99,812,819	(24,313,856)	43,498,542	50,596,134	52,754,004
Total net position	<u>\$ 550,909,139</u>	<u>\$ (20,007,830)</u>	<u>\$ 313,995,594</u>	<u>\$ 254,750,795</u>	<u>\$ 429,399,511</u>

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Knoxville Utilities Board
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

**Condensed Statement of Revenues, Expenses
and Changes in Net Position**

	2025				
	Electric	Fiber	Gas	Water	Wastewater
Operating revenues	\$ 734,797,909	\$ 17,134,243	\$ 129,653,139	\$ 77,461,933	\$ 119,864,643
Operating expenses	609,935,942	19,073,489	91,962,840	41,146,061	51,971,386
Depreciation and amortization	48,781,855	854,633	17,013,045	13,027,773	26,141,893
Total operating expenses	<u>658,717,797</u>	<u>19,928,122</u>	<u>108,975,885</u>	<u>54,173,834</u>	<u>78,113,279</u>
Operating income (loss)	76,080,112	(2,793,879)	20,677,254	23,288,099	41,751,364
Non-operating expense	<u>(9,715,732)</u>	<u>(1,130,545)</u>	<u>162,818</u>	<u>(4,170,785)</u>	<u>(12,961,384)</u>
Change in net position before capital contributions	66,364,380	(3,924,424)	20,840,072	19,117,314	28,789,980
Capital contributions	-	-	56,342	162,776	1,023,179
Change in net position	<u>66,364,380</u>	<u>(3,924,424)</u>	<u>20,896,414</u>	<u>19,280,090</u>	<u>29,813,159</u>
Net position					
Beginning of year	550,909,139	(20,007,830)	313,995,594	254,750,795	429,399,511
End of year	<u>\$ 617,273,519</u>	<u>\$ (23,932,254)</u>	<u>\$ 334,892,008</u>	<u>\$ 274,030,885</u>	<u>\$ 459,212,670</u>

**Condensed Statement of Revenues, Expenses
and Changes in Net Position**

	2024				
	Electric	Fiber	Gas	Water	Wastewater
Operating revenues	\$ 657,034,681	\$ 6,419,654	\$ 114,858,667	\$ 72,896,489	\$ 114,620,879
Operating expenses	561,825,049	12,845,444	82,740,991	41,558,064	53,247,369
Depreciation and amortization	44,066,858	876,983	16,316,365	12,268,290	24,450,486
Total operating expenses	<u>605,891,907</u>	<u>13,722,427</u>	<u>99,057,356</u>	<u>53,826,354</u>	<u>77,697,855</u>
Operating income (loss)	51,142,774	(7,302,773)	15,801,311	19,070,135	36,923,024
Non-operating expense	<u>(4,179,494)</u>	<u>(897,193)</u>	<u>180,973</u>	<u>(3,760,806)</u>	<u>(13,320,989)</u>
Change in net position before capital contributions	46,963,280	(8,199,966)	15,982,284	15,309,329	23,602,035
Capital contributions	-	-	25,106	746,997	1,758,313
Change in net position	<u>46,963,280</u>	<u>(8,199,966)</u>	<u>16,007,390</u>	<u>16,056,326</u>	<u>25,360,348</u>
Net position					
Beginning of year	503,945,859	(11,807,864)	297,988,204	238,694,469	404,039,163
End of year	<u>\$ 550,909,139</u>	<u>\$ (20,007,830)</u>	<u>\$ 313,995,594</u>	<u>\$ 254,750,795</u>	<u>\$ 429,399,511</u>

Knoxville Utilities Board
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

Condensed Statement of Cash Flows

	2025				
	Electric	Fiber	Gas	Water	Wastewater
Net cash provided by (used in) operating activities	\$ 129,135,056	\$ (1,305,676)	\$ 37,729,056	\$ 41,517,865	\$ 66,149,808
Net cash used in capital and related financing activities	(95,020,529)	(1,171,648)	(32,432,996)	(43,600,629)	(60,177,004)
Net cash provided by noncapital and related financing activities	-	3,476,539	-	-	-
Net cash provided by (used in) investing activities	(5,409,705)	563,577	1,627,817	2,835,781	3,043,374
Net increase (decrease) in cash and cash equivalents	28,704,822	1,562,792	6,923,877	753,017	9,016,178
Cash and cash equivalents, beginning of year	47,070,494	9,294,082	19,731,406	19,803,587	13,388,680
Cash and cash equivalents, end of year	<u>\$ 75,775,316</u>	<u>\$ 10,856,874</u>	<u>\$ 26,655,283</u>	<u>\$ 20,556,604</u>	<u>\$ 22,404,858</u>

Condensed Statement of Cash Flows

	2024				
	Electric	Fiber	Gas	Water	Wastewater
Net cash provided by (used in) operating activities	\$ 92,117,345	\$ (6,474,842)	\$ 30,963,137	\$ 31,753,906	\$ 62,300,396
Net cash used in capital and related financing activities	(119,138,357)	(1,287,949)	(39,296,368)	(27,460,389)	(80,018,201)
Net cash provided by noncapital and related financing activities	-	4,317,052	-	-	-
Net cash provided by (used in) investing activities	1,603,037	475,018	1,970,823	2,067,529	2,629,789
Net increase (decrease) in cash and cash equivalents	(25,417,975)	(2,970,721)	(6,362,408)	6,361,046	(15,088,016)
Cash and cash equivalents, beginning of year	72,488,469	12,264,803	26,093,814	13,442,541	28,476,696
Cash and cash equivalents, end of year	<u>\$ 47,070,494</u>	<u>\$ 9,294,082</u>	<u>\$ 19,731,406</u>	<u>\$ 19,803,587</u>	<u>\$ 13,388,680</u>

Knoxville Utilities Board

Required Supplementary Information - Schedule of Changes in Net Pension Liability and Related Ratios

June 30, 2025

	Year ended December 31									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability										
Service cost	\$ 7,764,986	\$ 8,221,181	\$ 6,349,402	\$ 6,647,220	\$ 5,227,657	\$ 6,142,213	\$ 5,095,488	\$ 4,607,486	\$ 4,226,985	\$ 4,157,062
Interest	18,573,527	17,868,490	17,430,465	16,982,226	16,393,202	16,030,626	15,344,193	15,015,282	14,966,559	14,812,784
Changes of benefit terms	-	-	-	-	-	163,199	-	-	-	-
Differences between expected and actual experience	2,346,811	2,092,475	282,014	1,935,276	1,930,170	(1,054,117)	(605,649)	(1,087,161)	(2,233,762)	(1,890,334)
Changes of assumptions	1,425,345	-	5,268,672	-	-	8,473,160	-	(357,633)	(2,932,883)	-
Benefit payments, including refunds of member contributions	(19,432,811)	(19,237,834)	(17,125,610)	(17,725,963)	(16,006,565)	(15,094,475)	(15,274,814)	(14,969,979)	(14,138,511)	(15,350,926)
Net change in total pension liability	10,677,858	8,944,312	12,204,943	7,838,759	7,544,464	14,660,606	4,559,218	3,207,995	(111,612)	1,728,586
Total pension liability - beginning	263,351,035	254,406,723	242,201,780	234,363,021	226,818,557	212,157,951	207,598,733	204,390,738	204,502,350	202,773,764
Total pension liability - ending (a)	\$ 274,028,893	\$ 263,351,035	\$ 254,406,723	\$ 242,201,780	\$ 234,363,021	\$ 226,818,557	\$ 212,157,951	\$ 207,598,733	\$ 204,390,738	\$ 204,502,350
Plan fiduciary net position										
Contributions - employer	\$ 1,659,187	\$ 1,866,261	\$ 3,144,770	\$ 3,416,428	\$ 2,876,752	\$ 2,871,241	\$ 3,456,475	\$ 4,286,597	\$ 5,243,146	\$ 5,991,887
Contributions - participants	4,971,148	5,752,609	3,812,595	3,939,687	2,284,727	3,170,825	2,081,125	1,488,632	555,075	487,546
Net investment income	28,540,651	35,927,438	(63,493,985)	37,575,566	44,814,914	49,938,315	(11,748,396)	32,360,219	13,788,263	(95,430)
Other additions	738	4,568	9,415	112,484	7,740	13,579	62,616	82,239	45,848	30,879
Benefit payments, including refunds of member contributions	(19,400,811)	(19,193,834)	(17,065,610)	(17,653,963)	(15,962,565)	(15,030,475)	(15,174,814)	(14,895,979)	(14,044,511)	(15,274,926)
Administrative expense	(662,847)	(602,078)	(498,988)	(441,017)	(455,191)	(467,748)	(445,916)	(385,282)	(441,332)	(397,160)
Death benefits	(32,000)	(44,000)	(60,000)	(72,000)	(44,000)	(64,000)	(100,000)	(74,000)	(94,000)	(76,000)
Net change in plan fiduciary net position**	15,076,066	23,710,964	(74,151,803)	26,877,185	33,522,377	40,431,737	(21,868,910)	22,862,426	5,052,489	(9,333,204)
Plan fiduciary net position - beginning**	255,898,655	232,187,691	306,339,494	279,462,309	245,939,932	205,508,195	227,377,105	204,514,679	199,462,190	208,795,394
Plan fiduciary net position - ending (b)**	\$ 270,974,721	\$ 255,898,655	\$ 232,187,691	\$ 306,339,494	\$ 279,462,309	\$ 245,939,932	\$ 205,508,195	\$ 227,377,105	\$ 204,514,679	\$ 199,462,190
Plan's net pension liability - ending (a) - (b)	\$ 3,054,172	\$ 7,452,380	\$ 22,219,032	\$ (64,137,714)	\$ (45,099,288)	\$ (19,121,375)	\$ 6,649,756	\$ (19,778,372)	\$ (123,941)	\$ 5,040,160
Plan fiduciary net position as a percentage of the total pension liability	98.89%	97.17%	91.27%	126.48%	119.24%	108.43%	96.87%	109.53%	100.06%	97.54%
Covered payroll	\$ 34,776,504	\$ 35,604,464	\$ 37,412,132	\$ 38,074,863	\$ 41,524,273	\$ 40,276,197	\$ 42,150,040	\$ 43,309,374	\$ 44,437,747	\$ 44,446,743
Plan's net pension liability as a percentage of covered payroll	8.78%	20.93%	59.39%	(168.45%)	(108.61%)	(47.48%)	15.78%	(45.67%)	(0.28%)	11.34%

Notes to Schedule:

** Excludes amounts related to 401(k) matching contributions.

See accompanying Independent Auditor's Report

Knoxville Utilities Board

Required Supplementary Information - Schedule of Employer Pension Contributions

June 30, 2025

	Year ended December 31											
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015		
Actuarially determined contribution	\$ 1,659,187	\$ 1,866,261	\$ 3,144,770	\$ 3,416,428	\$ 2,876,752	\$ 2,871,241	\$ 3,456,475	\$ 4,286,597	\$ 5,243,146	\$ 5,991,887		
Contribution in relation to the actuarially determined contribution	1,659,187	1,866,261	3,144,770	3,416,428	2,876,752	2,871,241	3,456,475	4,286,597	5,243,146	5,991,887		
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Covered payroll	\$ 34,776,504	\$ 35,604,464	\$ 37,412,132	\$ 38,074,863	\$ 41,524,273	\$ 40,276,197	\$ 42,150,040	\$ 43,309,374	\$ 44,437,747	\$ 44,446,743		
Contributions as a percentage of covered payroll	4.77%	5.24%	8.41%	8.97%	6.93%	7.13%	8.20%	9.90%	11.80%	13.48%		

Notes to Schedule:

Timing: Actuarially determined contributions for a Plan year are based upon 50% of the amounts determined at the actuarial valuations for each of the two prior Plan years.

Valuation Dates: January 1, 2023 and January 1, 2022

Key methods and assumptions used to determine contribution rates:

Actuarial cost method: Individual entry age

Asset valuation method: 5-year smoothed market, adjusted to remain within 20% of the market value

Amortization method: As of January 1, 2023: Level dollar, 30-year closed period with 18 years remaining, or a level dollar, 30-year open period for a negative unfunded liability
As of January 1, 2022: Level dollar, 30-year closed period with 19 years remaining, or a level dollar, 30-year open period for a negative unfunded liability
As of January 1, 2023 and 2022, the unfunded liability was negative.

Discount rate: 7.00% as of January 1, 2023; 7.25% as of January 1, 2022

Salary increases: 2.50% to 5.65%, based on years of service

Mortality: 115% and 110% of the benefits-weighted Public Sector General Healthy Annuitant Mortality Table (PubG-2010), respectively, for males and females, using the Public Sector General Employee Table while in active employment and for annuitant ages prior to the start of the Healthy Annuitant Mortality Table, both projected from the 2010 base rates using scale MP2018 fully generational

Inflation: 2.5%

Please refer to prior year's audited financial statements for prior methods and assumptions.

