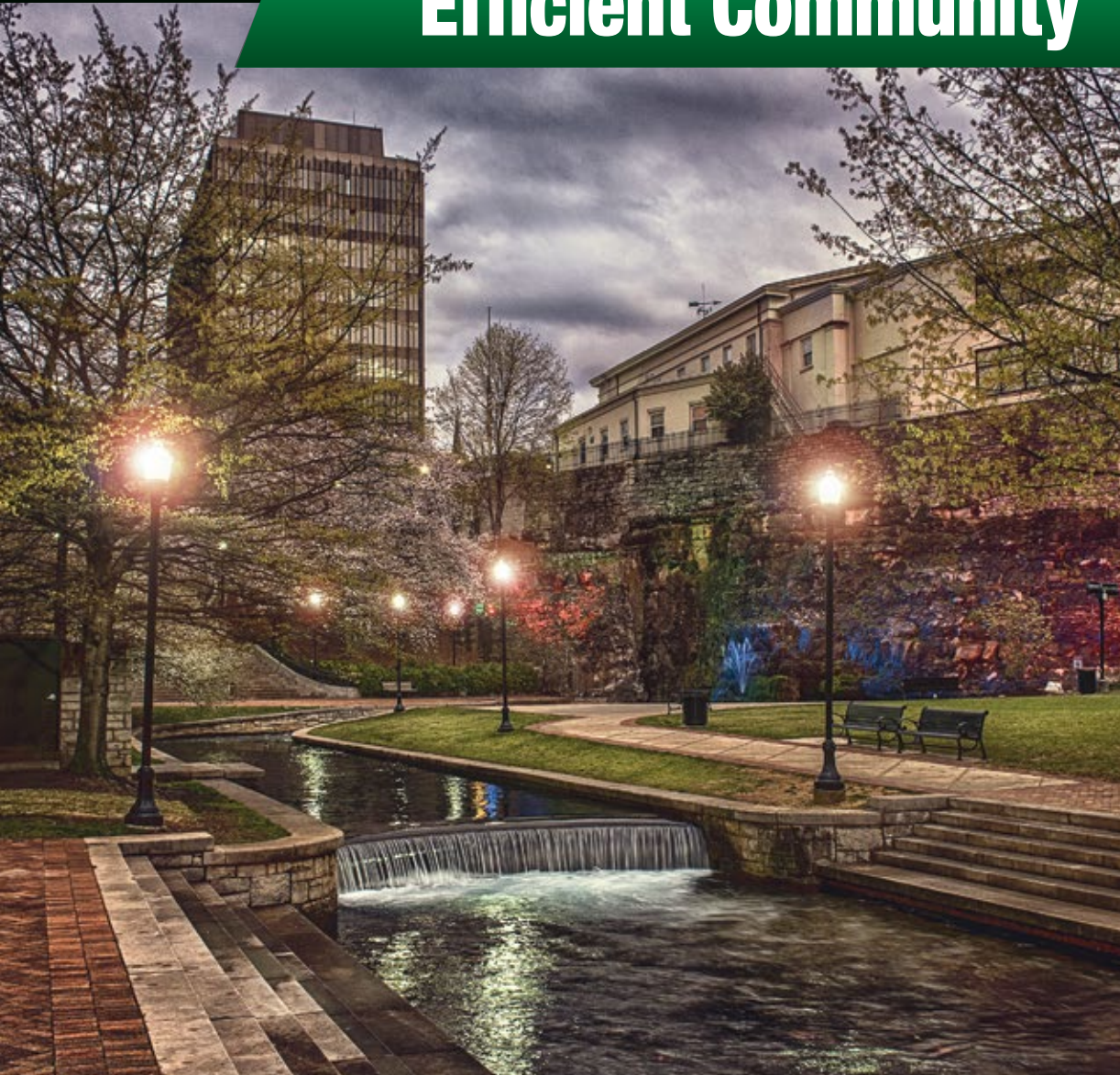


# Creating a More Efficient Community



**HUNTSVILLE UTILITIES**



# Creating a More Efficient Community



Every day, since 1940, Huntsville Utilities has proudly served the citizens of Huntsville and Madison County—ensuring the consistent delivery of critical utility services. So reliable are the services provided by Huntsville Utilities that many are not aware of the difficult and complex work required to keep them flowing.

