

# **Bond Case Briefs**

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## **Chattanooga Electric Power Board, Tennessee: Fitch New Issue Report**

The 'AA+' rating and 'aa+' Standalone Credit Profile reflect Chattanooga Electric Power Board's (EPB) consistently very low leverage ratio, as measured by net adjusted debt to adjusted funds available for debt service (FADS), in the context of the system's very strong revenue defensibility and consistently very low operating costs. Revenue defensibility remains very strong, as the system provides retail electric services in an economically diverse service area with very strong rate flexibility. EPB's very low operating cost reflects the system's access to low-cost and diverse energy supply from its contract with Tennessee Valley Authority (TVA; AA/Stable), the largest U.S. public power company. Fitch expects EPB's financial profile to remain supportive of the rating through Fitch Rating's five-year forward-looking scenarios, as EPB issues its 2023 series bonds and projects an additional \$100 million of issuances in fiscal 2028 (fiscal year ends June 30). Leverage declined since fiscal 2020, when it peaked at 7.3x due to an increase in operating costs related to an EF-3 tornado event that damaged the portions of the system. Leverage was 6.4x at fiscal YE 2023, up from 5.7x in the prior year due to tightening margins as a result of increased purchased power and O&M expenses. Fitch expects ratios to remain between 6.0x and 6.6x over the next five years, supported by an approved effective 3.4% rate increase in fiscal 2024.

### **ACCESS REPORT**

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