See accompanying Independent Auditor's Report

Knoxville Utilities Board

Required Supplementary Information – Schedule of Changes in Net OPEB Liability and Related Ratios June 30, 2025

	2025	2024	2023	*Year ended June 30 2022	2021	2020	2019	2018
Total OPEB liability								
Service cost	\$ 506,802	\$ 615,753	\$ 595,392	\$ 416,277	\$ 283,786	\$ 256,270	\$ 270,515	\$ 202,603
Interest	4,176,096	4,256,122	4,133,008	3,858,276	3,861,304	3,672,291	3,624,737	3,295,240
Change of benefit terms	-	(164,746)	-	6,594,293	-	(202,408)	-	-
Differences between expected and actual experience	(154,501)	587,252	117,668	60,951	42,802	43,902	999,098	1,324,769
Changes of assumptions	(1,302,021)	(2,102,184)	2,527,824	-	(4,105,835)	3,604,843	3,231,601	(397,180)
Benefit payments	<u>(3,594,203)</u>	<u>(3,786,371)</u>	<u>(4,273,070)</u>	<u>(3,908,635)</u>	<u>(3,111,179)</u>	<u>(3,028,596)</u>	<u>(3,532,444)</u>	<u>(3,298,739)</u>
Net change in total OPEB liability	<u>(367,827)</u>	<u>(594,174)</u>	<u>3,100,822</u>	<u>7,021,162</u>	<u>(3,029,122)</u>	<u>4,346,302</u>	<u>4,593,507</u>	<u>1,126,693</u>
Total OPEB liability - beginning	<u>61,042,928</u>	<u>61,637,102</u>	<u>58,536,280</u>	<u>51,515,118</u>	<u>54,544,240</u>	<u>50,197,938</u>	<u>45,604,431</u>	<u>44,477,738</u>
Total OPEB liability - ending (a)	<u>\$ 60,675,101</u>	<u>\$ 61,042,928</u>	<u>\$ 61,637,102</u>	<u>\$ 58,536,280</u>	<u>\$ 51,515,118</u>	<u>\$ 54,544,240</u>	<u>\$ 50,197,938</u>	<u>\$ 45,604,431</u>
Plan fiduciary net position								
Contributions - employer	\$ 1,279,985	\$ 1,187,768	\$ 1,413,392	\$ 1,989,066	\$ 757,226	\$ 311,324	\$ -	\$ -
Net investment income	6,084,906	5,656,390	4,333,538	(8,122,417)	12,890,602	975,155	2,981,928	3,705,473
Benefit payments	(3,594,203)	(3,786,371)	(4,273,070)	(3,908,635)	(3,111,179)	(3,028,596)	(3,532,444)	(3,298,739)
Administrative expense	<u>(81,246)</u>	<u>(94,379)</u>	<u>(101,186)</u>	<u>(71,187)</u>	<u>(44,496)</u>	<u>(53,286)</u>	<u>(54,787)</u>	<u>(51,668)</u>
Net change in plan fiduciary net position	<u>3,689,442</u>	<u>2,963,408</u>	<u>1,372,674</u>	<u>(10,113,173)</u>	<u>10,492,153</u>	<u>(1,795,403)</u>	<u>(605,303)</u>	<u>355,066</u>
Plan fiduciary net position - beginning	<u>51,669,855</u>	<u>48,706,447</u>	<u>47,333,773</u>	<u>57,446,946</u>	<u>46,954,793</u>	<u>48,750,196</u>	<u>49,355,499</u>	<u>49,000,433</u>
Plan fiduciary net position - ending (b)	<u>\$ 55,359,297</u>	<u>\$ 51,669,855</u>	<u>\$ 48,706,447</u>	<u>\$ 47,333,773</u>	<u>\$ 57,446,946</u>	<u>\$ 46,954,793</u>	<u>\$ 48,750,196</u>	<u>\$ 49,355,499</u>
Net OPEB liability (asset) - ending (a) - (b)	<u>\$ 5,315,804</u>	<u>\$ 9,373,073</u>	<u>\$ 12,930,655</u>	<u>\$ 11,202,507</u>	<u>\$ (5,931,828)</u>	<u>\$ 7,589,447</u>	<u>\$ 1,447,742</u>	<u>\$ (3,751,068)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	91.24%	84.65%	79.02%	80.86%	111.51%	86.09%	97.12%	108.23%
Covered employee payroll**	\$ 89,939,256	\$ 83,596,708	\$ 70,129,341	\$ 73,927,857	\$ 21,578,366	\$ 23,363,536	\$ 24,346,735	\$ 23,677,080
Net OPEB liability (asset) as a percentage of covered employee payroll	5.91%	11.21%	18.44%	15.15%	(27.49%)	32.48%	5.95%	(15.84%)

Notes to Schedule:

* Information not reflected prior to 2018 due to changes in actuary methodologies required under GASB 75, which was implemented in 2018.

** The covered-employee payroll increased in FY 2022 due to the inclusion of plan participants eligible for the HRA benefits.

See accompanying Independent Auditor's Report

Knoxville Utilities Board

Required Supplementary Information – Schedule of Employer OPEB Contributions

June 30, 2025

	2025	2024	2023	*Year ended June 30 2022	2021	2020	2019	2018
Actuarially determined contribution	\$ 1,279,985	\$ 1,187,768	\$ 1,413,392	\$ 489,066	\$ 757,226	\$ 311,324	\$ -	\$ -
Contribution in relation to the annual required contribution	1,279,985	1,187,768	1,413,392	1,989,066	757,226	311,324	-	-
Contribution deficiency/(excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,500,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll*	\$ 89,939,256	\$ 83,596,708	\$ 70,129,341	\$ 73,927,857	\$ 21,578,366	\$ 23,363,536	\$ 24,346,735	\$ 23,677,080
Contributions as a percentage of covered employee payroll	1.42%	1.42%	2.02%	2.69%	3.51%	1.33%	0.00%	0.00%

* The covered-employee payroll increased in FY 2022 due to the inclusion of plan participants eligible for the HRA benefits.

KUB elected to make a \$1,500,000 voluntary contribution to the Trust to initially fund the HRA benefit which was effective January 1, 2022. This contribution was not required.

Notes to Schedule:

Valuation Date: January 1, 2023 and January 1, 2022
Timing: Actuarially determined contribution rates are calculated based on the actuarial valuation completed 18 months before the beginning of the fiscal year.

Key methods and assumptions used to determine contribution rates:

Actuarial cost method: Entry age normal
Asset valuation method: 5-year smoothed market
Amortization method: 15-year layered amortization bases for annual changes in the unfunded liabilities as of January 1, 2022 and 2023; 30-year rolling amortization for a funding surplus; As of January 1, 2022 and 2023, there was an unfunded liability
Discount rate: 7.25% and 7.00% as of January 1, 2022 and 2023, respectively
Healthcare cost trend rate: Pre-Medicare: 5.75% in 2022 and 5.70% in 2023 grading down to 3.935% in 2042 and beyond using the Getzen trend model
Medicare: 11.30% in 2022 and 7.40% in 2023 grading down to 3.935% in 2042 and beyond using the Getzen trend model
Administrative expenses: 3.0% per year
Salary increases: From 2.50% to 5.65%, based on years of service
Mortality: 115% and 110% of the Public Sector Healthy Annuitant Mortality Table (PubG-2010), respectively for males and females, using the Public Sector General Employee Table (PubG-2010) for ages prior to the start of the Health Annuitant Mortality Table, both projected using scale MP2018 fully generational
Inflation: 2.5%
Investment rate of return: 7.25% and 7.00% as of January 1, 2022 and 2023, respectively
Retirement age: 2% at ages 50-57, grading up to 100% at age 70

* Schedule of Employer Contribution information is not reflected prior to 2018 due to changes in actuary methodologies required under GASB 75, which was implemented in 2018. Please refer to prior year's audited financial statement for prior methods and assumptions.

See accompanying Independent Auditor's Report

Knoxville Utilities Board

Required Supplementary Information – Qualified Governmental Excess Benefit Arrangement

Schedule of Changes in Total Pension Liability and Related Ratios

June 30, 2025

	*Year ended December 31								
	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total pension liability									
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 941	\$ 584	\$ -
Interest (includes interest on service cost)	-	-	-	268	388	9,181	9,676	7,535	-
Changes of benefit terms	-	-	-	-	-	(218,272)	-	-	185,077
Differences between expected and actual experience	21,226	-	-	(6,816)	10,165	34	(36,125)	13,684	-
Changes of assumptions	-	-	-	-	91	13,342	(22,950)	73,461	-
Benefit payments, including refunds of member contributions	-	-	-	(12,166)	(12,166)	(15,932)	-	-	-
Net change in total pension liability	<u>21,226</u>	<u>-</u>	<u>-</u>	<u>(18,714)</u>	<u>(1,522)</u>	<u>(211,647)</u>	<u>(48,458)</u>	<u>95,264</u>	<u>185,077</u>
Total pension liability - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,714</u>	<u>20,236</u>	<u>231,883</u>	<u>280,341</u>	<u>185,077</u>	<u>-</u>
Total pension liability - ending	<u>\$ 21,226</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,714</u>	<u>\$ 20,236</u>	<u>\$ 231,883</u>	<u>\$ 280,341</u>	<u>\$ 185,077</u>
Covered payroll	\$ 34,776,504	\$ 35,604,464	\$ 37,412,132	\$ 38,074,863	\$ 41,524,273	\$ 40,276,197	\$ 42,150,040	\$ 43,309,374	\$ 44,437,747
Total pension liability as a percentage of covered payroll	0.06%	0.00%	0.00%	0.00%	0.05%	0.05%	0.55%	0.65%	0.42%

Notes to Schedule:

* There are no assets accumulated in a trust that meet the criteria in paragraph 4 of GASB 73 to pay related benefits.

See accompanying Independent Auditor's Report

Knoxville Utilities Board
Supplemental Information
Schedule of Expenditures of Federal Awards
June 30, 2025

<u>Federal Grantor/ Pass-Through Grantor</u>	<u>Program Name</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures</u>
U.S. Department of Treasury through Knox County	COVID-19: Coronavirus State and Local Fiscal Recovery Fund	21.027	DW-COSTR-1	\$ 1,240,000
U.S. Department of Treasury through Tennessee Department of Economic and Community Development	COVID-19: Tennessee Emergency Broadband Fund - American Rescue Plan - Union County	21.027	33007-44923	\$ 1,564,243
U.S. Department of Treasury through Tennessee Department of Economic and Community Development	COVID-19: Tennessee Emergency Broadband Fund - American Rescue Plan - Sevier County	21.027	33007-44823	\$ 2,966,528
U.S. Department of Treasury through Tennessee Department of Economic and Community Development	COVID-19: Tennessee Emergency Broadband Fund - American Rescue Plan - Jefferson County	21.027	33007-44723	\$ 395,860
		Total Program 21.027		\$ 6,166,631
U.S. Department of Homeland Security through Tennessee Department of Military	Disaster Grants - Public Assistance	97.036	FEMA-4832-DR-TN	\$ 253,685
		Total Program 97.036		\$ 253,685
		Total Federal Awards		\$ 6,420,316

NOTE 1 - BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards and State Financial Assistance includes the award activity of Knoxville Utilities Board (KUB) under programs of the federal government for the year ended June 30, 2025, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State of Tennessee Audit Manual. KUB did not elect to use 10% de minimis indirect cost rate.

See accompanying Independent Auditor's Report

Knoxville Utilities Board
Supplemental Information
Combining Statement of Fiduciary Net Position – Pension Plan and OPEB Trust
June 30, 2025

	2025			2024		
	Pension Plan	Other Post Employment Benefits Trust	Total Fiduciary Funds	Pension Plan	Other Post Employment Benefits Trust	Total Fiduciary Funds
Assets						
Cash and cash equivalents	\$ 1,342,162	\$ 206,322	\$ 1,548,484	\$ 1,405,069	\$ 205,587	\$ 1,610,656
Interest and dividends receivable	262,693	-	262,693	546,051	-	546,051
Due from broker for investment sales	53,000	-	53,000	209,328	-	209,328
Prepaid assets	-	10,000	10,000	-	10,000	10,000
Investments at fair value	269,625,598	56,112,410	325,738,008	254,345,234	52,337,619	306,682,853
Total assets	271,283,453	56,328,732	327,612,185	256,505,682	52,553,206	309,058,888
Liabilities						
Accounts payable	255,732	31,650	287,382	337,161	29,357	366,518
Due to broker for investment purchases	53,000	-	53,000	269,866	-	269,866
Benefit obligations	-	937,785	937,785	-	853,994	853,994
Total liabilities	308,732	969,435	1,278,167	607,027	883,351	1,490,378
Net position restricted for Pensions and Other Post Employment Benefits	\$270,974,721	\$ 55,359,297	\$ 326,334,018	\$255,898,655	\$ 51,669,855	\$ 307,568,510

See accompanying Independent Auditor's Report

Knoxville Utilities Board
Supplemental Information
Combining Statement of Changes in Fiduciary Net Position – Pension Plan and OPEB Trust
June 30, 2025

	2025			2024		
	Pension Plan	Other Post Employment Benefits Trust	Total Fiduciary Funds	Pension Plan	Other Post Employment Benefits Trust	Total Fiduciary Funds
Additions						
Contributions:						
Employer	\$ 1,659,187	\$ 1,279,985	\$ 2,939,172	\$ 1,866,261	\$ 1,187,768	\$ 3,054,029
Participants	4,971,148	-	4,971,148	5,752,609	-	5,752,609
Total contributions	6,630,335	1,279,985	7,910,320	7,618,870	1,187,768	8,806,638
Investment income:						
Net change in fair value of investments	22,943,115	6,158,453	29,101,568	29,608,677	5,707,892	35,316,569
Less investment expenses	(190,635)	(73,547)	(264,182)	(355,209)	(51,502)	(406,711)
Interest income	1,552,208	-	1,552,208	2,443,138	-	2,443,138
Dividend income	4,235,963	-	4,235,963	4,230,832	-	4,230,832
Net investment income	28,540,651	6,084,906	34,625,557	35,927,438	5,656,390	41,583,828
Other	738	-	738	4,568	-	4,568
Total net additions	35,171,724	7,364,891	42,536,615	43,550,876	6,844,158	50,395,034
Deductions						
Benefit payments	19,400,811	3,246,184	22,646,995	19,193,834	3,469,945	22,663,779
Claims processing fees	-	348,019	348,019	-	316,426	316,426
General and administrative expenses	662,847	81,246	744,093	602,078	94,379	696,457
Death benefits	32,000	-	32,000	44,000	-	44,000
Total deductions	20,095,658	3,675,449	23,771,107	19,839,912	3,880,750	23,720,662
Change in net position	15,076,066	3,689,442	18,765,508	23,710,964	2,963,408	26,674,372
Net position restricted for Pensions and Other Post Employment Benefits						
Beginning of the year	255,898,655	51,669,855	307,568,510	232,187,691	48,706,447	280,894,138
End of the year	<u>\$270,974,721</u>	<u>\$ 55,359,297</u>	<u>\$ 326,334,018</u>	<u>\$255,898,655</u>	<u>\$ 51,669,855</u>	<u>\$307,568,510</u>

See accompanying Independent Auditor's Report

Knoxville Utilities Board
Statistical Information – Schedule of Insurance in Force
June 30, 2025
(Unaudited)

Crime

Covers losses resulting from employee dishonesty, robbery, burglary, and computer fraud. Limits of coverage - \$5,000,000; \$250,000 retention.

Directors' and Officers' Liability Insurance

Covers KUB personnel appropriately authorized to make decisions on behalf of KUB (including but not limited to Commissioners, President and CEO, Senior Vice Presidents, Vice Presidents, and Directors) for wrongful acts. Limits of coverage - \$20,000,000; \$500,000 corporate deductible, \$0 individual deductible.

Employment Practices Liability

Coverage for costs related to actual or alleged employment practices violations for amounts exceeding specified amount (\$500,000). Limits of coverage - \$10,000,000.

Fiduciary

Covers losses resulting from wrongful acts related to KUB's Pension, 401(k), OPEB Trust funds, and Medical Plan. Limits of coverage - \$10,000,000; \$150,000 deductible.

Environmental and Pollution Legal Liability

Environmental and Pollution coverage for covered losses resulting from a pollution or environmental event. Limits of coverage - \$15,000,000.

Property Insurance

This coverage provides protection of KUB's property for fire, extended coverage, vandalism and malicious mischief, and coverage on boilers and machinery. Also included are flood and earthquake damage and mechanical failure. Limits of coverage - \$250,000,000 per occurrence (subject to certain sub limits); \$3,500,000 deductible per occurrence.

Travel Accident

Covers losses related to employees' business travel. Limits of coverage - \$3,000,000 aggregate.

