



## Rating Action: Moody's assigns initial Aa3 to Cleveland Utilities Authority, TN Electric Enterprise Revenue Bonds, Series 2023

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04 Oct 2023

New York, October 04, 2023 – Moody's Investors Service has assigned an initial Aa3 revenue rating to Cleveland Utilities Authority, TN Electric Enterprise's proposed \$63.1 million Electric System Revenue Bonds, Series 2023. Following the issuance, the enterprise will have \$63.1 million in outstanding revenue debt.

### RATINGS RATIONALE

The Aa3 rating reflects the enterprise's sizeable operations with a stable customer base, below average resident wealth and income levels, healthy debt service coverage, sufficient liquidity, a manageable leverage profile, and adequate bondholder provisions. The rating also takes into consideration the electric system's funding of the current broadband project and the risks associated with entering the broadband market, which includes effective future customer acquisition. Governance considerations are material to the enterprise's credit profile including its strong fiscal management with long-term operational and capital planning.

### RATING OUTLOOK

Outlooks are typically not assigned to local government issuers with this amount of debt outstanding.

### FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

- Increase in liquidity and debt service coverage
- Improvement in resident income levels
- Growth of service area and system operations

### FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

- Decline in debt service coverage or liquidity
- Financial pressure in the electric system arising from challenges related to broadband implementation
- Significant increase to debt burden
- Contraction of service area and system operations

### LEGAL SECURITY

Debt service on the Electric System Revenue Bonds, Series 2023 is payable from a senior lien upon the net revenues of the electric system.

### USE OF PROCEEDS

The proceeds of the bonds will be used to refund electric revenue bonds that were transferred from the Board of

Public Utilities of the City of Cleveland to the Cleveland Utilities Authority. The proceeds of the bonds will also be used to finance improvements to the system's fiber infrastructure which will enhance the quality and efficiency of the system's electric service through grid modernization. Improvements to the fiber infrastructure will also allow the broadband division of the Authority to provide high speed internet services.

## PROFILE

Cleveland Utilities Authority, TN provides electric distribution, water and wastewater to customers located in the City of Cleveland (Aa3) and in portions of Bradley County (Aa2). The electric system is part of Cleveland Utilities Authority and serves approximately 33,000 customers.

## METHODOLOGY

The principal methodology used in this rating was US Municipal Utility Revenue Debt Methodology published in April 2022 and available at <https://ratings.moodys.com/rmc-documents/386721>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

## REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at [https://ratings.moodys.com/documents/PBC\\_1355824](https://ratings.moodys.com/documents/PBC_1355824).

At least one ESG consideration was material to the credit rating action(s) announced and described above.

Please see <https://ratings.moodys.com> for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

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