



**Delivering  
the Future  
at Light  
Speed**



# Delivering the Future at Light Speed

2016 was a year of significant progress. We are nearing completion of the Southeast Water Treatment Plant, Natural Gas Operations crews completed the first phase of the Eastern Loop Project and should complete the entire project in early 2017, and Electric Operations completed work on one substation with a delivery point from the Tennessee Valley Authority (TVA), upgraded service on another, and began work on two new substations to accommodate our growing customer base. We also continued the incredible work on the Huntsville Extreme Energy Makeover (HEEM) project, and have maintained the lead over our competitors in the Georgetown University Energy Prize (GUEP) competition.



The GUEP prize of \$5 million to our partner in this project, the City of Huntsville, is a great incentive to work towards, but the teamwork between the City, Huntsville Utilities and Huntsville City Schools has allowed us to increase energy efficiency and save all of our customers money with three public entities working closely to do what is best for our customers.

Perhaps the most significant event for us in 2016 was the announcement regarding the construction of a fiber optic communication network to serve and improve the operation of our Electric, Natural Gas and Water systems. The excess dark fiber capacity will be available for lease, and we are pleased with the announcement of our lease agreements with Google Fiber and their plan to offer gigabit service to Huntsville residents by mid-2017. This fiber network will significantly enhance the level of service we provide to our customers through communications with our systems and automation capabilities to help quickly identify problems and improve outage response and rapid restoration. It's an exciting time for Huntsville Utilities.

On September 30, I served my last day as President & CEO after accepting a position with the TVA. Although my time as President & CEO was brief, my nearly 11 years of service to the Huntsville/Madison County region was an honor. Together, we have accomplished so much, yet there is much more to be done. I am proud to have been a part of the Huntsville Utilities team and look forward to their accomplishments in years to come. I know the employees and the Boards of Huntsville Utilities will continue to do what is best for the customers and the operation of the system.

Thank you for the honor to serve you,

A handwritten signature in black ink that reads "Jay C. Stowe". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Jay C. Stowe  
President & CEO  
May 2014 - September 2016



# Delivering the Future at Light Speed

2016 was yet another growth year for the City of Huntsville and Madison County. As the City and County grow, so grows Huntsville Utilities. With a focus on always looking for ways to better serve Huntsville Utilities' customers, 2016 saw a turn toward technological advances in the utility landscape. "More Fiber!" is the call from Huntsville, and more fiber is what Huntsville Utilities is bringing to meet the community's fiber needs and to operate its systems more efficiently to provide better, more reliable service.

When coupled with the Advanced Metering Infrastructure (AMI) that is currently being deployed, fiber will improve Huntsville Utilities' ability to communicate remotely with the electric, water, and natural gas distribution systems. This capability will allow for the automation of certain system outage situations, thereby reducing response time and improving reliability. This level of system communication will also reduce the need for hands-on interaction, helping to identify and isolate problems more rapidly which serves Huntsville Utilities' never ending mission of adding value to the community by providing efficient utility services.

## Construction

Huntsville Utilities sustained a robust list of capital construction projects in 2016, with the fiber network construction project getting the most attention. In February, Mayor Tommy Battle and Huntsville Utilities announced the construction of a fiber network that includes dark fiber capacity available for lease by third-party telecommunications service providers. The first lease



**Huntsville Utilities' Past President Jay Stowe and Huntsville Mayor Tommy Battle look on as Google Fiber's Director of Expansion, Jill Szuchmacher, discusses the excitement of the Google Fiber expansion and the future of the internet in the Rocket City.**



**Huntsville Utilities crews completed installation of the "backbone" of the fiber project with this strand of cable spanning across Highway 72.**

agreement was signed with Google Fiber, who plans to deliver gigabit capacity service to residential and small business customers via the Huntsville Utilities fiber network. Construction of the \$59 million network began with the buildout of the transmission fiber loop. Completed in October, this loop is approximately 76 miles long and will feed into six fiber hut districts around the City. Construction of the distribution fiber began in September with Northwest Huntsville seeing the first activity. At buildout, the distribution fiber network will consist of approximately 1,200 miles of fiber optic lines throughout the City of Huntsville. The scheduled completion for network construction is summer 2019. However, the network will be active for some service capabilities by summer 2017.

Construction continued and significant progress was made on the Southeast Water Treatment Plant being built along the Tennessee River near the Tennessee Valley Authority's (TVA) Guntersville Dam. As one of the largest capital projects in the Southeastern United States, this \$85 million project began in April 2015 and is on-schedule for completion by spring 2017. At full capacity, the first phase of this water treatment plant will provide an additional pumping capacity of 24 million gallons per day. At full buildout, this plant will add 96 million gallons of daily pumping capacity, more than doubling Huntsville Utilities' current capacity and securing the local water supply for decades to come. This project includes a number of improvements to the east side of the water distribution system, particularly in the Big Cove/Hampton Cove area. Huntsville Utilities also added 1,633 customers to the water system.