Excess Insurance for General Liability

As a governmental entity, KUB's liability is limited under the Tennessee Governmental Tort Liability Act (TCA §29-20-403). Limits of coverage - \$5,000,000; \$700,000 retention.

Excess Insurance for Workers' Compensation

Covers all losses exceeding specified amount per occurrence (\$1,000,000). Limits of coverage - Statutory; stop loss coverage applies for aggregate losses over \$5,000,000.

Employee Health Plan Stop Loss Coverage

KUB's employee health plan is self-funded. KUB has purchased stop loss insurance, which covers KUB's exposure to annual expenses for more than \$700,000 per individual participant.

Cyber Security Liability

Liability coverage resulting from losses related to a covered event such as data breaches, ransomware, regulatory fines, cyber extortion, business interruption and other cyber-related events. Limits of coverage - \$5,000,000; \$500,000 deductible.

Drone

Liability coverage resulting from losses related to bodily injury or damaged property arising out of the ownership, maintenance, or use of a drone aircraft. Limits of coverage - \$2,000,000.

See accompanying Independent Auditor's Report



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners
Knoxville Utilities Board

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Knoxville Utilities Board (KUB), a component unit of the City of Knoxville, Tennessee, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise KUB's basic financial statements, and have issued our report thereon dated October 17, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered KUB's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of KUB's internal control. Accordingly, we do not express an opinion on the effectiveness of KUB's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of KUB's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

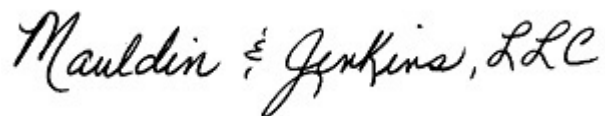
As part of obtaining reasonable assurance about whether KUB's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2025-001.

Knoxville Utilities Board Response to Finding

Government Auditing Standards require the auditor to perform limited procedures on KUB's responses to the findings identified in our audit and described in the accompanying schedule of findings and responses. KUB's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of KUB's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering KUB's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Chattanooga, Tennessee
October 17, 2025

SCHEDULE OF FINDINGS AND RESPONSES FOR THE FISCAL YEAR ENDED JUNE 30, 2025

Financial Statements

Noncompliance material to financial statements noted? ___ yes X no

KNOXVILLE UTILITIES BOARD

SCHEDULE OF FINDINGS AND RESPONSES FOR THE FISCAL YEAR ENDED JUNE 30, 2025

SECTION II FINANCIAL STATEMENT FINDINGS

2025-001 Timekeeping Discrepancy

Criteria: Knoxville Utilities Board internally identified an allegation that an employee in the Water Systems Engineering Department was falsifying time entered into the time-keeping software and was being paid for hours worked for which the employee was not actually working. This allegation was investigated by KUB's internal management team and they initiated a review due to potential timekeeping discrepancies and unearned compensation related to the employee.

Condition: A preliminary review of time records over a four-week period indicated that an employee logged 25 hours with no physical presence or documented work activity. The employee was interviewed and confirmed that he received training and understood the expectations of accurate timekeeping. After the employee's resignation, a comprehensive review of timekeeping records was conducted.

Context/Cause: The comprehensive review found the employee falsified 256.25 hours and was overpaid in the amount of \$9,240.

Effects: False time reporting resulted in a financial loss to the organization in the form of unearned compensation paid to the employee.

Recommendation: We recommend KUB continue to monitor all employee time that is logged in remotely compared to on-site and continue to enhance the review and approval of all remotely accessed time stamps. This could also include regular, unannounced checks to verify employee presence and work activities, as well as a reconciliation process between time logs and project deliverables or documented tasks.

Auditee's Response: Management is working to implement new controls to prevent similar issues in the future.

**SUMMARY OF CERTAIN PROVISIONS
OF
ELECTRIC BOND RESOLUTION**

SUMMARY OF CERTAIN PROVISIONS OF THE ELECTRIC BOND RESOLUTIONS

The following statements are brief summaries of certain provisions of the Electric Bond Resolutions, copies of which are available for examination at the offices of the Knoxville Utilities Board (the "Board"). Terms defined in the Electric Bond Resolutions and not defined below or elsewhere in this Official Statement shall have the meaning set forth in the Electric Bond Resolutions. Section numbers refer to sections of Resolution No. 1644, as amended by Resolution No. 2171, Resolution No. 3491, Resolution No. R-317-90, Resolution No. R-422-98, Resolution No. R-149-01, Resolution No. R-332-2010 and Resolution No. R-230-2018, and as supplemented by Resolution No. R-243-2025 and as otherwise supplemented prior to the date hereof (collectively, the "Resolution").

Security

The Series RR-2026 Bonds constitute and, when issued will be Bonds under the Resolution. All Series RR-2026 Bonds are limited obligations of the City, payable solely and ratably from the net revenues of the Electric System of the City and are on parity with each other in all respects.

The Series RR-2026 Bonds will be issued pursuant to the Resolution which sets forth in detail covenants of the City with respect to the Series RR-2026 Bonds. The following summary is a brief outline of certain provisions contained in the Resolution and is not to be considered as a full statement thereof. This summary is qualified by reference to and is subject to the Resolution, copies of which may be examined at the office of the Board.

Certain Definitions

"Accreted Value" shall mean, with respect to any Capital Appreciation Debt, an amount equal to the principal amount of such Capital Appreciation Debt (determined on the basis of the principal amount per \$5,000 at maturity thereof) plus the amount assuming semi-annual compounding of earnings which would be produced on the investment of such principal amount, beginning on the dated date of such Capital Appreciation Debt and ending at the date such Accreted Value is calculated, at a yield which, if produced until maturity, will produce \$5,000 at maturity. As of any Valuation Date, the Accreted Value of any Capital Appreciation Debt shall mean the amount set forth for such date in the resolution authorizing such Capital Appreciation Debt, which amount shall be required to be determined in the manner described above, and as of any date other than a Valuation Date, the sum of (a) the Accreted Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date and (2) the difference between the Accreted Values for such Valuation Dates.

"Aggregate Debt Service" for any period shall mean, as of any date of calculation, the sum of the amounts of Debt Service for such period with respect to all indebtedness with respect to which such calculation is required to be made for such period.

"Balloon Date" shall mean any maturity date for Balloon Indebtedness in a Balloon Year.

"Balloon Indebtedness" shall mean any bonds, notes or other indebtedness of the Board or the City, on behalf of the Board, other than Short-Term Indebtedness, twenty-five percent or more of the initial principal amount of which matures (or must be redeemed at the option of the holder) during any twelve

month period, if such twenty-five percent or more is not to be amortized to below twenty-five percent by mandatory redemption prior to the beginning of such twelve month period.

"Balloon Year" shall mean any 12-month period in which more than 25% of the original principal amount of related Balloon Indebtedness matures or is subject to mandatory redemption by the Authority.

"Capital Appreciation Debt" shall mean any bonds, notes or other indebtedness of the Board or of the City on behalf of the Board as to which interest is payable only at the maturity or prior redemption of such bonds.

"Commitment," when used with respect to Balloon Indebtedness, shall mean a binding written commitment from a financial institution, surety, or insurance company to refinance such Balloon Indebtedness on or prior to any Balloon Date thereof.

"Consulting Engineer" shall mean (i) an engineering firm or individual engineer employed by the Board with substantial experience in advising utilities similar to the System operated by the Board as to the construction and maintenance of the System and in the projection of relative costs of expansion in the System or (ii) an engineer or engineers who are employees of the Board whose reports or projections are certified by a financial advisor with substantial experience in advising utilities similar to the System.

"Current Operating Expenses" shall include but not be limited to, expenses for ordinary repairs, removals and replacements of the System, salaries and wages, employees' health, hospitalization, pension and retirement expenses, fees for services, materials and supplies, rents, administrative and general expenses (including legal, engineering, accounting and financial advisory fees and expenses and costs of other consulting or technical services not funded with proceeds of indebtedness), insurance expenses, taxes and other governmental charges, the imposition or amount of which is not subject to control of the Board or the City, any payments made by the Board during any fiscal year to purchase electrical power for delivery during or after the end of that fiscal year, and other payments made under any electrical power supply contract, and any principal or interest payments made by the Board during any fiscal year on bonds, notes or other obligations, including loan agreements, issued or entered into for the purpose of financing the purchase of electrical power, and to the extent so provided by the resolution authorizing such bonds, notes or obligations and to the extent not inconsistent with generally accepted accounting principles. Current Operating Expenses do not include depreciation or obsolescence charges or reserves therefor, amortization of intangibles or other bookkeeping entries of a similar nature, interest charges and charges for the payment of principal or amortization of bonded or other indebtedness of the Board or the City, on behalf of the Board, payable from revenues of the System, costs or charges made therefor, capital additions, replacements, betterments, extensions or improvements to or retirement from the System which under generally accepted accounting principles are properly chargeable to the capital account or the reserve for depreciation, and do not include losses from the sale, abandonment, reclassification, revaluation or other disposition of any properties of the System, nor such property items, including taxes and fuels, which are capitalized pursuant to the then existing accounting practices of the Board or expenses of a system that is merged into the System, as permitted hereunder, if revenues of the merged system are not included in Revenues at the election of the Board. If the Board operates its utilities as a Combined System, as defined herein, Current Operating Expenses shall be deemed to refer to the Current Operating Expenses of the Combined System.

"Debt Service" for any period shall mean, as of any date of calculation and with respect to the indebtedness with respect to which such calculation is being made, an amount equal to (i) the interest accruing during such period on such indebtedness plus (ii) the portion of each Principal Installment which would accrue during such period if such Principal Installment were deemed to accrue periodically in equal amounts from the next preceding Principal Installment due date for such indebtedness (or, if there shall be

no such preceding Principal Installment due date, from a date of issuance of the indebtedness). For purposes of this definition:

(a) The principal and interest portions of the Accreted Value of Capital Appreciation Debt becoming due at maturity or by virtue of a Sinking Fund Installment shall be included in the calculations of accrued and unpaid and accruing interest or Principal Installments in such manner and during such period of time as is specified in the resolution authorizing such Capital Appreciation Debt.

(b) The annual principal and interest requirement on Short-Term Indebtedness shall be calculated as that amount necessary to amortize the Short-Term Indebtedness from the date it was issued over twenty (20) years in twenty (20) approximately equal annual payments of principal and interest using an assumed interest rate (which shall be the interest rate as of the date of issuance or the date of calculation, whichever is less, certified by a Financial Advisor to be the interest rate at which the City on behalf of the Board could reasonably expect to borrow the same amount by issuing indebtedness with the same priority of lien as such Balloon Indebtedness and with a 20-year term).

(c) With respect to any Variable Rate Indebtedness, including Hedged Indebtedness if the interest thereon calculated as set forth below is expected to vary, the interest coming due in any specified future period shall be determined as if the interest rate in effect at all times during such future period was, at the option of the Board, either (1) the average of the actual interest rates which were in effect (weighted according to the length of the period during which each such interest rate was in effect) for the most recent 12-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a 12-month period), or (2) the current average annual fixed rate of interest on securities of similar quality having a similar maturity date as certified by a Financial Advisor.

(d) With respect to any Hedged Indebtedness, the interest on such Hedged Indebtedness during any Hedge Period and for so long as the provider of the related Hedge Agreement has not defaulted on its payment obligations thereunder shall be calculated by adding (x) the amount of interest payable by the City or the Board on such Hedged Indebtedness pursuant to its terms and (y) the amount of Hedge Payments payable by the City or the Board under the related Hedge Agreement and subtracting (z) the amount of Hedge Receipts payable by the provider of the related Hedge Agreement at the rate specified in the related Hedge Agreement; provided, however, that to the extent that the provider of any Hedge Agreement is in default thereunder, the amount of interest payable by the City or the Board on the related Hedged Indebtedness shall be the interest calculated as if such Hedge Agreement had not been executed. In determining the amount of Hedge Payments or Hedge Receipts that are not fixed throughout the Hedge Period (i.e., which are variable), payable or receivable for any future period, such Hedge Payments or Receipts for any period of calculation (the "Determination Period") shall be computed by assuming that the variables comprising the calculation (e.g., indices) applicable to the Determination Period are equal to the average of the actual variables which were in effect (weighted according to the length of the period during which each such variable was in effect) for the most recent 12-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a 12-month period).

(e) With respect to Balloon Indebtedness (1) which is subject to a Commitment or (2) which does not have a Balloon Year commencing within 12 months from the date of calculation, such Balloon Indebtedness shall be assumed to be amortized in substantially equal annual amounts to be paid for principal and interest over an assumed amortization period of 20 years from the date of issuance at an assumed interest rate (which shall be the interest rate as of the date of issuance or the date of calculation, whichever is less, certified by a Financial Advisor to be the interest rate at which the City on behalf of the Board could reasonably expect to borrow the same amount by issuing indebtedness with the same priority of lien as such

Balloon Indebtedness and with a 20-year term); provided, however, that if the maturity of such Balloon Indebtedness (taking into account the term of any Commitment) is in excess of 20 years from the date of issuance, then such Balloon Indebtedness shall be assumed to be amortized in substantially equal annual amounts to be paid for principal and interest over an assumed amortization period of years equal to the number of years from the date of issuance of such Balloon Indebtedness to maturity (including the Commitment) and at the interest rate provided above. For the purpose of calculating the Debt Service Requirement on Balloon Indebtedness (a) which are not subject to a Commitment and (b) which have a Balloon Year commencing within 12 months from the date of calculation, the principal payable on such Balloon Indebtedness during the Balloon Year shall be calculated as if paid on the Balloon Date.

(f) The principal of and interest on Parity Indebtedness and Hedge Payments shall be excluded from the determination of Debt Service to the extent that the same were or are expected to be paid with amounts on deposit on the date of calculation (or proceeds of indebtedness to be deposited on the date of issuance of any proposed Parity Indebtedness) in a fund established for such purpose.

(g) In calculating the Debt Service on any Parity Indebtedness or proposed Parity Indebtedness with respect to which the federal government or any agency thereof is or is expected to be obligated to make tax refunds or other payments to the City or the Board for the purpose of reducing the interest costs associated therewith, the Board may offset any stated interest payment on such Parity Indebtedness or proposed Parity Indebtedness by the amount of the scheduled tax refund or other payment corresponding thereto.

"Financial Advisor" shall mean an investment banking or financial advisory firm or commercial bank who or which is retained by the Board for the purpose of passing on questions relating to the availability and terms of specified types of indebtedness and is actively engaged in and, in the good faith opinion of the Board, has a favorable reputation for skill and experience in underwriting or providing financial advisory services in respect of similar types of securities.

"Fiscal Year" shall mean the twelve month period beginning July 1 of each year and ending June 30 of the following year.