The employees of Huntsville Utilities work hard to protect and enhance the quality of life for our customers and support our community's economic growth. Last year we were proud to complete a \$12M grant-funded program that improved the energy efficiency of low-income homes. We also completed the construction of an impressive water treatment plant near Guntersville Lake and made great progress installing fiber-optic cables throughout Huntsville. In the year ahead, we look forward to continuing our fiber deployment, expanding our natural gas system, and begin replacing legacy meters with state-of-the-art technology.

In everything we do, we strive to honor our commitments to the people we serve. As we go about our daily tasks, we never forget that we must work safely and act in fiscally and environmentally responsible ways—recognizing the balance required when spending our customers' money.

In this my first year as President/CEO of Huntsville Utilities, I appreciate how fortunate I am to be part of this growing community, and it is an honor to work alongside men and women who are dedicated to providing reasonably-priced, highly-reliable services to Huntsville and Madison County.

A handwritten signature in black ink, appearing to read "QW Valley".

.....  
President / CEO



## Creating a More Efficient Community

Efficiency is important for businesses, governments, utility companies and for all the residents of our community.

Huntsville Utilities is a leader in the area of energy efficiency and is pleased to report the recent completion of a project for low-income residents called “Huntsville Extreme Energy Makeover” (HEEM).

The HEEM project brought \$12,040,000 into our community through the Tennessee Valley Authority’s (TVA) Smart Communities Initiative and improved the efficiency of homes for 1,138 low-income residents. Project improvements were completed through a



collaborative effort with a number of Community Partners. Our partners recommended and pre-screened participants with the City of Huntsville’s Community Development office, which verified and documented applications. A network of local air conditioning and weatherization contractors completed the on-site energy improvements. TVA provided the funding structure, and Huntsville Utilities coordinated the improvements and managed the project to completion.

Huntsville Utilities gained knowledge not only regarding energy improvements for low-income residents, but also about the value of community partnerships. Lessons learned by all those who participated in the HEEM Project will not be forgotten.

Huntsville Utilities and their partners will continue to address the long-term energy issues for low-income residents through the generous donations of our customers and employees contributing to Project Share.

Project Share contributions have helped disabled and elderly residents



with utility payments for many years. Going forward, a portion of these donated funds will be applied to improvements that will reduce energy costs on a permanent basis. Project Share contributions can be easily added to monthly utility statements and are an excellent way to help .....

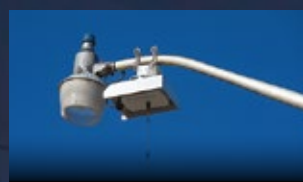
**“Create a More Efficient Community”.**

## **Alabama’s First Municipal Water System Opens 3rd Surface Water Treatment Plant**

Established in 1823, Huntsville Waterworks provides potable water to 95,000 meters in Huntsville, Alabama. Serving the fastest growing major city in Alabama for nearly 15 years - Huntsville Utilities’ Waterworks Board made plans to build the Southeast Water Treatment Plant in 2005 as seasonal demands continued to peak each year. Construction of the Southeast WTP began in 2015 on the 266-acre site near Lake Guntersville in Marshall County, Alabama.

The new surface water treatment plant has the initial capacity of 12 million gallons per day (MGD). The master plan for the new plant will allow for a total build-out capacity of 96 MGD. With the raw water intake located 10 miles from the treatment plant site on Lake Guntersville, more than 20,000 feet of 42-inch pipe to transmit raw water and 40,000 feet of 48-inch pipe that will carry the finished water to the distribution system were installed.

