

EPB FINANCIAL REPORT

2024 - 2025





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LETTER FROM

Vicky Gregg and David Wade



Letter from Vicky Gregg and David Wade

EPB has continued to advance its mission during the 2024–2025 Fiscal Year by delivering innovative solutions that enhance quality of life for the people we serve across the Chattanooga area.

As part of our ongoing commitment to enhancing the resilience of our energy services while keeping costs as low as possible for customers, EPB is expanding the EPB Local Energy Mix by adding additional energy storage and deploying new technologies. This includes commissioning a new microgrid in Sale Creek, which enhances resilience in a remote neighborhood by establishing energy storage to supply power when the single line that serves the area is damaged by storms. At the same time, we've also added 36 megawatts of energy storage at new facilities at Long Street and East Chattanooga. This brings our total capacity to 45 megawatts. Taken together, these projects help EPB reduce peak demand costs to keep energy rates lower for customers over time while increasing energy resilience for our community.

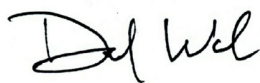
We also took a major step forward in building Chattanooga's quantum future by partnering with IonQ to jointly develop the first U.S. hub to provide commercial access to both quantum computing and quantum networking resources. The new EPB Quantum CenterSM will support application development, training and innovation across industries—positioning our community to benefit from technologies that hold the promise of improving electric reliability, enhancing cybersecurity and helping keep operational costs lower. At the same time, EPB QuantumSM positions Chattanooga on the cutting edge of the rapidly emerging quantum industry to help attract new business investments and support new job creation in our local economy. This initiative continues our strategy of leveraging advanced infrastructure to deliver lasting value for our customers.

While EPB continues to lead in technology, our top priority remains the people we serve. We're committed to providing exceptional service and delivering outstanding customer experiences in everything we do. That's why we're especially grateful to our customers—whose high ratings earned EPB the distinction of being named the #1 Mid-Sized Electric Utility in the South by J.D. Power for the ninth consecutive year.

These milestones and others highlighted in this year's Annual Report are made possible by the dedication of EPB's employees and the trust of the people we serve. Together, we are strengthening our power grid, securing our digital future, and laying the foundation for new opportunities—ensuring that Chattanooga continues to lead and thrive for generations to come.



Vicky Gregg



David Wade

Board of Directors



Vicky Gregg

Chair

Retired President & CEO,
BlueCross BlueShield of
Tennessee



Mina Sartipi, PhD

Vice Chair

Executive Director, UTC
Research Institute
Founding Director, UTC
Center for Urban Informatics
and Progress (CUIP)
Guerry Professor of Computer
Science and Engineering, UTC



James Brown

Member

Senior Vice President and
Financial Advisor at Pinnacle
Financial Partners



Jon Kinsey

Member

President, KPH
Former Chattanooga Mayor



John Foy

Member

Chairman, CEO and owner of
Noon, LLC and Chairman of
Noon Management

Senior Management



David Wade
CEO



Janet Rehberg
President-CEO Elect



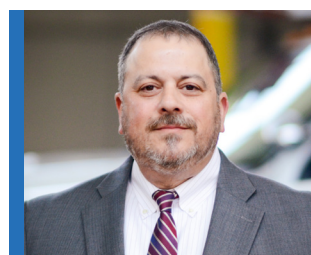
Greg Eaves
Executive VP & CFO



Ryan Keel
President
Energy & Communications



Sandra Tilley
Senior Vice President
Brand Strategies



Kade Abed
Vice President
Field Operations



Rich Carpenter
Vice President
Communications & IT
Operations



Katie Espeseth
Vice President
New Products



Evann Freeman
Vice President
Government & Community
Relations



Jim Ingraham
Vice President
Strategic Research



J.Ed. Marston
Vice President
Strategic Communications



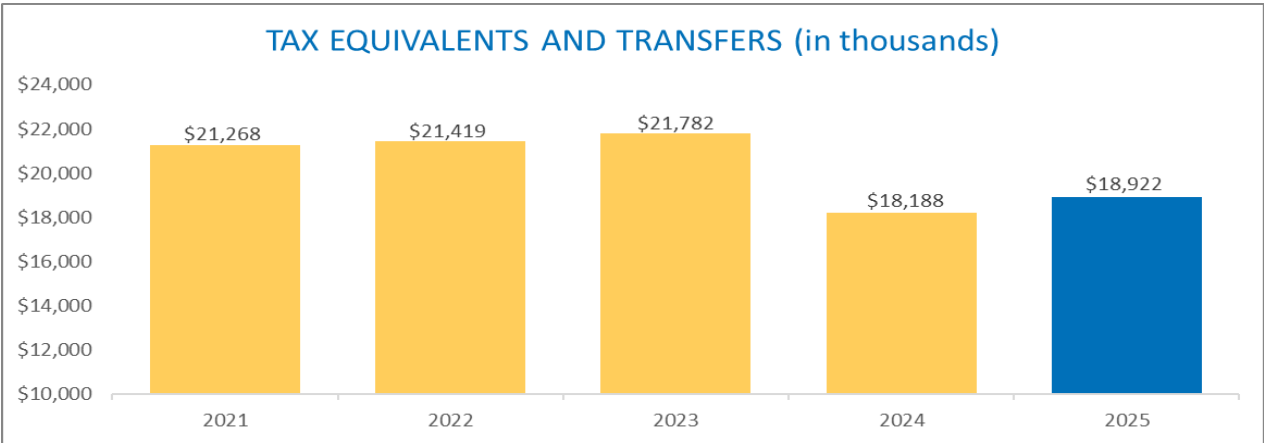
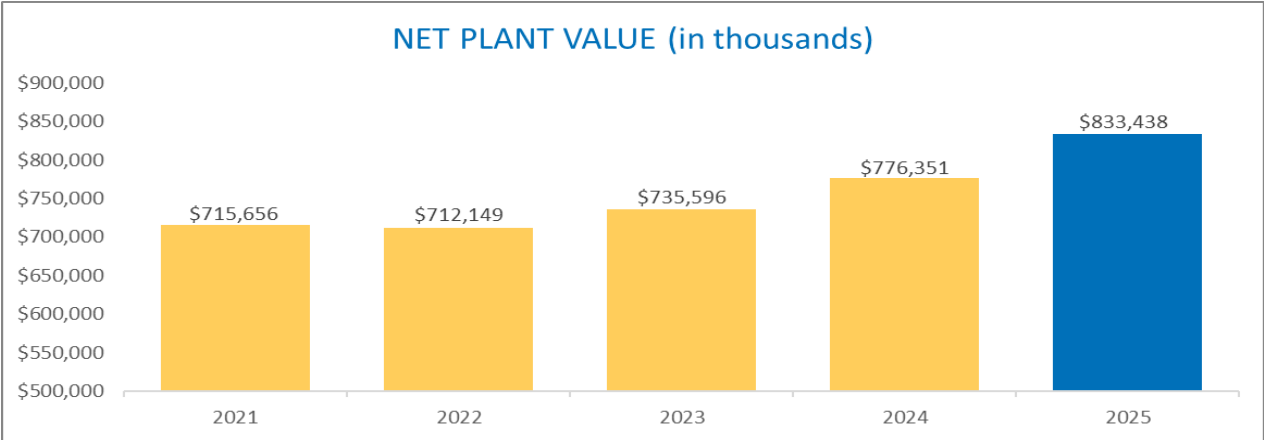
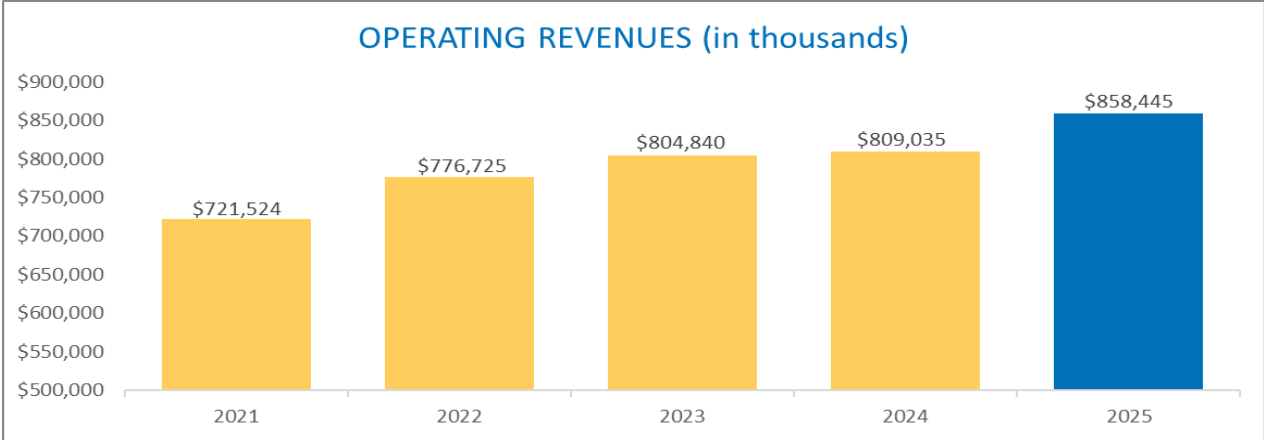
Karen Thomas
Vice President
Customer Relations

FINANCIAL HIGHLIGHTS



EPB Financial Highlights 2025

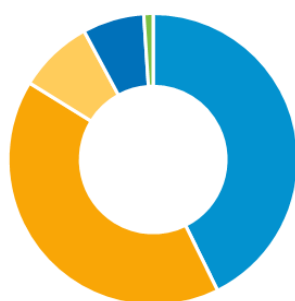
EPB’s operating revenues were \$858.4 million, an increase of 6.1% from the prior year. Total kWh sales for FY 2025 were 2.9% higher than FY 2024, due to milder weather experienced in FY 2024. Fiber Optics’ sales revenue also increased by \$2 million, or 1.1% from the prior year. Net plant value increased to \$833.4 million, an increase of 7.4% from the previous year. This increase is primarily due to continued investment in electric distribution assets, the continued construction on the new Operations Center East facility along with installation of customer premise wiring and equipment. The FY 2025 tax equivalents expense and transfers to the cities and counties in EPB’s service area totaled approximately \$18.9 million, an increase of 4% from the prior year. These increases are due to the increase in net plant values that are included in the computation of tax equivalents.



Electric System Financial Highlights 2025

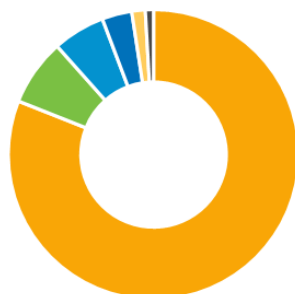
During FY 2025, EPB provided service to over 202,000 customers in a six hundred square mile area. This represents an increase of approximately 5,000 customers from FY 2024. Total Electric System operating revenues were \$706.9 million, an increase of 7.8% from 2024. Total purchased power for the year resulted in \$504.1 million, an increase of 8.5% from FY 2024. Purchased power was 76.4% of the total electric sales, an increase of 0.6% from FY 2024. Both the revenues and purchased power increases are due largely to increased kWh energy sales to customers along with increased rates due to the TVA rate increase that was effective October 1, 2024. Residential customers paid an average of 12.70 cents per kWh, which is 24.6% less than the national average during FY 2025. Net electric plant value totaled \$721.6 million while electric expenses and transfers to the City of Chattanooga totaled \$689.5 million.

Electric Revenues



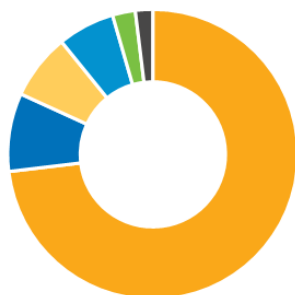
RESIDENTIAL	\$301,826,000	42.7%
LARGE COMMERCIAL	\$290,495,000	41.1%
SMALL COMMERCIAL	\$58,792,000	8.3%
OTHER REVENUES	\$48,470,000	6.9%
OUTDOOR LIGHTING	\$7,358,000	1.0%

Electric Net Plant



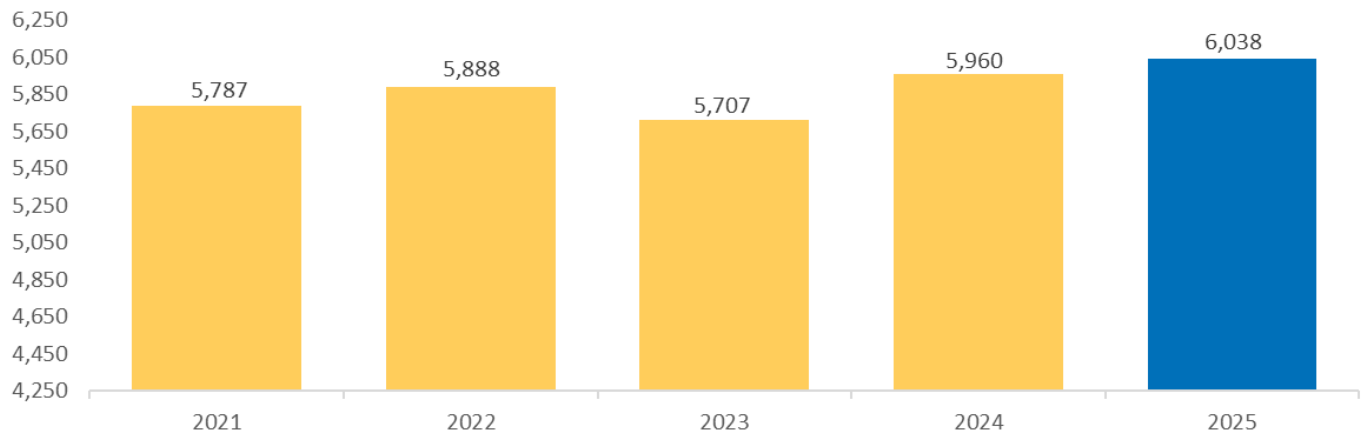
DISTRIBUTION	\$584,528,000	81.0%
CONSTRUCTION WORK IN PROGRESS	\$53,596,000	7.4%
BUILDINGS & IMPROVEMENTS	\$42,084,000	5.8%
TRANSMISSION	\$23,948,000	3.3%
FURNITURE, FIXTURES & EQUIP	\$10,831,000	1.5%
OTHER	\$6,597,000	0.9%

Electric Expenses

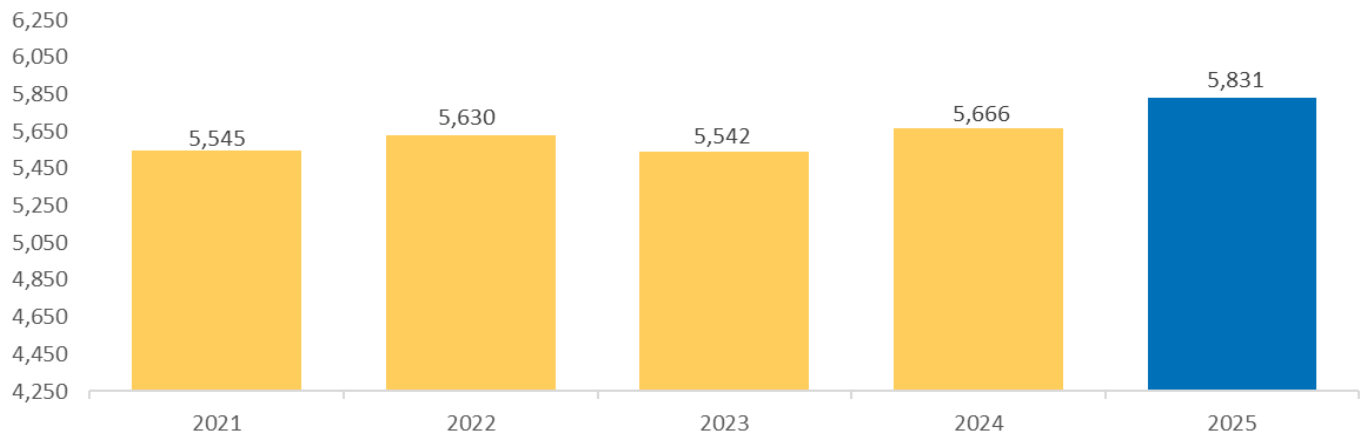


PURCHASED POWER	\$504,098,000	73.1%
OPERATION EXPENSES	\$60,144,000	8.7%
MAINTENANCE EXPENSES	\$50,517,000	7.3%
DEPRECIATION & AMORTIZATION EXPENSES	\$43,867,000	6.4%
TAX EQUIVALENTS	\$17,479,000	2.5%
INTEREST EXP. AND OTHER CARRYING CHARGES	\$13,390,000	1.9%

KILOWATT HOURS PURCHASED (in millions)



KILOWATT HOURS SOLD (in millions)



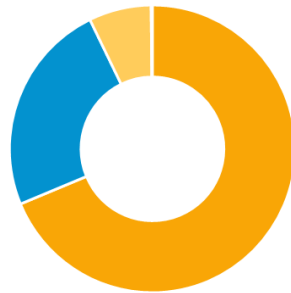
AVERAGE COST PER KWH PER RESIDENTIAL CUSTOMER (in cents)



Fiber Optics Financial Highlights 2025

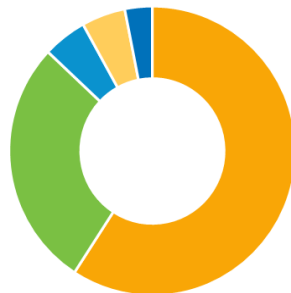
EPB Fiber Optics System increased its revenue from \$193.1 million in FY 2024 to \$195.1 million in FY 2025, an increase of 1.1%. This increase in revenues is due to the growth in the number of customers for Fiber Optics residential services from approximately 122,000 to approximately 124,000 during FY 2025. The net plant value increased from \$93.8 million in FY 2024 to \$103.1 million in FY 2025, an increase of 9.9%. This increase is mainly due to the continued construction on the new Operations Center East facility along with installation of customer premise wiring and equipment. Fiber Optics expenses and transfers to the City of Chattanooga totaled \$157.5 million.