"Hedge Agreement" shall mean, without limitation, (i) any contract known as or referred to or which performs the function of an interest rate swap agreement, currency swap agreement, forward payment conversion agreement, or futures contract; (ii) any contract providing for payments based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices; (iii) any contract to exchange cash flows or payments or series of payments; (iv) any type of contract called, or designed to perform the function of, interest rate floors, collars, or caps, options, puts, or calls, to hedge or minimize any type of financial risk, including, without limitation, payment, currency, rate, or other financial risk; and (v) any other type of contract or arrangement that the Board determines is to be used, or is intended to be used, to manage or reduce the cost of any indebtedness or other obligations, to convert any element of any indebtedness or other obligations from one form to another, to maximize or increase investment return, to minimize investment return risk, or to protect against any type of financial risk or uncertainty. A Hedge Agreement shall not include any commodity hedge agreement or similar arrangement. For purposes of Resolution No. 1644, as amended, a Hedge Agreement shall be deemed not to have any principal amount for purposes of obtaining consents or approvals of holders of Parity Indebtedness or for otherwise determining the amount of Outstanding Parity Indebtedness.

"Hedged Indebtedness" shall mean any indebtedness or other obligation for which the Board or the City, on behalf of the Board, shall have entered into a Qualified Hedge Agreement.

"Hedge Payments" shall mean amounts payable by the Board or the City, on behalf of the Board, pursuant to any Hedge Agreement, other than termination payments, fees, expenses, and indemnity payments.

"Hedge Period" shall mean the period during which a Hedged Agreement is in effect.

"Hedge Receipts" shall mean amounts payable by any provider of a Hedge Agreement pursuant to such Hedge Agreement, other than termination payments, fees, expenses, and indemnity payments.

"Maximum Annual Aggregate Debt Service" shall mean the maximum Aggregate Debt Service in the Fiscal Year during which such calculation is made or any future Fiscal Year.

"Net Revenues" shall mean Revenues, excluding any profits or losses on the sale or other disposition, not in the ordinary course of business, of investments or fixed or capital assets, less Current Operating Expenses.

"Outstanding Parity Indebtedness" shall mean any Parity Indebtedness that is outstanding under the Resolution or other document under which such Parity Indebtedness is issued.

"Parity Indebtedness" shall mean bonds, notes, loan agreements, and other debt obligations, including Balloon Indebtedness, Short-Term Indebtedness, Variable Rate Indebtedness and Hedge Agreements (but only to the extent of Hedge Payments), issued by or entered into by the Board or by the City on behalf of the Board on a parity of lien under Resolution No. 1644 in accordance with the restrictive provisions of the Resolution described herein, including any bonds, notes, loan agreements or other obligations secured by a pledge of and/or lien on a Merged System and the revenues derived from the operation of such Merged System, as defined herein, (provided such pledge and lien are subject only to normal and customary expenses of operating, maintaining, repairing and insuring any such System), so long as the Merged System is not being operated separately from the System as is permitted herein.

"Principal Installment" shall mean, as of the date of calculation and with respect to the indebtedness with respect to which the calculation is being made, (i) the principal amount of the indebtedness due on a certain future date for which no Sinking Fund Installments have been established, (ii) Sinking Fund Installment due on a certain future date for such indebtedness and (iii) if such future dates coincide, the sum of such principal amount and any such Sinking Fund Installment.

"Qualified Hedge Provider" shall mean an entity whose senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, or whose payment obligations under the related Hedge Agreement are absolutely and unconditionally guaranteed or insured or collateralized by an entity whose senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, are rated either (i) at least as high as "A" or better by Standard & Poors' Rating Group (or any successor thereto) ("S&P") or "A2" or better by Moody's Investors Services, Inc. (or any successor thereto) ("Moody's") (the "Initial Rating Requirement") and such entity maintains a rating on its debt or claims paying ability of not less than "A-" from S&P or "A3" from Moody's (the "Minimum Rating Requirement"); provided that this requirement shall be deemed to have been met, even if the rating of such entity is reduced below the Minimum Rating Requirement, if such entity is replaced with an entity meeting the Initial Rating Requirement within twenty business days from when the Board receives notice that the Minimum Rating Requirement has not been met. An entity's status as a Qualified Hedge Provider is made as of the time the applicable calculation is made.

"Revenues" shall mean all revenues, rentals, earnings and income of the System from whatever source, determined in accordance with generally accepted accounting principles, including all revenues

derived from the operation of the System; proceeds from the sale of property; proceeds of insurance and condemnation awards and compensation for damages, to the extent not applied to the payment of the cost of repairs, replacements and improvements; and all amounts realized from the investment of money in the accounts and funds of the System (excluding any investment earnings from construction or improvement funds created for the deposit of bond, note, or loan agreement proceeds pending use, to the extent such income is applied to the purposes for which the bonds, notes or loan agreement were issued, and funds created to refund any outstanding obligations payable from Revenues of the System) and at the election of the Board, shall not include any rates, fees, rentals or other charges or other income received by the Board from the operation of a Merged System. "Revenues" shall also not include any payments to the Board with respect to which an adjustment to Debt Service has been made pursuant to subparagraph (g) of the definition of Debt Service.

"Short-Term Indebtedness" shall mean bonds, notes or other obligations, including Variable Rate Indebtedness, maturing five (5) years or less from their date of issuance which are issued in anticipation of the issuance of revenue bonds the proceeds of which will be used to pay the Short-Term Indebtedness.

"Sinking Fund Installment" shall mean, as of any particular date of calculation, the amount required to be paid on a certain future date for the retirement of Outstanding Parity Indebtedness which mature after said future date, but does not include any amount payable by reason of the maturity of an Outstanding Parity Indebtedness or by call for redemption at the election of the Board or the City on behalf of the Board.

"Valuation Date" shall mean with respect to any Capital Appreciation Indebtedness, the date or dates set forth in the resolution authorizing such Capital Appreciation Bonds on which specific Accreted Values are assigned to the Capital Appreciation Bonds.

"Variable Rate Indebtedness" shall mean any bonds, notes or other obligations of the Board or the City, on behalf of the Board, the interest rate on which is subject to periodic adjustment, at intervals, at such times and in such manner as shall be determined by the resolution authorizing such indebtedness, provided that if the interest rate shall have been fixed for the remainder of the term thereof (including a fixed rate pursuant to a Hedge Agreement with a Qualified Hedge Provider), it shall no longer be Variable Rate Indebtedness.

The term "Bonds" in Resolution No. 1644 shall for all purposes have the same meaning as "Parity Indebtedness" described above unless the context clearly requires otherwise, and notwithstanding any provision of Resolution No. 1644 to the contrary, any Parity Indebtedness issued on a parity of lien under the Resolution, as amended, may be in such form, may be executed in such manner, may be payable upon such terms and upon such dates, may be subject to such registration provisions, may be designated in such manner, may be issued for such purpose and may be issued pursuant to such applicable laws as is provided in the resolution authorizing such Parity Indebtedness.

Pledge of Revenues

The punctual payment of principal and premium, if any, and interest on all Parity Indebtedness and Hedge Payments with respect to Parity Indebtedness shall be payable from and secured equally and ratably by the Net Revenues of the System, without priority by reason of number or time of sale or execution or delivery and such Net Revenues are irrevocably pledged to the punctual payment of such principal, premium, interest and Hedge Payments as the same become due.

Disposition of Revenues

As long as any Parity Indebtedness shall be outstanding and unpaid either as to principal or as to interest, or until the discharge and satisfaction of the Parity Indebtedness as provided in the resolution authorizing said Parity Indebtedness, the entire income and revenues of the System shall be deposited as collected in the Revenue Fund established by the Resolution (the "Revenue Fund"), to be administered and controlled by the Board. The income and revenues deposited therein shall be used only as follows:

(a) The money in the Revenue Fund shall be disbursed first from month to month for the payment of Current Operating Expenses.

(b) The money remaining in the Revenue Fund, after payment of Current Operating Expenses, shall next be used to make deposits into a separate and special fund, to be known as the Debt Service Fund (the "Debt Service Fund"), to be kept separate and apart from all other funds of the Board and used to pay principal of and interest on Parity Indebtedness and Hedge Payments (net of Hedge Receipts) with respect thereto as the same become due, either by maturity or mandatory redemption. Such deposits shall be made monthly, or as otherwise set forth herein or in the resolution authorizing such Parity Indebtedness or Hedged Payments, until all Parity Indebtedness is paid in full or discharged and satisfied. Unless otherwise authorized in the resolution authorizing any Parity Indebtedness, for the period commencing with the month next following the delivery of the Parity Indebtedness, each monthly deposit shall be an amount that, together with all other monthly deposits of approximately equal amounts during such period and amounts otherwise in said Fund, will be equal to principal due on the Parity Indebtedness on the next principal payment date, divided by the number of months from and including the month of the first such deposit to and including the months preceding the next principal payment date; provided that, if the next principal payment date is more than 13 months following the month next following the delivery of the Parity Indebtedness, such monthly deposits to the Debt Service Fund shall commence in the month that is 13 months prior to the month of the next principal payment date. Furthermore, during such period, there shall be deposited to the Debt Service Fund monthly an amount equal to one-sixth ($1/6$) of the interest coming due on the next interest payment date for Parity Indebtedness (unless otherwise specified in the resolution authorizing such Parity Indebtedness).

In each month thereafter, each monthly deposit shall consist of an interest component and a principal component except as provided above. If interest is payable semi-annually, then the interest component shall be an amount equal to not less than one-sixth ($1/6$ th) of the interest coming due on any Parity Indebtedness on the next succeeding interest payment date, unless otherwise specified in the resolution authorizing such Parity Indebtedness. Unless otherwise specified in the resolution authorizing Parity Indebtedness, the principal component shall be an amount which shall be established annually on each July 1 for all payments to be made during the ensuing twelve-month period commencing in July of each calendar year and ending in June of the following calendar year and shall be not less than one-twelfth ($1/12$) of the principal amounts, as the case may be, coming due, whether by maturity or mandatory redemption, on the Parity Indebtedness then outstanding during such twelve-month period. No further deposit shall be required when the Debt Service Fund balance is equal to or greater than the amount needed to pay interest coming due on the next interest payment date and the total of the principal amounts payable, either by maturity or mandatory redemption, during the applicable twelve-month period. Money in the Debt Service Fund shall be used solely and is expressly and exclusively pledged for the purpose of paying principal of and interest on Parity Indebtedness. Notwithstanding the foregoing, deposits for the payment of principal

and interest on Variable Rate Indebtedness or Hedge Payments shall be made as set forth in the resolution authorizing such Variable Rate Indebtedness or Hedge Payments.

(c) The next available money in the Revenue Fund shall be paid to any issuer of an insurance policy, surety bond, letter of credit or similar instrument (a "Reserve Fund Credit Facility") (pro rata, if more than one) to the extent needed to reimburse the issuer for any amounts advanced under the Reserve Fund Credit Facility, including any amounts payable under any guaranty agreement relating to such amounts, together with reasonable related expenses incurred by the issuer of such Reserve Fund Credit Facility and any interest relating to such amounts.

(d) The next available money in the Revenue Fund shall be deposited to any reserve fund created pursuant to any resolution authorizing Parity Indebtedness in the manner provided in such resolution.

(e) The next available money in the Revenue Fund shall be used to pay liquidity fees, remarketing agent fees and similar fees that are payable in connection with the issuance of Parity Indebtedness.

(f) The next available money in the Revenue Fund shall be used for the payment of all other payments to be made under the Parity Indebtedness not provided for in the preceding subsections including payments in connection with Hedge Agreements that are not Hedge Payments, including termination payments.

(g) The next available money in the Revenue Fund shall be used for the purpose of making payments in lieu of taxes and, to the extent not so used, may be used for any lawful purpose, including such reserve funds and other funds as the Board deems necessary and appropriate.

(h) Money on deposit in the Funds described above may be invested by the Board in such investments as shall be permitted by applicable law, as determined by an authorized representative of the Board, all such investments to mature not later than the date on which the money so invested shall be required for the purpose for which the respective Fund was created. All income derived from such investments shall be regarded as revenues of the System and shall be deposited in the Revenue Fund. Such investments shall at any time necessary be liquidated and the proceeds thereof applied to the purpose for which the respective Fund was created. The Board is authorized to enter into contracts with third parties for the investment of funds in any of the Funds described herein.

(i) The Revenue Fund and the Debt Service Fund shall be held and maintained by the Board and, when not invested, kept on deposit with a bank or financial institution regulated by and the deposits of which are insured by the Federal Deposit Insurance Corporation or similar federal agency. All moneys in such Funds so deposited shall at all times be secured to the extent and in the manner required by applicable State law.

(j) Notwithstanding the foregoing, the Board may deposit any amounts described in subparagraph (g) of the definition of Debt Service directly into the Debt Service Fund at the Board's option.

Additional Indebtedness

The Series RR-2026 Bonds issued pursuant to the Resolution shall be on a parity with the Outstanding Parity Indebtedness, and with all Parity Indebtedness hereafter issued within the terms, limitations and restrictions of the Resolution, as amended.

The City has covenanted that it will incur no indebtedness payable from the revenues of the Electric System and having priority over the Series RR-2026 Bonds.

The following shall apply to the incurrence of additional Parity Indebtedness:

(a) All payments required to be made to the Debt Service Fund and into any reserve fund which may be required under resolutions authorizing Parity Indebtedness are current as of the date of issuance of the additional bonds, notes or other obligations, additional bonds, notes or other obligations may be issued or entered into by the City or the Board on a parity and equality of lien with the Outstanding Parity Indebtedness with respect to the lien and claim of such additional bonds, notes or other obligations to the net revenues of the System and the money on deposit in the Debt Service Fund for the following purposes and under the following conditions, but not otherwise:

(i) For the purpose of refunding any Outstanding Parity Indebtedness, subordinate bonds, notes, loan agreements or other obligations, provided that after the issuance of such additional Parity Indebtedness, the Aggregate Debt Service on all Outstanding Parity Indebtedness, including the additional Parity Indebtedness to be issued, in any Fiscal Year shall not increase by more than ten percent (10%) after the issuance of such additional Parity Indebtedness.

(ii) For the purpose of financing the completion or equipping of improvements to the System for which Outstanding Parity Indebtedness have previously been issued but only to the extent necessary to complete such improvements in the manner contemplated at the time of the issuance of the Outstanding Parity Indebtedness that financed such improvements.

(iii) For the purposes of refunding any Outstanding Parity Indebtedness or any Prior Lien Bonds, subordinated bonds, notes or other obligations or extending, improving or replacing the System or for any other lawful purposes under applicable law, if one of the following conditions shall have been met: (A) the Net Revenues for any twelve-month period selected by the Board ending within the twelve months prior to the date of the issuance of the additional Parity Indebtedness must have been equal to at least 120% of the Maximum Annual Aggregate Debt Service on Outstanding Parity Indebtedness plus the Debt Service on the additional Parity Indebtedness proposed to be issued or (B) the estimated Net Revenues of the System for each of the three Fiscal Years next succeeding the issuance of the additional Parity Indebtedness, must be equal at least to 120% of Maximum Annual Aggregate Debt Service on the Notes, any other Outstanding Parity Indebtedness and all outstanding Prior Lien Bonds plus the Debt Service on the additional Parity Indebtedness proposed to be issued; provided, however, that if the additional Parity Indebtedness is to be issued for the acquisition or construction of any extension, improvement or replacement to the System, then the estimate of Net Revenues may be for the three Fiscal Years ensuing after the time that such improvement, extension or replacement is expected to be placed in service.

