

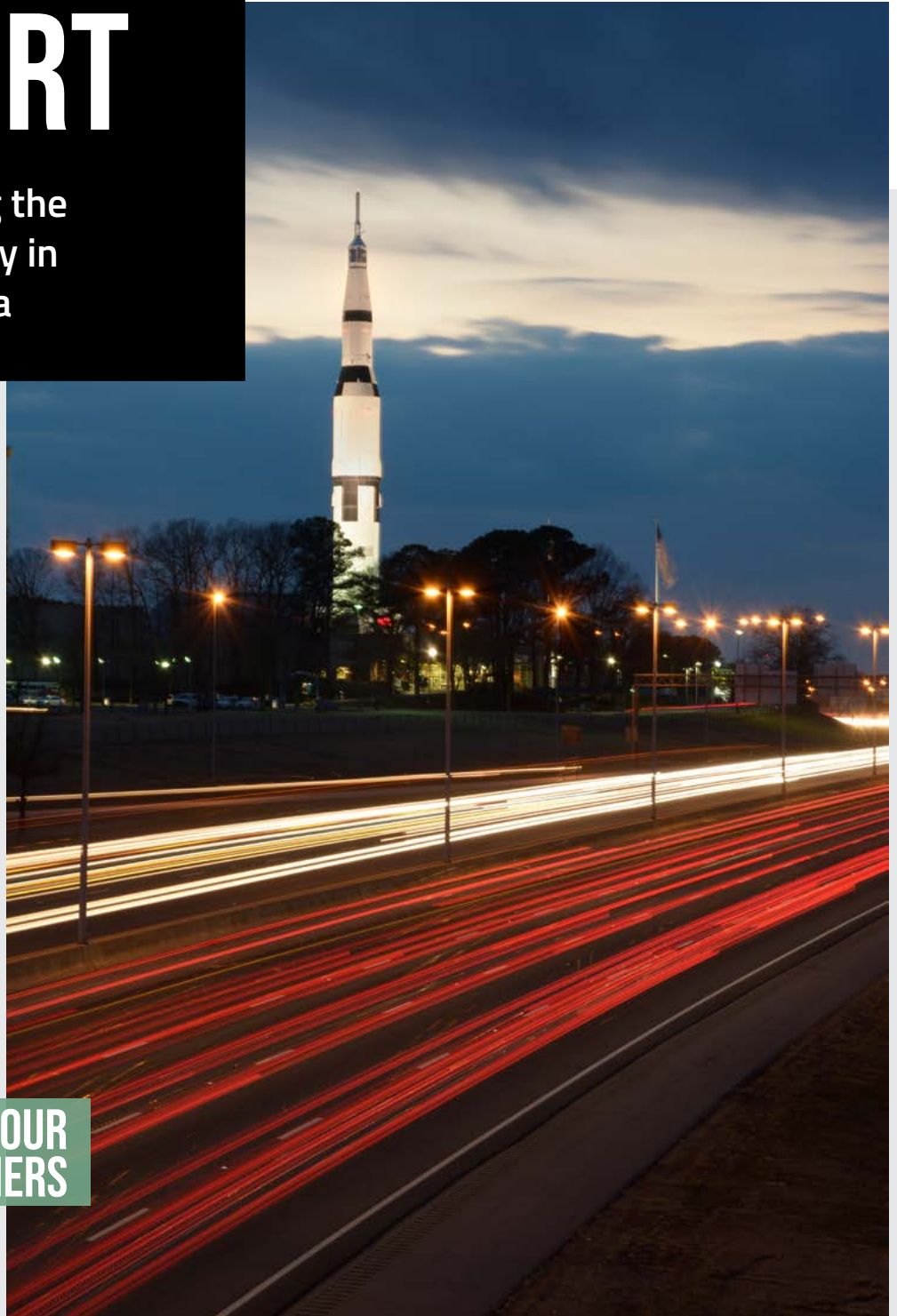


HUNTSVILLE UTILITIES
ELECTRICITY • NATURAL GAS • WATER

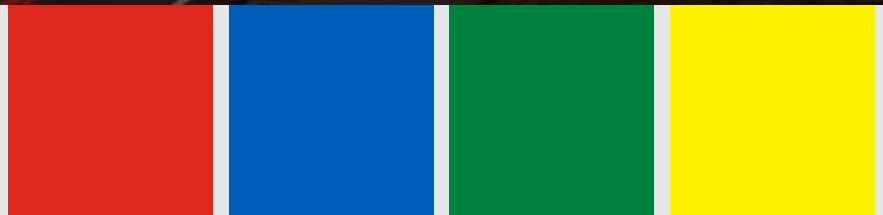
2021

ANNUAL REPORT

Celebrating the
Largest City in
Alabama



CARING FOR OUR
CUSTOMERS



PRESIDENT/CEO STATEMENT



Wes Kelley

President
Chief Executive Officer

Caring for Our Customers

The founding of Huntsville Utilities is deeply rooted in caring for our customers. Over eight decades ago, the forefathers of Huntsville invested in the public-power utility model to provide our community low-cost and reliable electrical service. That initial investment into the municipal electrical system would later provide service to all of Madison County, which also led to the City's further support for municipal water and natural gas. Huntsville Utilities has been caring for our customers since the beginning, as these foundational services – electricity, natural gas, and water – support and sustain our growing community.

As the global COVID-19 pandemic continued to upend all our lives, Huntsville Utilities was able to demonstrate our ongoing commitment of service. Further, Huntsville Utilities expanded that commitment through a collaboration with the Tennessee Valley Authority (TVA) to provide financial assistance to customers and non-profit organizations struggling during the COVID-19 pandemic. Huntsville Utilities is proud of the multi-

decade partnership with TVA and their mission to support the residents of the Tennessee Valley.

Caring for our customers has led Huntsville Utilities to now operate and maintain the electric, natural gas, and water infrastructure on Redstone Arsenal. Even the U.S. Army recognizes the dedication Huntsville Utilities has to maintaining reliable and foundational services to this growing community.

