

Gearing Up

For The

Future



We are ready to respond to future growth.



Huntsville Utilities is working to be the best utility in the country by adding value to the community as a provider of efficient and reliable utility services. We are doing this by focusing on our customers, our employees and our system operations.

Huntsville Utilities celebrated another year of success and change. In May, Bill Pippin retired as the President and CEO after 28 years with the organization. His tenure was highlighted by change and the pace of change has picked up momentum. The growth that our region has enjoyed over the past several decades is likely to continue. We added 1,619 electric, 607 natural gas and 908 water customers to our systems this year – we geared up and are ready to respond to future growth.

This year we focused on making it easier for our customers to do business with us. We upgraded our technology allowing customers to use a mobile app to access account information, expanded our efficiency offerings with in-home energy audits and responded to development by expanding our systems to reach commercial and residential projects with utility service. We made efforts to improve service through maintenance of our systems with the replacement of poles and cast iron gas lines, upgrades of water lines and continued efforts to respond to requests for services quickly, timely and efficiently.

Our time has been spent focusing on keeping costs reasonable in a number of ways – including focusing on our employees' health and safety. We opened an employee wellness center to allow them to go to a doctor which increases efficiency by saving time and money. We remain focused on safety and made it the full fiscal year without a lost-time accident. These areas improve our ability to serve our customers and our community.

We provide water, electricity and natural gas to our community, but our services are more than that. We are foundational to the community. In fact if we do our job well, everyone else can do their job well. We have been gearing up for Growth, Change, Technology, Efficiency and Safety, and we will continue to do that as we provide services to you.

A handwritten signature in black ink that reads "Jay C. Stowe".

Jay C. Stowe, P.E.
President/CEO

Gearing Up for Growth



For decades, Huntsville Utilities and many other utility companies followed a simple model of delivering services to customers in the safest and most reliable manner -- with pipes and wires. Now our customers want options and expect a higher level of service and, with the new capabilities available to utilities, Huntsville Utilities is changing to meet our customers' expectations. First we have to put all the right pieces in place. We are gearing up to provide the most efficient, most reliable, best utility services possible.

Fiscal Year 2014 was a year of preparation for the changes we plan to implement. What follows are some projects that are a part of our gearing up to provide safe, efficient, reliable utilities while improving our customer business relationship.

Even in the face of a slow economy, Huntsville/Madison County continues to grow. With that growth comes increased demand for services, and it is Huntsville Utilities' duty to meet that demand -- starting with water. In 2014 Huntsville Utilities completed the design for a new water treatment facility to be constructed along the Tennessee River near TVA's Guntersville Dam. Construction is set to begin in early 2015 and this plant will secure our water supply for decades to come. The initial construction will add roughly 24 million gallons of pumping capacity to our system per day with a build-out capacity of 96 million gallons per day.

In addition to added water capacity, the Electric Department completed the construction and energized two new electric substations in western Madison County: Burwell and County Line. Crews also added a new circuit to the Big Cove Substation. The addition of these new assets will help meet growth demands in the City of Madison, the Harvest-Monrovia area and Hampton Cove.

for Change



The Natural Gas Department completed several relocation projects including preparation for the new Cabelas, a new Interstate 565 interchange and road widening, and road projects for the City of Huntsville. Crews installed over 92,000 feet of gas mains throughout Huntsville and Madison County, and added 892 new services.

Expanding water supply, increasing the use of efficient and economical natural gas, and adding electric services – these projects all emphasize the planning Huntsville Utilities considers when Gearing Up for Growth.

After 21 years as the President and CEO of Huntsville Utilities, William C. Pippin retired and passed the leadership torch to Jay C. Stowe in May 2014. Since the leadership transition, Mr. Stowe has led initiatives to make business processes easier for our customers.

Easier service application processes and additional payment locations are just two of the customer conveniences implemented by Huntsville Utilities with more coming in the future. A new program to increase use of efficient natural gas was introduced featuring water heaters. Residential customers with existing gas service are eligible to receive a \$500 rebate for replacing electric or propane water heaters with natural gas water heaters.

