



HUNTSVILLE UTILITIES
ELECTRICITY • NATURAL GAS • WATER



Established in 1940, Huntsville Utilities serves electric, natural gas, and water customers in Huntsville/Madison County, Alabama.

CUSTOMERS ARE THE REASON.....

2022 ANNUAL REPORT

PRESIDENT/CEO STATEMENT



Wes Kelley

President
Chief Executive Officer



Customers Are the Reason

Huntsville Utilities provides foundational services – electricity, natural gas, and water – to the Huntsville/Madison County community. We recognize the critical importance of our work to support our customers' vital needs. Customers are the reason the nearly 800 men and women employed by Huntsville Utilities work each day to ensure that the lights are on, natural gas is delivered, and water is flowing to serve Alabama's largest city and the developing county. The continued economic prosperity of our service area has brought new customers to the community who also expect the same superior service that Huntsville Utilities has provided for more than eight decades.

Customers are the reason Huntsville Utilities strove to maintain efficient, nimble, and resilient services during the global COVID-19 pandemic. The pandemic reinforced the importance of our reliable, efficient, and low-cost services. Providing consistent utilities to our customers allows them to run their homes and operate their businesses—to live healthy and productive lives.

Huntsville Utilities is proud to support our customers, and last year we were tested as our crews pivoted from dealing with tornadoes to a winter snow event less than 24 hours apart. While that event was unique, it is common for the Operational Crews of Huntsville Utilities to work all hours to execute our daily mission of service.

Aside from supporting existing customers, we have been busy keeping up with our community's growth. New residential construction, single-family and apartments, is at its highest in some time. Huntsville Utilities strives to keep pace with this growth while working through supply chain logistic concerns. As a result, new internal processes were implemented to ensure the availability of needed materials for all projects.

The secret is out. Huntsville/Madison County is receiving national attention as the best place to live, work, and play. New people are relocating to our area daily. Customers are the reason Huntsville Utilities exists. We remain committed to serving customers with quality and reliable foundational services at reasonable rates.

WE CARE.

Mission:

Strengthen trust in Huntsville Utilities.

Vision:

Deliver excellent customer experiences.

Values:

Do what's right, build community, get better everyday.



These statements clearly exemplify the importance of our customers' welfare. With the world in turmoil, prices for everyday needs inflating, and families struggling, Fiscal Year 2022 (FY22) became the year to go that extra mile to help Huntsville Utilities' customers.

Our Customer Care team values the customer relationships we have nurtured over the years. Having worked hard to keep rates low and ensure doing business with the utility company is easier, the team searched diligently for ways to continue helping and making a difference.

One thing became abundantly clear while assisting customers in need - they did not know how many opportunities for assistance exist through local agencies and community resources. To make it easier to receive this assistance, Huntsville Utilities developed the "We Care" webpage and brochure. By visiting www.hsvutil.org/We_Care, customers can find information on utility bill assistance, financing energy efficiency improvements, and tips for lowering bills. By putting these assistance programs - company, community, and corporate - on one

webpage, it is easier for customers to make informed decisions about improving their utility experience.

Company efforts to raise money for Project Share also increased. Donations from customers, corporations, and Huntsville Utilities employees totaled \$261,995.51 for the fiscal year - a huge accomplishment in financially trying times, and the highest annual contribution total since the program began in 1988. During the 2022 heating season, 589 families received \$127,336.48 of utility assistance. The remaining funds, including ear-marked sponsorships and matching grants, were used to upgrade the homes of qualified applicants to increase energy efficiency and lower utility bills for the long-term.

Huntsville Utilities is also proud to support the local educational needs of schoolchildren through our partnership with The Schools Foundation and the "Sign Up to Round Up" customer donation program. During FY2022, Huntsville Utilities held several unique internal and public fundraisers, in addition to the Round Up donation opportunity. One of these fundraisers was Eats for Education, a lunch time, food truck rally at Big Spring Park, which raised \$4,372. In total, the Round Up donations and extra fundraising efforts netted \$44,719 to The Schools Foundation.