(iv) For the purpose of entering into a Hedge Agreement with a Qualified Hedge Provider with respect to Outstanding Parity Indebtedness but only to the extent of Hedge Payments.

(b) In calculating Net Revenues, Debt Service and Maximum Annual Aggregate Debt Service for all purposes under the Resolution, the following adjustments and assumptions shall be made:

(i) In calculating Net Revenues on a historical basis, the amount of such Net Revenues may be adjusted to take into account any rate increase adopted by the Board that is effective prior to the date of such calculation.

(ii) In calculating projected Net Revenues for any period in the future, the amount of such Net Revenues may be adjusted to take into account any rate increase adopted by the Board that is to be effective within one year of the date of such calculation, and if such calculation is being made in connection with the issuance of Parity Indebtedness, the Net Revenues may be calculated based upon the assumption that any improvements financed with proceeds of the Parity Indebtedness will be completed within a time period established in a report of a Consulting Engineer.

(c) Any calculation or projection of Net Revenues described above, whether for a historical period or for a future period, shall be set forth in a certificate of the President and Chief Executive Officer and Chief Financial Officer of the Board. If the calculation is made as to a future period, a Consulting Engineer shall state in a report that the assumptions underlying any projections of the Board as to Net Revenues are reasonable. Any calculation of the Maximum Annual Aggregate Debt Service shall also be set forth in a certificate of the President and Chief Executive Officer and Chief Financial Officer of the Board, which certificate shall be accompanied by a certificate of a financial advisory firm to the effect that the calculation of Maximum Annual Aggregate Debt Service is correct and is in compliance with the terms of the Resolution, but such certificate of the financial advisory firm shall only be required if Variable Rate Indebtedness, Balloon Indebtedness or Short-Term Indebtedness must be taken into account in the calculation of Maximum Annual Aggregate Debt Service.

(d) Any obligation of the Board to pay amounts under a Hedge Agreement other than Hedge Payments, including a termination payment upon the termination of a Hedge Agreement, shall be a subordinate obligation to the obligations with respect to Parity Indebtedness.

Collection of Revenues

All revenues which will be received by the City from the System shall be deposited in a separate fund, which shall be kept separate and distinct from all other funds of the City, and is designated as the "Electric Fund."

Rate Covenant

The City will fix rates and collect charges for electric energy and the services, facilities and commodities furnished by the System of the City so as to provide revenues sufficient to pay, as the same shall become due, the principal of and interest on the bonds, in addition to pay, as the same shall become due, the necessary expenses or operating and maintaining the System and all other obligations and indebtedness payable out of the Electric Fund, and that such rates and charges shall not be reduced so as to be insufficient to provide revenues for such purposes.

Without limiting the foregoing, the Board will fix rates and collect charges for electric energy and the services, facilities and commodities furnished by the System so that the Net Revenues of the System will be at least sufficient for each Fiscal Year beginning on and after July 1, 2018, computed as of the date such rates and charges are established, to pay the sum of:

(i) an amount equal to 120% of the Aggregate Debt Service on all Outstanding Parity Indebtedness for such Fiscal Year; and

(ii) certain amounts, if any, required to be paid or deposited during such Fiscal Year relating to any reserve fund deposits, liquidity fees, remarketing agent fees and similar fees, and reimbursements under any Reserve Fund Credit Facility.

Operating and Maintenance

The City will maintain the System in good condition, and will operate the System in an efficient and economical manner, making such expenditures for equipment and for renewals and replacement as may be proper for the economical operation and maintenance thereof.

Discharge and Satisfaction of Bonds

If the Board, on behalf of the City, shall pay and discharge the indebtedness evidenced by any of the Series RR-2026 Bonds or Parity Bonds (referred to hereinafter, collectively, in this Section as the "Bonds") in any one or more of the following ways:

(a) By paying or causing to be paid, by deposit of sufficient funds as and when required with the Registration Agent, the principal of and interest on such Bonds as and when the same become due and payable;

(b) By depositing or causing to be deposited with any financial institution which has trust powers and which is regulated by and the deposits of which are insured by the Federal Deposit Insurance Corporation or similar federal agency ("as Agent"; which Agent may be the Registration Agent), in trust or escrow, on or before the date of maturity or redemption, sufficient money or Defeasance Obligations, the principal of and interest on which, when due and payable, will provide sufficient moneys to pay or redeem such Bonds and to pay premium, if any, and interest thereon when due until the maturity or redemption date (provided, if such Bonds are to be redeemed prior to maturity thereof, proper notice of such redemption shall have been given or adequate provision shall have been made for the giving of such notice); or

(c) By delivering such Bonds to the Registration Agent, for cancellation by it;

and if the Board, on behalf of the City, shall also pay or cause to be paid all other sums payable under the Resolution by the Board or the City with respect to such Bonds, or make adequate provision therefor, and by resolution of the Board instruct any such Agent to pay amounts when and as required to the Registration Agent for the payment of principal of and interest and redemption premiums, if any, on such Bonds when due, then and in that case the indebtedness evidenced by such Bonds shall be discharged and satisfied and all covenants, liens, pledges, agreements and obligations entered into, created or imposed under the Resolution, including the pledge of and lien on the net revenues of the System set forth herein, shall be fully discharged and satisfied with respect to such Bonds and the owners thereof and shall thereupon cease, terminate and become void.

If the Board, on behalf of the City, shall pay and discharge or cause to be paid and discharged the indebtedness evidenced by any of the Bonds in the manner provided in either clause (a) or clause (b) above, then the registration owners thereof shall thereafter be entitled only to payment out of the money or Defeasance Obligations deposited as aforesaid.

Except as otherwise provided in the Resolution, neither Defeasance Obligations nor moneys deposited with the Agent pursuant to this Section nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and premium, if any, and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Agent, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the Board as received by the Agent and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Obligations maturing at times and in amounts sufficient to pay when due the principal and premium, if any, and interest to become due on said Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments, to the extent not needed for the payment of such principal, premium and interest, shall be paid over to the Board, as received by the Agent. For the purposes described herein, Defeasance Obligations shall mean direct obligations of, or obligations, the principal of and interest on which are guaranteed by, the United States of America, or any agency thereof, obligations of any agency or instrumentality of the United States or any other obligations at the time of the purchase thereof are permitted investments under Tennessee law for the purposes described in this Section, which bonds or other obligations shall not be subject to redemption prior to their maturity other than at the option of the registered owner thereof.

Nothing described above shall be construed to alter or change the redemption provisions relating to the Series RR-2026 Bonds. No redemption privilege shall be exercised with respect to the Series RR-2026 Bonds or any Parity Bonds except at the option and election of the Board. The right to redemption set forth in the Resolution shall not be exercised by any Registration Agent or Agent unless expressly directed in writing by an authorized representative of the Board.

Sale of Electric System

The System may be sold, mortgaged, leased or otherwise disposed of only as a whole, or substantially as a whole, and only if the proceeds to be realized shall be sufficient to fully retire all obligations of the System and upon consent by the holders of sixty-five percent (65%) in the aggregate principal amount of the outstanding Bonds (exclusive of issuer-owned Bonds) to be obtained in the manner provided in the Resolution; provided, however, that the City shall have, and reserves the right to sell, lease, or otherwise dispose of any of the property comprising a part of the System determined to be no longer necessary and useful in the operation thereof, which is found, by the Board, or such other body as may be authorized to manage and operate the System, not to be both useful and necessary for the continued operation of the System substantially as it now exists; and, prior to any such sale, lease or other disposition of said property, the Board, or such other body as may be authorized to manage and operate the System shall, by resolution duly adopted, have made said finding and authorized such sale, lease or other disposition of the property. The proceeds from any such property shall be paid into the Renewal and Replacement Fund, but shall not reduce the amount otherwise required to be paid into said fund. Disbursement of such additional payments shall be made in the same manner and for the same purposes as other disbursements from the Renewal and Replacement Fund.

Notwithstanding anything elsewhere provided in the Resolution, and without being subject to any of the foregoing restrictions, the City shall have the right to sell, lease, transfer, or otherwise dispose of the System, as a whole or substantially as a whole, to any municipal corporation, county, political subdivision, governmental corporation, or governmental agency (each of which shall be included within the term

"Transferee" as herein used), provided the Transferee thus acquiring the System from the City will assume the performance of and be bound by all of the City's obligations to the holders of the Bonds under the covenants and provisions of the Resolution, as amended.

Insurance

The City will carry adequate fire and windstorm insurance on buildings and contents of buildings of the System and provide for adequate public liability insurance, and the City will also carry such other insurance as is ordinarily carried by utility companies privately or municipally owned and doing a similar business in territory contiguous to the City. Proceeds from any insurance policies, except public liability, shall be paid into the Renewal and Replacement Fund which payments shall not reduce the amount otherwise required to be paid into said fund. Disbursements of such proceeds of insurance shall be made in the same manner and for the same purposes as other disbursements from the Renewal and Replacement Fund.

Audits

The City will cause proper books and accounts adapted to the System to be kept and will cause the books and accounts with respect to the System to be audited annually by an independent firm of certified public accountants, and will make generally available to security holders the balance sheet and the profit and loss statement of the System as certified by such accountants.

Appointment of Receiver

Any holder of the Bonds, including a trustee or trustees for such holders shall, in addition to all other remedies and rights of holders of any of the Bonds, have the right, by appropriate proceedings in any court of competent jurisdiction, in the event of default in the payment of the principal of or interest on the Bonds, to obtain the appointment of a receiver for the System, which receiver may enter upon and take possession of the System, operate and maintain the System, fix rates and collect all revenues arising therefrom in as full a manner and to the same extent as the City itself might do. The receiver shall deposit all moneys collected by him in a separate account or accounts and shall dispose of such revenues in accordance with the terms and conditions of the Resolution and as the court shall direct.

Amendment of Resolution

The Resolution may be amended without the consent of or notice to the holders of the Parity Indebtedness for the purposes of (i) curing any ambiguity or formal defect or omission in the Resolution; (ii) making such amendments as are necessary to prevent interest on any Parity Indebtedness from being included in gross income of the holders thereof for federal income tax purposes; (iii) adding to the covenants and agreements of the City or the Board or surrendering or limiting any right or power of the City or the Board; or (iv) making such amendments as are necessary for any Parity Indebtedness to be held or continue to be held in book-entry form.

In addition to the amendments to the Resolution without the consent of the holders as referred to above, the Resolution may be amended from time to time if such amendment shall have been consented to by the holders of not less than a majority in principal amount of Outstanding Parity Indebtedness (not including in any case any Bonds or Parity Indebtedness which may then be held or owned by or for the account of the City or Board); but the Resolution may not be so amended (without the consent of all affected holders of Outstanding Parity Indebtedness) in such manner as to:

- (a) make any change in the maturity or interest rate (other than in accordance with its terms) of the Parity Indebtedness, or modify the terms of payment of principal of or interest on Parity Indebtedness or impose any conditions with respect to such payment; or
- (b) to make any Parity Indebtedness redeemable other than in accordance with its terms; or
- (c) to create a preference or priority of any Parity Indebtedness over any other Parity Indebtedness; or
- (d) reduce the percentage of the principal amount of Parity Indebtedness the consent of the holders of which is required to effect a further amendment.

Whenever the City shall propose to amend the Resolution as described above, the Board shall cause notice of the proposed amendment to the holders of the Parity Indebtedness by sending a summary of such proposed amendment to such holders and shall state that a copy of the proposed amendatory resolution is on file in the office of the Secretary of the Board. The holders of Parity Indebtedness shall be determined by the registration records of the City or the Board or any registration agent therefor or in such other manner as is commercially reasonable.

Whenever at any time within one year from the date of the mailing of such notice there shall be filed with the Secretary an instrument or instruments executed by the holders of at least a majority aggregate principal amount of the Outstanding Parity Indebtedness, which instrument or instruments shall refer to the proposed amendatory resolution described in such notice and shall specifically consent to and approve the adoption thereof, then the Board and/or the City may adopt such amendatory resolution and such resolution shall become effective and binding upon the holders of all Parity Indebtedness.

Any consent given by the holder of Parity Indebtedness as described above shall be irrevocable for a period for one year from the date of the instrument evidencing such consent and shall be conclusive and binding upon all future holders of the same Parity Indebtedness during such period. Such consent may be revoked at any time after one year from the date of such instrument by the holder who gave such consent or by a successor in title by filing notice of such revocation with the Secretary.

For purposes of determining the aggregate principal amount of Parity Indebtedness outstanding for purposes of amendments, and whether the holders of a sufficient percentage in aggregate principal amount of Bonds and Parity Indebtedness have consented to any amendment, the Board may make such determination at any time while a request for consents to such amendment is outstanding and may include any Parity Indebtedness issued during such period in making such determination. The Accreted Value of any Capital Appreciation Debt as of the time of any such determination shall be used in making any such determination.

The fact and date of the execution of any instrument relative to amendments may be proved by the certificate of any officer in any jurisdiction who by the laws thereof is authorized to take acknowledgments of deeds within such jurisdiction, that the person signing such instrument acknowledged before him the execution thereof, or may be proved by an affidavit of a witness to such execution sworn to before such officer. In the event that any Parity Indebtedness is held in book-entry form, any consent to an amendment may be executed by any beneficial owner of such Parity Indebtedness, which beneficial ownership may be proved by an affidavit of the beneficial owner.

Notwithstanding anything in the Resolution to the contrary, the Board and/or the City may adopt amendments to the Resolution that do not become effective until the payment or defeasance of any Parity Indebtedness outstanding on the date such amendments are adopted.

