



Knoxville Utilities Board

June 24, 2021

Knoxville City Council
P.O. Box 1631
Knoxville, TN 37901

Dear City Council Members:

Earlier today, County Commissioner Justin Biggs sent a letter objecting to KUB's plans to enter the broadband business, providing high speed internet services to 100% of our electric system customers in Knox and surrounding counties. While Commissioner Biggs is certainly entitled to his own opinion of this proposal, there are several statements in his letter I feel compelled to address. Specifically:

- 98% of the public already have three distinct options for broadband service.

Although some portions of Knox County do have multiple options for some level of broadband service, 60 percent of KUB customers only have one internet service provider option, and in significant areas outside Knox County many KUB customers have no options at all. KUB's proposed offering of 1 Gig symmetrical upload and download speeds is an option that is only available in limited portions of our service area. We will offer fiber to the home to 100% of our customers, not only in areas that are most profitable.

An additional barrier is affordability. KUB addresses this by providing service with no upfront installation fees, by providing internet service at a lower rate than current private sector offerings, and by committing to develop a program to serve low income customers, modeled on the successful EdConnect program developed by EPB in Chattanooga.

- The electric rate increase impact on Knox County will result in a \$4.5 million expense over 10 years that could be spent on other County priorities.

Electric rate increases will be needed to fund this proposal, but Knox County will benefit from it as well. At full deployment, KUB's payments-in-lieu-of-taxes (PILOT) to Knox County will increase by \$4.1 million/year over current levels. Over the first 10 years as these payments ramp up, they will more than offset the increased electric costs. The net benefit to Knox County for the first 10 years alone will be roughly \$20 million, funds which can be used to support any number of County priorities.

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Over the past year, KUB has conducted a robust review of this issue, and has engaged elected officials in regular communication about our work. We have submitted our plans for review to both the State Comptroller and TVA for review and both have found the plans to be feasible. We have sought public input and found overwhelming community support. And finally, our Board has considered all the information and voted to move forward. We believe our plans are solid and in the best interests of our customers. We look forward to Council's consideration of our proposal, and we stand ready to answer any questions you may have.

Sincerely,



Gabriel J. Bolas II
President and CEO

Cc: Honorable Indya Kincannon, Mayor
Mr. Justin Biggs, Knox County Commissioner
Dr. Jerry Askew, Board Chair, Knoxville Utilities Board
Mr. John Worden, Vice Chair, Knoxville Utilities Board
Ms. Claudia Caballero, Commissioner, Knoxville Utilities Board
Ms. Kathy Hamilton, Commissioner, Knoxville Utilities Board
Ms. Celeste Herbert, Commissioner, Knoxville Utilities Board
Ms. Adrienne Simpson-Brown, Commissioner, Knoxville Utilities Board
Mr. Tyvi Small, Commissioner, Knoxville Utilities Board