From infrastructure and planning for future growth to helping nurture future generations, community stewardship is taken very seriously at Huntsville Utilities.



WE CARE

Our Customer Service Department was renamed Customer Care because....

WE CARE!

The Customer Care Department has been promoting e-Billing and use of the *My Account* online customer portal to simplify doing business with the company. Online registration for utility accounts rose 83% since July. E-Billing registrations increased 10%, allowing 36,195 customers to receive their monthly invoice the day after meters are read.

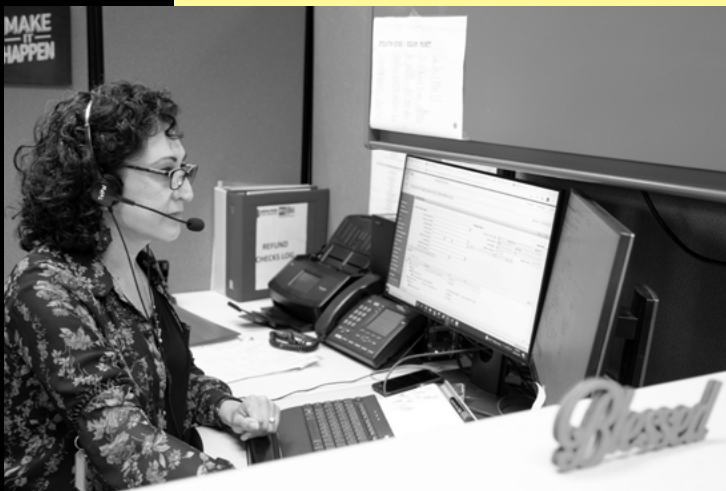
Customer Care has also made changes to the "Chat Now" feature, making it more visible on the company website and *My Account* main menu. Use of the feature increased from an average 325 chats to 723 in the first month after these changes.

Some customers enjoyed the surprise of an account credit this summer, due to an update to the Residential Deposit Interest Policy. Interest that had accrued on deposits prior to September 2021 was refunded as an account credit during August and September.



The local residential building boom is increasing demand for our energy efficiency programs. The New Homes Program netted 2,255 homes built to the State of Alabama Energy Code Certification requirements for efficiency. The Natural Gas HVAC Incentive program paid rebates on 248 new homes, as well as to 27 homeowners taking advantage of the program to convert to clean, efficient natural gas for their heating needs.

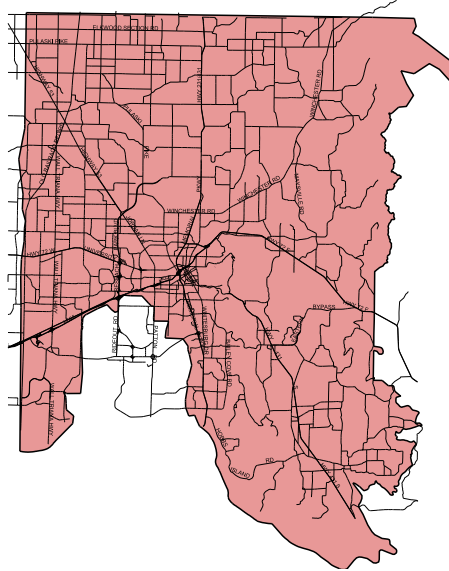
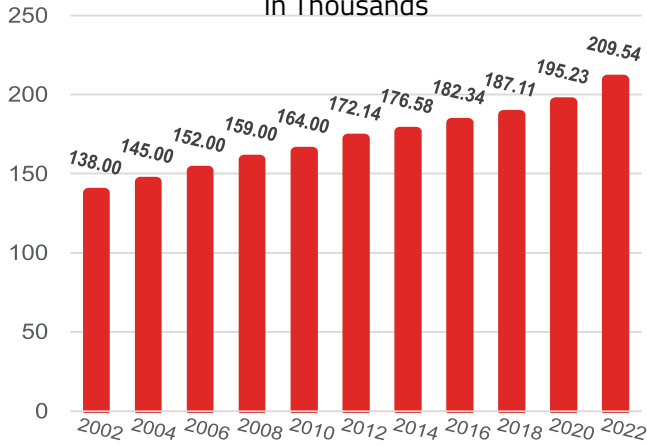
Huntsville Utilities takes great pride in providing reliable services and supportive, caring customer service. During a customer satisfaction survey implemented from January through September, more than 90% of our customers were "very satisfied" with the ease of doing business with us, and the company had an overall average customer service rating of 95%.