While caring for our customers, Huntsville Utilities continues to refine and improve its processes. The Government Finance Officers Association awarded Huntsville Utilities its "Distinguished Budget Presentation Award" for the 2021 fiscal year budget. To qualify for this award, Huntsville Utilities had to put new processes in place. This national recognition serves as a testament to the prudent financial and resource planning at Huntsville Utilities, as well as our commitment to continuous improvement.

The Huntsville/Madison County area continues to grow; as a result, Huntsville Utilities is adding new customers daily. Even with this growth, our first priority is to care for our customers by providing superior, quality service and reliability.

GROWTH.

Growth has been a key word in Huntsville for decades, since the beginning of the space industry. Today, Huntsville celebrates being Alabama's largest city, with a 2020 census population of 215,006. According to data released by the Huntsville/Madison County Chamber of Commerce, the City's employment rate has returned to pre-COVID levels, and the population grew by over 2% from 2019 to 2020.

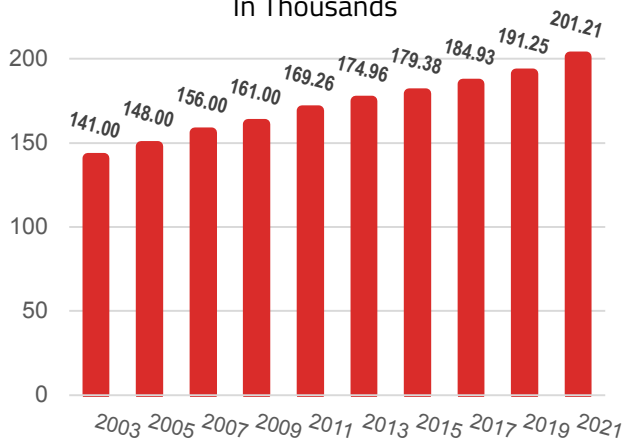
The growth covers more than just a head count, and Huntsville Utilities has been the backbone upon which this growth has taken place. The area has welcomed new large industry and small commercial businesses, an addition of nearly 5,000 new customers, and residential construction, which will continue to increase for years to come.

Providing the infrastructure for continued growth is a primary concern for the utility. The addition of a fourth water treatment plant in 2017, construction of new substations, and expansion of the burgeoning natural gas system are a few examples of HU's efforts to support the City and surrounding areas' growth.