Gas system expansion was also a focus in 2016, with service being extended into a number of new and existing



**Pictured is the construction site of the new Southeast Water Treatment Plant. From June 2015 to December 2016, significant progress can be seen. The plant will add 24 million gallons a day, with capacity to expand to 96 million gallons per day.**



subdivisions all over the City. Due to the very affordable rates for natural gas, customer interest remained high throughout 2016 and service was extended to 1,112 new customers over the last year. Huntsville Utilities also completed the eastern loop project, which involved the installation of 35,913 feet of high pressure natural gas main primarily along US Highway 72. The completion of this loop will improve reliability and availability across the Huntsville Utilities service area.



**The first phase of the Eastern Loop expansion of the natural gas system was completed. This project increased availability and reliability of affordable natural gas energy.**

To accommodate a growing community, the electric system also had a number of projects to accommodate that growth and improve service across Madison County. To strengthen the system reliability on the eastern side of the electric system, engineers and linemen designed and are working to install a new electric substation near Moontown. Huntsville Utilities' Electric Department installed 79 miles of new electric lines and added 2,947 customers. Recognized by the American Public Power Association for providing reliable and safe electric service, Huntsville Utilities' Electric Department earned the Reliable Public Power Provider (RP3®) designation for proficiency in the areas of electric system reliability, safety, workforce development and electric system improvement. Huntsville Utilities' Electric Department was one of 29 electric utilities that earned the RP3® designation in 2016. In total, 219 of the more than 2,000 public power utilities nationwide hold the RP3® designation.



**Reliable Public Power Provider**

**Huntsville Utilities was recognized as one of the best public power utilities in the nation, being awarded the Reliable Public Power Provider (RP3®) designation. The RP3 designation means Huntsville Utilities is among the best utilities in the nation when it comes to Reliability, Safety, Work Force Development and System Improvement.**

## Special Projects

The Georgetown University Energy Prize is a \$5 million incentive competition to reduce America's energy consumption, the City of Huntsville is one of the 50 communities competing for this prize. The competition began in January 2015 and completed December 2016. The winning city or



community will be the one that reduces its energy use the most during 2015 and 2016 from its benchmark years in 2013 and 2014. The competition challenges local government to work together with utilities, schools and residents to develop and implement plans for innovative, replicable, and scalable programs. Ultimately leading to sizable

reductions in residential homes and municipal properties' energy consumption from the local natural gas and electric utility. Huntsville Utilities has partnered with the City of Huntsville and Huntsville City Schools to develop and implement a city-wide energy efficiency and upgrade plan during the course of the two-year competition period. At the close of FY2016, the City of Huntsville is currently in first place in the Georgetown University Energy Prize competition. The overall goal of the competition is to inform our customers of ways to modify their energy usage habits in order to reduce energy usage, take the strain of the electric grid and save customers money.

The Huntsville Extreme Energy Makeover (HEEM) project, offered through TVA's Smart Communities initiative, continued in 2016 with 987 homes qualifying for the grant survey. Started in November 2014, Huntsville Utilities staff coordinated whole-home, deep energy retrofit for qualified low income applicants in homes 20 years or older. Huntsville Utilities was awarded \$11.7 million from TVA to complete approximately 1,100 homes with the ultimate goal to achieve a 25% reduction in energy usage. During FY2016, 588 homes were improved through the TVA grant at a cost of \$6,086,678. The TVA grant will conclude in September 2017. Huntsville Utilities' long-term goal is to continue a similar energy-focused project following the Smart Communities initiative. Through the continued promotion of energy conservation, Huntsville Utilities is educating customers on savings through energy efficiency habits.



**Take5hsv.com, educational field trips and classroom visits were just a few of the opportunities the Georgetown competition team utilized to share energy conservation methods.**

**The HEEM project reached a milestone of 500 homes made more energy efficient. When the program ends during the summer of 2017, an estimated 1,100 area residents will be benefiting with lower utility bills, warmer homes, and increased efficiency.**