WHO WE SERVE

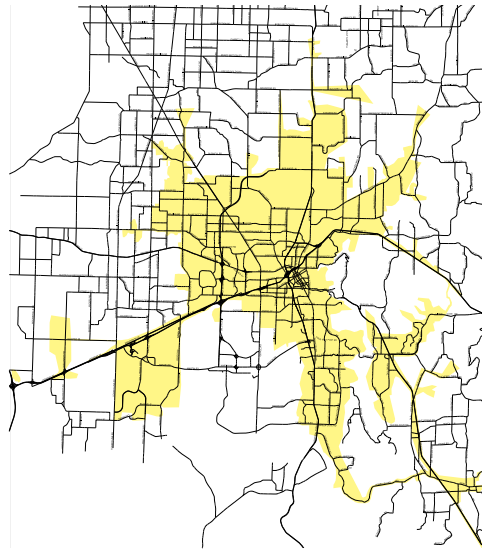
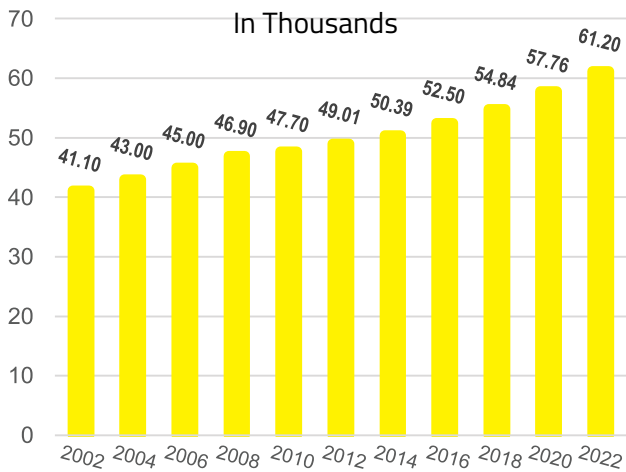
Electric Customers

In Thousands



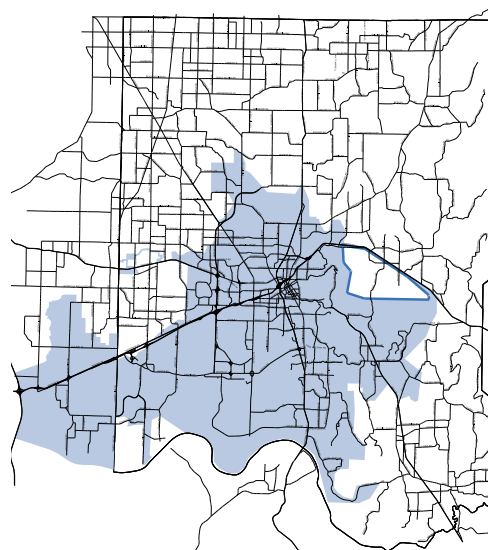
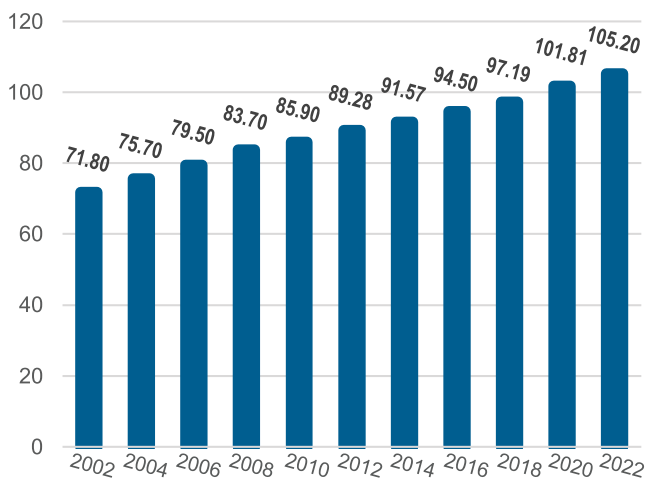
Natural Gas Customers