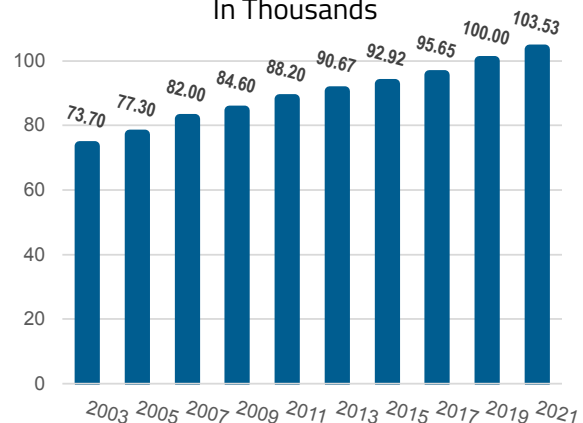
Electric Customers

In Thousands



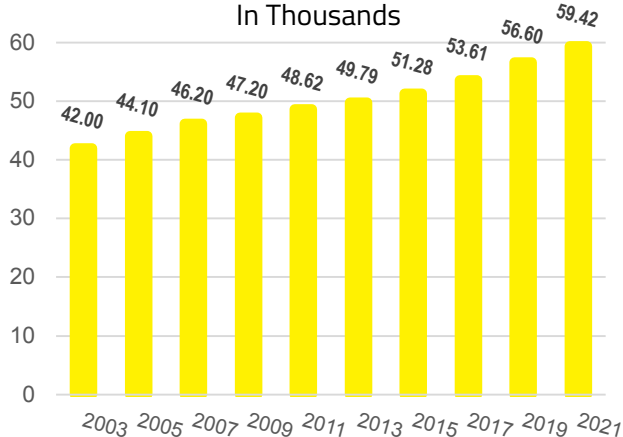
Water Customers

In Thousands



Natural Gas Customers

In Thousands



From compassionate customer care to community involvement, HU employees are engaged with the communities we serve.

CARING FOR THE COMMUNITY



Because we care about the customers we serve, Huntsville Utilities established several ways to assist customers during the COVID-19 pandemic in FY2020. Some of the programs continued without change into the next fiscal year, while others progressed to the next phase.

Disconnections for late payments were suspended for six and a half months. Before disconnections resumed, customers with past due bills were contacted about

their balances. Accounts with outstanding balances were automatically set up with payment plans of three, six, or 12 months, depending on the past due amount.

Huntsville Utilities and TVA partnered to help customers who lost their jobs due to the pandemic, creating a COVID-19 Utility Financial Assistance Fund. The first round of giving included \$30,000 to local shelters, and \$160,000 dispersed among customer accounts that had accumulated balances

during the March-September period when disconnects were suspended. Another round of funding is expected to assist customers during the upcoming fiscal year.

Customer Service also implemented procedures that would allow employees to work from home and customers to conduct business by phone, limiting direct contact to help slow the spread of COVID-19. The number of customers allowed in the building at one time was limited by requiring appointments.



HUNTSVILLE UTILITIES MANAGEMENT TEAM

Wes Kelley
President & Chief Executive Officer

Stacy Cantrell
Vice President, Engineering

David Champigny
Chief Information Officer

Mike Counts
Vice President, Operations

Warne Heath, Esq.
General Counsel

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

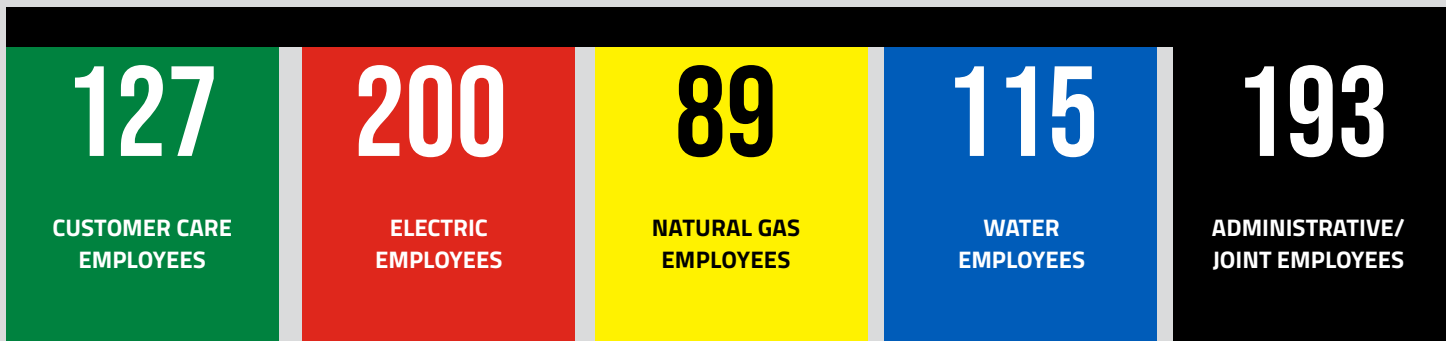
Melissa Marty, CPA
Chief Financial Officer

John Olshefski
Senior Vice President, Customer Care

Commercial/Business accounts were also allowed to spread billing over several months, which assisted with their cash flow and financial stability.