Fiber Optics Revenues



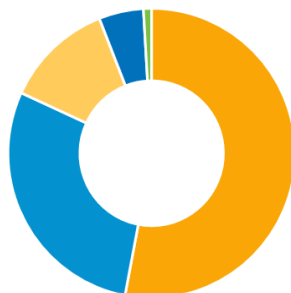
RESIDENTIAL	\$134,126,000	68.7%
COMMERCIAL BASIC	\$46,938,000	24.1%
OTHER REVENUE	\$13,788,000	7.1%
COMMERCIAL LONG DISTANCE	\$283,000	0.1%

Fiber Optics Net Plant



CUSTOMER PREMISE WIRING & EQUIPMENT	\$60,988,000	59.2%
CONSTRUCTION IN PROCESS	\$28,717,000	27.9%
CENTRAL OFFICE EQUIPMENT	\$5,107,000	5.0%
INFORMATION ORIGINATION	\$5,095,000	4.9%
FURNITURE, FIXTURES & EQUIP	\$3,197,000	3.1%

Fiber Optics Expenses



OPERATION EXPENSES	\$83,418,000	53.0%
COST OF SERVICES	\$45,451,000	28.9%
DEPRECIATION AND AMORT	\$19,228,000	12.2%
GENERAL AND ADMINISTRATIVE	\$7,916,000	5.0%
TAX EQUIVALENTS	\$1,443,000	0.9%



INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Directors
of the Electric Power Board of
Chattanooga, Tennessee

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities and the aggregate remaining fund information of the Electric Power Board of Chattanooga, (EPB, an enterprise fund of the City of Chattanooga), as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise EPB's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of EPB, as of June 30, 2025 and 2024 and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of EPB and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

EPB's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about EPB's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of EPB's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about EPB's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Emphasis of Matter

As discussed in Note 1, the financial statements present only EPB, an enterprise fund of the City of Chattanooga, and do not purport to, and do not present fairly the financial position of the City of Chattanooga, as of June 30, 2025 and June 30, 2024, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of EPB Contributions to Pension Plan, Schedule of Investment Returns – Pension Trust Fund, Schedule of Changes in OPEB Liability and Related Ratios, Schedule of EPB Contributions to OPEB Plan, and Schedule of Investment Returns – OPEB Trust Fund on pages 11-18, 62, 63, 64, 65, 66, and 67 respectively be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial

statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise EPB's basic financial statements. The supplementary schedules for Electric, Telecom, Video & Internet, Fiber Optics, and Strategic Initiatives Systems, Schedule of Utility Rate Structure and Number of Customers, Schedule of Bonds Payable, Schedule of Changes in Long-Term Debt by Individual Issue, Schedule of Changes in Lease Obligations, Schedule of Lease Obligations, Principal and Interest Requirements, Schedule of Changes in SBITA Obligations, Schedule of SBITA Obligations, and Principal and Interest Requirements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information. The other information comprises the Letter from Vicky Gregg and David Wade, Board of Directors, EPB Senior Management, and EPB Financial Highlights but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated, on our consideration of EPB's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of the testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering EPB's internal control over financial reporting and compliance.

Chattanooga, Tennessee
October 13, 2025

Henderson Hutcherson
& McCullough, PLLC

MANAGEMENT'S DISCUSSION & ANALYSIS



MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis is in accordance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. Our discussion and analysis of EPB's financial performance provides an overview of financial activities for the Fiscal Year (FY) ended June 30, 2025. Please read it in conjunction with EPB's financial statements, which follows this section.

FINANCIAL HIGHLIGHTS

- EPB's total net position was \$714.1 million, an increase of 8.5%.
- During the year, consolidated electric operating revenues were \$671.5 million, an increase of 7.6% from FY 2024; consolidated fiber optics operating revenues were \$186.9 million, an increase of 1.0% from FY 2024.
- Total consolidated operating expenses were \$801.3 million, an increase of approximately 5.3%.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes Management's Discussion and Analysis Report, the independent auditor's report, the basic financial statements of EPB, and supplemental information about EPB. The financial statements also include notes that explain in more detail some of the information in the statements.

REQUIRED FINANCIAL STATEMENTS

The financial statements of EPB report information using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The Statement of Net Position includes all EPB's assets, liabilities, and deferred outflows and inflows and provides information about the nature and amounts of investments in resources (assets and deferred outflows) and the obligations to EPB creditors (liabilities and deferred inflows). It also provides the basis for evaluation of the capital structure of EPB and assessing the liquidity and financial flexibility of EPB.

The Statement of Revenues, Expenses, and Changes in Net Position account for all of the current year's revenues and expenses. This statement measures the success of EPB's operations over the past year and can be used to determine whether EPB has successfully recovered all its costs through rates and other charges.

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities and provides details as to the sources of cash, the uses of cash, and the change in the cash balance during the reporting period.

The Statement of Fiduciary Net Position includes an aggregation of the assets and liabilities related to the EPB Retirement Plan and the EPB Post Employment Health and Welfare Benefit Plan. This statement provides information about the nature and amounts of investments in resources (assets) and the obligations (liabilities) as required by Governmental Accounting Standards Board Statement No.84, *Fiduciary Activities*.

The Statement of Changes in Fiduciary Net Position accounts for all of the current year's additions and deductions related to the EPB Retirement Plan and the EPB Post Employment Health and Welfare Benefit Plan. This statement measures the performance of these plans as required by Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*.

FINANCIAL ANALYSIS OF EPB

The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position report information about EPB's activities in a way that will highlight the change in financial condition from year to year. These two statements report the various components of the changes in net position of EPB. The difference between assets, deferred outflows of resources, deferred inflows of resources and liabilities is one way to measure financial health or financial position. Over time, increases or decreases in EPB's net position are an indicator of whether its financial health is improving. However, other non-financial factors must also be considered such as weather, economic conditions, population growth, and new or changed governmental legislation.

NET POSITION

Our analysis begins with a summary of EPB's Statements of Net Position in Table 1.

Table 1 – Condensed Statements of Net Position (in thousands)

	FY 2025	FY 2024	FY 2023
Assets and Deferred Outflows, Excluding Utility Plant	\$ 521,283	\$ 532,963	\$ 401,367
Utility Plant, net	<u>833,438</u>	<u>776,351</u>	<u>735,596</u>
Total Assets and Deferred Outflows	<u>1,354,721</u>	<u>1,309,314</u>	<u>1,136,963</u>
Bonds Outstanding	372,759	402,937	293,348
Other Liabilities and Deferred Inflows	<u>267,818</u>	<u>248,251</u>	<u>228,190</u>
Total Liabilities and Deferred Inflows	<u>640,577</u>	<u>651,188</u>	<u>521,538</u>
Invested in Utility Plant,			
Net of Related Debt	473,074	451,944	450,607
Unrestricted Net Position	<u>241,070</u>	<u>206,182</u>	<u>164,818</u>
Total Net Position	<u>714,144</u>	<u>658,126</u>	<u>615,425</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 1,354,721</u>	<u>\$ 1,309,314</u>	<u>\$ 1,136,963</u>

Fiscal Year 2025 Compared to Fiscal Year 2024

Net position increased \$56.0 million to \$714.1 million in FY 2025, up from \$658.1 million in FY 2024. This increase in net position is primarily attributable to a \$57.1 million increase in utility plant assets. In addition, the reduction in bonds outstanding of \$30.2 million, resulting from principal payments and the refunding of a significant portion of the bond portfolio, led to an increased net position. These were offset by increases in total accounts payable of \$14.8 million due to increases in purchased power payable and other payable amounts. Furthermore, cash and investments declined by \$9.7 million during FY 2025. Other changes represented a net decrease in position of \$6.8 million.

Fiscal Year 2024 Compared to Fiscal Year 2023

Net position increased \$42.7 million to \$658.1 million in FY 2024, up from \$615.4 million in FY 2023. This increase in net position is largely attributable to an increase in utility plant assets of \$40.8 million. Furthermore, cash and investments increased by \$110.5 million during FY 2024. In addition, \$8.8 million of increases related to unbilled electric sales aided the increase in net position. These were offset by increases of \$109.6 million related to issuance of new bonds. There was also \$6.7 million of increases related to accounts payable due to increases in purchased power payable amounts. Other changes represented a net decrease in position of \$1.1 million.

**Table 2 - Condensed Statements of Revenues, Expenses, and Changes in Net Position
(In thousands)**

	<u>FY 2025</u>	<u>FY 2024</u>	<u>FY 2023</u>
Operating Revenues:			
Electric Sales	\$ 659,990	\$ 613,301	\$ 609,294
Fiber Optics Sales	179,992	177,991	176,699
Other Operating Revenues	18,463	17,743	18,847
Total	<u>858,445</u>	<u>809,035</u>	<u>804,840</u>
Operating Expenses:			
Electric	613,993	570,936	570,915
Fiber Optics	108,336	110,388	109,334
Other Operating Expenses	4,313	-	-
Provision for Depreciation and Amortization	63,095	68,557	68,884
Tax Equivalents	11,553	11,113	13,213
Total	<u>801,290</u>	<u>760,994</u>	<u>762,346</u>
Contributions in aid of construction	(7,363)	(5,776)	(2,869)
Non-operating Revenues (Expenses)	6,232	1,735	(2,390)
Total	<u>(1,131)</u>	<u>(4,041)</u>	<u>(5,259)</u>
Income before Transfers and Contributions	56,024	44,000	37,235
Tax Equivalents Transferred to the City of Chattanooga	(7,369)	(7,075)	(8,569)
Contributions	7,363	5,776	2,869
Change in Net Position	<u>56,018</u>	<u>42,701</u>	<u>31,535</u>
Beginning Net Position	658,126	615,425	583,890
Ending Net Position	<u>\$ 714,144</u>	<u>\$ 658,126</u>	<u>\$ 615,425</u>

While the Statements of Net Position show the change in net position, the Statements of Revenues, Expenses, and Changes in Net Position provide answers as to the nature and source of these changes.

Fiscal Year 2025 Compared to Fiscal Year 2024

As shown in Table 2 above, the income before transfers and contributions of \$56.0 million combined with the contributions in aid of construction of \$7.4 million less tax equivalents of \$7.4 million accrued to the City of Chattanooga, resulted in an increase in net position of \$56.0 million for FY 2025.

Further examination of the sources of changes in net position reveals electric sales increased \$46.7 million as compared to FY 2024. Total kWh billed for FY 2025 was 2.9% higher than FY 2024. Electric operating expenses, excluding depreciation and tax equivalents, increased \$43.1 million. This increase is primarily due to \$39.3 million in increased purchased power expenses. The increase in both billed sales and purchased power is partially due to TVA rate increases that went into effect in October 2024 that are passed through to customers.

Fiber Optics sales increased \$2.0 million compared to FY 2024. Fiber operating expenses, excluding depreciation and tax equivalents, associated with acquiring and serving customers decreased \$2.1 million to \$108.3 million, a 1.9% decline in FY 2025 due mainly to decreased cost of goods sold to serve customers.

Expenses for tax equivalents and transfers to municipal governments, including transfers to the City of Chattanooga, were \$18.9 million in FY 2025 and \$18.2 million in FY 2024. EPB's Tennessee tax equivalents expense is based on a prescribed formula that consists of two parts. Part I is calculated using the utility plant value within a taxing district, the taxing district's property tax rate, the assessment ratio, and the equalization ratio. Part II is based on the average of the last three years' Tennessee operating revenues less cost of goods sold, and a prescribed rate which is currently 4%.

Depreciation and amortization expense decreased to \$63.1 million in FY 2025 from \$68.6 million in FY 2024, representing an 8.0% decrease, primarily due to the retirement of assets.

Fiscal Year 2024 Compared to Fiscal Year 2023

As shown in Table 2 above, the income before transfers and contributions of \$44.0 million combined with the contributions in aid of construction of \$5.8 million less tax equivalents of \$7.1 million accrued to the City of Chattanooga, resulted in an increase in net position of \$42.7 million for FY 2024.

Further examination of the sources of changes in net position reveals electric sales increased \$4.0 million as compared to FY 2023. Total kWh sales for FY 2024 were 2.2% higher than FY 2023. Electric operating expenses, excluding depreciation and tax equivalents, were consistent in FY 2024 to FY 2023, and remained \$570.9 million.

Fiber Optics sales increased \$1.3 million as compared to FY 2023. Fiber Optics operating expenses, excluding depreciation and tax equivalents, associated with acquiring and serving customers increased \$1.1 million to \$110.4 million, a 1.0% increase in FY 2024 due mainly to increased costs related to reallocating funds within the organization. This is partially offset by a decrease in cost of goods sold of \$2.2 million in FY 2024 to \$48.5 million from FY 2023.

Expenses for tax equivalents and transfers to municipal governments including transfers to the City of Chattanooga were \$18.2 million in FY 2024 and \$21.8 million in FY 2023. EPB's Tennessee tax equivalents expense is based on a prescribed formula that consists of two parts. Part I is calculated using utility plant value within a taxing district, the taxing district's property tax rate, the assessment ratio, and the equalization ratio. Part II is based on the average of the last three years' Tennessee operating revenues less cost of goods sold, and a prescribed rate which is currently 4%.

Depreciation and amortization expense decreased to \$68.6 million in FY 2024 from \$68.9 million in FY 2023, a decrease of 0.5%.

BUDGETARY HIGHLIGHTS

EPB's Board of Directors approves an Operating and Capital Budget each fiscal year. The budget remains in effect the entire year and is not revised. A budget comparison is presented in Table 3 below. Intercompany activity was eliminated from the budget figures for proper comparison to the actual consolidated balances.

Table 3 - Actual vs. Budget (in thousands)

	<u>Actual FY 2025</u>	<u>Budget FY 2025</u>	<u>Actual FY 2024</u>	<u>Budget FY 2024</u>
Operating Revenues:				
Electric Sales	\$ 659,990	\$ 617,227	\$ 613,301	\$ 614,061
Fiber Optics Sales	179,992	178,564	177,991	171,269
Other Operating Revenues	<u>18,463</u>	<u>16,542</u>	<u>17,743</u>	<u>17,013</u>
Total	<u>858,445</u>	<u>812,333</u>	<u>809,035</u>	<u>802,343</u>
Operating Expenses:				
Electric	613,993	569,667	570,936	558,105
Fiber Optics	108,336	109,781	110,388	107,761
Other Operating Expenses	4,313	7,527	-	-
Provision for Depreciation and Amortization	63,095	64,302	68,557	71,080
Tax Equivalents	<u>11,553</u>	<u>10,909</u>	<u>11,113</u>	<u>13,841</u>
Total	<u>801,290</u>	<u>762,186</u>	<u>760,994</u>	<u>750,787</u>
Contributions in aid of construction	(7,363)	(8,115)	(5,776)	(9,691)
Non-operating Revenues (Expenses)	<u>6,232</u>	<u>5,936</u>	<u>1,735</u>	<u>(1,241)</u>
Total	<u>(1,131)</u>	<u>(2,179)</u>	<u>(4,041)</u>	<u>(10,932)</u>
Income before Transfers and Contributions	56,024	47,968	44,000	40,624
Tax Equivalents Transferred to the City of Chattanooga	(7,369)	(7,208)	(7,075)	(8,901)
Contributions in aid of construction	<u>7,363</u>	<u>8,115</u>	<u>5,776</u>	<u>9,691</u>
Change in Net Position	<u>\$ 56,018</u>	<u>\$ 48,875</u>	<u>\$ 42,701</u>	<u>\$ 41,414</u>
Capital Expenditures (net of contributions)				
Electric	\$ 80,425	\$ 79,799	\$ 77,666	\$ 82,501
Fiber Optics	27,266	31,523	28,096	23,881
Strategic Initiatives	<u>8,750</u>	<u>20,850</u>	<u>-</u>	<u>-</u>
Total Capital Expenditures	<u>\$ 116,441</u>	<u>\$ 132,172</u>	<u>\$ 105,762</u>	<u>\$ 106,382</u>

FY 2025 Actual vs. Budget

The Electric System's sales were \$42.8 million above budget. Electric operating expenses were higher than budget by \$44.3 million. Both sales and operating expenses were impacted by the aforementioned increase in kWh sales and purchases resulting from weather conditions and the TVA rate increase.

The Fiber Optics System's total sales were \$1.4 million above budget, mainly driven by higher video subscribers than anticipated. Fiber Optics System's expenses were below budget by \$1.4 million, largely attributable to decreased costs of goods sold for Fiber Optics products during FY 2025 as compared to budget.

FY 2024 Actual vs. Budget

The Electric System's sales were on par with the budget for FY 2024. Electric operating expenses were higher than budgeted by \$12.8 million, primarily due to \$13.8 million in major storm expenses that exceeded the budget by \$11.8 million.