In Thousands



Water Customers

In Thousands





ELECTRIC

Fiscal Year 2022 was the biggest growth year in over 20 years for the Electric Department with the addition of 8,330 customers, the second straight year of record-breaking growth.

Huntsville Utilities customers are the reason for everything we do. With that in mind, Electric Operations set out to complete ambitious projects during 2022 to ensure each customer — current and future — receives reliable and efficient service.

In 2022, our underground electric crews completed and energized the last two underground breakers at Redstone Gateway. The Governor’s Drive LED streetlight conversion was completed from California Street to Dug Hill, along with manhole installation and rerouting 750 cable feeders at Providence for a new hotel.



system for the Arsenal. The SCADA system, used to monitor the grid and outages, underwent a major upgrade, which was necessary for the outage management system currently under development. Crews also continue to exceed expectations in servicing Redstone Arsenal.

Electric Operations also achieved several prestigious awards throughout 2022, such as the RP3 (Reliable Public Power Provider) Diamond Status (the highest level) from the American Public Power Association. All four service reliability indices fall below the national average, and the lower the number for these indices the better. Electric Operations now has State of Alabama approved Apprenticeship Programs. At the Tennessee Valley Public Power Association’s Lineman Rodeo, the Huntsville Utilities team received 1st Place In Best Overall, and they also received 3rd Place at the International Lineman Rodeo.

Electric Operations prides itself in providing the best, most efficient, and most reliable service to Huntsville Utilities customers. Everything they do is always for the customer, because the customer is always the reason.



Crews also replaced 12kV breakers, conducted communication equipment changeouts at four substations, and increased the load-carrying capacity of the wires serving Green Mountain. Additionally, the Electric Department constructed transmission and distribution circuits for the new Capshaw Road substation, and over 900 utility poles were replaced. A new workstation dedicated exclusively to Redstone Arsenal was installed in our Dispatch Center, and Huntsville Utilities created the outage management



Overhead line installed:	561 miles
Underground line installed:	170 miles
Number of employees:	216
Number of customers:	209,543

Huntsville Utilities cast iron replacement program, increasing reliability and longevity of the system, is almost complete. The remaining 10 miles are scheduled for completion by the end of fiscal year 2024.

NATURAL GAS



Demand for natural gas in Huntsville remains strong. During FY2022, 1,642 customers were added (for a total of 61,197 — a growth of nearly 3%). Much of this residential growth was in the northern section of Madison County.

To accommodate this growth and demand, the Natural Gas Department installed 1,947 service lines (over 400 more lines than were installed in FY21). In addition, over 42 miles of new natural gas main were installed (compared to 32 miles in FY21).

At the conclusion of FY2022, Huntsville Utilities cast iron replacement program for natural gas pipe was nearly complete with only 10 miles left to replace. During FY2022, 2.1 miles of cast iron pipe was replaced. Upon completion, 28 miles of cast iron pipe will have been replaced improving the safety, stability, and longevity of the natural gas system.

Out of 956 municipally owned gas systems, during FY2022, Huntsville Utilities was the 15th largest by customer count and 16th largest by miles of gas main. Significant commercial and industrial expansion was seen in Limestone County, which led to the construction of a new gate station along Greenbrier Parkway to increase redundancy in the area.