Customer Service also promoted the use of our seven payment kiosks as a contact-free method to pay bills. Signage and video instructions were provided to assist customers using the kiosks. The Department also continued using plexiglass barriers and signage for a controlled traffic flow, helping to decrease interaction.

As we continue to move forward into FY2022, Huntsville Utilities remains aware of the struggles the pandemic has created for a large portion of our customer base. We are taking every reasonable effort to ease the burden, while maintaining quality, reliable services.





As of FY2021, nearly 190,000 customers now enjoy the benefits of electric AMI meters.

Fiscal Year 2021 was the biggest growth year in 20 years for the Electric Department with the addition of 5,659 residential customers.

ELECTRIC

June 1 was noteworthy, as it was the day the operation of Redstone Arsenal's water, natural gas, and electric systems became the responsibility of Huntsville Utilities. The Arsenal makes up 10% of Huntsville Utilities' responsibilities, and it is equivalent to a small city. Crews from all three operations departments have been hard at work running numerous maintenance protocols to ensure the systems are all in good working order.

2021 has been a busy year for Electric Operations, as they have been hard at work keeping up with the growth in Huntsville and Madison County. Since last year, Huntsville Utilities has added 5,659 residential customers, which is a 3.3% increase. We have also added 4 large commercial and industrial customers and 316 small commercial customers.

Electric Operations continued the AMI (Advanced Metering Infrastructure) meter rollout for electric customers and made huge progress. In FY2021, 68,438 electric AMI meters were installed, bringing the project to a completion rate of 95%. The past year was filled with other major projects including completion of the Old 431 Substation in Owens Cross Roads and the Ballpark Substation in Madison, relocation of the Madison Substation, and sitework for the future Capshaw Substation. Work also began on the future Old Monrovia Substation, as well as upgrades to 16 distribution level substation breakers and 7 transmission level breakers. All this was accomplished while maintaining normal daily operations.

Everything was completed with minimum overhead costs to ensure rates stay as low as possible for our customers. Presently, Electric Operations has 187 employees responsible



for the maintenance and operation of current infrastructure, as well as the development and construction of new infrastructure.

Even when the weather is rough, temperatures are cold, or it's the dark of night, our Electric Operations Crews work hard and efficiently to keep power on for each customer in our service area.

Huntsville Utilities distributes natural gas to 60,000+ customers over 1,200 miles of pipeline throughout Madison County.



NATURAL GAS

A recent survey shows 72% of Americans favor the expansion of natural gas use, and that is certainly the case in the Huntsville Utilities service area. Over the past year, the Natural Gas Department added 1,658 customers, and 1,534 new services were made available across more than 32 miles of new gas main.

Construction of a new natural gas gate station at the Mazda-Toyota facility was completed and brought online. The cast iron replacement project continued, with only 20 miles of original pipe still in place.

A particularly cold winter gripped the Huntsville area in January and February, with temperatures matching lows not seen in a decade. Thanks to advanced forecasting and planning on the part of Natural Gas purchasing, Huntsville Utilities was able to ensure an adequate supply of natural gas for all residential and commercial customers without any disruption of service. The initial plans for adding natural gas to the Huntsville Utilities Advanced Metering Infrastructure (AMI) system were rolled out during the fiscal year with installation of the first 7,000 AMI natural gas meters.

The department's work did not go unnoticed by their peers in the industry. At the American Public Gas Association's Annual Conference in New Mexico, Huntsville Utilities was honored with the Public Gas System Achievement Award, which is presented to the system that has made substantial contributions to the community, other utilities, and the goals of the APGA. In addition, Donnie Sharp, Huntsville Utilities Natural Gas Supply Manager, was honored with the American Public Gas Association's Personal Achievement Award for his 35 years of service to the natural gas industry.





Improvements continue on existing water supply structures while customers enjoy refreshing, award-winning water daily.

Huntsville Utilities Water Department added 1,720 customers during fiscal year 2021.

WATER

While the City of Huntsville is growing at a rapid pace, the Water Operations Department has been well-prepared and continues to implement plans that have been in place for years. Water main service lines equalling 1,368 miles were installed during the fiscal year, and more is being installed every day.



February 2021 included a complete update to the electrical components in the South Parkway Raw Water Intake system. Other upgrades to the facility included converting two pumps to Variable Frequency Drive (VFD) and a new building for the pumps. Russell Hill Tank 2 and Southwest plant's wash water tanks were updated in March, along with the Oakwood and East Governors tanks receiving a few warranty repairs.