Separate Systems

Nothing contained in the Resolution shall prevent the Board from acquiring a separate electric transmission or distribution system or any combination thereof, or any other system, facilities or equipment which municipalities in Tennessee operating electric distribution systems are authorized to own, operate or finance, and nothing herein shall prevent the issuance of bonds, notes, warrants, certificates or other obligations or evidences of indebtedness, to acquire any such system or facilities. Any facilities or system acquired by the Board, at the election of the Board, may be operated as a separate and independent system or be merged into the System and operated as a single unified system with the System (the "Merged Systems"). Revenues of the Merged Systems may be commingled without keeping separate accounts of the funds of each of the systems, provided all Revenues of the Merged Systems are applied in accordance with the Resolution, including the payment of principal of and interest on all bonds, notes or other obligations of the acquired system. All Outstanding Parity Indebtedness and any bonds, notes and other obligations of the acquired system outstanding upon the merger of the systems designated by the Board may be payable from revenues of the Merged Systems on a parity and equality of lien with each other, provided the Net Revenues of the Merged Systems, for a period of twelve consecutive months (hereinafter sometimes called the "Twelve-Month Period") out of the eighteen months immediately preceding the merger of the systems shall be equal to at least 1.2 times the Maximum Annual Aggregate Debt Service on all Outstanding Parity Indebtedness, all bonds, notes and obligations of the acquired system then outstanding and any additional indebtedness to be then issued; or if within twelve months prior to any such calculation, the Board shall have put into effect a revised schedule of rates for the Merged Systems or any part thereof, then the Net Revenues of the Merged Systems, as certified by a Consulting Engineer or Financial Adviser, that would have resulted from such revised rates had they been in effect for the Twelve-Month Period, may be used in lieu of the actual Net Revenues for such Twelve-Month Period.

Combined Systems

Notwithstanding anything provided in the Resolution, nothing contained in the Resolution shall prevent the Board from combining any or all of the Board's utility systems into a single unified operation (the "Combined System") and commingling the revenues of the systems so combined in the Combined System without keeping separate accounts of the funds of each of such systems, provided payments from the funds of the Combined System are required to be made into the Debt Service Fund created hereunder from time to time in amounts sufficient to comply with provisions thereof and in amounts sufficient to pay the principal of and interest on the Outstanding Parity Indebtedness as such principal and interest becomes due. Bonds, notes and other obligations ("Parity Combined System Obligations") payable from revenues of the Combined System may be issued on a parity with Outstanding Parity Indebtedness provided at the time of the issuance of any such Parity Combined System Obligations, the following conditions have been complied with. The Net Revenues of the Combined System, for a period of twelve consecutive months (hereinafter sometimes called the "Combined Twelve-Month Period") out of the eighteen months immediately preceding the issuance of such Parity Combined System Obligations shall be equal to at least 1.2 times the Maximum Annual Aggregate Debt Service on all Outstanding Parity Indebtedness and the obligations proposed to be issued; or if within twelve months prior to the issuance of the Parity Combined System Obligations a revised schedule of rates for the Combined System or any part thereof shall have been put into effect, then the Net Revenues of the Combined System for the Twelve-Month Period, as certified by a Consulting Engineer or Financial Advisor, that would have resulted from such revised rates had they been in effect for the Twelve-Month Period, may be used in lieu of the actual Net Revenues for such Twelve-Month Period.

**SUMMARY OF CERTAIN PROVISIONS
OF
WATER BOND RESOLUTION**

SUMMARY OF CERTAIN PROVISIONS OF THE WATER BOND RESOLUTIONS

The following statements are brief summaries of certain provisions of the Water Bond Resolutions, copies of which are available for examination at the offices of the Knoxville Utilities Board (the "Board"). Terms defined in the Water Bond Resolutions and not defined elsewhere in this Official Statement shall have the meaning set forth in the Water Bond Resolutions. Section numbers refer to sections of Resolution No. 2075, as amended by Resolution No. 3633, Resolution No. R-26-88, Resolution No. R-8-98, Resolution No. R-151-01 and Resolution R-228-2018, and as supplemented by Resolution No. R-242-2025 and as otherwise supplemented prior to the date hereof (collectively, the "Resolution").

Security

The PP-2026 Bonds constitute and, when issued, will be Bonds under the Resolution. All PP-2026 Bonds are limited obligations of the City, payable solely and ratably from the Net Revenues of the Water System of the City and are on parity with each other in all respects.

The PP-2026 Bonds will be issued pursuant to the provision of the Resolution which sets forth in detail covenants of the City with respect to the PP-2026 Bonds. The following summary is a brief outline of certain provisions contained in the Resolution and is not to be considered as a full statement thereof. This summary is qualified by reference to and is subject to the Resolution, copies of which may be examined at the office of the Board.

Pledge of Revenues

The Bonds issued under and pursuant to the Resolution shall not be general obligations of the City, and no holder of any Bond issued under the Resolution shall ever have the right to compel any exercise of taxing power of the City to pay said Bonds or the interest thereon. The punctual payment of principal and premium, if any, and interest on all Parity Indebtedness and Hedge Payments with respect to Parity Indebtedness shall be payable from and secured equally and ratably by the Net Revenues of the System, without priority by reason of number or time of sale or execution or delivery and such Net Revenues are irrevocably pledged to the punctual payment of such principal, premium, interest and Hedge Payments as the same become due.

Certain Definitions

"Accreted Value" shall mean, with respect to any Capital Appreciation Debt, an amount equal to the principal amount of such Capital Appreciation Debt (determined on the basis of the principal amount per \$5,000 at maturity thereof) plus the amount assuming semi-annual compounding of earnings which would be produced on the investment of such principal amount, beginning on the dated date of such Capital Appreciation Debt and ending at the date such Accreted Value is calculated, at a yield which, if produced until maturity, will produce \$5,000 at maturity. As of any Valuation Date, the Accreted Value of any Capital Appreciation Debt shall mean the amount set forth for such date in the resolution authorizing such Capital Appreciation Debt, which amount shall be required to be determined in the manner described above, and as of any date other than a Valuation Date, the sum of (a) the Accreted Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date and (2) the difference between the Accreted Values for such Valuation Dates.

"Aggregate Debt Service" for any period shall mean, as of any date of calculation, the sum of the amounts of Debt Service for such period with respect to all indebtedness with respect to which such calculation is required to be made for such period.

"Balloon Date" shall mean any maturity date for Balloon Indebtedness in a Balloon Year.

"Balloon Indebtedness" shall mean any bonds, notes or other indebtedness of the Board or the City, on behalf of the Board, other than Short-Term Indebtedness, twenty-five percent or more of the initial principal amount of which matures (or must be redeemed at the option of the holder) during any twelve month period, if such twenty-five percent or more is not to be amortized to below twenty-five percent by mandatory redemption prior to the beginning of such twelve month period.

"Balloon Year" shall mean any 12-month period in which more than 25% of the original principal amount of related Balloon Indebtedness matures or is subject to mandatory redemption by the Authority.

"Capital Appreciation Debt" shall mean any bonds, notes or other indebtedness of the Board or of the City on behalf of the Board as to which interest is payable only at the maturity or prior redemption of such bonds.

"Commitment," when used with respect to Balloon Indebtedness, shall mean a binding written commitment from a financial institution, surety, or insurance company to refinance such Balloon Indebtedness on or prior to any Balloon Date thereof.

"Consulting Engineer" shall mean (i) an engineering firm or individual engineer employed by the Board with substantial experience in advising utilities similar to the System operated by the Board as to the construction and maintenance of the System and in the projection of relative costs of expansion in the System or (ii) an engineer or engineers who are employees of the Board whose reports or projections are certified by a financial advisor with substantial experience in advising utilities similar to the System.

"Current Operating Expenses" shall include but not be limited to, expenses for ordinary repairs, removals and replacements of the System, salaries and wages, employees' health, hospitalization, pension and retirement expenses, fees for services, materials and supplies, rents, administrative and general expenses (including legal, engineering, accounting and financial advisory fees and expenses and costs of other consulting or technical services not funded with proceeds of indebtedness), insurance expenses, taxes and other governmental charges, the imposition or amount of which is not subject to control of the Board or the City, any payments made by the Board during any fiscal year to purchase water for delivery during or after the end of that fiscal year, and other payments made under any water supply contract, and any principal or interest payments made by the Board during any fiscal year on bonds, notes or other obligations, including loan agreements, issued or entered into for the purpose of financing the purchase of water, and to the extent so provided by the resolution authorizing such bonds, notes or obligations and to the extent not inconsistent with generally accepted accounting principles. Current Operating Expenses do not include depreciation or obsolescence charges or reserves therefor, amortization of intangibles or other bookkeeping entries of a similar nature, interest charges and charges for the payment of principal or amortization of bonded or other indebtedness of the Board or the City, on behalf of the Board, payable from revenues of the System, costs or charges made therefor, capital additions, replacements, betterments, extensions or improvements to or retirement from the System which under generally accepted accounting principles are properly chargeable to the capital account or the reserve for depreciation, and do not include losses from the sale, abandonment, reclassification, revaluation or other disposition of any properties of the System, nor such property items, including taxes and fuels, which are capitalized pursuant to the then existing accounting practices of the Board or expenses of a system that is merged into the System, as permitted hereunder, if revenues of the merged system are not included in Revenues at the election of the Board. If

the Board operates its utilities as a Combined System, as defined herein, Current Operating Expenses shall be deemed to refer to the Current Operating Expenses of the Combined System.

"Debt Service" for any period shall mean, as of any date of calculation and with respect to the indebtedness with respect to which such calculation is being made, an amount equal to (i) the interest accruing during such period on such indebtedness plus (ii) the portion of each Principal Installment which would accrue during such period if such Principal Installment were deemed to accrue periodically in equal amounts from the next preceding Principal Installment due date for such indebtedness (or, if there shall be no such preceding Principal Installment due date, from a date of issuance of the indebtedness). For purposes of this definition:

(a) The principal and interest portions of the Accreted Value of Capital Appreciation Debt becoming due at maturity or by virtue of a Sinking Fund Installment shall be included in the calculations of accrued and unpaid and accruing interest or Principal Installments in such manner and during such period of time as is specified in the resolution authorizing such Capital Appreciation Debt.

(b) The annual principal and interest requirement on Short-Term Indebtedness shall be calculated as that amount necessary to amortize the Short-Term Indebtedness from the date it was issued over twenty (20) years in twenty (20) approximately equal annual payments of principal and interest using an assumed interest rate (which shall be the interest rate as of the date of issuance or the date of calculation, whichever is less, certified by a Financial Advisor to be the interest rate at which the City on behalf of the Board could reasonably expect to borrow the same amount by issuing indebtedness with the same priority of lien as such Balloon Indebtedness and with a 20-year term).

(c) With respect to any Variable Rate Indebtedness, including Hedged Indebtedness if the interest thereon calculated as set forth below is expected to vary, the interest coming due in any specified future period shall be determined as if the interest rate in effect at all times during such future period was, at the option of the Board, either (1) the average of the actual interest rates which were in effect (weighted according to the length of the period during which each such interest rate was in effect) for the most recent 12-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a 12-month period), or (2) the current average annual fixed rate of interest on securities of similar quality having a similar maturity date as certified by a Financial Advisor.

(d) With respect to any Hedged Indebtedness, the interest on such Hedged Indebtedness during any Hedge Period and for so long as the provider of the related Hedge Agreement has not defaulted on its payment obligations thereunder shall be calculated by adding (x) the amount of interest payable by the City or the Board on such Hedged Indebtedness pursuant to its terms and (y) the amount of Hedge Payments payable by the City or the Board under the related Hedge Agreement and subtracting (z) the amount of Hedge Receipts payable by the provider of the related Hedge Agreement at the rate specified in the related Hedge Agreement; provided, however, that to the extent that the provider of any Hedge Agreement is in default thereunder, the amount of interest payable by the City or the Board on the related Hedged Indebtedness shall be the interest calculated as if such Hedge Agreement had not been executed. In determining the amount of Hedge Payments or Hedge Receipts that are not fixed throughout the Hedge Period (i.e., which are variable), payable or receivable for any future period, such Hedge Payments or Receipts for any period of calculation (the "Determination Period") shall be computed by assuming that the variables comprising the calculation (e.g., indices) applicable to the Determination Period are equal to the average of the actual variables which were in effect (weighted according to the length of the period during which each such variable was in effect) for the most recent 12-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a 12-month period).

(e) With respect to Balloon Indebtedness (1) which is subject to a Commitment or (2) which does not have a Balloon Year commencing within 12 months from the date of calculation, such Balloon Indebtedness shall be assumed to be amortized in substantially equal annual amounts to be paid for principal and interest over an assumed amortization period of 20 years from the date of issuance at an assumed interest rate (which shall be the interest rate as of the date of issuance or the date of calculation, whichever is less, certified by a Financial Advisor to be the interest rate at which the City on behalf of the Board could reasonably expect to borrow the same amount by issuing indebtedness with the same priority of lien as such Balloon Indebtedness and with a 20-year term); provided, however, that if the maturity of such Balloon Indebtedness (taking into account the term of any Commitment) is in excess of 20 years from the date of issuance, then such Balloon Indebtedness shall be assumed to be amortized in substantially equal annual amounts to be paid for principal and interest over an assumed amortization period of years equal to the number of years from the date of issuance of such Balloon Indebtedness to maturity (including the Commitment) and at the interest rate provided above. For the purpose of calculating the Debt Service Requirement on Balloon Indebtedness (a) which are not subject to a Commitment and (b) which have a Balloon Year commencing within 12 months from the date of calculation, the principal payable on such Balloon Indebtedness during the Balloon Year shall be calculated as if paid on the Balloon Date.

(f) The principal of and interest on Parity Indebtedness and Hedge Payments shall be excluded from the determination of Debt Service to the extent that the same were or are expected to be paid with amounts on deposit on the date of calculation (or proceeds of indebtedness to be deposited on the date of issuance of any proposed Parity Indebtedness) in a fund established for such purpose.

"Financial Advisor" shall mean an investment banking or financial advisory firm or commercial bank who or which is retained by the Board for the purpose of passing on questions relating to the availability and terms of specified types of indebtedness and is actively engaged in and, in the good faith opinion of the Board, has a favorable reputation for skill and experience in underwriting or providing financial advisory services in respect of similar types of securities.

"Fiscal Year" shall mean the twelve month period beginning July 1 of each year and ending June 30 of the following year.

"Hedge Agreement" shall mean, without limitation, (i) any contract known as or referred to or which performs the function of an interest rate swap agreement, currency swap agreement, forward payment conversion agreement, or futures contract; (ii) any contract providing for payments based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices; (iii) any contract to exchange cash flows or payments or series of payments; (iv) any type of contract called, or designed to perform the function of, interest rate floors, collars, or caps, options, puts, or calls, to hedge or minimize any type of financial risk, including, without limitation, payment, currency, rate, or other financial risk; and (v) any other type of contract or arrangement that the Board determines is to be used, or is intended to be used, to manage or reduce the cost of any indebtedness or other obligations, to convert any element of any indebtedness or other obligations from one form to another, to maximize or increase investment return, to minimize investment return risk, or to protect against any type of financial risk or uncertainty. A Hedge Agreement shall not include any commodity hedge agreement or similar arrangement. For purposes of Resolution No. 2075, as amended, a Hedge Agreement shall be deemed not to have any principal amount for purposes of obtaining consents or approvals of holders of Parity Indebtedness or for otherwise determining the amount of Outstanding Parity Indebtedness.

"Hedged Indebtedness" shall mean any indebtedness or other obligation for which the Board or the City, on behalf of the Board, shall have entered into a Hedge Agreement.