The Fiber Optics System's total sales were \$6.7 million above budget, mainly driven by higher video subscribers than anticipated. Fiber Optics System's operating expenses were above budget by \$2.6 million, an increase of 2.4%, largely attributable to increases in costs of goods sold for Fiber Optics products during FY 2024 as compared to budget.

UTILITY PLANT

Net Utility Plant represents a broad range of infrastructure for the purpose of providing services to our customers. Examples include transformers, meters, conductors, conduit, poles and fixtures, control equipment, switching equipment, fiber optics central office switches, and vehicles. Table 4 below shows a comparison. As shown in Table 4 below, EPB had \$833.4 million, \$776.4 million, and \$735.6 million in net utility plant for FY 2025, FY 2024, and FY 2023, respectively.

Table 4 - Utility Plant (in thousands)

	<u>FY 2025</u>	<u>FY 2024</u>	<u>FY 2023</u>
ELECTRIC			
Land & land rights	\$ 6,597	\$ 6,479	\$ 6,490
Construction work in progress	53,596	52,572	36,442
Intangible plant	-	-	25
Transmission	46,976	47,593	48,656
Distribution	831,411	782,376	782,786
Buildings & improvements	61,266	63,180	62,958
Furniture, fixtures & equipment	<u>52,547</u>	<u>60,255</u>	<u>66,804</u>
Total	1,052,393	1,012,455	1,004,161
Less: Accumulated depreciation	<u>(330,809)</u>	<u>(329,898)</u>	<u>(354,841)</u>
Electric Total	<u>\$ 721,584</u>	<u>\$ 682,557</u>	<u>\$ 649,320</u>
FIBER OPTICS			
Construction work in progress	\$ 28,717	\$ 24,379	\$ 8,604
Central office equipment	13,935	19,471	22,085
Information origination/termination	10,405	11,543	14,392
Furniture, fixtures & equipment	5,584	5,945	6,331
Customer premises wiring	92,117	79,301	107,227
Customer premises equipment	<u>14,151</u>	<u>13,003</u>	<u>9,381</u>
Total	164,909	153,642	168,020
Less: Accumulated depreciation	<u>(61,805)</u>	<u>(59,848)</u>	<u>(81,744)</u>
Fiber Optics Total	<u>\$ 103,104</u>	<u>\$ 93,794</u>	<u>\$ 86,276</u>
STRATEGIC INITIATIVES			
Construction work in progress	\$ 8,750	\$ -	\$ -
Strategic Initiatives Total	<u>\$ 8,750</u>	<u>\$ -</u>	<u>\$ -</u>
Net Utility Plant	<u>\$ 833,438</u>	<u>\$ 776,351</u>	<u>\$ 735,596</u>

DEBT ADMINISTRATION

As of year-end, EPB Electric System had \$372.8 million in bond debt outstanding compared to \$402.9 in FY 2024 and \$293.3 in FY 2023. During FY 2025, EPB issued \$145.9 million of refunding bonds to refinance a significant balance of its outstanding bond portfolio. During FY 2024, EPB issued bonds with a par value of \$112.1 million, to finance capital costs incurred in connection with the improvement of the Electric System.

One area that demonstrates EPB's financial strength and future borrowing capability is its debt coverage ratio. The City of Chattanooga has a requirement that if this ratio should ever decrease below 1.5x, EPB would be required to establish and fund a reserve fund. Debt coverage ratio as it relates to the Electric System revenue bonds is shown in Table 5. This ratio is currently 3.1x. The ratio was 3.4x in 2024 and 3.3x in 2023.

Table 5 - Electric System Debt Coverage Analysis (in thousands)

	<u>FY 2025</u>	<u>FY 2024</u>	<u>FY 2023</u>
Revenues			
Electric Revenue	\$ 700,119	\$ 649,737	\$ 647,268
Interest Income	6,822	6,245	2,575
Other	(691)	(47)	153
Total Revenue	<u>706,250</u>	<u>655,935</u>	<u>649,996</u>
Expenses			
Purchased Power	504,098	464,806	479,747
Operating Expenses	109,691	105,956	92,206
Total Operation Expenses (excluding depreciation and tax equivalent payments)	<u>613,789</u>	<u>570,762</u>	<u>571,953</u>
Funds Available for Debt Service	<u>\$ 92,461</u>	<u>\$ 85,173</u>	<u>\$ 78,043</u>
Debt Service			
Interest Paid on Long-Term Debt	\$ 15,081	\$ 11,260	\$ 10,768
Principal Payments	14,285	13,625	13,015
Total Debt Service	<u>\$ 29,366</u>	<u>\$ 24,885</u>	<u>\$ 23,783</u>
Debt Coverage Ratio	<u>3.1</u>	<u>3.4</u>	<u>3.3</u>

The Electric System line of credit of \$50.0 million was renewed in May 2025 and will mature in May 2026. There were no balances outstanding on the line of credit at the end of FY 2025, FY 2024, or FY 2023.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

EPB's Board of Directors and Management considered many factors when setting FY 2026 budget and rates. One of those factors is the local economy and EPB's related impact on local industries. EPB's electric sales budget is based upon a statistical model using historical load data to estimate growth and average kilowatt-hour sales per customer class. These estimates are adjusted by any known data, such as changes anticipated by a large industrial customer.

In FY 2026, EPB Fiber Optics plans to continue its strong financial performance by providing exceptional and reliable Fiber Optics services to residential and commercial customers, as well as developing solutions to meet emerging customer needs.

The EPB Electric System budget for FY 2026 includes the allocation of capital for fiber installations to support the Automated Grid, as well as Information Technology system upgrades and integrations.

Capital investments for the Fiber Optics System will focus on our increasing residential and business customer bases through new building facilities as well as the purchase of equipment to support the success of telephone and internet products.

EPB established new Strategic Initiative operating units for FY 2025 to provide visibility and focus on emerging opportunities and technologies that create value for our community. The FY 2026 budget includes capital for the use of local power generation and storage capacity along with development of quantum computing and network services.

The changing economic condition's financial impact on EPB is continuously being monitored. We are taking appropriate steps to maintain liquidity and financial strength in this ever-changing environment.

CONTACTING EPB'S FINANCIAL MANAGER

This report is designed to provide our customers and creditors with a general overview of EPB's finances and to demonstrate EPB's accountability for the money it receives. If you have questions about this report or need additional financial information, contact EPB - Finance Division, PO Box 182255, Chattanooga, TN 37422-7255.

FINANCIAL STATEMENTS



ELECTRIC POWER BOARD OF CHATTANOOGA
STATEMENTS OF NET POSITION
AS OF JUNE 30, 2025 AND 2024

	2025	2024
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents	\$ 289,216,000	\$ 224,026,000
Investments	41,457,000	116,382,000
Accounts receivable, less allowance for doubtful accounts of \$1,820,000 and \$1,750,000 in 2025 and 2024, respectively	43,651,000	36,551,000
Unbilled electric sales	44,485,000	42,481,000
Materials and supplies, at average cost	24,991,000	26,948,000
Prepayments and other current assets	11,053,000	11,172,000
Leases receivable, current	3,660,000	2,743,000
Total Current Assets	458,513,000	460,303,000
NON-CURRENT ASSETS		
Utility plant -		
Utility plant	1,226,052,000	1,166,097,000
Less - accumulated provision for depreciation	(392,614,000)	(389,746,000)
Net utility plant	833,438,000	776,351,000
Right to use leased asset, net of amortization	758,000	1,591,000
Right to use subscription asset, net of amortization	6,933,000	6,337,000
Other non-current assets	902,000	1,194,000
FEMA grant receivable	4,998,000	1,267,000
Lease receivable, non-current	5,766,000	4,829,000
Total Non-Current Assets	852,795,000	791,569,000
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension outflows	31,354,000	35,761,000
Deferred bond defeasance outflows	9,000	7,469,000
Deferred OPEB outflows	12,050,000	14,212,000
Total Deferred Outflows of Resources	43,413,000	57,442,000
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 1,354,721,000	\$ 1,309,314,000

The accompanying Notes to Financial Statements are an integral part of these statements.

ELECTRIC POWER BOARD OF CHATTANOOGA
STATEMENTS OF NET POSITION
AS OF JUNE 30, 2025 AND 2024

	2025	2024
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable -		
Tennessee Valley Authority, for power purchased	\$ 88,214,000	\$ 80,305,000
Other	34,516,000	27,630,000
Customer deposits	1,562,000	4,544,000
Revenue bonds, current portion	14,955,000	14,285,000
Accrued tax equivalents	18,813,000	18,070,000
Accrued interest payable	3,217,000	5,140,000
Lease liabilities, current	319,000	796,000
Subscription liabilities, current	3,176,000	4,105,000
Unearned revenue	6,660,000	6,657,000
Other current liabilities	17,720,000	17,315,000
Total Current Liabilities	189,152,000	178,847,000
NON-CURRENT LIABILITIES		
Revenue bonds, net	357,804,000	388,652,000
Net pension liability	30,558,000	32,884,000
Accrued post-employment benefit obligation	3,999,000	6,519,000
Customer deposits	31,085,000	26,936,000
Other non-current liabilities	3,102,000	3,072,000
Lease liabilities, non-current	480,000	794,000
Subscription liabilities, non-current	1,892,000	2,230,000
Total Non-Current Liabilities	428,920,000	461,087,000
DEFERRED INFLOWS OF RESOURCES		
Deferred OPEB inflows	4,304,000	3,683,000
Deferred bond defeasance inflows	8,874,000	--
Deferred lease inflows	9,327,000	7,571,000
Total Deferred Inflows of Resources	22,505,000	11,254,000
NET POSITION		
Net investment in capital assets	453,638,000	451,944,000
Unrestricted	260,506,000	206,182,000
Total Net Position	714,144,000	658,126,000
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 1,354,721,000	\$ 1,309,314,000

The accompanying Notes to Financial Statements are an integral part of these statements.

ELECTRIC POWER BOARD OF CHATTANOOGA
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
OPERATING REVENUES		
Electric sales		
Residential	\$ 301,826,000	\$ 273,342,000
Small commercial and power	58,792,000	55,572,000
Large commercial and power	290,495,000	268,676,000
Outdoor lighting systems	7,358,000	7,194,000
Total billed electric sales	658,471,000	604,784,000
Change in unbilled electric sales	2,004,000	8,800,000
Uncollectible electric sales	(485,000)	(283,000)
Total electric sales	659,990,000	613,301,000
Fiber optics sales		
Billed fiber optics revenues	180,744,000	178,545,000
Uncollectible fiber optics revenues	(752,000)	(554,000)
Total fiber optics sales	179,992,000	177,991,000
Other operating revenues	18,463,000	17,743,000
Total operating revenues	858,445,000	809,035,000
OPERATING EXPENSES		
Operation		
Power purchased from Tennessee Valley Authority	504,098,000	464,806,000
Other operation expenses	59,378,000	54,093,000
Maintenance	50,517,000	52,037,000
Fiber optic operating expenses	108,336,000	110,388,000
Other operating expenses	4,313,000	--
Provision for depreciation and amortization	63,095,000	68,557,000
City, county, and state tax equivalents	11,553,000	11,113,000
Total operating expenses	801,290,000	760,994,000
Net operating income	57,155,000	48,041,000
NON-OPERATING REVENUES (EXPENSES)		
Interest revenue on invested funds	13,713,000	12,626,000
Interest expense	(12,298,000)	(11,503,000)
Investment income	5,000,000	--
Other, net	(183,000)	612,000
Plant cost recovered through contributions in aid of construction	(7,363,000)	(5,776,000)
Total non-operating expenses	(1,131,000)	(4,041,000)
Income before transfers and contributions	56,024,000	44,000,000
Tax equivalents transferred to the City of Chattanooga	(7,369,000)	(7,075,000)
Contributions in aid of construction	7,363,000	5,776,000
CHANGE IN NET POSITION	56,018,000	42,701,000
NET POSITION, BEGINNING OF YEAR	658,126,000	615,425,000
NET POSITION, END OF YEAR	\$ 714,144,000	\$ 658,126,000

The accompanying Notes to Financial Statements are an integral part of these statements.

ELECTRIC POWER BOARD OF CHATTANOOGA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 857,459,000	\$ 796,861,000
Payments to suppliers for goods and services	(648,619,000)	(610,519,000)
Payments to employees for services	(67,123,000)	(62,249,000)
Payments in lieu of taxes	(10,931,000)	(13,213,000)
Net cash provided by operating activities	130,786,000	110,880,000
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Tax equivalents transferred to the City of Chattanooga	(7,075,000)	(8,569,000)
Non-operating revenue, net	5,400,000	615,000
Net cash used in noncapital financing activities	(1,675,000)	(7,954,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to utility plant	(130,447,000)	(109,484,000)
Removal cost	(2,003,000)	(1,666,000)
Salvage	395,000	181,000
Contributions in aid of construction	8,921,000	5,776,000
Proceeds from bond issuance	158,568,000	125,529,000
Payment of refund bond escrow agent	(158,045,000)	--
Bond issuance costs	(566,000)	(528,000)
Unused line of credit fees	(17,000)	(5,000)
Bond principal payment	(14,285,000)	(13,625,000)
Bond interest payment	(15,080,000)	(11,260,000)
Net cash used in capital and related financing activities	(152,559,000)	(5,082,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	116,711,000	8,065,000
Purchases of investments	(40,000,000)	(120,527,000)
Interest on investments	11,927,000	10,823,000
Net cash provided by (used in) investing activities	88,638,000	(101,639,000)
NET CHANGE IN CASH AND CASH EQUIVALENTS	65,190,000	(3,795,000)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	224,026,000	227,821,000
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 289,216,000	\$ 224,026,000

The accompanying Notes to Financial Statements are an integral part of these statements.

ELECTRIC POWER BOARD OF CHATTANOOGA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net operating income	\$ 57,155,000	\$ 48,041,000
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation and amortization	64,466,000	69,722,000
Changes in assets, deferred outflows and inflows of resources, and liabilities:		
Accounts receivable, net	1,642,000	(945,000)
FEMA receivable	(3,731,000)	412,000
Unbilled electric sales	(2,004,000)	(8,800,000)
Materials and supplies	1,957,000	776,000
Lease receivables and liabilities	(722,000)	(745,000)
Subscription liabilities	(2,810,000)	(4,024,000)
Prepayments and other current assets	(4,528,000)	(611,000)
Other deferred charges	292,000	27,000
Accounts payable, net	14,755,000	6,673,000
Customer deposits	1,167,000	1,200,000
Accrued tax equivalents	450,000	(2,102,000)
Unearned revenue	3,000	(43,000)
Other current liabilities	320,000	(42,000)
Other non-current liabilities	30,000	479,000
Net pension liability and deferred outflows/inflows	2,081,000	1,294,000
Accrued post-employment benefits	263,000	(432,000)
Net cash provided by operating activities	\$ 130,786,000	\$ 110,880,000

The accompanying Notes to Financial Statements are an integral part of these statements.

ELECTRIC POWER BOARD OF CHATTANOOGA
FIDUCIARY ACTIVITIES
STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2025 AND 2024

	Pension (and Other Employee Benefit Trust Funds)	Pension (and Other Employee Benefit Trust Funds)
	2025	2024
ASSETS		
Interest receivable	\$ --	\$ 74,000
Investments at fair value:		
Money market funds	12,277,000	15,776,000
Fixed income funds	24,956,000	8,415,000
Corporate obligations	--	2,949,000
Common equity securities	--	7,317,000
Equity mutual funds	37,013,000	17,555,000
US equity funds	12,353,000	11,183,000
International equity funds	6,113,000	5,712,000
Alternative funds	24,687,000	32,293,000
Total investments at fair value	<u>117,399,000</u>	<u>101,274,000</u>
TOTAL ASSETS	<u>\$ 117,399,000</u>	<u>\$ 101,274,000</u>
NET POSITION		
Net position restricted for other postemployment benefits	\$ 37,341,000	\$ 34,446,000
Net position restricted for pension benefits	80,058,000	66,851,000
Total restricted net position	<u>117,399,000</u>	<u>101,297,000</u>
TOTAL NET POSITION	<u>\$ 117,399,000</u>	<u>\$ 101,297,000</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

ELECTRIC POWER BOARD OF CHATTANOOGA
FIDUCIARY ACTIVITIES
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	Pension (and Other Employee Benefit Trust Funds)	Pension (and Other Employee Benefit Trust Funds)
	<u>2025</u>	<u>2024</u>
ADDITIONS		
Contributions:		
Employers	\$ 10,000,000	\$ 7,000,000
Total contributions	<u>10,000,000</u>	<u>7,000,000</u>
Investment Earnings:		
Net appreciation in fair value of investments	9,089,000	3,626,000
Interest and dividends	2,109,000	873,000
Total investment earnings	<u>11,198,000</u>	<u>4,499,000</u>
Less investment costs:		
Investment expenses	359,000	148,000
Net investment earnings	<u>10,839,000</u>	<u>4,351,000</u>
Total additions	<u>20,839,000</u>	<u>11,351,000</u>
DEDUCTIONS		
Benefits paid to participants or beneficiaries	4,693,000	3,729,000
Administrative expenses	44,000	43,000
Total deductions	<u>4,737,000</u>	<u>3,772,000</u>
CHANGE IN FIDUCIARY NET POSITION	16,102,000	7,579,000
NET POSITION, BEGINNING OF YEAR	<u>101,297,000</u>	<u>93,718,000</u>
NET POSITION, END OF YEAR	<u>\$ 117,399,000</u>	<u>\$ 101,297,000</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2025 and 2024

NOTE ONE - GENERAL

The Electric Power Board of Chattanooga is a municipal utility and an enterprise fund of the City of Chattanooga, Tennessee. In 1999, the Electric Power Board began doing business as EPB. EPB provides electric power (the "Electric System") to over 202,000 homes and businesses in a 600 square-mile area that includes greater Chattanooga, as well as parts of surrounding counties and areas of North Georgia. The Tennessee Valley Authority is EPB's sole provider of power and acts in a regulatory capacity in setting electric rates. EPB also provides voice, internet and video services to both commercial and residential customers within the EPB electric service territory. At the end of FY 2025, EPB had approximately 124,000 residential customers and 9,000 business customers in the Telecom and Video & Internet Systems. Supplementary data for the Electric System, Telecom System, Video & Internet System, Fiber Optics System (consolidated financials of the Telecom and Video & Internet Systems), and Strategic Initiatives System is shown in Supplemental Schedules.