Gas main installed:	42 miles
New service lines installed:	1,947
Number of employees:	91
Number of customers:	61,197

All this work was done with the usual high emphasis on safety, and the Natural Gas Department was honored with a Safety Award for large systems from the American Public Gas Association.

Huntsville Utilities continues to be a natural gas industry leader at the national level. John Olshefski, Huntsville Utilities' Senior Vice President of Customer Care, became Chairperson of the American Public Gas Association. The theme for his chairmanship is "Freedom To Fuel," and led to the launch of a weekly podcast that emphasizes the importance of consumer choice when it comes to energy sources, and pushes back against misinformation.



WATER

Huntsville Utilities Water Department continues to prove they are the best of the best by winning the top award in each category entered for the 2022 Alabama Water Pollution Control Association's plant awards.

Excellence is the name of the game for Huntsville Utilities Water Operations, because our employees give the best service possible to our customers, who are the reason for everything we do.

The rehabilitation project for the South Parkway Water Treatment plant began on October 6, 2021, with completion scheduled for 2023. In order to maintain system capacity, only half of the plant is out of service during the project. As of October 2022, the following tasks have been completed:

- Installation of plate settlers in the four sedimentation basins in the south portion of the plant;
- Installation and startup testing for air scour for all eight filters on the south portion of the plant;



- Installation of 98% of the new handrails and ladders for the sedimentation and filter basins;
- Installation of media in filters 5-8;
- Installation of underdrains in filters 1-4; and
- Second floor demolition to prep for the new facility layout, which includes office space, meeting space, a new control room, and a new water quality lab.

Start-up for the rehabilitated south side of the plant is scheduled for January of 2023, which will then allow for contractors to take the north side of the plant offline for rehabilitation.

Water Supply also continues to focus on system reliability and critical infrastructure with planned projects for FY23-24 such as control updates for the Southwest and Lincoln-Dallas Water Treatment Plants and sludge collection improvements at the Southwest Water Treatment Plant.

2022 was a banner year for Water Operations, as we took the top award for each category entered for the 2022 AWPCA Plant Awards.

- Best Operated Surface Water Plant 20.1-30 MGD – Southeast Water Treatment Plant
- Best Operated Surface Water Plant 40.1-50 MGD – Southwest Water Treatment Plant
- Best Operated Groundwater Plant > 100,000 Meters – Lincoln-Dallas Water Treatment Plant
- Best Operated Distribution System 50,001-100,000 Meters



Pipe installed:	20.832 miles
Number of employees:	121
Number of customers:	105,203

Every project, upgrade, and rehabilitation is for the purpose of ensuring reliable, high quality, and efficient service for current and future customers, because our customers are the reason for everything we do.

THE HU TEAM



Huntsville Utilities prides itself on training new employees to represent the company professionally and respectfully. During FY2022, 90 new employees completed their training to serve our customers. Training can be as extensive as a twelve-week course for new agents in the Customer Information Center (CIC) or a two- or three-year apprenticeship in the electric, natural gas, or water operations departments.

Upon completion of the initial twelve-week training, CIC agents work in their first customer assistance slot for six-months before a second round of training allows them to move to more complicated customer assistance areas. All Customer Care employees received training on system upgrades, Automated Metering, and other topics during the year.

Apprenticeships in the operations departments cover a variety of tasks, from equipment operations to lineworker duties. Each graduate receives certification from the Alabama Department of Labor - Alabama Office of Apprenticeship.

Fiscal Year 2022 also marked the completion of the tenure for the first team serving on the Workforce Committee on Diversity, Equity & Inclusion (WCDE&I). The WCDE&I is an employee-based, volunteer group of 15-20 employees from across the company who serve a two-year term focusing on diversity, equity and inclusion issues. Major projects developed by the group to address diversity needs included the inaugural Match Maker Event, which identified potential new diverse vendors. Huntsville Utilities was joined by Huntsville Hospital, the Federal Bureau of Investigation, and other local companies in presenting the ABC's of how to become a vendor. The implementation of a women's empowerment group, Huntsville Utilities Stronger Together (HUST), was also launched to help women become empowered and thrive in the HU work environment.