Plans for the coming year include a remodel for the South Parkway Water Treatment Plant, for which the contractor has already been selected.

The high standards for our drinking water system continue to receive awards. In 2021, both the Southeast and Southwest Water Treatment Plants won the Alabama Water and Pollution Control Association (AWPCA) award for Best Operated Plant. Lincoln-Dallas and Huntsville Utilities Distribution systems also received an Award of Excellence.

As the City grows, so will our water infrastructure, as we continue to provide for our community.



During the fiscal year, 2,187 new homes were certified as State of Alabama Energy Code compliant.



ENERGY SERVICES

The Energy Services team had a very busy year keeping up with the growth in the Huntsville metropolitan area. Huntsville Utilities, in conjunction with its building industry partners, completed a total of 2,187 New Home State of Alabama Energy Code certifications from October 2020 to September 2021 as part of Huntsville Utilities' New Homes Program. This was an increase of 32% (526 homes) from the FY2020 totals. TVA program funding, which promotes electricity as the primary heat source for new homes, paid rebates to the builders that participated in the New Homes Program in the amount of \$210,500.

The Home Efficiency Survey Program (HESP) completed 52 residential inspections, delivering a detailed report of possible energy efficiency upgrades to homeowners. Energy Services also helps customers with sudden high utility bills by helping find the reason, usually related to extreme weather conditions or energy inefficiency.

Huntsville Utilities partners with TVA to offer several programs to residential and commercial customers wanting to support renewable energy initiatives. Two commercial customers participate in the Green Flex program, purchasing renewable

energy certificates (RECs) to reduce the impact of electricity consumption, support renewable energy, and lead the community in sustainability.

The Green Switch program had 610 residential customers purchasing 1,390 blocks of green power and four commercial customers purchasing 665 blocks.

The Dispersed Power Production program had two customers generating up to 80MW, which sold their excess power to TVA. As of September 2021, the two customers were selling a total system size of 20.2 kW to TVA.

The final program, Green Connect, offers customers unbiased renewable energy information and access to quality installers.

The Huntsville Utilities Home Uplift Program and 2021 TVA matching funds enabled the Energy Services Department to retrofit 70 local homes, at a total expense of \$625,262, for low-income homeowners. Huntsville Utilities' matching funds come from customer and employee donations to Project Share, as well as grant funding.

Funds from the Tennessee Gas Pipeline (TGP) and Southern Natural Gas Co. (SNG), as part of their respective Marketing Assistance Program (MAP) and Cooperative Marketing Program (CMP), are used to promote natural gas efficiencies through new natural gas service installation rebates. During 2021, 61 residential homeowners converted their electric or propane heating systems to a natural gas system, with incentives totaling \$61,000. Home builders installed 187 natural gas heating systems, receiving incentives totaling \$187,000.

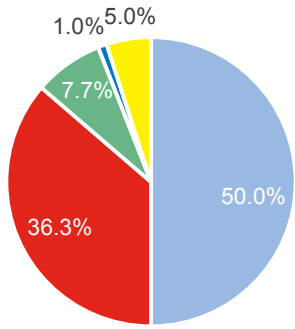
Huntsville Utilities' Statements of Revenues and Expenses