NOTE TWO – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus and Basis of Accounting

The accompanying financial statements of EPB include the accounts of the Electric System and the Fiber Optics System (collectively EPB). All significant inter-system transactions and balances have been eliminated in the financial statements of EPB.

EPB's financial statements are reported using the flow of economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Where applicable, the Electric System's accounting records generally follow the Federal Energy Regulatory Commission's Uniform System of Accounts Prescribed for Public Utilities, and the Fiber Optics System's accounting records generally follow the Federal Communications Commission's Uniform System of Accounts for Telecommunications Companies.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amount of assets, deferred outflows of resources, deferred inflows of resources, and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits in banks, and short-term, highly-liquid investments with an original maturity date of three months or less.

Financial Instruments

Financial instruments of EPB may include certificates of deposit, money market accounts, short-term and long-term investments in federal agency bonds and notes, commercial paper, investment in the State of Tennessee Local Government Investment Pool, and accounts receivable. All financial instruments are carried at fair value as determined by market prices at June 30, 2025 and 2024.

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2025 and 2024

NOTE TWO – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Materials and Supplies

Materials and supplies inventory is valued at the lower of cost or market using the average cost basis, which approximates actual cost.

Utility Plant

Utility plant is stated at original cost. Such costs include applicable general and administrative costs and payroll-related costs such as pensions, taxes, and other benefits.

EPB provides depreciation at rates which are designed to amortize the cost of depreciable utility plant over its estimated useful life. The composite straight-line rate, expressed as a percentage of average utility plant, was 5.14% in 2025 and 5.80% in 2024.

When property subject to depreciation is retired or otherwise disposed of in the normal course of business, its original cost, together with its cost of removal less salvage, is charged to the accumulated provision for depreciation. EPB charges maintenance and repairs, including the cost of renewals of minor items of property, to maintenance expense accounts. Placements of property (exclusive of minor items of property) are capitalized to utility plant accounts.

Revenues and Expenses

Electric revenues are recognized on the accrual basis at the time utility services are provided. Operating revenues include utility sales net of bad debt expense and miscellaneous revenue related to utility operations. This miscellaneous revenue includes late payment fees, rental income, and ancillary services. Operating expenses include those expenses that result from the ongoing operations of the utility system. Non-operating revenues consist primarily of investment income, and various miscellaneous revenues. Non-operating expenses consist of interest expense on indebtedness and various miscellaneous expenses.

Fiber Optics revenues are recognized on the accrual basis at the time services are provided. Operating revenues include service sales net of bad debt expense and miscellaneous revenue related to Fiber Optics operations. This miscellaneous revenue includes ad revenue, late payment fees, and rental income. Operating expenses include those expenses that result from the ongoing operation of the fiber optics systems. Non-operating revenues consist primarily of investment income and various miscellaneous revenues.

Accounts Receivable

EPB periodically reviews accounts receivable for amounts it considers as uncollectible and provides an allowance for doubtful accounts. Current earnings are charged with a provision for doubtful accounts based on a percent of gross revenue determined from historical net bad debt experience. This evaluation is inherently subjective as it requires estimates that are susceptible to revision as more information becomes available. Accounts considered uncollectible throughout the year are charged against the allowance.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Electric Power Board of Chattanooga Retirement Plan (the "Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2025 and 2024

NOTE TWO – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Post-Employment Benefits (OPEB)

For purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to these benefits, and OPEB expense, information about the fiduciary net position of the Electric Power Board of Chattanooga Post-Employment Medical & Death Benefit Plan (the “Plan”) and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Leases

Right-to-use assets and lease liabilities are recognized upon the commencement of the lease term in relation to leases in which EPB is leasing the right to use a leased asset. These assets include tangible equipment leases such as towers, scanners, printers, postage meters, and virtual storage equipment. These are measured at the present value of payments expected to be made by EPB during the lease term in addition to certain direct costs.

Lease receivables and deferred inflows of resources are recognized upon the commencement of the lease term in relation to leases in which EPB is leasing another party the right to use an EPB asset. These are measured at the present value of lease payments expected to be made to EPB during the lease term.

The interest rate utilized to calculate the present value of lease payments is calculated annually and represents the weighted cost of debt.

Subscription-Based Information Technology Arrangements (SBITA)

Right-to-use assets and SBITA liabilities are recognized upon the commencement of the contract term in relation to contracts in which EPB is contracting for the right to use this type of asset. These assets include all subscription-based software contracts including cloud based software contracts. These are measured at the present value of payments expected to be made by EPB during the contract term in addition to certain other costs related to the assets.

The interest rate utilized to calculate the present value of lease payments is calculated annually and represents the weighted cost of debt.

Reclassifications

Certain amounts in the 2024 financial statements have been reclassified to conform to the 2025 presentation, with no effect on net position or change to net position.

NOTE THREE - DEPOSITS AND INVESTMENTS

EPB’s investment policy allows for investments in certificates of deposit, repurchase agreements, money market accounts with local depository institutions, the State of Tennessee Local Government Investment Pool (LGIP), U.S. Treasury obligations, U.S. Government Agency obligations, municipal bonds, and commercial paper. All LGIP, money market, certificate of deposit accounts, and commercial paper with maturities 90 days or less are classified as cash and cash equivalents for reporting purposes.

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2025 and 2024

NOTE THREE - DEPOSITS AND INVESTMENTS (Continued)

At June 30, 2025, EPB had the following investments and maturities (in thousands):

Investments	Fair Value or Carrying Amount	Maturities Less Than 1 Year	Maturities 1 Year Up To Less Than 2 Years	Maturities 2 Years Up To Less Than 3 Years
Local Government Investment Pool (LGIP)	\$ 99,040	\$ 99,040	\$ -	\$ -
Money Market Accounts	135,292	135,292	-	-
Bonds	41,457	41,457	-	-
Total	<u>\$ 275,789</u>	<u>\$ 275,789</u>	<u>\$ -</u>	<u>\$ -</u>

At June 30, 2024, EPB had the following investments and maturities (in thousands):

Investments	Fair Value or Carrying Amount	Maturities Less Than 1 Year	Maturities 1 Year Up To Less Than 2 Years	Maturities 2 Years Up To Less Than 3 Years
Local Government Investment Pool (LGIP)	\$ 104,142	\$ 104,142	\$ -	\$ -
Money Market Accounts	96,859	96,859	-	-
Certificates of Deposit	957	957	-	-
Bonds	115,425	115,425	-	-
Total	<u>\$ 317,383</u>	<u>\$ 317,383</u>	<u>\$ -</u>	<u>\$ -</u>

Interest Rate Risk

EPB's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Instead, the portfolio is structured in a manner that ensures sufficient cash is available to meet anticipated liquidity needs. Selection of investment maturities must be consistent with the cash requirements of EPB in order to avoid the forced sale of securities prior to maturity. Accordingly, EPB has an investment policy that limits the maturities on individual investments to no more than four years without approval of the State Director of Local Finance or as otherwise provided by state statute. Investments at June 30, 2025 and 2024 met investment policy restrictions.

Credit Risk

EPB's general investment policy is to apply the prudent-person rule: investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and avoid speculative investments. EPB's investment policy limits investments in U.S. Government Agency obligations to the highest ratings by two nationally recognized statistical rating organizations.

Also, EPB's investment policy restricts investments in commercial paper to those which are rated at least A1 or equivalent by at least two nationally recognized rating services.

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2025 and 2024

NOTE THREE - DEPOSITS AND INVESTMENTS (Continued)

Fair Value Measurements

EPB categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

EPB has the following recurring fair value measurements as of June 30, 2025:

- Bonds of \$41.5 million are valued using the carrying amount, including accrued interest earned, as a reasonable estimate of fair value (Level 1 inputs).

EPB has the following recurring fair value measurements as of June 30, 2024:

- Certificate of Deposits of \$1.0 million and Bonds of \$115.4 million are valued using the carrying amount, including accrued interest earned, as a reasonable estimate of fair value (Level 1 inputs).

Custodial Credit Risk

At June 30, 2025 and 2024, EPB's deposits, money market accounts with local depository institutions, and investments in certificates of deposits were entirely covered by either Federal Depository Insurance Corporation insurance or insured by the State of Tennessee Collateral Pool for Public Deposits. Also, at June 30, 2025 and 2024, portions of EPB's investments were held in the State of Tennessee LGIP. The legislation providing for the establishment of the LGIP (Tennessee Code Annotated ¶19-4-701 *et seq.*) authorizes investment in the LGIP for local governments and other political subdivisions. The LGIP is sponsored by the State of Tennessee Treasury Department and is a part of the State Pooled Investment Fund. All of EPB's deposits and investments (excluding the LGIP) are insured or registered in EPB's name.

Concentration of Credit Risk

EPB's investment policy requires its overall portfolio to be diversified to eliminate the risk of loss from an over concentration of assets in a specific class of security, a specific maturity, and/or a specific issuer. EPB's investment policy limits its investments to no more than five percent (5%) in any single issuer with the following exceptions:

U.S. Treasury Obligations	100% maximum
Federal Agency	100% maximum
Insured/Collateralized Certificates of Deposit and Accounts	100% maximum
Tennessee LGIP	100% maximum
Commercial Paper	10% maximum
Repurchase Agreements Counterparty	10% maximum

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2025 and 2024

NOTE THREE - DEPOSITS AND INVESTMENTS (Continued)

Investments by issuer and percentage of total investments at June 30, 2025 and 2024 were as follows:

Issuer	Investment Type	June 30, 2025	June 30, 2024
Citizens Bank	CD's	0.00%	0.30%
Regions Bank	Money Market Accounts	0.01%	0.00%
Rockpoint Bank	Money Market Accounts	0.38%	0.32%
Truist Bank	Money Market Accounts	1.10%	0.01%
State of Tennessee	Local Government Investment Pool	35.90%	32.81%
SmartBank	Money Market Accounts	0.01%	0.00%
FirstBank	Money Market Accounts	0.71%	0.59%
First Horizon Bank	Money Market Accounts	23.55%	18.84%
United States Gov't Treasury	Treasury Bills & Bonds	15.03%	36.37%
Pinnacle Bank	Money Market Accounts	23.31%	10.76%

Pension Plan Trust Fund

The Pension Trust Fund's policy on authorized investments, including the proper asset allocation and benchmarking criteria, is established via an Investment Policy Statement (IPS) which is amended from time to time by the Board of Trustees. As permitted by state statutes, subject to certain limitations therein and within the IPS, the IPS generally authorizes the Pension Trust Fund to invest in the following investments: cash and cash equivalents (including money market funds and stable value funds); investment grade domestic and international fixed income securities (government and corporate entity obligations, asset-backed securities, commercial paper or similar fixed income contracts); domestic and international equities; real estate or real estate related tangible assets, and certain alternative investments.

The IPS specifies an acceptable asset allocation mix to guide the pursuit of an annualized real rate of return over inflation of at least 4% for total fund investments. This asset allocation used within the August 1, 2023 actuarial valuation mix is as follows: Total Equity Assets with an acceptable range between 20% to 80%; Total Bond Assets with an acceptable range between 15% and 80%; Real Estate or Real Estate Related Tangible Assets with an acceptable range of 0% to 15%, Cash and Cash Equivalents with an acceptable range of 0% to 15%; alternatives (Hedge Strategies) with an acceptable range of 0% to 20%.

During the plan year ended July 31, 2024, EPB transferred its Pension investment funds to a new broker. This transfer resulted in the reinvestment of the majority of the portfolio into new funds and investments from those previously held.

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2025 and 2024

NOTE THREE - DEPOSITS AND INVESTMENTS (Continued)

As of June 30, 2025, the Pension Plan Trust Fund for the Plan year ended July 31, 2024 had \$80,058,000 invested in the following types of investments:

<u>Investments</u>	<u>Fair Value</u>	<u>Moody's Rating</u>
Cash and Money Market Funds	\$ 11,856,000	N/A
Fixed Income Funds	1,721,000	Baa1 to Baa3
Fixed Income Funds	1,162,000	Ba1 to Ba3
Fixed Income Funds	72,000	Aa1 to Aa3
Fixed Income Funds	1,124,000	A1 to A3
Fixed Income Funds	12,541,000	N/A
Equity Mutual Funds	37,013,000	N/A
Alternative Funds	14,569,000	N/A
	<u>\$ 80,058,000</u>	

N/A – These types of funds are not rated by Moody's

<u>Investments</u>	<u>Fair Value</u>	<u>Average Maturity (years)</u>
Cash and Money Market Funds	\$ 11,856,000	-
Fixed Income Funds	16,620,000	27.491
Equity Mutual Funds	37,013,000	-
Alternative Funds	14,569,000	-
	<u>\$ 80,058,000</u>	

Money Markets, Securities, and EFT's do not have weighted average maturities.

As of June 30, 2024, the Pension Plan Trust Fund for the Plan year ended July 31, 2023 had \$66,777,000 invested in the following types of investments:

<u>Investments</u>	<u>Fair Value</u>	<u>Moody's Rating</u>
Cash and Money Market Funds	\$ 15,734,000	N/A
Corporate Obligations	362,000	Baa1 to Baa3
Corporate Obligations	1,502,000	Ba1 to Ba3
Corporate Obligations	967,000	B1 to B3
Corporate Obligations	118,000	WR
Common Equity Securities	7,317,000	N/A
Equity Mutual Funds	17,555,000	N/A
Fixed Income Funds	1,643,000	N/A
Alternative Funds	21,579,000	N/A
	<u>\$ 66,777,000</u>	

N/A – These types of funds are not rated by Moody's

WR – Withdrawn Rating

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2025 and 2024

NOTE THREE - DEPOSITS AND INVESTMENTS (Continued)

<u>Investments</u>	<u>Fair Value</u>	<u>Average Maturity (years)</u>
Cash and Money Market Funds	\$ 15,734,000	-
Corporate Obligations	2,949,000	1.813
Common Equity Securities	7,317,000	-
Equity Mutual Funds	17,555,000	-
Fixed Income Funds	1,643,000	-
Alternative Funds	21,579,000	-
	<u>\$ 66,777,000</u>	

Money Markets, Securities, and EFT's do not have weighted average maturities.

Concentration

On June 30, 2025 and 2024, the Pension Plan Trust Fund did not have any debt or equity investments in any one organization which represented greater than 5% of Plan fiduciary net position.

Interest Rate Risk

No formal policy to address potential fair value losses from rising interest rates has been adopted by the Board of Trustees.

Fair Value Measurements

The Plan has the following recurring fair value measurements, broken into the fair value hierarchy as of June 30, 2025 and June 30, 2024 measured as of July 31, 2024 and July 31, 2023, respectively. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Fair Value Measurements as of June 30, 2025:

<u>Investments</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Cash and Money				
Market Funds	\$ 11,856,000	\$ -	\$ -	\$ 11,856,000
Fixed Income Funds	-	16,620,000	-	16,620,000
Equity Mutual Funds	37,013,000	-	-	37,013,000
Alternative Funds	-	-	14,569,000	14,569,000
	<u>\$ 48,869,000</u>	<u>\$ 16,620,000</u>	<u>\$ 14,569,000</u>	<u>\$ 80,058,000</u>

Fair Value Measurements as of June 30, 2024:

<u>Investments</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Cash and Money				
Market Funds	\$ 15,734,000	\$ -	\$ -	\$ 15,734,000
Corporate Obligations	-	2,949,000	-	2,949,000
Common Equity Securities	7,317,000	-	-	7,317,000
Equity Mutual Funds	17,555,000	-	-	17,555,000
Fixed Income Funds	-	1,643,000	-	1,643,000
Alternative Funds	-	-	21,579,000	21,579,000
	<u>\$ 40,606,000</u>	<u>\$ 4,592,000</u>	<u>\$ 21,579,000</u>	<u>\$ 66,777,000</u>

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2025 and 2024

NOTE THREE - DEPOSITS AND INVESTMENTS (Continued)

Rate of Return

For the fiscal years ended June 30, 2025 and June 30, 2024, the annual money-weighted rate of return on the Pension Trust Fund investments, net of investment expenses, was 11.9% and 5.6%, measured as of July 31, 2024 and July 31, 2023, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

OPEB Trust Fund

The OPEB Trust Fund's policy on authorized investments, including the proper asset allocation and benchmarking criteria, is established via an Investment Policy Statement (IPS) which is amended from time to time by the Board of Trustees. As permitted by state statutes, subject to certain limitations therein and within the IPS, the IPS generally authorizes the OPEB Trust Fund to invest in the following investments: cash and cash equivalents (including money market funds and stable value funds); investment grade domestic and international fixed income securities (government and corporate entity obligations, asset-backed securities, commercial paper or similar fixed income contracts); domestic and international equities; real estate or real estate related tangible assets, and certain alternative investments.