Huntsville Utilities also addressed diversity and inclusion in hiring and training practices. Increases in hiring occurred in the Black, American Indian/Alaskan, and Hispanic population segments. Training in diversity and inclusion was also

given to 747 employees during the year. Huntsville Utilities continues to embrace equal opportunities for all our employees and customers, and will continue to expand and nurture a culture that not only "acknowledges diversity", but will continuously "embrace diversity".

HUNTSVILLE UTILITIES MANAGEMENT TEAM

Wes Kelley
President & Chief Executive Officer

Stacy Cantrell
Vice President, Engineering

David Champigny
Chief Information Officer

Mike Counts, PE
Vice President, Operations

Warne Heath, Esq.
General Counsel

Harry Hobbs, DBA, Ph.D, SHRM-SCP
Vice President, Employee Engagement

Melissa Marty, CPA
Chief Financial Officer

John Olshefski
Senior Vice President, Customer Care

208
ADMINISTRATIVE/
JOINT EMPLOYEES

121
WATER
EMPLOYEES

91
NATURAL GAS
EMPLOYEES

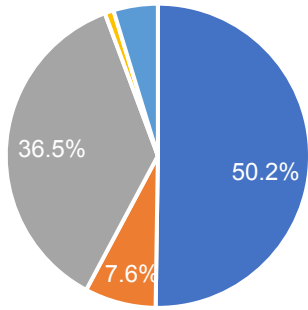
216
ELECTRIC
EMPLOYEES

117
CUSTOMER CARE
EMPLOYEES

FINANCIAL STATEMENTS

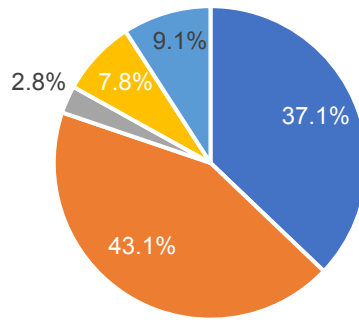
	2022	2021
Electric Revenues		
Residential Sales	310,265,956	269,671,311
Small Commercial Sales	46,792,377	41,782,103
Large Commercial & Industrial Sales	225,508,275	195,754,255
Lighting Sales	5,861,314	5,296,917
Other Operating Revenue	27,907,974	26,752,153
Non-Operating Revenue	3,303,106	385,015
	<u>619,639,002</u>	<u>539,641,754</u>
Expenses		
Purchased Power	461,618,064	392,210,834
Transmission & Distribution	28,295,694	25,355,884
Customer Accounting	4,032,635	3,600,088
Administrative & General	24,267,914	26,875,519
Depreciation	22,942,539	25,105,010
Non-Operating Expenses	4,480,544	3,523,294
Tax Equivalents	17,701,209	18,063,735
	<u>563,338,599</u>	<u>494,734,364</u>
Increase in Net Position	<u>56,300,403</u>	<u>44,907,390</u>
Natural Gas Revenues		
Residential Sales	25,378,685	23,625,412
Commercial Sales	29,449,490	25,978,927
Industrial Sales	1,942,725	1,730,033
Other Operating Revenue	5,206,400	4,188,381
Non-Operating Revenue	469,129	351,705
Capital Contributions	6,237,735	1,182,219
	<u>68,684,164</u>	<u>57,056,677</u>
Expenses		
Purchased Gas	29,562,340	21,852,552
Distribution	6,337,161	5,893,518
Customer Accounting	1,856,703	1,384,702
Administrative & General	8,155,887	8,365,656
Depreciation	5,004,832	4,779,623
Non-Operating Expenses	2,193,037	587,658
Tax Equivalents	3,389,975	3,065,742
	<u>56,499,935</u>	<u>45,929,451</u>
Increase in Net Position	<u>12,184,229</u>	<u>11,127,226</u>
Water Revenues		
Residential Sales	26,701,325	26,033,508
Commercial Sales	14,821,791	13,541,503
Industrial Sales	2,104,056	1,886,879
Government Sales	2,869,056	2,837,639
Fire Hydrants	1,681,939	1,648,476
Other Operating Revenue	6,818,588	3,182,966
Non-Operating Revenue	730,808	571,050
Capital Contributions	5,966,271	7,043,571
	<u>61,693,834</u>	<u>56,745,592</u>
Expenses		
Purchased Water	64,267	33,911
Purification	3,376,917	2,344,053
Pumping	6,521,201	5,581,194
Distribution	6,120,246	6,323,806
Customer Accounting	3,547,730	2,122,082
Administrative & General	12,500,709	11,891,987
Depreciation	11,450,691	10,981,551
Non-Operating Expenses	6,034,702	2,904,747
Tax Equivalents	2,892,313	2,743,235
	<u>52,508,776</u>	<u>44,926,566</u>
Increase in Net Position	<u>9,185,058</u>	<u>11,819,026</u>