"Hedge Payments" shall mean amounts payable by the Board or the City, on behalf of the Board, pursuant to any Hedge Agreement, other than termination payments, fees, expenses, and indemnity payments.

"Hedge Period" shall mean the period during which a Hedged Agreement is in effect.

"Hedge Receipts" shall mean amounts payable by any provider of a Hedge Agreement pursuant to such Hedge Agreement, other than termination payments, fees, expenses, and indemnity payments.

"Maximum Annual Aggregate Debt Service" shall mean the maximum Aggregate Debt Service in the Fiscal Year during which such calculation is made or any future Fiscal Year.

"Net Revenues" shall mean Revenues, excluding any profits or losses on the sale or other disposition, not in the ordinary course of business, of investments or fixed or capital assets, less Current Operating Expenses.

"Outstanding Parity Indebtedness" shall mean any Parity Indebtedness that is outstanding under the resolution or other document under which such Parity Indebtedness is issued.

"Parity Indebtedness" shall mean bonds, notes, loan agreements, and other debt obligations, including Balloon Indebtedness, Short-Term Indebtedness, Variable Rate Indebtedness and Hedge Agreements (but only to the extent of Hedge Payments), issued by or entered into by the Board or by the City on behalf of the Board on a parity of lien under the Resolution in accordance with the restrictive provisions of the Resolution described herein, including any bonds, notes, loan agreements or other obligations secured by a pledge of and/or lien on a Merged System and the revenues derived from the operation of such Merged System, as defined herein, (provided such pledge and lien are subject only to normal and customary expenses of operating, maintaining, repairing and insuring any such System), so long as the Merged System is not being operated separately from the System as is permitted herein.

"Principal Installment" shall mean, as of the date of calculation and with respect to the indebtedness with respect to which the calculation is being made, (i) the principal amount of the indebtedness due on a certain future date for which no Sinking Fund Installments have been established, (ii) Sinking Fund Installment due on a certain future date for such indebtedness and (iii) if such future dates coincide, the sum of such principal amount and any such Sinking Fund Installment.

"Qualified Hedge Provider" shall mean an entity whose senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, or whose payment obligations under the related Hedge Agreement are absolutely and unconditionally guaranteed or insured or collateralized by an entity whose senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, are rated either (i) at least as high as "A" or better by Standard & Poor's Rating Group (or any successor thereto) ("S&P") or "A2" or better by Moody's Investors Services, Inc. (or any successor thereto) ("Moody's") (the "Initial Rating Requirement") and such entity maintains a rating on its debt or claims paying ability of not less than "A-" from S&P or "A3" from Moody's (the "Minimum Rating Requirement"); provided that this requirement shall be deemed to have been met, even if the rating of such entity is reduced below the Minimum Rating Requirement, if such entity is replaced with an entity meeting the Initial Rating Requirement within twenty business days from when the Board receives notice that the Minimum Rating Requirement has not been met. An entity's status as a Qualified Hedge Provider is made as of the time the applicable calculation is made.

"Revenues" shall mean all revenues, rentals, earnings and income of the System from whatever source, determined in accordance with generally accepted accounting principles, including all revenues

derived from the operation of the System; proceeds from the sale of property; proceeds of insurance and condemnation awards and compensation for damages, to the extent not applied to the payment of the cost of repairs, replacements and improvements; and all amounts realized from the investment of money in the accounts and funds of the System (excluding any investment earnings from construction or improvement funds created for the deposit of bond, note, or loan agreement proceeds pending use, to the extent such income is applied to the purposes for which the bonds, notes or loan agreement were issued, and funds created to refund any outstanding obligations payable from Revenues of the System) and at the election of the Board, shall not include any rates, fees, rentals or other charges or other income received by the Board from the operation of a Merged System.

"Short-Term Indebtedness" shall mean bonds, notes or other obligations, including Variable Rate Indebtedness, maturing five (5) years or less from their date of issuance which are issued in anticipation of the issuance of revenue bonds the proceeds of which will be used to pay the Short-Term Indebtedness.

"Sinking Fund Installment" shall mean, as of any particular date of calculation, the amount required to be paid on a certain future date for the retirement of Outstanding Parity Indebtedness which mature after said future date, but does not include any amount payable by reason of the maturity of an Outstanding Parity Indebtedness or by call for redemption at the election of the Board or the City on behalf of the Board.

"Valuation Date" shall mean with respect to any Capital Appreciation Indebtedness, the date or dates set forth in the resolution authorizing such Capital Appreciation Bonds on which specific Accreted Values are assigned to the Capital Appreciation Bonds.

"Variable Rate Indebtedness" shall mean any bonds, notes or other obligations of the Board or the City, on behalf of the Board, the interest rate on which is subject to periodic adjustment, at intervals, at such times and in such manner as shall be determined by the resolution authorizing such indebtedness, provided that if the interest rate shall have been fixed for the remainder of the term thereof (including a fixed rate pursuant to a Hedge Agreement with a Qualified Hedge Provider), it shall no longer be Variable Rate Indebtedness.

The term "Bonds" in Resolution No. 2075 shall for all purposes have the same meaning as "Parity Indebtedness" described above unless the context clearly requires otherwise, and notwithstanding any provision of Resolution No. 2075 to the contrary, any Parity Indebtedness issued on a parity of lien under Resolution No. 2075, as amended, may be in such form, may be executed in such manner, may be payable upon such terms and upon such dates, may be subject to such registration provisions, may be designated in such manner, may be issued for such purpose and may be issued pursuant to such applicable laws as is provided in the resolution authorizing such Parity Indebtedness.

Additional Indebtedness

The PP-2026 Bonds issued pursuant to the Resolution shall be on a parity with the Outstanding Parity Indebtedness, and with all Parity Indebtedness hereafter issued within the terms, limitations and restrictions of the Resolution, as amended.

The City has covenanted that it will not incur any other obligations or indebtedness payable from the revenues of the System which will have priority, with respect to the payment of principal or interest out of the Water Fund, over the PP-2026 Bonds.

The following shall apply to the incurrence of additional Parity Indebtedness:

(a) Provided that all payments required to be made to the Debt Service Fund and into any reserve fund which may be required under resolutions authorizing Parity Indebtedness are current as of the date of issuance of the additional bonds, notes or other obligations, additional bonds, notes or other obligations may be issued or entered into by the City or the Board on a parity and equality of lien with the Outstanding Parity Indebtedness with respect to the lien and claim of such additional bonds, notes or other obligations to the net revenues of the System and the money on deposit in the Debt Service Fund for the following purposes and under the following conditions, but not otherwise:

(i) For the purpose of refunding any Outstanding Parity Indebtedness, subordinate bonds, notes, loan agreements or other obligations, provided that after the issuance of such additional Parity Indebtedness, the Aggregate Debt Service on all Outstanding Parity Indebtedness, including the additional Parity Indebtedness to be issued, in any Fiscal Year shall not increase by more than ten percent (10%) after the issuance of such additional Parity Indebtedness.

(ii) For the purpose of financing the completion or equipping of improvements to the System for which Outstanding Parity Indebtedness have previously been issued but only to the extent necessary to complete such improvements in the manner contemplated at the time of the issuance of the Outstanding Parity Indebtedness that financed such improvements.

(iii) For the purposes of refunding any Outstanding Parity Indebtedness or any Prior Lien Bonds, subordinated bonds, notes or other obligations or extending, improving or replacing the System or for any other lawful purpose under applicable law, if one of the following conditions shall have been met: (A) the Net Revenues for any twelve-month period selected by the Board ending within the twelve months prior to the date of the issuance of the additional Parity Indebtedness must have been equal to at least 120% of the Maximum Annual Aggregate Debt Service on Outstanding Parity Indebtedness plus the Debt Service on the additional Parity Indebtedness proposed to be issued or (B) the estimated Net Revenues of the System for each of the three Fiscal Years next succeeding the issuance of the additional Parity Indebtedness, must be equal at least to 120% of Maximum Annual Aggregate Debt Service on the Notes, any other Outstanding Parity Indebtedness and all outstanding Prior Lien Bonds plus the Debt Service on the additional Parity Indebtedness proposed to be issued; provided, however, that if the additional Parity Indebtedness is to be issued for the acquisition or construction of any extension, improvement or replacement to the System, then the estimate of Net Revenues may be for the three Fiscal Years ensuing after the time that such improvement, extension or replacement is expected to be placed in service.

(iv) For the purpose of entering into a Hedge Agreement with a Qualified Hedge Provider with respect to Outstanding Parity Indebtedness but only to the extent of Hedge Payments.

(b) In calculating Net Revenues, Debt Service and Maximum Annual Aggregate Debt Service for all purposes under the Resolution, the following adjustments and assumptions shall be made:

(i) In calculating Net Revenues on a historical basis, the amount of such Net Revenues may be adjusted to take into account any rate increase adopted by the Board that is effective prior to the date of such calculation.

(ii) In calculating projected Net Revenues for any period in the future, the amount of such Net Revenues may be adjusted to take into account any rate increase adopted by the Board that is to be effective within one year of the date of such calculation, and if such calculation is being made in connection with the issuance of Parity Indebtedness, the Net Revenues may be calculated based upon the assumption that any improvements financed with proceeds of the Parity

Indebtedness will be completed within a time period established in a report of a Consulting Engineer.

(c) Any calculation or projection of Net Revenues described above, whether for a historical period or for a future period, shall be set forth in a certificate of the President and Chief Executive Officer and Chief Financial Officer of the Board. If the calculation is made as to a future period, a Consulting Engineer shall state in a report that the assumptions underlying any projections of the Board as to Net Revenues are reasonable. Any calculation of the Maximum Annual Aggregate Debt Service shall also be set forth in a certificate of the President and Chief Executive Officer and Chief Financial Officer of the Board, which certificate shall be accompanied by a certificate of a financial advisory firm to the effect that the calculation of Maximum Annual Aggregate Debt Service is correct and is in compliance with the terms of the Resolution, but such certificate of the financial advisory firm shall only be required if Variable Rate Indebtedness, Balloon Indebtedness or Short-Term Indebtedness must be taken into account in the calculation of Maximum Annual Aggregate Debt Service.

(d) Any obligation of the Board to pay amounts under a Hedge Agreement other than Hedge Payments, including a termination payment upon the termination of a Hedge Agreement, shall be a subordinate obligation to the obligations with respect to Parity Indebtedness.

Collection of Revenues and Disposition of Revenues

As long as any Parity Indebtedness shall be outstanding and unpaid either as to principal or as to interest, or until the discharge and satisfaction of the Parity Indebtedness as provided in the resolution authorizing said Parity Indebtedness, the entire income and revenues of the System shall be deposited as collected in the Revenue Fund established by the Resolution (the "Revenue Fund"), to be administered and controlled by the Board. The income and revenues deposited therein shall be used only as follows:

(a) The money in the Revenue Fund shall be disbursed first from month to month for the payment of Current Operating Expenses.

(b) The money remaining in the Revenue Fund, after payment of Current Operating Expenses, shall next be used to make deposits into a separate and special fund, to be known as the Debt Service Fund (the "Debt Service Fund"), to be kept separate and apart from all other funds of the Board and used to pay principal of and interest on Parity Indebtedness and Hedge Payments (net of Hedge Receipts) with respect thereto as the same become due, either by maturity or mandatory redemption. Such deposits shall be made monthly, or as otherwise set forth herein or in the resolution authorizing such Parity Indebtedness or Hedged Payments, until all Parity Indebtedness is paid in full or discharged and satisfied. Unless otherwise authorized in the resolution authorizing any Parity Indebtedness, for the period commencing with the month next following the delivery of the Parity Indebtedness, each monthly deposit shall be an amount that, together with all other monthly deposits of approximately equal amounts during such period and amounts otherwise in said Fund, will be equal to principal due on the Parity Indebtedness on the next principal payment date, divided by the number of months from and including the month of the first such deposit to and including the months preceding the next principal payment date; provided that, if the next principal payment date is more than 13 months following the month next following the delivery of the Parity Indebtedness, such monthly deposits to the Debt Service Fund shall commence in the month that is 13 months prior to the month of the next principal payment date. Furthermore, during such period, there shall be deposited to the Debt Service Fund monthly an amount equal to one-sixth (1/6) of the interest coming due on the next interest payment date for Parity Indebtedness (unless otherwise specified in the resolution authorizing such Parity Indebtedness).

In each month thereafter, each monthly deposit shall consist of an interest component and a principal component except as provided in the Resolution. If interest is payable semi-annually, then the interest component shall be an amount equal to not less than one-sixth (1/6th) of the interest coming due on any Parity Indebtedness on the next succeeding interest payment date, unless otherwise specified in the resolution authorizing such Parity Indebtedness. Unless otherwise specified in the resolution authorizing Parity Indebtedness, the principal component shall be an amount which shall be established annually on each July 1 for all payments to be made during the ensuing twelve-month period commencing in July of each calendar year and ending in June of the following calendar year and shall be not less than one-twelfth (1/12) of the principal amounts, as the case may be, coming due, whether by maturity or mandatory redemption, on the Parity Indebtedness then outstanding during such twelve-month period. No further deposit shall be required when the Debt Service Fund balance is equal to or greater than the amount needed to pay interest coming due on the next interest payment date and the total of the principal amounts payable, either by maturity or mandatory redemption, during the applicable twelve-month period. Money in the Debt Service Fund shall be used solely and is expressly and exclusively pledged for the purpose of paying principal of and interest on Parity Indebtedness. Notwithstanding the foregoing, deposits for the payment of principal and interest on Variable Rate Indebtedness or Hedge Payments shall be made as set forth in the resolution authorizing such Variable Rate Indebtedness or Hedge Payments.

(c) The next available money in the Revenue Fund shall be paid to any issuer of an insurance policy, surety bond, letter of credit or similar instrument (a "Reserve Fund Credit Facility") (pro rata, if more than one) to the extent needed to reimburse the issuer for any amounts advanced under the Reserve Fund Credit Facility, including any amounts payable under any guaranty agreement relating to such amounts, together with reasonable related expenses incurred by the issuer of such Reserve Fund Credit Facility and any interest relating to such amounts.

(d) The next available money in the Revenue Fund shall be deposited to any reserve fund created pursuant to any resolution authorizing Parity Indebtedness in the manner provided in such resolution.

(e) The next available money in the Revenue Fund shall be used to pay liquidity fees, remarketing agent fees and similar fees that are payable in connection with the issuance of Parity Indebtedness.

(f) The next available money in the Revenue Fund shall be used for the payment of all other payments to be made under the Parity Indebtedness not provided for in the preceding subsections including payments in connection with Hedge Agreements that are not Hedge Payments, including termination payments.

(g) The next available money in the Revenue Fund shall be used to pay principal of and interest on (including reasonable reserves therefor) any bonds, notes or obligations payable from the Revenues of the System, but junior and subordinate to the Parity Indebtedness and then for the purpose of the payment of liquidity fees, credit enhancement fees, remarketing agent fees and similar fees that are payable in connection with bonds, notes or other obligations payable from the Revenues of the System, but junior and subordinate to the Parity Indebtedness.