The IPS specifies an acceptable asset allocation mix to guide the pursuit of an annualized real rate of return over inflation of at least 4% for total fund investments. This asset allocation used within the June 30, 2024 actuarial valuation mix is as follows is as follows: Total Equity Assets with an acceptable range between 20% to 80%; Total Bond Assets with an acceptable range between 15% and 80%; Real Estate or Real Estate Related Tangible Assets with an acceptable range of 0% to 15%, Cash and Cash Equivalents with an acceptable range of 0% to 15%; alternatives (Hedge Strategies) with an acceptable range of 0% to 20%.

During FY 2024, EPB transferred its OPEB investment funds to a new broker. This transfer resulted in the reinvestment of the majority of the portfolio into new funds and investments from those previously held.

As of June 30, 2025, the OPEB Trust Fund had \$37,341,000 invested in the following types of investments:

<u>Investments</u>	<u>Fair Value</u>	<u>Moody's Rating</u>
Cash and Money Market Funds	\$ 421,000	N/A
Fixed Income Funds	825,000	Baa1 to Baa3
Fixed Income Funds	358,000	Ba1 to Ba3
Fixed Income Funds	529,000	A1 to A3
Fixed Income Funds	6,624,000	N/A
Fixed Income Funds	4,797,000	N/A
US Equity Funds	12,353,000	N/A
International Equity	6,113,000	N/A
Non-Traditional	10,118,000	N/A
	<u>\$ 37,341,000</u>	

N/A – These types of funds are not rated by Moody's

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2025 and 2024

NOTE THREE - DEPOSITS AND INVESTMENTS (Continued)

<u>Investments</u>	<u>Fair Value</u>	<u>Average Maturity (years)</u>
Cash and Money Market Funds	\$ 421,000	-
Fixed Income Funds	8,336,000	24.898
US Equity	12,353,000	-
International Equity	6,113,000	-
Non-Traditional	10,714,000	-
	<u>\$ 37,341,000</u>	

Money Markets, Securities, and EFT's do not have weighted average maturities.

As of June 30, 2024, the OPEB Trust Fund had \$34,446,000 invested in the following types of investments:

<u>Investments</u>	<u>Fair Value</u>	<u>Moody's Rating</u>
Cash and Money Market Funds	\$ 65,000	N/A
Fixed Income Funds	320,000	AAA
Fixed Income Funds	430,000	AA
Fixed Income Funds	424,000	A
Fixed Income Funds	801,000	BBB
Fixed Income Funds	4,797,000	N/A
US Equity Funds	11,183,000	N/A
International Equity	5,712,000	N/A
Non-Traditional	10,714,000	N/A
	<u>\$ 34,446,000</u>	

N/A – These types of funds are not rated by Moody's

<u>Investments</u>	<u>Fair Value</u>	<u>Average Maturity (years)</u>
Cash and Money Market Funds	\$ 65,000	-
Fixed Income Funds	6,772,000	20.399
US Equity	11,183,000	-
International Equity	5,712,000	-
Alternative Funds	10,714,000	-
	<u>\$ 34,446,000</u>	

Money Markets, Securities, and EFT's do not have weighted average maturities.

Concentration

On June 30, 2025 and 2024, the OPEB Plan Trust Fund did not have any debt or equity investments in any one organization which represented greater than 5% of Plan fiduciary net position.

Interest rate risk

No formal policy to address potential fair value losses from rising interest rates has been adopted by the Board of Trustees.

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2025 and 2024

NOTE THREE - DEPOSITS AND INVESTMENTS (Continued)

Fair Value Measurements

The Plan has the following recurring fair value measurements, broken into the fair value hierarchy as of June 30, 2025 and June 30, 2024. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Fair Value Measurements as of June 30, 2025:

Investments	Level 1	Level 2	Level 3	Fair Value
Cash and Money				
Market Funds	\$ 421,000	\$ -	\$ -	\$ 421,000
Fixed Income Funds	-	8,336,000	-	8,336,000
US Equity	12,353,000	-	-	12,353,000
International Equity	6,113,000	-	-	6,113,000
Non-Traditional	-	-	10,118,000	10,118,000
	<u>\$ 18,887,000</u>	<u>\$ 8,336,000</u>	<u>\$ 10,118,000</u>	<u>\$ 37,341,000</u>

Fair Value Measurements as of June 30, 2024:

Investments	Level 1	Level 2	Level 3	Fair Value
Cash and Money				
Market Funds	\$ 65,000	\$ -	\$ -	\$ 65,000
Fixed Income Funds	-	6,772,000	-	6,772,000
US Equity	11,183,000	-	-	11,183,000
International Equity	5,712,000	-	-	5,712,000
Alternative Funds	-	-	10,714,000	10,714,000
	<u>\$ 16,960,000</u>	<u>\$ 6,772,000</u>	<u>\$ 10,714,000</u>	<u>\$ 34,446,000</u>

Rate of Return

For the fiscal years ended June 30, 2025 and June 30, 2024, the annual money-weighted rate of return on the OPEB Plan Trust Fund investments, net of investment expenses, was 10.4% and 8.6%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2025 and 2024

NOTE FOUR - UTILITY PLANT

Electric utility plant assets activity for the year ended June 30, 2025 was as follows (in thousands):

	<u>June 30, 2024</u>	<u>Additions</u>	<u>Retirement And Other</u>	<u>June 30, 2025</u>
Electric Asset Costs				
Non-Depreciable Assets:				
Land & Land Rights	\$ 6,479	\$ 118	\$ -	\$ 6,597
Construction Work in Progress	52,572	8,986	(7,962)	53,596
Depreciable Assets:				
Transmission	47,593	1,269	(1,886)	46,976
Distribution	782,376	71,475	(22,440)	831,411
Buildings & Improvements	63,180	93	(2,007)	61,266
Furniture, Fixtures & Equipment	60,255	3,765	(11,473)	52,547
Electric Total Asset Cost	<u>1,012,455</u>	<u>85,706</u>	<u>(45,768)</u>	<u>1,052,393</u>
Electric Accumulated Depreciation				
Transmission	23,498	1,552	(2,022)	23,028
Distribution	239,878	30,798	(23,793)	246,883
Buildings & Improvements	18,980	2,209	(2,007)	19,182
Furniture, Fixtures & Equipment	47,542	5,550	(11,376)	41,716
Electric Total Accumulated Depreciation	<u>329,898</u>	<u>40,109</u>	<u>(39,198)</u>	<u>330,809</u>
Electric Total Net Utility Plant	<u>\$ 682,557</u>	<u>\$ 45,597</u>	<u>\$ (6,570)</u>	<u>\$ 721,584</u>

Fiber Optics utility plant assets activity for the year ended June 30, 2025 was as follows (in thousands):

	<u>June 30, 2024</u>	<u>Additions</u>	<u>Retirement And Other</u>	<u>June 30, 2025</u>
Fiber Optics Asset Costs				
Non-Depreciable Assets:				
Construction Work in Progress	\$ 24,379	\$ 4,811	\$ (473)	\$ 28,717
Depreciable Assets:				
Central Office Equipment	19,471	168	(5,704)	13,935
Information Origination/Termination	11,543	3,553	(4,691)	10,405
Furniture, Fixtures & Equipment	5,945	1,031	(1,392)	5,584
Customer Premise Wiring	79,301	13,497	(681)	92,117
Customer Premise Equipment	13,003	4,746	(3,598)	14,151
Fiber Optics Total Asset Cost	<u>153,642</u>	<u>27,806</u>	<u>(16,539)</u>	<u>164,909</u>

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2025 and 2024

NOTE FOUR - UTILITY PLANT (Continued)

	<u>June 30, 2024</u>	<u>Additions</u>	<u>Retirement And Other</u>	<u>June 30, 2025</u>
Fiber Optics Accumulated Depreciation				
Central Office Equipment	\$ 12,595	\$ 1,937	\$ (5,704)	\$ 8,828
Information Origination/Termination	8,041	1,960	(4,691)	5,310
Furniture, Fixtures & Equipment	3,158	621	(1,392)	2,387
Customer Premise Wiring	34,752	8,569	(681)	42,640
Customer Premise Equipment	1,302	4,871	(3,533)	2,640
Fiber Optics Total Accumulated Depreciation	<u>59,848</u>	<u>17,958</u>	<u>(16,001)</u>	<u>61,805</u>
Fiber Optics Total Net Utility Plant	<u>\$ 93,794</u>	<u>\$ 9,848</u>	<u>\$ (538)</u>	<u>\$ 103,104</u>

Strategic Initiatives utility plant assets activity for the year ended June 30, 2025 was as follows (in thousands):

	<u>June 30, 2024</u>	<u>Additions</u>	<u>Retirement And Other</u>	<u>June 30, 2025</u>
Strategic Initiatives Asset Costs				
Non-Depreciable Assets:				
Construction Work in Progress	\$ -	\$ 8,750	\$ -	\$ 8,750
Strategic Initiatives Total Asset Cost	<u>-</u>	<u>8,750</u>	<u>-</u>	<u>8,750</u>
Total Net Utility Plant	<u>\$ 776,351</u>	<u>\$ 64,195</u>	<u>\$ (7,108)</u>	<u>\$ 833,438</u>

Electric utility plant assets activity for the year ended June 30, 2024 was as follows (in thousands):

	<u>June 30, 2023</u>	<u>Additions</u>	<u>Retirement And Other</u>	<u>June 30, 2024</u>
Electric Asset Costs				
Non-Depreciable Assets:				
Land & Land Rights	\$ 6,490	\$ 94	\$ (105)	\$ 6,479
Construction Work in Progress	36,442	21,504	(5,374)	52,572
Depreciable Assets:				
Intangible Plant	25	-	(25)	-
Transmission	48,656	1,282	(2,345)	47,593
Distribution	782,786	51,801	(52,211)	782,376
Buildings & Improvements	62,958	2,229	(2,007)	63,180
Furniture, Fixtures & Equipment	66,804	4,953	(11,502)	60,255
Electric Total Asset Cost	<u>1,004,161</u>	<u>81,863</u>	<u>(73,569)</u>	<u>1,012,455</u>
Electric Accumulated Depreciation				
Intangible Plant	-	2	(2)	-
Transmission	24,394	1,612	(2,508)	23,498
Distribution	259,276	34,007	(53,405)	239,878
Buildings & Improvements	18,873	2,227	(2,120)	18,980
Furniture, Fixtures & Equipment	52,298	6,676	(11,432)	47,542
Electric Total Accumulated Depreciation	<u>354,841</u>	<u>44,524</u>	<u>(69,467)</u>	<u>329,898</u>
Electric Total Net Utility Plant	<u>\$ 649,320</u>	<u>\$ 37,339</u>	<u>\$ (4,102)</u>	<u>\$ 682,557</u>

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2025 and 2024

NOTE FOUR - UTILITY PLANT (Continued)

Fiber Optics utility plant assets activity for the year ended June 30, 2024 was as follows (in thousands):

	<u>June 30, 2023</u>	<u>Additions</u>	<u>Retirement And Other</u>	<u>June 30, 2024</u>
Fiber Optics Asset Costs				
Non-Depreciable Assets:				
Construction Work in Progress	\$ 8,604	\$ 16,070	\$ (295)	\$ 24,379
Depreciable Assets:				
Central Office Equipment	22,085	574	(3,188)	19,471
Information Origination/Termination	14,392	491	(3,340)	11,543
Furniture, Fixtures & Equipment	6,331	264	(650)	5,945
Customer Premise Wiring	107,227	4,366	(32,292)	79,301
Customer Premise Equipment	<u>9,381</u>	<u>6,452</u>	<u>(2,830)</u>	<u>13,003</u>
Fiber Optics Total Asset Cost	<u>168,020</u>	<u>28,217</u>	<u>(42,595)</u>	<u>153,642</u>
Fiber Optics Accumulated Depreciation				
Central Office Equipment	13,145	2,638	(3,188)	12,595
Information Origination/Termination	8,675	2,706	(3,340)	8,041
Furniture, Fixtures & Equipment	3,314	494	(650)	3,158
Customer Premise Wiring	56,183	10,861	(32,292)	34,752
Customer Premise Equipment	<u>427</u>	<u>3,729</u>	<u>(2,854)</u>	<u>1,302</u>
Fiber Optics Total Accumulated Depreciation	<u>81,744</u>	<u>20,428</u>	<u>(42,324)</u>	<u>59,848</u>
Fiber Optics Total Net Utility Plant	<u>\$ 86,276</u>	<u>\$ 7,789</u>	<u>\$ (271)</u>	<u>\$ 93,794</u>
Total Net Utility Plant	<u>\$ 735,596</u>	<u>\$ 45,128</u>	<u>\$ (4,373)</u>	<u>\$ 776,351</u>

The estimated useful lives of capital assets are as follows:

Intangible plant	10 years
Transmission	10-30 years
Distribution	7-40 years
Buildings & improvements	20-40 years
Furniture, fixtures & equipment	5-20 years
Central office equipment	5-14 years
Information origination/termination	5-10 years
Customer premise wiring	10 years
Customer premise equipment	2-3.5 years

Depreciation expense for the Electric System was approximately \$40.1 million and \$44.5 million for the fiscal years ended June 30, 2025 and 2024, respectively. This depreciation expense includes automotive equipment depreciation, which is included in other operation expenses, of approximately \$1.4 million and \$1.2 million for the fiscal years ended June 30, 2025 and 2024. Depreciation expense for the Fiber Optics System was approximately \$18.0 million and \$20.4 million for the fiscal years ended June 30, 2025 and 2024, respectively.

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2025 and 2024

NOTE FIVE – DEBT

Long-term debt for the year ended June 30, 2025 is as follows (in thousands):

Electric System	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Balance at June 30, 2024	Repayments, Amortization or Accretion	Additions	Refunded	Balance at June 30, 2025	Current Amount Due
BONDS PAYABLE										
Electric System Refunding Revenue Bonds, 2015 Series A	\$ 218,855	5.00%	8/31/2015	9/1/2033	\$ 159,140	\$ (11,810)	\$ -	\$ (134,845)	\$ 12,485	\$ 12,485
Electric System Refunding Revenue Bonds, 2015 Series B	15,355	3.375%	8/31/2015	9/1/2025	3,080	(1,560)	-	-	1,520	1,520
Electric System Refunding Revenue Bonds, 2015 Series C	25,880	5.00%	8/31/2015	9/1/2040	23,380	(915)	-	(21,515)	950	950
Electric System Revenue Bonds, 2021	71,080	2.00%- 4.00%	6/29/2021	9/1/2041	71,080	-	-	-	71,080	-
Electric System Revenue Bonds, 2023	112,125	5.00%	12/19/2023	9/1/2043	112,125	-	-	-	112,125	-
Electric System Refunding Revenue Bonds, 2025	145,900	5.00%	6/5/2025	9/1/2040	-	-	145,900	-	145,900	-
Total Bonds Payable					\$ 368,805	\$ (14,285)	\$ 145,900	\$ (156,360)	\$ 344,060	\$ 14,955
Unamortized premium/(discount)					\$ 34,132	\$ (2,619)	\$ 12,718	\$ (15,532)	\$ 28,699	\$ -
Total Debt					\$ 402,937	\$ (16,904)	\$ 158,618	\$ (171,892)	\$ 372,759	\$ 14,955

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2025 and 2024

NOTE FIVE - DEBT (Continued)

Long-term debt for the year ended June 30, 2024 is as follows (in thousands):

Electric System	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Balance at June 30, 2023	Repayments, Amortization or Accretion	Additions	Balance at June 30, 2024	Current Amount Due
<u>BONDS PAYABLE</u>									
Electric System Refunding Revenue Bonds, 2015 Series A	\$ 218,855	2.875%- 5.00%	8/31/2015	9/1/2033	\$ 170,300	\$ (11,160)	\$ -	\$ 159,140	\$ 11,810
Electric System Refunding Revenue Bonds, 2015 Series B	15,355	3.20%- 3.375%	8/31/2015	9/1/2025	4,675	(1,595)	-	3,080	1,560
Electric System Refunding Revenue Bonds, 2015 Series C	25,880	4.00%- 5.00%	8/31/2015	9/1/2040	24,250	(870)	-	23,380	915
Electric System Revenue Bonds, 2021	71,080	2.00%- 4.00%	6/29/2021	9/1/2041	71,080	-	-	71,080	-
Electric System Revenue Bonds, 2023	112,125	5.00%	12/19/2023	9/1/2043	-	-	112,125	112,125	-
Total Bonds Payable					<u>\$ 270,305</u>	<u>\$ (13,625)</u>	<u>\$ 112,125</u>	<u>\$ 368,805</u>	<u>\$ 14,285</u>
Unamortized premium/(discount)					<u>\$ 23,043</u>	<u>\$ (2,315)</u>	<u>\$ 13,404</u>	<u>\$ 34,132</u>	<u>\$ -</u>
Total Debt					<u>\$ 293,348</u>	<u>\$ (15,940)</u>	<u>\$ 125,529</u>	<u>\$ 402,937</u>	<u>\$ 14,285</u>

EPB issues Revenue Bonds to provide funds primarily for capital improvements to the Electric System and refunding of other bonds. All bond issues are secured by a pledge and lien on the net revenues of EPB on parity with the pledge established by all bonds issued. Annual maturities on all Electric System long-term debt and related interest are as follows for each of the next five fiscal years and in five-year increments thereafter (in thousands):

Fiscal Year	Principal	Interest	Total
2026	\$ 14,955	\$ 14,763	\$ 29,718
2027	14,530	14,037	28,567
2028	15,260	13,280	28,540
2029	15,870	12,492	28,362
2030	16,750	11,662	28,412
2031-2035	93,315	44,562	137,877
2036-2040	99,995	23,680	123,675
2041-2044	73,385	4,771	78,156
Total	<u>\$ 344,060</u>	<u>\$ 139,247</u>	<u>\$ 483,307</u>

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2025 and 2024

NOTE FIVE – Debt (Continued)

In June 2025, EPB issued Electric System Refunding Revenue Bonds, Series 2025, in order to refinance substantially all of the 2015 A and 2015 C Series Bonds. The \$145.9 million par value of the bonds, less underwriter discount, cost of issuance, plus original issue premium netted proceeds of approximately \$158.6 million. These proceeds were used to purchase certain governmental securities. The principal and interest of these securities, when due, will provide sufficient funds to pay all principal and interest on the refunded portion of the 2015 A and 2015 C Series Bonds at their respective due dates.