The construction of the Southeast Water Treatment Plant and system infrastructure improvements in the Hampton Cove area represents the largest capital project in the history of the Huntsville Waterworks Board. In recognition of their support, the Waterworks Board elected to christen the new plant in honor of former Water Manager, Vice President of Operations and Interim President/CEO of Huntsville Utilities, Mr. Anthony F. Owens, who worked for Huntsville Utilities for over 41 years; board member Mr. Stanley Statum, who served on the Waterworks Board for 24 years following his retirement from the Electric Department after 34 years of Huntsville Utilities’ employment; and former City Councilman Dr. James S. Wall, Jr. who has served on the Waterworks Board since 1995. It was officially opened on August 21, 2017.



With the addition of the Owens, Statum, and Wall Southeast Water Treatment Plant, the Huntsville Utilities Waterworks System includes three surface water treatment plants, and three groundwater plants and wells with the total permitted capacity of 123 MGD.

To keep pace with an efficient community, the Water Department pumped over 15.8 billion gallons of water to customers during the fiscal year.

## AMI Project Will Deliver More Efficient Operations

Huntsville Utilities continued making progress with the deployment of Automated Metering Infrastructure (AMI) technology in 2017 with the testing of equipment in west Huntsville. These equipment tests will ensure optimal functionality when full-scale deployment gets underway – planned for late 2018.

The benefits of AMI technology are far-reaching both for customers and Huntsville Utilities. Benefits include:

- timely meter data providing hourly information to better inform customers of their usage;
- improved system communication identifying problems and reducing repair times;
- decreased vehicle and foot traffic required for manual meter reading; and
- better system management during extreme weather conditions.

Going forward, this technology will give Huntsville Utilities the capability to expand our program offerings for customers with services like time-of-use rates or pre-pay opportunities. With up-to-the-minute information, customers will also be able to receive alerts concerning events like outages or usage saving opportunities. Additionally, this new technology provides more accurate meter readings and makes for a safer work environment for utility workers.

## Natural Gas System Growth

The expansion of natural gas continued to be strong in 2017, with service extended into a number of new and existing subdivisions all across the service area. Increased interest in the efficiency of natural gas—combined

with the affordability of Huntsville Utilities' rates—led to the installation of more than 100,000 feet of gas mains and 1,243 customers being added to the system.

Huntsville Utilities also completed the final phase of the loop line project, adding an additional 46,500 feet of 12" high pressure main. This increases the delivery routes and reliability of the entire natural gas system.

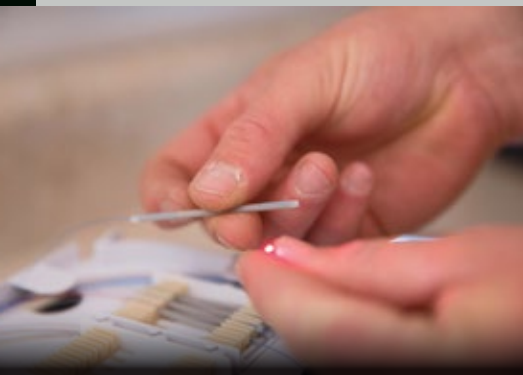
All this work was completed while maintaining Huntsville Utilities' high standards for safety. The Gas Department completed another year of full compliance during its annual Alabama Public Service Commission Office of Pipeline Safety inspection, and has gone two full years with no lost workday incidents.



## Fiber Progress

Huntsville Utilities, along with contractors Bear Communications and The Broadband Group, made significant progress constructing the fiber optic network slated for completion in August 2019. This fiber network, in conjunction with the aforementioned AMI project, will greatly improve the operational capabilities of the electric, water, and natural gas systems, helping to pinpoint and isolate problems remotely and rapidly. The automated potential will greatly improve the quality of service provided to customers by aiding in power restoration efforts.

This fiber optic network is also a key piece to the City of Huntsville's effort to become a gigabit city. The network includes fiber available for lease to companies that provide telecommunications services and for companies needing point-to-point data transfer capabilities. The first such service provider, Google Fiber™, is currently offering service across Huntsville Utilities' network in Northwest Huntsville and the Hampton Cove/Big Cove area. In 2018, service will be expanded to include South and Northwest Huntsville.