In August 2014 HU partnered with the City of Huntsville and wrote a plan in hopes of being selected to compete for the Georgetown University Energy Prize (GUEP). The GUEP competition was designed to encourage communities to develop innovative, replicable, scalable solutions that can be implemented by cities and communities across the country increasing national energy efficiency. Huntsville is competing for a five million dollar prize which will be awarded in January of 2017.



for **Technology**



In communities with large, sophisticated technology-user bases, service providers, like utility companies, must implement resources customers consider necessities. Fiscal Year 2014 was a significant time for new technology. Increased use of smart phones for more than telecommunications is a widespread trend and Huntsville is no exception. A new mobile app was introduced allowing customers to access account information and make payments using their smart phones. A power outage map was introduced and is accessible through the mobile app as well as the company website. Another new smart phone feature was Pay By Text through Western Union's™ Convenience Pay service.

Social media and networking sites have become increasingly important tools. From outage postings and roadwork notices to simply sharing good news, Huntsville Utilities' Facebook page has proven a unique conversation tool with customers, maintaining over 13,000 followers. LinkedIn has proven a useful tool for networking with industry professionals and making connections. Twitter has also been utilized to get short, important messages out in a timely manner. Follow us on Facebook, YouTube and LinkedIn at Huntsville Utilities, and on Twitter @HSVUtilities.

Increased mobile technology has also led to improvements in energy efficiency programs. Customers who request the Home Energy Survey Program allow Energy Advisors to inspect their homes and receive reports on how to improve efficiency. Utilizing a custom software application, the technician ties in with secured account data to determine customer usage and potential savings during the inspection.

Staying on top of technology and customer communication tools are just a couple of the ways Huntsville Utilities is Gearing Up for Technology.

for

Health & Safety



We understand the importance of personal data customers reveal in order to do business with Huntsville Utilities, and we put a great deal of effort into protecting this information. During FY2014 staff was added specifically to improve cyber security and employee awareness. Improvements have been as complex as software and hardware improvements to the simplest “human firewall” where each employee learns about using and regularly changing their complex passwords. Customer Service personnel were trained on protocols to interact with callers.

During 2014 Huntsville Utilities achieved a rare accomplishment in the utility business -- a full year of no lost workday accidents or injuries. In fact, the company (electric, natural gas, water, customer service AND administrative sections) has not had a lost workday case since August of 2013. It is the company and each employee's goal to return to their family safely at the end of each work day.

In an effort to assure our employees are informed regarding their health status, Huntsville Utilities initiated a biometric screening process during FY2014. Employees were evaluated on such health factors as diabetes and blood pressure, and given information to help improve their health in problem areas. The Wellness Program was expanded to help employees improve existing health risk factors. A structured quarterly program encourages employees to participate in exercise routines, and the company promotes local running events and other exercise programs. The company also partnered with Madison County to open the Local Government Employee Health Clinic for employees, retirees and dependents.

To Huntsville Utilities, Gearing Up for the Future means providing quality reliable services today and tomorrow. We are committed to meeting the utility needs of our community and keeping our rates below the national average.

Huntsville Utilities

Statements of Revenues and Expenses

For the years ended September 30, 2014 & 2013

Percentages may not equal 100 due to rounding

Electric

	2014	% 2014 Total	2013	% 2013 Total
Revenues				
Residential Sales	\$245,789,080	49%	\$225,614,694	47%
Small Commercial Sales	34,934,092	7%	35,654,045	7%
Large Commercial & Industrial Sales	205,317,670	41%	196,627,411	41%
Lighting Sales	4,781,731	1%	4,559,768	1%
Other Operating Revenue	11,981,766	2%	12,876,857	3%
Non-Operating Revenue	424,535	0%	576,558	0%
	\$503,228,874		\$475,909,333	
Expenses				
Purchased Power	\$422,077,061	85%	\$392,160,993	85%
Transmission	346,776	0%	357,423	0%
Distribution	19,091,158	4%	19,561,944	4%
Customer Accounting	4,743,380	1%	6,534,717	1%
Administrative & General	17,149,270	3%	11,957,140	3%
Depreciation	19,212,511	4%	15,875,828	3%
Payroll Taxes	1,476,167	0%	1,432,261	0%
Non-Operating Expenses	564,878	0%	1,422,201	0%
Tax Equivalents	11,613,743	2%	11,644,597	3%
	\$496,274,944		\$460,947,104	
Increase in Net Position	\$6,953,930		\$14,962,229	