# Huntsville Utilities

## Statements of Revenues and Expenses

For the years ended September 30, 2016 & 2015

| <b>Electric</b>                     | <b>2016</b>        | <b>2015</b>          |
|-------------------------------------|--------------------|----------------------|
| <b>Revenues</b>                     |                    |                      |
| Residential Sales                   | \$233,653,455      | \$242,941,029        |
| Small Commercial Sales              | 33,726,964         | 34,676,255           |
| Large Commercial & Industrial Sales | 197,260,436        | 197,704,139          |
| Lighting Sales                      | 4,714,640          | 4,709,629            |
| Other Operating Revenue             | 11,045,344         | 11,747,008           |
| Non-Operating Revenue               | 707,579            | 471,071              |
|                                     | <b>481,108,418</b> | <b>\$492,249,131</b> |
| <b>Expenses</b>                     |                    |                      |
| Purchased Power                     | 401,356,622        | \$415,523,726        |
| Transmission & Distribution         | 18,256,788         | 19,605,115           |
| Customer Accounting                 | 6,024,927          | 5,501,483            |
| Administrative & General            | 21,192,555         | 19,475,918           |
| Depreciation                        | 19,101,497         | 18,540,489           |
| Payroll Taxes                       | 1,604,991          | 1,573,070            |
| Non-Operating Expenses              | 1,241,467          | 1,754,683            |
| Tax Equivalents                     | 11,437,077         | 11,866,998           |
|                                     | <b>480,215,924</b> | <b>\$493,841,482</b> |
| <b>Increase in Net Position</b>     | <b>892,494</b>     | <b>-\$1,592,351</b>  |
| <b>Natural Gas</b>                  |                    |                      |
| <b>Revenues</b>                     |                    |                      |
| Residential Sales                   | 14,910,446         | \$20,065,929         |
| Commercial Sales                    | 17,823,428         | 21,695,617           |
| Industrial Sales                    | 2,325,249          | 2,566,710            |
| Other Operating Revenue             | 2,562,636          | 2,832,563            |
| Non-Operating Revenue               | 116,918            | 198,737              |
| Capital Contributions               | 550,041            | 897,591              |
|                                     | <b>38,288,718</b>  | <b>\$48,257,147</b>  |
| <b>Expenses</b>                     |                    |                      |
| Purchased Gas                       | 22,072,053         | \$26,978,720         |
| Distribution                        | 4,853,330          | 4,708,021            |
| Customer Accounting                 | 1,039,639          | 1,006,549            |
| Administrative & General            | 7,200,343          | 5,884,872            |
| Depreciation                        | 4,618,595          | 4,444,393            |
| Non-Operating Expenses              | 62,822             | 418,668              |
| Tax Equivalents                     | 2,108,995          | 2,662,508            |
|                                     | <b>41,955,777</b>  | <b>\$46,103,731</b>  |
| <b>Increase in Net Position</b>     | <b>-3,667,059</b>  | <b>\$2,153,416</b>   |
| <b>Water</b>                        |                    |                      |
| <b>Revenues</b>                     |                    |                      |
| Residential Sales                   | 23,382,274         | \$20,337,718         |
| Commercial Sales                    | 12,083,615         | 10,554,147           |
| Industrial Sales                    | 2,138,113          | 2,008,755            |
| Government Sales                    | 2,395,719          | 2,415,375            |
| Fire Hydrants                       | 1,405,531          | 1,323,461            |
| Other Operating Revenue             | 1,726,610          | 1,858,353            |
| Non-Operating Revenue               | 932,962            | 181,187              |
| Capital Contributions               | 3,457,316          | 3,765,603            |
|                                     | <b>47,522,140</b>  | <b>\$42,444,599</b>  |
| <b>Expenses</b>                     |                    |                      |
| Purification                        | 1,668,058          | \$1,418,549          |
| Pumping                             | 4,230,193          | 4,151,100            |
| Distribution                        | 3,848,919          | 5,663,323            |
| Customer Accounting                 | 1,375,582          | 1,274,666            |
| Administrative & General            | 7,510,710          | 8,201,455            |
| Depreciation                        | 7,654,546          | 7,359,568            |
| Non-Operating Expenses              | 1,203,329          | 1,464,232            |
| Tax Equivalents                     | 2,453,465          | 2,186,355            |
|                                     | <b>29,944,802</b>  | <b>\$31,719,248</b>  |
| <b>Increase in Net Position</b>     | <b>17,577,338</b>  | <b>\$10,725,351</b>  |

## 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.

## 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

## Management Team

Anthony F. Owens  
President & Chief Executive Officer, Interim

Stacy Cantrell  
Vice President, Engineering

Janice Capshaw  
Vice President, Human Resources

Melissa Marty  
Director, Internal Audit

John Olshefski  
Vice President, Customer Care

Mike Counts  
Vice President, Operations

Theodore Phillips  
Chief Financial Officer



**HUNTSVILLE UTILITIES**  
ELECTRICITY • NATURAL GAS • WATER