# Huntsville Utilities

## Statements of Revenues and Expenses

For the years ended September 30, 2017 & 2016

### Electric

	2017	2016
<b>Revenues</b>		
Residential Sales	\$ 231,572,251	\$ 233,653,455
Small Commercial Sales	36,066,016	33,726,964
Large Commercial & Industrial Sales	200,194,454	197,260,436
Lighting Sales	4,863,964	4,714,640
Other Operating Revenue	13,376,089	11,045,344
Non-Operating Revenue	375,282	707,579
	<b>\$ 486,448,055</b>	<b>\$ 481,108,418</b>
<b>Expenses</b>		
Purchased Power	\$ 399,501,296	\$ 401,356,622
Transmission & Distribution	17,380,155	18,256,788
Customer Accounting	6,311,094	6,024,927
Administrative & General	21,856,043	21,192,555
Depreciation	17,038,628	19,101,497
Payroll Taxes	1,781,508	1,604,991
Non-Operating Expenses	2,306,727	1,241,467
Tax Equivalents	11,296,708	11,437,077
	<b>\$ 477,472,158</b>	<b>\$ 480,215,924</b>
<b>Increase in Net Position</b>	<b>\$ 8,975,897</b>	<b>\$ 892,494</b>

### Natural Gas

<b>Revenues</b>		
Residential Sales	\$ 13,815,923	\$ 14,910,446
Commercial Sales	17,279,794	17,823,428
Industrial Sales	2,055,685	2,325,249
Other Operating Revenue	2,315,863	2,562,636
Non-Operating Revenue	(12,774)	116,918
Capital Contributions	510,901	550,041
	<b>\$ 35,965,391</b>	<b>\$ 38,288,718</b>
<b>Expenses</b>		
Purchased Gas	\$ 20,161,632	\$ 22,072,053
Distribution	5,154,929	4,853,330
Customer Accounting	1,065,857	1,039,639
Administrative & General	6,666,409	7,200,343
Depreciation	4,421,106	4,618,595
Non-Operating Expenses	(1,529,301)	62,822
Tax Equivalents	1,981,789	2,108,995
	<b>\$ 37,922,421</b>	<b>\$ 41,955,777</b>
<b>Increase in Net Position</b>	<b>\$ (1,957,030)</b>	<b>\$ (3,667,059)</b>

### Water

<b>Revenues</b>		
Residential Sales	\$ 25,277,101	\$ 23,387,774
Commercial Sales	12,701,204	12,083,615
Industrial Sales	2,144,687	2,138,113
Government Sales	2,449,761	2,395,719
Fire Hydrants	1,485,508	1,405,531
Other Operating Revenue	1,699,692	1,726,610
Non-Operating Revenue	748,465	932,962
Capital Contributions	3,375,896	3,457,316
	<b>\$ 49,882,315</b>	<b>\$ 47,527,640</b>
<b>Expenses</b>		
Purification	\$ 2,061,891	\$ 1,668,058
Pumping	4,691,924	4,230,193
Distribution	5,259,009	3,848,919
Customer Accounting	1,448,263	1,375,582
Administrative & General	9,089,441	7,510,710
Depreciation	7,152,241	7,654,546
Non-Operating Expenses	1,022,692	1,202,329
Tax Equivalents	2,623,614	2,452,565
	<b>\$ 33,349,075</b>	<b>\$ 29,942,902</b>
<b>Increase in Net Position</b>	<b>\$ 16,533,240</b>	<b>\$ 17,584,738</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, Secretary

D. Thomas Winstead, Chairman

George A. Moore, Esq., Vice Chairman



### **Natural Gas/Water Boards (l-r)**

Jim Batson, Vice Chairman

Dorothy W. Huston, Ph.D, Chairman

Dr. James S. Wall, Jr., Secretary

## **Management Team**

Wes Kelley

President & Chief Executive Officer

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**

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