These securities have been deposited in an irrevocable trust with an escrow agent. As a result of this advance refunding, approximately \$134.8 million of the 2015 A and \$ 21.5 million of the 2015 C Series Bonds has been removed from the accounts of EPB as this portion is considered defeased. In accordance with Statement No. 23 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Refunded Debt Reported by Proprietary Activities*, the difference between the new debt and the net carrying value of the old debt of approximately \$8.9 million has been deferred and will be amortized to interest expense through August 2035. EPB completed the advanced refunding in order to take advantage of favorable market conditions resulting in a net decrease in total debt service payments of approximately \$11.9 million over the next sixteen years and an economic gain of approximately \$9.5 million. At June 30, 2025, the balance of the refunded bonds was \$156.3 million due in annual installments from September 2025 to September 2040.

In December 2023, EPB issued Electric System Revenue Bonds, Series 2023, in order to finance capital costs incurred in connection with the improvement of the Electric System. The \$112.1 million par value of the bonds, less underwriter discount, cost of issuance, plus original issue premium netted proceeds of approximately \$125.5 million. As of June 30, 2025, there were no remaining unspent proceeds related to these Series 2023 bonds.

In June 2021, EPB issued Electric System Revenue Bonds, Series 2021, in order to finance capital costs incurred in connection with the improvement of the Electric System. The \$71.1 million par value of the bonds, less underwriter discount, cost of issuance, plus original issue premium netted proceeds of approximately \$75 million. As of June 30, 2025, there were no remaining unspent proceeds related to these Series 2021 bonds.

In August 2015, EPB issued \$218.9 million par value Series 2015 A and \$15.4 million par value Series 2015 B Electric System Refunding Revenue Bonds, to refinance a majority of the 2006 A, 2006 B, and 2008 A Series Bonds. These proceeds were used to purchase certain governmental securities. The principal and interest of these securities provided sufficient funds to pay all principal and interest on the refunded portion of the 2006 A, 2006 B, and 2008 A Series Bonds at their respective due dates. These securities were deposited in an irrevocable trust with an escrow agent. As a result of this advance refunding, approximately \$30.2 million of the 2006 A, \$14.7 million of the 2006 B, and \$195.0 million of the 2008 A Series Bonds, respectively, were removed from the accounts of EPB as this portion is considered defeased. At June 30, 2025, there were no remaining balances of refunded bonds in escrow.

Concurrent with the 2015 A and 2015 B Bond Series issues, EPB issued Electric System Revenue Bonds, 2015 Series C, in order to finance the capital costs incurred in connection with the improvement of the Electric System. The \$25.9 million par value of the bonds, less underwriter discount, cost of issuance, plus original issue premium netted proceeds of approximately \$30.0 million which was deposited into a project fund account that was drawn to a zero balance over the course of fiscal year 2016.

The City of Chattanooga has a requirement that if the EPB debt coverage ratio (funds available for servicing debt divided by debt service) associated with the revenue bonds and operations of the Electric System should be below 1.5x, EPB will be required to establish and fund a reserve fund. The debt coverage ratio at June 30, 2025 was 3.1x.

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2025 and 2024

NOTE FIVE – Debt (Continued)

EPB maintained a \$50 million bank line of credit with the execution of an Electric System Revenue Anticipation Note in FY 2025 and 2024. The purpose of this note is for financing the purchase of electric power. This note is payable from and secured by a pledge of the net revenues of the Electric System, subject to the prior pledge of such revenues in favor of the outstanding bonds. The current facility matures June 2026 and bears an interest rate of 30-day SOFR plus 0.45%. As of June 30, 2025, there were no amounts outstanding on the note.

NOTE SIX - OTHER LONG-TERM LIABILITIES

Sick leave liabilities are composed of short-term and long-term portions. Short-term sick leave liability is included in current liabilities in the other current liabilities category, and long-term sick leave liability is included in long-term liabilities in the other non-current liabilities category. During the fourth quarter of each calendar year, employees may elect to convert any unused annual leave hours to sick leave hours on a one for one basis. Under certain conditions employees may use sick leave hours. Annually, employees may elect to be paid at their current rate of pay for up to 48 hours of sick leave at the rate of one hour of pay for two hours of sick leave and for up to an additional 16 hours of sick leave at the rate of one hour of pay for one hour of sick leave. The valuation of the hours eligible for this annual payment is considered a short-term liability. This short-term sick leave liability was \$196,000 and \$187,000 at June 30, 2025 and 2024, respectively. Also, employees were eligible to be paid upon retirement at the rate of 38% for accumulated sick leave hours at June 30, 2025 and 2024, at their current rate of pay. Total accumulated sick leave hours reduced by the hours eligible for annual payment is considered the hours eligible for pay upon retirement. The valuation of the hours eligible for pay upon retirement is considered a long-term liability. This long-term sick leave liability was \$395,000 and \$375,000 at June 30, 2025 and 2024, respectively.

NOTE SEVEN - EMPLOYEE BENEFIT PLANS

PENSION PLAN

Plan Description

The Electric Power Board of Chattanooga Retirement Plan (the “Plan”) is a single-employer defined benefit pension plan. The Plan provides retirement benefits to all employees hired before January 1, 2022 who have completed six months of employment. The Plan assigns the authority to establish and amend benefit provisions to EPB. A stand-alone financial report is not issued for this plan.

Benefits Provided

The Plan provides retirement and death benefits. The normal monthly retirement benefit formula shall provide that each Participant will receive a monthly payment in the form of a single life annuity with sixty monthly guaranteed payments and the amount of the monthly payments shall be computed at the rate of 2% of final monthly salary for the first twenty years of service; 1.25% of final monthly salary for the next ten years of service; 0.5% of final monthly salary for the next five years of service (maximum 35 years).

A participant who has completed five or more years of credited service and who has attained age fifty-five may, with management consent, be entitled to receive an early retirement benefit commencing upon the early retirement date. The early retirement benefit of such participant shall be equal to the amount of the accrued benefit reduced by 0.4% for each month by which the early retirement date precedes the normal retirement date.

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2025 and 2024

NOTE SEVEN - EMPLOYEE BENEFIT PLANS (Continued)

The death benefit shall be a lump sum distribution equal to the discounted present value of 50% of the early retirement accrued benefit, if the employee had not yet reached normal retirement age, or 50% of the normal retirement accrued benefit if the employee had reached normal retirement age, computed on the day before death. After retirement, the death benefit shall be determined by the form of benefit payment the employee elected upon retirement.

Final monthly salary is the three-year average of base salary, excluding overtime or extra compensation, on the actual retirement date and the two previous August 1sts. If applicable, commissions are included in the definition of base salary. Credited service is the total years of service from hire date to determination date. Partial years are rounded up to complete years of service. The normal retirement date is the first day of the month coincident with or next following the later of the participant's 65th birthday or having five years of participation in the plan. For a participant who elects to retire later than the normal retirement date, the date shall be the first day of the month coinciding with or next following the participant's last day of employment. A participant shall be 100% vested after five complete years of employment.

Employees Covered by Benefit Terms

The following table details number of employees that were covered by the benefit terms, as of June 30, 2025 and 2024, respectively:

	<u>2025</u>	<u>2024</u>
Inactive employees or beneficiaries currently receiving benefits	19	20
Inactive employees or beneficiaries but not yet receiving benefits	197	168
Active employees	<u>476</u>	<u>524</u>
Total	<u><u>692</u></u>	<u><u>712</u></u>

Contributions

The contribution requirements of plan members and EPB are established and may be amended by EPB. Plan members are not required to contribute to the Plan. EPB's contributions are calculated based on an actuarially determined rate, which is 17.7% and 18.3% of annual covered payroll as of August 1, 2024 and 2023, respectively.

Net Pension Liability

EPB's net pension liability was measured as of July 31, 2024 (for FY 2025) and 2023 (for FY 2024), and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 1, 2024 and 2023, respectively.

The total pension liability in the actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurements:

Inflation	2.50%
Salary increase	3.50%
Investment rate of return	6.50%

Mortality rates for the Pension expense determination were based on the RP-2014 Mortality Table with MP-2021 generation improvements. The employee benefit amounts were based on the UP-1984 Mortality Table for Males and Females.

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2025 and 2024

NOTE SEVEN - EMPLOYEE BENEFIT PLANS (Continued)

The actuarial assumptions used in the August 1, 2024 valuation were based on the results of an actuarial experience study for the period August 1, 2021 - July 31, 2024. The actuarial assumptions used in the August 1, 2023 valuation were based on the results of an actuarial experience study for the period August 1, 2020 - July 31, 2023.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	25 – 40%	6.5%
International equity	12 – 24%	6.0%
Fixed income	15 – 30%	3.5%
Real estate	0 – 45%	6.0%
Cash	0.0%	2.0%

The discount rate used to measure the total pension liability was 6.5 percent in FY 2025 and FY 2024. The projection of cash flows used to determine the discount rate assumed that EPB contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Financial Statements

As of June 30, 2025 and June 30, 2024, the Plan's statement of fiduciary net position for the Plan year ended July 31, 2024 and July 31, 2023, was as follows (in thousands):

	July 31, 2024	July 31, 2023
ASSETS		
Interest receivable	\$ -	\$ 74,000
Investments at fair value:		
Money market funds	11,856,000	15,734,000
Corporate obligations	-	2,949,000
Common equity securities	-	7,317,000
Equity mutual funds	37,013,000	17,555,000
Fixed income funds	16,620,000	1,643,000
Alternative funds	14,569,000	21,579,000
	<u>80,058,000</u>	<u>66,777,000</u>
TOTAL ASSETS	<u>\$ 80,058,000</u>	<u>\$ 66,851,000</u>
NET POSITION		
Net position restricted for pension benefits	<u>\$ 80,058,000</u>	<u>\$ 66,851,000</u>
TOTAL NET POSITION	<u>\$ 80,058,000</u>	<u>\$ 66,851,000</u>

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2025 and 2024

NOTE SEVEN - EMPLOYEE BENEFIT PLANS (Continued)

As of June 30, 2025 and June 30, 2024, the Plan's statement of changes in fiduciary net position for the Plan year ended July 31, 2024 and July 31, 2023, was as follows (in thousands):

	<u>July 31, 2024</u>	<u>July 31, 2023</u>
ADDITIONS		
Contributions:		
Employers	\$ 10,000,000	\$ 7,000,000
Investment earnings:		
Net appreciation in fair value of investments	6,822,000	504,000
Interest and dividends	<u>1,322,000</u>	<u>734,000</u>
Total investment earnings	8,144,000	1,238,000
Less investment costs:		
Investment expenses	<u>236,000</u>	<u>130,000</u>
Net investment earnings	<u>7,908,000</u>	<u>1,108,000</u>
Total additions	<u>17,908,000</u>	<u>8,108,000</u>
DEDUCTIONS		
Benefits paid to participants or beneficiaries	4,688,000	3,724,000
Administrative expenses	<u>13,000</u>	<u>27,000</u>
Total deductions	<u>4,701,000</u>	<u>3,751,000</u>
CHANGE IN FIDUCIARY NET POSITION	13,207,000	4,357,000
NET POSITION, BEGINNING OF YEAR, RESTATED	<u>66,851,000</u>	<u>62,494,000</u>
NET POSITION, END OF YEAR	<u>\$ 80,058,000</u>	<u>\$ 66,851,000</u>

The following table shows the changes in the net pension liability as of June 30, 2025 and June 30, 2024 for the Plan Year ended July 31, 2024 and July 31, 2023 (in thousands):

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) – (b)</u>
Balances at 6/30/2024	\$ 99,735	\$ 66,851	\$ 32,884
Changes for the year:			
Service cost	5,590	-	5,590
Interest	6,330	-	6,330
Difference between expected and actual experience	3,649	-	3,649
Contributions – employer	-	10,000	(10,000)
Net investment loss	-	7,908	(7,908)
Benefits payments, including refunds of employee contributions	(4,688)	(4,688)	-
Administrative expense	<u>-</u>	<u>(13)</u>	<u>13</u>
Net changes	<u>10,881</u>	<u>13,207</u>	<u>(2,326)</u>
Balances at 6/30/2025	<u>\$ 110,616</u>	<u>\$ 80,058</u>	<u>\$ 30,558</u>

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2025 and 2024

NOTE SEVEN - EMPLOYEE BENEFIT PLANS (Continued)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at 6/30/2023	\$ 83,888	\$ 62,494	\$ 21,394
Changes for the year:			
Service cost	4,549	-	4,549
Interest	5,452	-	5,452
Difference between expected and actual experience	146	-	146
Assumption changes	9,424	-	9,424
Contributions – employer	-	7,000	(7,000)
Net investment loss	-	1,108	(1,108)
Benefits payments, including refunds of employee contributions	(3,724)	(3,724)	-
Administrative expense	-	(27)	27
Net changes	<u>15,847</u>	<u>4,357</u>	<u>11,490</u>
Balances at 6/30/2024	<u>\$ 99,735</u>	<u>\$ 66,851</u>	<u>\$ 32,884</u>

The following presents the net pension liability of the Plan, calculated using the discount rate of 6.5 percent as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.5 percent) or 1-percentage-point higher (7.5 percent) than the current rate (in thousands):

Net pension position as of June 30, 2025

1% Decrease (5.5%)	Discount Rate (6.5%)	1% Increase (7.5%)
\$ 49,455	\$ 30,558	\$ 14,971

Net pension position as of June 30, 2024

1% Decrease (5.5%)	Discount Rate (6.5%)	1% Increase (7.5%)
\$ 50,133	\$ 32,884	\$ 18,682

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2025, EPB recognized pension expense of \$10.6 million. At June 30, 2025, EPB reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 15,916	\$ -
Employer contributions made after plan year	-	-
Changes in assumptions	14,632	-
Net difference between projected and actual earnings on pension plan investments	<u>806</u>	<u>-</u>
Total	<u>\$ 31,354</u>	<u>\$ -</u>

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2025 and 2024

NOTE SEVEN - EMPLOYEE BENEFIT PLANS (Continued)

For the year ended June 30, 2024, EPB recognized pension expense of \$9.8 million. At June 30, 2024, EPB reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 13,740	\$ -
Employer contributions made after plan year	1,500	-
Changes in assumptions	15,843	-
Net difference between projected and actual earnings on pension plan investments	4,678	-
Total	<u>\$ 35,761</u>	<u>\$ -</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

<u>Fiscal year ended June 30,</u>	
2026	\$ 2,616
2027	4,452
2028	2,521
2029	1,954
2030	2,684
Thereafter	17,127
	<u>\$ 31,354</u>

Payable to the Pension Plan

At June 30, 2025 and 2024, EPB reported no payable balances for required outstanding contributions to the Plan.

Pension Plan's Funded Status Using Termination Basis

An exact calculation of the Actuarial Accrued Liability exclusively based on past service and compensation would be the Plan liability if the Plan were to terminate or cease recognition of future service accruals and compensation increases. As of August 1, 2024, this Actuarial Accrued Liability has been calculated to be \$76.6 million; with the Actuarial Value of Plan Assets being \$80.1 million. Therefore, the Actuarial Accrued Liability strictly devoted to past service and compensation has been fully covered by plan assets as of August 1, 2024. As of August 1, 2023, this Actuarial Accrued Liability has been calculated to be \$69.8 million; with the Actuarial Value of Plan Assets being \$66.9 million. As of August 1, 2023, this Actuarial valuation resulted in estimated Plan Asset Deficiency of \$2.9 million.

401(k) PLAN

Effective August 1, 1984, EPB implemented a 401(k) defined contribution plan, the EPB Retirement Savings Plan, which allows employees to invest up to 100% of their salary in a tax-deferred savings plan. EPB contributes a 100% matching contribution up to 4.0% of an employee's salary after one year of employment. All employees who have completed three months of employment and have attained age 18 are eligible to participate in the 401(k) defined contribution plan. Participating employees are immediately fully vested in EPB contributions, which amounted to approximately \$2.1 million and \$1.9 million in fiscal years 2025 and 2024, respectively. Employee contributions were approximately \$4.9 million in fiscal year 2025 and \$4.4 million in fiscal year 2024.