Electric Revenues



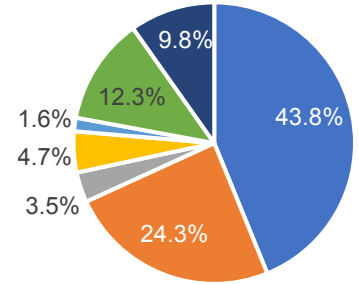
- Residential Sales
- Commercial Sales
- Industrial Sales
- Lighting Sales
- Other Operating Income

Gas Revenues



- Residential Sales
- Commercial Sales
- Industrial Sales
- Other Operating Income
- Capital Contributions

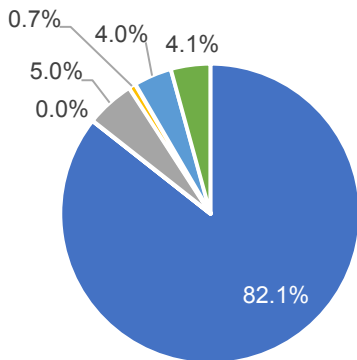
Water Revenues



- Residential Sales
- Commercial Sales
- Industrial Sales
- Governmental Sales
- Other Sales
- Other Operating Revenues
- Capital Contributions

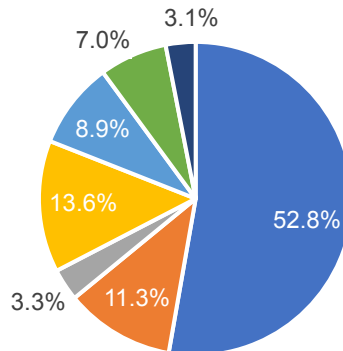
REVENUE & EXPENSES

Electric Expenses



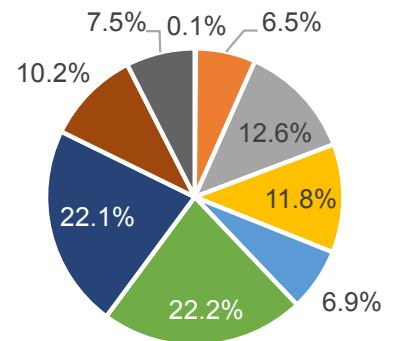
- Purchased Commodity
- Transmission
- Distribution
- Customer Accounting
- Administrative and General
- Depreciation