For the years ended September 30, 2021 & 2020

	2021	2020
Electric Revenues		
Residential Sales	\$ 269,671,311	\$ 252,901,003
Small Commercial Sales	41,782,103	39,767,463
Large Commercial & Industrial Sales	195,754,255	192,138,939
Lighting Sales	5,296,917	5,059,544
Other Operating Revenue	26,752,153	20,868,136
Non-Operating Revenue	385,015	585,299
	539,641,754	511,320,384
Expenses		
Purchased Power	392,210,834	392,788,003
Transmission & Distribution	25,355,884	24,955,112
Customer Accounting	3,600,088	6,002,458
Administrative & General	26,875,519	25,277,988
Depreciation	25,105,010	24,472,479
Non-Operating Expenses	3,523,294	3,218,024
Tax Equivalents	18,063,735	15,437,942
	494,734,364	492,152,006
Increase in Net Position	\$ 44,907,390	\$ 19,168,378
Natural Gas Revenues		
Residential Sales	23,625,412	21,376,756
Commercial Sales	25,978,927	20,747,942
Industrial Sales	1,730,033	1,969,058
Other Operating Revenue	4,188,381	3,497,720
Non-Operating Revenue	351,705	481,346
Capital Contributions	1,182,219	755,934
	\$ 57,056,677	\$ 48,828,756
Expenses		
Purchased Gas	21,852,552	18,938,024
Distribution	5,893,518	6,039,034
Customer Accounting	1,384,702	1,621,215
Administrative & General	8,365,656	7,424,171
Depreciation	4,779,623	4,764,893
Non-Operating Expenses	587,658	445,915
Tax Equivalents	3,065,742	2,652,790
	45,929,451	41,886,042
Increase in Net Position	\$ 11,127,226	\$ 6,942,714
Water Revenues		
Residential Sales	26,033,508	25,748,041
Commercial Sales	13,541,503	12,832,180
Industrial Sales	1,886,879	1,894,495
Government Sales	2,837,639	2,616,476
Fire Hydrants	1,648,476	1,618,465
Other Operating Revenue	3,182,966	1,798,943
Non-Operating Revenue	571,050	964,612
Capital Contributions	7,043,571	4,946,075
	\$ 56,745,592	\$ 52,419,287
Expenses		
Purchased Water	33,911	139,221
Purification	2,344,053	2,184,945
Pumping	5,581,194	5,320,554
Distribution	6,323,806	5,301,582
Customer Accounting	2,122,082	2,104,547
Administrative & General	11,891,987	10,076,839
Depreciation	10,981,551	10,569,771
Non-Operating Expenses	2,904,747	3,505,344
Tax Equivalents	2,743,235	2,708,003
	44,926,566	41,910,806
Increase in Net Position	\$ 11,819,026	\$ 10,508,481

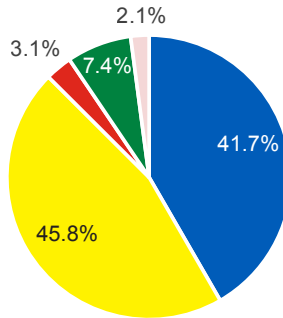
A complete audited financial report may be viewed at www.hsvutil.org/publications/ upon completion. All numbers have been rounded to the nearest dollar.

ELECTRIC REVENUE



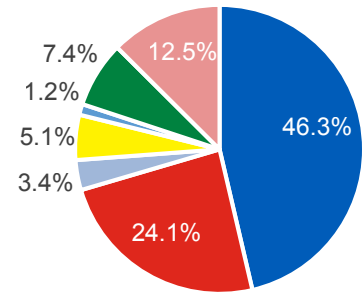
- Residential Sales
- Commercial Sales
- Industrial Sales
- Lighting Sales
- Other Operating Income

NATURAL GAS REVENUE



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

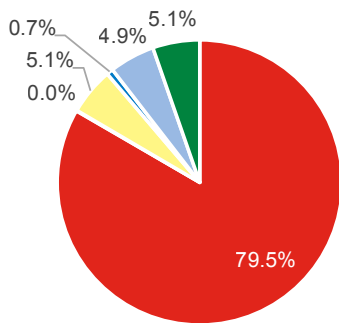
WATER REVENUE



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

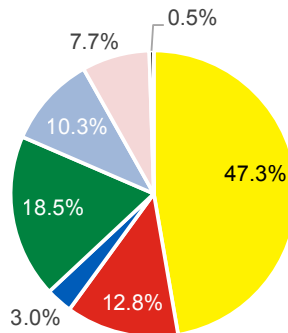


ELECTRIC EXPENSE



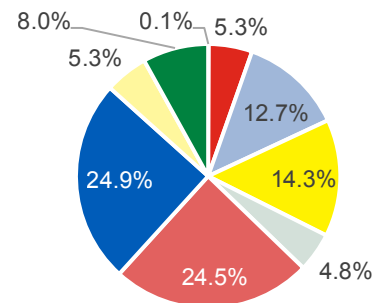
- Purchased Commodity
- Transmission
- Distribution
- Customer Accounting
- Administrative and General
- Depreciation

NATURAL GAS EXPENSE



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

WATER EXPENSE



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

Mission

Strengthen trust in Huntsville Utilities.

Vision

Deliver excellent customer experiences.

Values

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

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.

Huntsville Utilities Board Members

Natural Gas & Water Boards



Dorothy Huston, Ph.D.
Chair



Gripp Luther
Vice-Chair



James Batson
Secretary

Electric Board



George Moore, Esq.
Chair



Kimberly Lewis
Vice-Chair



Thomas Winstead
Secretary



HUNTSVILLE UTILITIES
ELECTRICITY • NATURAL GAS • WATER

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