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2025 and 2024

NOTE SEVEN - EMPLOYEE BENEFIT PLANS (Continued)

All employees hired after January 1, 2022, are also eligible for an annual employer contribution of 6.0% of their eligible wages. These employer contributions are made annually in January based on prior year eligible wages. Employees are vested in this contribution after five complete years of employment. EPB contributed \$0.8 million to employees in fiscal year 2025 and \$0.6 million to employees in fiscal year 2024.

The EPB Retirement Savings Plan is administered by an individual designated by EPB. The EPB Retirement Savings Plan assigns the authority to establish and amend the plan to EPB.

NOTE EIGHT - POST-EMPLOYMENT BENEFITS

OPEB PLAN

Plan Description

The Electric Power Board of Chattanooga Post Employment Health and Welfare Benefit Plan ("Plan") is a single-employer defined benefit healthcare and welfare plan administered by an individual designated by EPB. The Plan assigns the authority to establish and amend benefit provisions to EPB. A stand-alone Financial Report is not issued for this plan.

Benefits Provided

The plan provides health and life insurance benefits. These benefits are subject to deductibles, co-payments provisions, and other limitations. Eligible retirees and their dependents may continue healthcare coverage through EPB, and retirees after July 1, 1994 received a death benefit from the plan.

Employees Covered by Benefit Terms

The following table details number of employees that were covered by the benefit terms, as of June 30, 2025 and 2024, respectively:

	<u>2025</u>	<u>2024</u>
Inactive employees or beneficiaries currently receiving benefits	436	448
Inactive employees or beneficiaries but not yet receiving benefits	7	71
Active employees	<u>728</u>	<u>740</u>
Total	<u>1,171</u>	<u>1,259</u>

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2025 and 2024

NOTE EIGHT - POST-EMPLOYMENT BENEFITS (Continued)

Contributions

The contribution requirements of plan members and EPB are established and may be amended by EPB. Plan members receiving benefits contribute based on retiree's age, retirement date, and years of service.

Contribution rates for FY 2025 are as shown in the table below:

Category	Retirement	Post – March 1, 1991				
	Pre-March 1, 1991	Years of Service/Percent of Contributions				
		5-9/85%	10-14,75%	15-19/55%	20-24/35%	25+/15%
Pre-Age 65, EPO						
Individual	\$ -	\$ 807.84	\$ 712.80	\$ 522.72	\$ 332.64	\$ 142.56
Employee +1	-	1,624.66	1,433.52	1,051.25	668.98	286.70
Family	-	2,432.50	2,146.32	1,573.97	1,001.62	429.26
Pre-Age 65, PPO						
Individual	-	646.27	570.24	418.18	266.11	114.05
Employee +1	-	1,292.54	1,140.48	836.35	532.22	228.10
Family	-	1,938.81	1,710.72	1,254.53	798.33	342.15
Age 65 & Over						
Individual	-	129.66	118.22	87.71	57.20	26.69
Spouse	-	129.66	118.22	87.71	57.20	26.69

Contribution rates for FY 2024 are as shown in the table below:

Category	Retirement	Post – March 1, 1991				
	Pre-March 1, 1991	Years of Service/Percent of Contributions				
		5-9/85%	10-14,75%	15-19/55%	20-24/35%	25+/15%
Pre-Age 65, EPO						
Individual	\$ -	\$ 734.40	\$ 648.00	\$ 475.20	\$ 302.40	\$ 129.60
Employee +1	-	1,476.96	1,303.20	955.68	608.16	260.64
Family	-	2,211.36	1,951.20	1,430.88	910.56	390.24
Pre-Age 65, PPO						
Individual	-	587.52	518.40	380.16	241.92	103.68
Employee +1	-	1,175.04	1,036.80	760.32	483.84	207.36
Family	-	1,762.56	1,555.20	1,140.48	725.76	311.04
Age 65 & Over						
Individual	-	129.66	118.22	87.71	57.20	26.69
Spouse	-	129.66	118.22	87.71	57.20	26.69

EPB's contributions are calculated based on an actuarially determined rate, which is 3.7% and 4.1% of annual covered payroll as of June 30, 2025 and 2024, respectively.

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2025 and 2024

NOTE EIGHT - POST-EMPLOYMENT BENEFITS (Continued)

Net OPEB Liability

EPB's net OPEB liability was measured as of June 30, 2024 (for FY 2025) and 2023 (for FY 2024), and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of those dates.

Actuarial Assumptions

The total OPEB liability in the actuarial valuations were determined using the following actuarial assumptions:

	<u>2025</u>	<u>2024</u>
Healthcare cost trend - active	6.5% initial, 4.0% ultimate	7.0% initial, 4.0% ultimate
Healthcare cost trend - retired	3.0%	3.0%
Investment rate of return	6.5%	6.5%
Mortality	RP-2014 Mortality Table with MP-2021 generational improvements	RP-2014 Mortality Table with MP-2021 generational improvements

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study for the period July 1, 2021 – June 30, 2024. The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period July 1, 2020 – June 30, 2023.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	25 – 40%	6.5%
International equity	12 – 24%	6.0%
Fixed income	15 – 3%	3.5%
Real estate	0 – 45%	6.0%
Cash	0%	2.0%

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2025 and 2024

NOTE EIGHT - POST-EMPLOYMENT BENEFITS (Continued)

Financial Statements

As of June 30, 2025 and June 30, 2024, the Plan's statement of fiduciary net position was as follows (in thousands):

	<u>June 30, 2025</u>	<u>June 30, 2024</u>
ASSETS		
Investments at fair value:		
Cash and money market funds	\$ 421,000	\$ 65,000
Fixed income funds	8,336,000	6,772,000
US equity funds	12,353,000	11,183,000
International equity funds	6,113,000	5,712,000
Non-Traditional funds	<u>10,118,000</u>	<u>10,714,000</u>
	<u>37,341,000</u>	<u>34,446,000</u>
TOTAL ASSETS	<u>\$ 37,341,000</u>	<u>\$ 34,446,000</u>
NET POSITION		
Net position restricted for OPEB benefits	<u>37,341,000</u>	<u>34,446,000</u>
TOTAL NET POSITION	<u>\$ 37,341,000</u>	<u>\$ 34,446,000</u>

As of June 30, 2025 and June 30, 2024, the Plan's statement of changes in fiduciary net position was as follows (in thousands):

	<u>June 30, 2025</u>	<u>June 30, 2024</u>
ADDITIONS		
Investment earnings:		
Net appreciation in fair value of investments	\$ 2,267,000	\$ 3,122,000
Interest and dividends	<u>787,000</u>	<u>139,000</u>
Total investment earnings	3,054,000	3,261,000
Less investment costs:		
Investment expenses	<u>123,000</u>	<u>18,000</u>
Net investment earnings	<u>2,931,000</u>	<u>3,243,000</u>
Total additions	<u>2,931,000</u>	<u>3,243,000</u>
DEDUCTIONS		
Benefits paid to participants or beneficiaries	5,000	5,000
Administrative expenses	<u>31,000</u>	<u>16,000</u>
Total deductions	<u>36,000</u>	<u>21,000</u>
CHANGE IN FIDUCIARY NET POSITION	2,895,000	3,222,000
NET POSITION, BEGINNING OF YEAR	<u>34,446,000</u>	<u>31,224,000</u>
NET POSITION, END OF YEAR	<u>\$ 37,341,000</u>	<u>\$ 34,446,000</u>

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2025 and 2024

NOTE EIGHT - POST-EMPLOYMENT BENEFITS (Continued)

The discount rate used to measure the total OPEB liability was 6.5 percent. The projection of cash flows used to determine the discount rate assumed that EPB contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table shows the changes in the net OPEB liability as of June 30, 2025 and June 30, 2024 for the Plan Year ended June 30, 2024 and June 30, 2023 (in thousands):

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB (Asset) Liability (a) – (b)
Balances at 6/30/2024	\$ 37,743	\$ 31,224	\$ 6,519
Changes for the year:			
Service cost	1,768	-	1,768
Interest	2,453	-	2,453
Difference between expected and actual experience	(1,192)	-	(1,192)
Contributions – employer	-	2,302	(2,302)
Net investment income	-	3,256	(3,256)
Benefits payments, include refund of employee contributions	(2,327)	(2,327)	-
Administrative expenses	-	(9)	9
Net changes	702	3,222	(2,520)
Balances at 6/30/2025	<u>\$ 38,445</u>	<u>\$ 34,446</u>	<u>\$ 3,999</u>
Balances at 6/30/2023	\$ 27,526	\$ 28,804	\$ (1,278)
Changes for the year:			
Service cost	1,179	-	1,179
Interest	1,790	-	1,790
Difference between expected and actual experience	4,867	-	4,867
Assumption changes	5,270	-	5,270
Contributions – employer	-	2,844	(2,844)
Net investment income	-	2,485	(2,485)
Benefits payments, include refund of employee contributions	(2,889)	(2,889)	-
Administrative expenses	-	(20)	20
Net changes	10,217	2,420	7,797
Balances at 6/30/2024	<u>\$ 37,743</u>	<u>\$ 31,224</u>	<u>\$ 6,519</u>

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2025 and 2024

NOTE EIGHT - POST-EMPLOYMENT BENEFITS (Continued)

The following presents the net OPEB liability of the Plan, calculated using the discount rate of 6.5 percent, as well as what the Plan's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.5 percent) or 1-percentage-point higher (7.5 percent) than the current rate (in thousands):

Net OPEB liability (asset) as of June 30, 2025

1% Decrease (5.5%)	Discount Rate (6.5%)	1% Increase (7.5%)
\$ 8,599	\$ 3,999	\$ 131

Net OPEB liability (asset) as of June 30, 2024

1% Decrease (5.5%)	Discount Rate (6.5%)	1% Increase (7.5%)
\$ 11,018	\$ 6,519	\$ 2,741

The following presents the net OPEB liability (asset) of the Plan, calculated using the healthcare trend rate of 7.0 percent decreasing to an ultimate 4.0 percent for FY 2024 and 6.0 percent decreasing to an ultimate 4.0 percent for FY 2023, as well as what the Plan's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent decreasing to 3.0 percent FY 2024; 5.0 percent decreasing to 3.0 percent FY 2023) or 1-percentage-point higher (8.0 percent decreasing to 5.0 percent FY 2024; 7.0 percent decreasing to 5.0 percent FY 2023) than the current rate (in thousands):

Net OPEB liability (asset) as of June 30, 2025

1% Decrease (6.0% decreasing to 3.0%)	Healthcare Trend Rate (7.0% decreasing to 4.0%)	1% Increase (8.0% decreasing to 5.0%)
\$ (559)	\$ 3,999	\$ 9,663

Net OPEB liability as of June 30, 2024

1% Decrease (6.0% decreasing to 3.0%)	Healthcare Trend Rate (7.0% decreasing to 4.0%)	1% Increase (8.0% decreasing to 5.0%)
\$ 2,102	\$ 6,519	\$ 12,006

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future and actuarially determined amounts are subject to continual revisions as results are compared to the past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of June 30, 2024 and 2023.

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2025 and 2024

NOTE EIGHT - POST-EMPLOYMENT BENEFITS (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2025, EPB recognized an OPEB expense of \$2.6 million. At June 30, 2025, EPB reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 8,472	\$ (4,304)
Changes in assumptions	959	-
Net difference between projected and actual earnings on OPEB plan investments	318	-
Contributions subsequent to the measurement date	2,301	-
Total	<u>\$ 12,050</u>	<u>\$ (4,304)</u>

For the year ended June 30, 2024, EPB recognized an OPEB expense of \$1.9 million. At June 30, 2024, EPB reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 9,268	\$ (3,683)
Changes in assumptions	871	-
Net difference between projected and actual earnings on OPEB plan investments	1,771	-
Contributions subsequent to the measurement date	2,302	-
Total	<u>\$ 14,212</u>	<u>\$ (3,683)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense (revenue) as follows (in thousands):

<u>Fiscal year ended June 30,</u>	
2026	\$ 41
2027	1,168
2028	(232)
2029	(109)
2030	137
Thereafter	4,440
	<u>\$ 5,445</u>

Deferred outflows of resources totaling \$2.3 million represent contributions made after the Plan's valuation date. These contributions will be used to reduce the net OPEB liability during 2026.

Payable to the OPEB Plan

At June 30, 2025 and 2024, EPB reported no payable balances for required outstanding contributions to the Plan.

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2025 and 2024

NOTE NINE - COMMITMENTS AND CONTINGENCIES

EPB is party to a contract with TVA dated January 23, 1989, under which the Electric System purchases electric power and energy from TVA for resale. The contract may be terminated by either party at any time upon not less than twenty years prior written notice.

EPB is presently involved in certain legal matters, the outcome of which is not presently determinable. It is the opinion of management, based in part on the advice of legal counsel, that these matters will not have a materially adverse effect on the results of operations or the financial position of EPB.

NOTE TEN - RISK MANAGEMENT

EPB is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. With respect to operations within the state of Tennessee, EPB is a governmental entity, and to the extent that a tort claim is asserted, it must be pursuant to the Tennessee Governmental Tort Liability Act (TGTLA), T.C.A. § 29-20-101 et seq. The TGTLA provides maximum liability limits for tort claims of Three Hundred Thousand Dollars (\$300,000) for bodily injury or death of any one person in any one accident, Seven Hundred Thousand Dollars (\$700,000) for bodily injury or death of all persons in any one accident, and a limit of One Hundred Thousand Dollars (\$100,000) for destruction of property of others in any one accident. EPB is self-insured for any liability claim related to its Electric System operations pursuant to these maximum limits of liability.

EPB does not have any such immunity for any federally based claims or claims asserted against its Fiber Optics System operations. EPB maintains a general liability insurance policy with aggregate limits of \$2,000,000 and an excess liability policy with aggregate limits of \$4,000,000 for its Fiber Optics System operations. EPB maintains an insurance policy for automobile liability claims related to an automobile accident asserted against it, its officers, employees, and agents for its Fiber Optics System operations. EPB is self-insured for any automobile liability claims for its Electric System operations.

EPB continues its self-insured programs for employee injuries and employee health insurance. EPB provided employee health insurance is self-insured and subject to a stop-loss insurance policy limit of \$325,000 per covered employee. No significant liability claims are outstanding as of June 30, 2025.

Changes in the balances of claims liabilities including costs incurred but not received (IBNR) for these three areas during the fiscal years ended June 30, 2025 and 2024 are as follows (in thousands):

Unpaid claims, June 30, 2023	\$ 3,425
Incurred claims (including IBNRs)	14,315
Claim payments	<u>(14,834)</u>
Unpaid claims, June 30, 2024	2,906
Incurred claims (including IBNRs)	16,101
Claim payments	<u>(15,650)</u>
Unpaid claims, June 30, 2025	<u>\$ 3,354</u>

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2025 and 2024

NOTE ELEVEN – LEASES

Lessee Transactions

EPB has recorded right to use lease assets as a result of implementing Governmental Accounting Standards Board Statement No. 87, *Leases* (GASB 87). The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The assets are right to use assets for leased towers, printers, postage meters, and virtual storage equipment. The right to use assets are amortized on a straight-line basis over the life of the related lease.