Gas Expenses

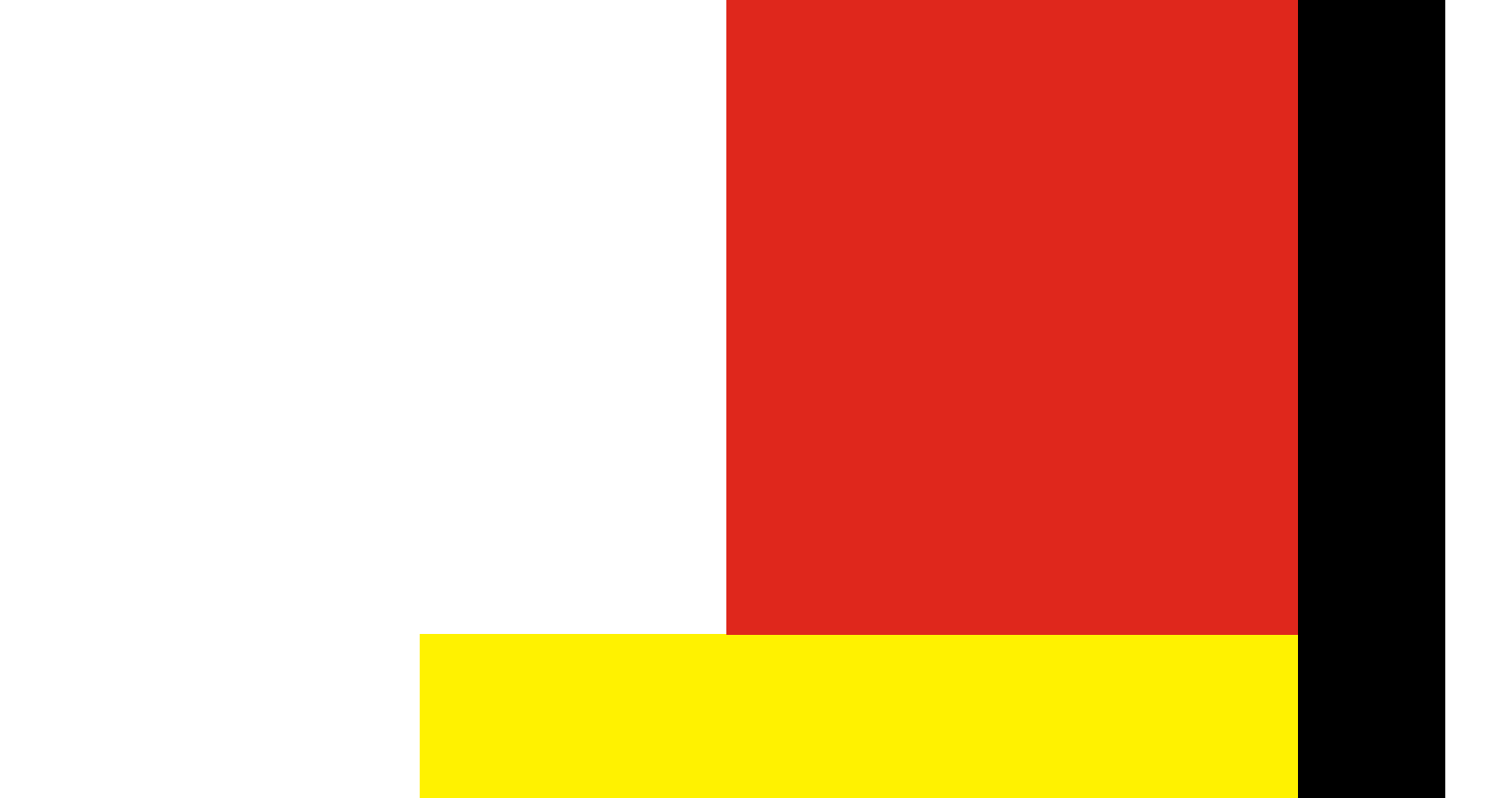



- Purchased Commodity
- Distribution
- Customer Accounting
- Administrative and General
- Depreciation
- Tax Equivalents
- Non Operating Expenses


Water Expenses



- Purchased Commodity
- Purification
- Pumping
- Distribution
- Customer Accounting
- Administrative and General
- Depreciation
- Non-Operating Expenses
- Tax Equivalent



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