Natural Gas

Revenues				
Residential Sales	\$20,985,397	43%	\$18,445,348	40%
Commercial Sales	22,229,781	45%	20,106,585	44%
Industrial Sales	2,531,716	5%	3,172,993	7%
Other Operating Revenue	2,961,907	6%	3,248,203	7%
Non-Operating Revenue	93,077	0%	102,123	0%
Capital Contributions	459,513	1%	949,416	2%
	\$49,261,391		\$46,024,668	
Expenses				
Purchased Gas	\$27,782,214	61%	\$26,437,793	63%
Distribution	4,104,811	9%	4,590,850	11%
Customer Accounting	891,923	2%	1,036,674	2%
Administrative & General	5,172,041	11%	3,825,150	9%
Depreciation	4,394,567	10%	3,408,301	8%
Non-Operating Expenses	434,079	1%	327,416	1%
Tax Equivalents	2,695,706	6%	2,519,903	6%
	\$45,475,341		\$42,146,088	
Increase in Net Position	\$3,786,050		\$3,878,580	

Water

Revenues				
Residential Sales	\$18,855,803	49%	\$14,993,500	46%
Commercial Sales	9,372,805	25%	8,058,215	25%
Industrial Sales	1,938,086	5%	1,669,974	5%
Government Sales	1,211,664	3%	1,230,072	4%
Fire Hydrants	1,244,741	3%	1,076,960	3%
Other Operating Revenue	2,209,277	6%	2,068,495	6%
Non-Operating Revenue	119,053	0%	127,098	0%
Capital Contributions	3,191,038	8%	3,456,008	11%
	\$38,142,467		\$32,680,322	
Expenses				
Purification	\$ 1,359,986	5%	\$ 1,314,901	5%
Pumping	3,877,147	13%	4,364,192	16%
Distribution	4,906,921	17%	5,658,417	20%
Customer Accounting	1,184,672	4%	1,615,073	6%
Administrative & General	7,102,322	24%	5,530,468	20%
Depreciation	7,402,087	25%	6,033,340	22%
Non-Operating Expenses	1,951,671	7%	1,861,110	7%
Tax Equivalents	1,886,729	6%	1,610,776	6%
	\$29,671,535		\$27,988,277	
Increase in Net Position	\$8,470,932		\$4,692,045	

Vision

To be the best utility in the country.

Mission

To add value to our community by providing efficient utility services.

Values

We do what is best for:

Our Customers • Our Employees • Our Operations

Organization

Huntsville Utilities is comprised of three separate systems which operate under three Boards appointed by the City Council of Huntsville. The gas, water and electric systems share top management, customer services, billing, meter reading, accounting and purchasing functions to save our customers money. Each system pays its share of these expenses and has its own financial reports.

Energy Sources

Electricity is purchased from the Tennessee Valley Authority (TVA) and is distributed throughout Madison County.

Natural Gas is purchased from a number of suppliers, with supply produced onshore and offshore. Two major pipelines transport natural gas to Huntsville Utilities for distribution.

Water comes from wells (which tap underground aquifers) and from the Tennessee River. This water is purified in accordance with rules and regulations of the Alabama Department of Environmental Management (ADEM) and the Environmental Protection Agency (EPA).

Utility Board Members

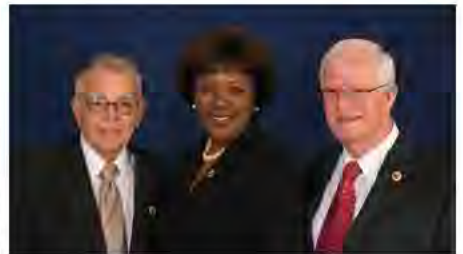


Electric Board (l-r)

Ronnie W. Boles, Chairman

D. Thomas Winstead, Vice-Chairman

George A. Moore, Esq., Secretary



Natural Gas/Water Boards (l-r)

Dr. James S. Wall, Jr., Chairman

Dorothy W. Huston, Ph.D., Vice-Chairman

Stanley Statum, Secretary



HUNTSVILLE UTILITIES

ELECTRICITY • NATURAL GAS • WATER

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