(h) The next available money in the Revenue Fund shall be used for the purpose of making payments in lieu of taxes and, to the extent not so used, may be used for any lawful purpose, including such reserve funds and other funds as the Board deems necessary and appropriate.

(i) Money on deposit in the Funds described above may be invested by the Board in such investments as shall be permitted by applicable law, as determined by an authorized representative of the

Board, all such investments to mature not later than the date on which the money so invested shall be required for the purpose for which the respective Fund was created. All income derived from such investments shall be regarded as revenues of the System and shall be deposited in the Revenue Fund. Such investments shall at any time necessary be liquidated and the proceeds thereof applied to the purpose for which the respective Fund was created. The Board is authorized to enter into contracts with third parties for the investment of funds in any of the Funds described herein.

(j) The Revenue Fund and the Debt Service Fund shall be held and maintained by the Board and, when not invested, kept on deposit with a bank or financial institution regulated by and the deposits of which are insured by the Federal Deposit Insurance Corporation or similar federal agency. All moneys in such Funds so deposited shall at all times be secured to the extent and in the manner required by applicable State law.

Rate Covenant

The City shall maintain the System in good condition and will operate the System in an efficient and economical manner, and the City will fix rates and collect charges for water and for the services, facilities and commodities furnished by the System so as to provide revenues sufficient to pay, as the same shall become due, the principal of and interest on the Bonds, in addition to paying as the same shall become due the necessary expenses of operating and maintaining the System and all other obligations and indebtedness that are payable out of the revenues of the System, which obligations and indebtedness are a charge against said revenues equally and ratably with the charge of the Bonds.

Without limiting the foregoing, the Board will fix rates and collect charges for water and the services, facilities and commodities furnished by the System so that the Net Revenues of the System will be at least sufficient for each Fiscal Year beginning on and after July 1, 2018, computed as of the date such rates and charges are established, to pay the sum of:

- (i) an amount equal to 120% of the Aggregate Debt Service on all Outstanding Parity Indebtedness for such Fiscal Year; and
- (ii) certain amounts, if any, required to be paid or deposited during such Fiscal Year relating to any reserve fund deposits, liquidity fees, remarketing agent fees and similar fees, and reimbursements under any Reserve Fund Credit Facility.

Discharge and Satisfaction of Bonds

If the Board, on behalf of the City, shall pay and discharge the indebtedness evidenced by any of the PP-2026 Bonds (referred to hereinafter, collectively, as the "Bonds") in any one or more of the following ways:

(a) By paying or causing to be paid, by deposit of sufficient funds as and when required with the Registration Agent, the principal of and interest on such Bonds as and when the same become due and payable;

(b) By depositing or causing to be deposited with any financial institution which has trust powers and which is regulated by and the deposits of which are insured by the Federal Deposit Insurance Corporation or similar federal agency ("an Agent"; which Agent may be the Registration Agent), in trust or escrow, on or before the date of maturity or redemption, sufficient money or Defeasance Obligations, the principal of and interest on which, when due and payable, will provide sufficient moneys to pay or redeem such Bonds and to pay premium, if any, and interest thereon when due until the maturity or

redemption date (provided, if such Bonds are to be redeemed prior to maturity thereof, proper notice of such redemption shall have been given or adequate provision shall have been made for the giving of such notice); or

(c) By delivering such Bonds to the Registration Agent, for cancellation by it;

and if the Board, on behalf of the City, shall also pay or cause to be paid all other sums payable under the Resolution by the Board or the City with respect to such Bonds or make adequate provision therefor, and by resolution of the Board instruct any such Agent to pay amounts when and as required to the Registration Agent for the payment of principal of and interest and redemption premiums, if any, on such Bonds when due, then and in that case the indebtedness evidenced by such Bonds shall be discharged and satisfied and all covenants, liens, pledges, agreements and obligations entered into, created, or imposed under the Resolution, including the pledge of and lien on the net earnings of the System set forth in the Resolution, shall be fully discharged and satisfied with respect to such Bonds and the owners thereof and shall thereupon cease, terminate and become void.

If the Board, on behalf of the City, shall pay and discharge or cause to be paid and discharged the indebtedness evidenced by any of the Bonds in the manner provided in either clause (a) or clause (b) above, then the registered owners thereof shall thereafter be entitled only to payment out of the money or Defeasance Obligations deposited as aforesaid.

Except as otherwise provided in the Resolution, neither Defeasance Obligations nor moneys deposited with the Agent nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and premium, if any, and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Agent, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the Board as received by the Agent and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Obligations maturing at times and in amounts sufficient to pay when due the principal and premium, if any, and interest to become due on said Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments, to the extent not needed for the payment of such principal, premium and interest, shall be paid over to the Board, as received by the Agent. For the purposes described herein, Defeasance Obligations shall mean direct obligations of, or obligations, the principal of and interest on which are guaranteed by, the United States of America, or any agency thereof, obligations of any agency or instrumentality of the United States or any other obligations at the time of the purchase thereof are permitted investments under Tennessee law for the purposes described in this Section, which bonds or other obligations shall not be subject to redemption prior to their maturity other than at the option of the registered owner thereof.

Nothing described above shall be construed to alter or change the redemption provisions relating to the PP-2026 Bonds. No redemption privilege shall be exercised with respect to the PP-2026 Bonds or any Parity Bonds except at the option and election of the Board. The right of redemption set forth in the Resolution shall not be exercised by any Registration Agent or Agent unless expressly so directed in writing by an authorized representative of the Board.

Sale of System

Except as expressly authorized by the Resolution, the City shall not sell, mortgage, lease or otherwise dispose of the System or any substantial-part thereof. However, the City shall have, and reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System determined to be no longer necessary and useful in the operation thereof, which is found, by the Board, or such other

body as may be authorized to manage and operate the System, not to be both useful and necessary for the continued operation of the System substantially as it now exists; and prior to any such sale, lease or other disposition of said property, the Board, or such other body as may be hereafter authorized to manage and operate the System, shall by resolution duly adopted, have made said finding and authorized such sale, lease or other disposition of the property. Also, the City shall have the right to sell, lease, transfer or otherwise dispose of the System as a whole or substantially as a whole, to any municipal corporation, county, political subdivision, governmental corporation or governmental agency (each of which shall be included within the term "Transferee" as herein used), provided the Transferee thus acquiring the System from the City will assume the performance of and be bound by all of the City's obligations to the holders of the Bonds under the covenants and provisions of the Resolution.

Insurance

The City will carry adequate fire and windstorm insurance on buildings and contents of buildings of the System and provide for adequate public liability insurance, and the City will also carry such other insurance as is ordinarily carried by utility companies privately owned or municipally owned and doing a similar business in territory contiguous to the City.

Audits

The City will cause proper books and accounts adapted to the System to be kept and will cause the books and accounts with respect to the System to be audited annually by an independent firm of certified public accountants, and will make generally available to security holders the balance sheet and the profit and loss statement of the System as certified by such accountants.

Appointment of Receiver

The holder or holders of not less than twenty-five percent (25%) of the Bonds then outstanding, including a trustee or trustees for such holders, shall, in addition to all other remedies and rights of holders of any of the Bonds, have the right, by appropriate proceedings in any court of competent jurisdiction, in the event of default in the payment of the principal of or interest on the Bonds which default shall continue for a period of thirty days, to obtain the appointment of a receiver for the System, which receiver may enter upon and take possession of the System, operate and maintain the System, fix rates and collect all revenues arising therefrom in as full a manner and to the same extent as the City itself might do. The receiver shall deposit all moneys collected by him in a separate account or accounts and shall dispose of such revenues in accordance with the terms and conditions of this resolution and as the court shall direct.

Combined Systems

Notwithstanding anything provided in the Resolution, nothing contained in the Resolution shall prevent the Board from combining any or all of the Board's utility systems into a single unified operation (the "Combined System") and commingling the revenues of the systems so combined in the Combined System without keeping separate accounts of the funds of each of such systems, provided payments from the funds of the Combined System are required to be made into the Debt Service Fund created under the Resolution from time to time in amounts sufficient to comply with provisions thereof and in amounts sufficient to pay the principal of and interest on the Outstanding Parity Indebtedness as such principal and interest becomes due. Bonds, notes and other obligations ("Parity Combined System Obligations") payable from revenues of the Combined System may be issued on a parity with Outstanding Parity Indebtedness provided at the time of the issuance of any such Parity Combined System Obligations, the following conditions have been complied with. The Net Revenues of the Combined System, for a period of twelve consecutive months (hereinafter sometimes called the "Combined Twelve-Month Period") out of the

eighteen months immediately preceding the issuance of such Parity Combined System Obligations shall be equal to at least 1.2 times the Maximum Annual Aggregate Debt Service on all Outstanding Parity Indebtedness and the obligations proposed to be issued; or if within twelve months prior to the issuance of the Parity Combined System Obligations a revised schedule of rates for the Combined System or any part thereof shall have been put into effect, then the Net Revenues of the Combined System for the Twelve-Month Period, as certified by a Consulting Engineer or Financial Adviser, that would have resulted from such revised rates had they been in effect for the Twelve-Month Period, may be used in lieu of the actual Net Revenues for such Twelve-Month Period.

Separate or Merged Systems

Nothing contained in the Resolution shall prevent the Board from acquiring a separate water transmission or distribution system or any combination thereof, or any other system, facilities or equipment which municipalities in Tennessee operating water distribution systems are authorized to own, operate or finance, and nothing herein shall prevent the issuance of bonds, notes, warrants, certificates or other obligations or evidences of indebtedness, to acquire any such system or facilities. Any facilities or system acquired by the Board, at the election of the Board, may be operated as a separate and independent system or be merged into the System and operated as a single unified system with the System (the "Merged Systems"). Revenues of the Merged Systems may be commingled without keeping separate accounts of the funds of each of the systems, provided all Revenues of the Merged Systems are applied in accordance with the Resolution, including the payment of principal of and interest on all bonds, notes or other obligations of the acquired system. All Outstanding Parity Indebtedness and any bonds, notes and other obligations of the acquired system outstanding upon the merger of the systems designated by the Board may be payable from revenues of the Merged Systems on a parity and equality of lien with each other, provided the Net Revenues of the Merged Systems, for a period of twelve consecutive months (hereinafter sometimes called the "Twelve-Month Period") out of the eighteen months immediately preceding the merger of the systems shall be equal to at least 1.2 times the Maximum Annual Aggregate Debt Service on all Outstanding Parity Indebtedness, all bonds, notes and obligations of the acquired system then outstanding and any additional indebtedness to be then issued; or if within twelve months prior to any such calculation, the Board shall have put into effect a revised schedule of rates for the Merged Systems or any part thereof, then the Net Revenues of the Merged Systems, as certified by a Consulting Engineer or Financial Adviser, that would have resulted from such revised rates had they been in effect for the Twelve-Month Period, may be used in lieu of the actual Net Revenues for such Twelve-Month Period.

Amendment of Resolution

The Resolution may be amended without the consent of or notice to the holders of the Parity Indebtedness for the purposes of (i) curing any ambiguity or formal defect or omission in the Resolution; (ii) making such amendments as are necessary to prevent interest on any Parity Indebtedness from being included in gross income of the holders thereof for federal income tax purposes; (iii) adding to the covenants and agreements of the City or the Board or surrendering or limiting any right or power of the City or the Board; or (iv) making such amendments as are necessary for any Parity Indebtedness to be held or continue to be held in book-entry form.

In addition to the amendments to the Resolution without the consent of the holders as referred to above, the Resolution may be amended from time to time if such amendment shall have been consented to by the holders of not less than a majority in principal amount of Outstanding Parity Indebtedness (not including in any case any Bonds or Parity Indebtedness which may then be held or owned by or for the account of the City or Board); but the Resolution may not be so amended (without the consent of all affected holders of Outstanding Parity Indebtedness) in such manner as to:

- (a) make any change in the maturity or interest rate (other than in accordance with its terms) of the Parity Indebtedness, or modify the terms of payment of principal of or interest on Parity Indebtedness or impose any conditions with respect to such payment; or
- (b) to make any Parity Indebtedness redeemable other than in accordance with its terms; or
- (c) to create a preference or priority of any Parity Indebtedness over any other Parity Indebtedness; or
- (d) reduce the percentage of the principal amount of Parity Indebtedness the consent of the holders of which is required to effect a further amendment.

Whenever the City shall propose to amend the Resolution under the provisions described above, the Board shall cause notice of the proposed amendment to the holders of the Parity Indebtedness by sending a summary of such proposed amendment to such holders and shall state that a copy of the proposed amendatory resolution is on file in the office of the Secretary of the Board. The holders of Parity Indebtedness shall be determined by the registration records of the City or the Board or any registration agent therefor or in such other manner as is commercially reasonable.

Whenever at any time within one year from the date of the mailing of such notice there shall be filed with the Secretary an instrument or instruments executed by the holders of at least a majority aggregate principal amount of the Outstanding Parity Indebtedness, which instrument or instruments shall refer to the proposed amendatory resolution described in such notice and shall specifically consent to and approve the adoption thereof, then the Board and/or the City may adopt such amendatory resolution and such resolution shall become effective and binding upon the holders of all Parity Indebtedness.

Any consent given by the holder of Parity Indebtedness pursuant to the provisions described above, shall be irrevocable for a period for one year from the date of the instrument evidencing such consent and shall be conclusive and binding upon all future holders of the same Parity Indebtedness during such period. Such consent may be revoked at any time after one year from the date of such instrument by the holder who gave such consent or by a successor in title by filing notice of such revocation with the Secretary.

For purposes of determining the aggregate principal amount of Parity Indebtedness outstanding for purposes of amendments, and whether the holders of a sufficient percentage in aggregate principal amount of Bonds and Parity Indebtedness have consented to any amendment, the Board may make such determination at any time while a request for consents to such amendment is outstanding and may include any Parity Indebtedness issued during such period in making such determination. The Accreted Value of any Capital Appreciation Debt as of the time of any such determination shall be used in making any such determination.

The fact and date of the execution of any instrument relative to amendments may be proved by the certificate of any officer in any jurisdiction who by the laws thereof is authorized to take acknowledgments of deeds within such jurisdiction, that the person signing such instrument acknowledged before him the execution thereof, or may be proved by an affidavit of a witness to such execution sworn to before such officer. In the event that any Parity Indebtedness is held in book-entry form, any consent to an amendment may be executed by any beneficial owner of such Parity Indebtedness, which beneficial ownership may be proved by an affidavit of the beneficial owner.

Notwithstanding anything in the Resolution to the contrary, the Board and/or the City may adopt amendments to the Resolution that do not become effective until the payment or defeasance of any Parity Indebtedness outstanding on the date such amendments are adopted.