Right to use tangible lease activity for the year ended June 30, 2025 is as follows:

EPB RIGHT TO USE LEASE ACTIVITY	July 1, 2024	Increases	Decreases	June 30, 2025
Right to use assets				
Leased towers	\$ 621,000	\$ -	\$ 140,000	\$ 481,000
Leased printers	658,000	-	446,000	212,000
Leased postage meters	664,000	1,000	122,000	543,000
Leased virtual storage equipment	<u>2,704,000</u>	<u>-</u>	<u>860,000</u>	<u>1,844,000</u>
Total right to use assets	<u>4,647,000</u>	<u>1,000</u>	<u>1,568,000</u>	<u>3,080,000</u>
Less accumulated amortization for:				
Leased towers	175,000	48,000	137,000	86,000
Leased printers	519,000	40,000	443,000	116,000
Leased postage meters	352,000	121,000	102,000	371,000
Leased virtual storage equipment	<u>2,010,000</u>	<u>567,000</u>	<u>828,000</u>	<u>1,749,000</u>
Total accumulated amortization	<u>3,056,000</u>	<u>776,000</u>	<u>1,510,000</u>	<u>2,322,000</u>
Right to use asset, net	<u>\$ 1,591,000</u>	<u>\$ (775,000)</u>	<u>\$ 58,000</u>	<u>\$ 758,000</u>

Right to use tangible lease activity for the year ended June 30, 2024 is as follows:

EPB RIGHT TO USE LEASE ACTIVITY	July 1, 2023	Increases	Decreases	June 30, 2024
Right to use assets				
Leased towers	\$ 147,000	\$ 474,000	\$ -	\$ 621,000
Leased printers	629,000	29,000	-	658,000
Leased postage meters	664,000	-	-	664,000
Leased virtual storage equipment	<u>2,704,000</u>	<u>-</u>	<u>-</u>	<u>2,704,000</u>
Total right to use assets	<u>4,144,000</u>	<u>503,000</u>	<u>-</u>	<u>4,647,000</u>
Less accumulated amortization for:				
Leased towers	137,000	38,000	-	175,000
Leased printers	482,000	37,000	-	519,000
Leased postage meters	229,000	123,000	-	352,000
Leased virtual storage equipment	<u>1,434,000</u>	<u>576,000</u>	<u>-</u>	<u>2,010,000</u>
Total accumulated amortization	<u>2,282,000</u>	<u>774,000</u>	<u>-</u>	<u>3,056,000</u>
Right to use asset, net	<u>\$ 1,862,000</u>	<u>\$ (271,000)</u>	<u>\$ -</u>	<u>\$ 1,591,000</u>

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2025 and 2024

NOTE ELEVEN – LEASES (Continued)

Leases Payable related to the right to use assets noted above for the year ended June 30, 2025 is as follows:

	Original Amount of Issue	Interest Rate	Date of Issue	Maturity Date	Outstanding at July 1, 2024	Issued During Period	Paid and/or Matured During Period	Remeasurements	Outstanding at June 30, 2025
Electric System									
<u>LEASES PAYABLE</u>									
Tower Lease	\$ 286,000	2.86%	11/1/2023	10/31/1933	\$ 235,000	\$ -	\$ 25,000	\$ -	\$ 210,000
Tower Lease	263,000	2.86%	8/1/2013	7/31/2023	211,000	-	24,000	6,000	193,000
Virtual Storage Equipment Lease	Various	2.86%	Various	8/31/2025	693,000	-	604,000	11,000	100,000
Postage Meter Leases	672,000	2.86%	11/1/2021	10/31/2026	313,000	-	136,000	17,000	194,000
Printer Lease	203,000	2.86%	Various	Various	103,000	-	31,000	3,000	75,000
Printer Lease	55,680	2.86%	8/31/2022	7/31/2027	35,000	-	13,000	5,000	27,000
TOTAL LEASES PAYABLE					\$ 1,590,000	\$ -	\$ 833,000	\$ 42,000	\$ 799,000

Leases Payable related to the right to use assets noted above for the year ended June 30, 2024 is as follows:

	Original Amount of Issue	Interest Rate	Date of Issue	Maturity Date	Outstanding at July 1, 2023	Issued During Period	Paid and/or Matured During Period	Remeasurements	Outstanding at June 30, 2024
Electric System									
<u>LEASES PAYABLE</u>									
Tower Lease	\$ 240,000	2.86%	11/1/2013	10/31/2023	\$ 8,000	\$ -	\$ 8,000	\$ -	\$ -
Tower Lease	286,000	2.86%	11/1/2023	10/31/1933	-	247,000	12,000	-	235,000
Tower Lease	240,000	2.86%	8/1/2013	7/31/2023	2,000	-	2,000	-	-
Tower Lease	263,000	2.86%	8/1/2023	7/31/2033	-	227,000	16,000	-	211,000
Virtual Storage Equipment Lease	Various	2.86%	Various	8/31/2025	1,269,000	-	576,000	-	693,000
Postage Meter Leases	672,000	2.86%	11/1/2021	10/31/2026	436,000	-	123,000	-	313,000
Printer Lease	203,000	2.86%	Various	Various	103,000	-	28,000	(28,000)	103,000
Printer Lease	55,680	2.86%	8/31/2022	7/31/2027	44,000	-	9,000	-	35,000
TOTAL LEASES PAYABLE					\$ 1,862,000	\$ 474,000	\$ 774,000	\$ (28,000)	\$ 1,590,000

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2025 and 2024

NOTE ELEVEN – LEASES (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2025 were as follows (in thousands):

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 319	\$ 18	\$ 337
2027	144	12	156
2028	64	9	73
2029	49	8	57
2030	51	6	57
2031	54	5	59
2032	57	3	60
2033	<u>61</u>	<u>2</u>	<u>63</u>
Total	<u>\$ 799</u>	<u>\$ 63</u>	<u>\$ 862</u>

Lessor Transactions

EPB has also recorded deferred inflows of resources as a result of implementing GASB 87. The deferred inflows of resources are initially measured at an amount equal to the initial measurement of the related lease receivable plus any lease payments received prior to the lease term less lease incentives. These deferred inflows of resources are related to leased building space, transformers, and fiber optic equipment including telephones, routers, and video equipment. The deferred inflows of resources are recognized as inflows of resources on a straight-line basis over the life of the related lease. Deferred Inflows of Resources as of June 30, 2025 and June 30, 2024 were \$9.3M and \$7.6M, respectively.

NOTE TWELVE – SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

Lessee Transactions

EPB has recorded right to use subscription-based assets as a result of implementing Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96). The right to use assets are initially measured at an amount equal to the initial measurement of the SBITA liability plus any payments made prior to the contract term and capitalizable implementation costs, less any incentives received at or before the commencement of the contract term. The assets represent right to use assets for contracts that EPB has entered into related to the right to use another party's information technology software.

Right to use SBITA activity for the year ended June 30, 2025 is as follows:

<u>EPB RIGHT TO USE SBITA ACTIVITY</u>	<u>July 1, 2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2025</u>
Right to use assets				
Software-Based Information Technology Arrangements	\$ 11,078,000	\$ 6,350,000	\$ 652,000	\$ 16,776,000
Total right to use assets	<u>11,078,000</u>	<u>6,350,000</u>	<u>652,000</u>	<u>16,776,000</u>
Less accumulated amortization for:				
Software-Based Information Technology Arrangements	4,741,000	5,622,000	520,000	9,843,000
Total accumulated amortization	<u>4,741,000</u>	<u>5,622,000</u>	<u>520,000</u>	<u>9,843,000</u>
Right to use asset, net	<u>\$ 6,337,000</u>	<u>\$ 728,000</u>	<u>\$ 132,000</u>	<u>\$ 6,933,000</u>

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2025 and 2024

NOTE TWELVE – SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (Continued)

Right to use SBITA activity for the year ended June 30, 2024 is as follows:

EPB RIGHT TO USE SBITA ACTIVITY	July 1, 2023	Increases	Decreases	June 30, 2024
Right to use assets				
Software-Based Information Technology Arrangements	\$ 8,921,000	\$ 5,566,000	\$ 3,409,000	\$ 11,078,000
Total right to use assets	8,921,000	5,566,000	3,409,000	11,078,000
Less accumulated amortization for:				
Software-Based Information Technology Arrangements	4,133,000	4,017,000	3,409,000	4,741,000
Total accumulated amortization	4,133,000	4,017,000	3,409,000	4,741,000
Right to use asset, net	\$ 4,788,000	\$ 1,549,000	\$ -	\$ 6,337,000

SBITA Payable related to the right to use assets noted above for the year ended June 30, 2025 is as follows:

	Original Amount of Issue	Interest Rate	Date of Issue	Maturity Date	Outstanding at July 1, 2024	Issued During Period	Paid and/or Matured During Period	Remeasurements	Outstanding at June 30, 2025
Electric System									
SBITA PAYABLE									
Software-Based Information Technology Arrangements	\$ Various	2.86%	Various	Various	\$ 4,845,000	\$ 4,660,000	\$ 5,040,000	\$ (949,000)	\$ 3,516,000
Total Electric System SBITA Payable					4,845,000	4,660,000	5,040,000	(949,000)	3,516,000
Fiber Optics System									
SBITA PAYABLE									
Software-Based Information Technology Arrangements	\$ Various	2.86%	Various	Various	1,490,000	1,690,000	1,487,000	(141,000)	1,552,000
Total Fiber Optics System SBITA Payable					1,490,000	1,690,000	1,487,000	(141,000)	1,552,000
TOTAL SBITA PAYABLE					\$ 6,335,000	\$ 6,350,000	\$ 6,527,000	\$ (1,090,000)	\$ 5,068,000

SBITA Payable related to the right to use assets noted above for the year ended June 30, 2024 is as follows:

	Original Amount of Issue	Interest Rate	Date of Issue	Maturity Date	Outstanding at July 1, 2023	Issued During Period	Paid and/or Matured During Period	Remeasurements	Outstanding at June 30, 2024
Electric System									
SBITA PAYABLE									
Software-Based Information Technology Arrangements	\$ Various	2.86%	Various	Various	\$ 3,294,000	\$ 4,174,000	\$ 2,720,000	\$ 97,000	\$ 4,845,000
Total Electric System SBITA Payable					3,294,000	4,174,000	2,720,000	97,000	4,845,000
Fiber Optics System									
SBITA PAYABLE									
Software-Based Information Technology Arrangements	\$ Various	2.86%	Various	Various	1,494,000	1,294,000	1,298,000	-	1,490,000
Total Fiber Optics System SBITA Payable					1,494,000	1,294,000	1,298,000	-	1,490,000
TOTAL SBITA PAYABLE					\$ 4,788,000	\$ 5,468,000	\$ 4,018,000	\$ 97,000	\$ 6,335,000

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2025 and 2024

NOTE TWELVE – SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (Continued)

The future minimum SBITA obligations and the net present value of these minimum lease payments as of June 30, 2025 were as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2026	\$ 3,104	\$ 39	\$ 3,143
2027	1,964	34	1,998
Total	<u>\$ 5,068</u>	<u>\$ 73</u>	<u>\$ 5,141</u>

NOTE THIRTEEN – FEDERAL EMERGENCY MANAGEMENT ASSISTANCE GRANT

During April 2020, EPB sustained extensive power outages and equipment damage as a result of a series of storms and a tornado. EPB incurred costs of approximately \$39.6 million, to restore power to over 60,000 customers. Due to the significance of the storms and the resulting damage, EPB applied for assistance from the Federal Emergency Management Agency (FEMA). At June 30, 2025 and 2024, EPB included in FEMA grants receivable in the accompanying financial statements \$1.3 million, respectively, of approved FEMA grant amounts, which offset incurred maintenance and operating expenses in addition to capital expenditures resulting from the storms. EPB received \$0.4 million during FY 2024. No amounts were received during FY 2025.

During March 2023, EPB sustained major power outages and equipment damage as a result of a storm event that passed through the service area. EPB incurred costs of approximately \$5.2 million to restore power to over 24,000 customers. Due to the significance of the storms and the resulting damage, EPB applied for assistance from FEMA and a declaration was received that the storm event is eligible for reimbursement of eligible costs. During FY 2024, EPB has collected and submitted documentation and support for its claim. At June 30, 2025, EPB included \$3.7 million in FEMA grants receivable in the accompanying financial statements. No revenues or contributions in aid are recorded as of June 30, 2024 for this storm. These reimbursements were recorded in FY 2025 per GASB requirements as the final Project Worksheet was issued by FEMA in July 2024.

During May 2024, EPB sustained significant power outages and equipment damage due to a storm event that passed through the service area. EPB incurred approximately \$7.8 million in costs to restore power to over 26,000 customers. Due to the significance of the storms and the resulting damage, EPB applied for assistance from FEMA, and a declaration was received that the storm was eligible for reimbursement of the costs. EPB continues to work with FEMA to obtain final approval of the project reimbursement. No revenues or contributions in aid are recorded as of June 30, 2025, for this storm.

REQUIRED SUPPLEMENTARY INFORMATION



ELECTRIC POWER BOARD OF CHATTANOOGA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST FISCAL 10 YEARS
(in thousands)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total pension liability:										
Service cost	\$ 5,590	\$ 4,549	\$ 4,728	\$ 4,826	\$ 4,140	\$ 4,008	\$ 4,052	\$ 3,420	\$ 3,192	\$ 2,766
Interest	6,330	5,452	5,445	5,355	4,906	4,543	4,222	4,432	4,250	4,043
Differences between expected and actual experience	3,649	146	5,233	1,191	1,752	1,736	2,278	1,460	735	2,594
Changes of assumptions	-	9,424	-	-	6,410	-	-	-	4,050	-
Benefit payments, including refunds of employee contributions	(4,688)	(3,724)	(15,280)	(9,994)	(4,910)	(5,100)	(5,963)	(7,178)	(6,569)	(5,237)
Net change in total pension liability	10,881	15,847	126	1,378	12,298	5,187	4,589	2,134	5,658	4,166
Total pension liability—beginning	99,735	83,888	83,762	82,384	70,086	64,899	60,310	58,176	52,518	48,352
Total pension liability—ending (a)	\$ 110,616	\$ 99,735	\$ 83,888	\$ 83,762	\$ 82,384	\$ 70,086	\$ 64,899	\$ 60,310	\$ 58,176	\$ 52,518
Plan fiduciary net position:										
Contributions—employer	\$ 10,000	\$ 7,000	\$ 7,000	\$ 15,500	\$ 7,940	\$ 5,600	\$ 5,834	\$ 5,825	\$ 7,000	\$ 5,700
Net investment income	7,908	1,108	(5,210)	12,626	2,101	1,792	3,214	4,174	(346)	2,143
Benefit payments, including refunds of employee contributions	(4,688)	(3,724)	(15,280)	(9,994)	(4,910)	(5,100)	(5,963)	(7,178)	(6,569)	(5,237)
Administrative expense	(13)	(27)	(31)	(29)	(25)	(24)	(55)	(74)	(74)	(74)
Net change in plan fiduciary net position	13,207	4,357	(13,521)	18,103	5,106	2,268	3,030	2,747	11	2,532
Plan fiduciary net position—beginning	66,851	62,494	76,015	57,912	52,806	50,538	47,508	44,761	44,750	42,218
Plan fiduciary net position—ending (b)	\$ 80,058	\$ 66,851	\$ 62,494	\$ 76,015	\$ 57,912	\$ 52,806	\$ 50,538	\$ 47,508	\$ 44,761	\$ 44,750
Plan's net pension liability—ending (a) – (b)	\$ 30,558	\$ 32,884	\$ 21,394	\$ 7,747	\$ 24,472	\$ 17,280	\$ 14,361	\$ 12,802	\$ 13,415	\$ 7,768
Plan fiduciary net position as a percentage of the total pension liability	72.37%	67.03%	74.50%	90.75%	70.30%	75.34%	77.87%	78.77%	76.94%	85.21%
Covered payroll										
	\$ 49,171	\$ 47,674	\$ 45,216	\$ 46,760	\$ 43,578	\$ 42,079	\$ 40,978	\$ 37,196	\$ 35,296	\$ 34,481
Net pension liability as a percentage of covered payroll	62.15%	68.98%	47.32%	16.57%	56.16%	41.07%	35.05%	34.42%	38.01%	22.53%

Notes to Schedule:

Benefit changes: None.

Changes of assumptions: For FY 2025, using the actuarial valuation as of July 31, 2024, the actuary made the following assumption changes:

- Changed mortality table by using RP-2014 Table with MP-2021 generational improvements for expense determination instead of previous UP-1984 Table
- Changed expected salary increases to 3.5% based on recent trends and market changes from previous 3.0% rate
- Decreased inflation rates to 2.5% per annum from previous level of 3.0%

ELECTRIC POWER BOARD OF CHATTANOOGA
SCHEDULE OF EPB CONTRIBUTIONS TO PENSION PLAN
LAST 10 FISCAL YEARS
(in thousands)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 8,287	\$ 8,427	\$ 6,960	\$ 6,692	\$ 7,482	\$ 5,927	\$ 5,597	\$ 5,573	\$ 5,059	\$ 4,447
Contributions in relation to the actuarially determined contribution	8,500	8,500	7,000	15,500	7,500	5,940	5,600	5,584	5,075	4,500
Contribution deficiency (excess)	<u>\$ (213)</u>	<u>\$ (73)</u>	<u>\$ (40)</u>	<u>\$ (8,808)</u>	<u>\$ (18)</u>	<u>\$ (13)</u>	<u>\$ (3)</u>	<u>\$ (11)</u>	<u>\$ (16)</u>	<u>\$ (53)</u>
Covered payroll	\$ 46,821	\$ 46,560	\$ 47,674	\$ 45,216	\$ 46,760	\$ 43,578	\$ 42,079	\$ 40,978	\$ 37,196	\$ 35,296
Contributions as a percentage of covered payroll	18.15%	18.26%	14.68%	34.28%	16.04%	13.63%	13.31%	13.63%	13.64%	12.75%

Notes to Schedule:

Valuation date:

Actuarially determined contribution rates are calculated as of August 1, 23 months prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Aggregate
Asset valuation method	Three year smoothing of capital gains (losses) with 20% corridor of current fair market value
Inflation	2.5% - 2024-2025; 3.0% - 2023; 1.5% - 2016-2022
Investment rate of return	6.5% - 2021 - 2025; 7.0% - 2016 - 2020
Retirement age	3% per year for ages 57-61, 20% at age 62, 10% at ages 63 and 64, and 100% at age 65
Mortality	In the actuarial valuation, assumed life expectancies were computing using the UP 1984 Table 2015-2023
	In the actuarial valuation, assumed life expectancies were computing using the RP-2014 Table 2024-2025

ELECTRIC POWER BOARD OF CHATTANOOGA
SCHEDULE OF INVESTMENT RETURNS - PENSION TRUST FUND
LAST 10 FISCAL YEARS
(in thousands)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Annual money-weighted rate of return	11.90%	5.60%	-10.50%	23.90%	4.30%	3.60%	6.80%	10.00%	-0.90%	5.00%

Notes to Schedule:

None

ELECTRIC POWER BOARD OF CHATTANOOGA
SCHEDULE OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS
(in thousands)

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability:								
Service cost	\$ 1,768	\$ 1,179	\$ 925	\$ 943	\$ 950	\$ 1,218	\$ 1,250	\$ 1,191
Interest	2,453	1,790	1,605	1,589	1,533	1,609	1,686	1,851
Differences between expected and actual experience	(1,192)	4,867	2,402	(433)	518	3,583	(2,537)	(3,860)
Changes of assumptions	-	5,270	-	-	(447)	(5,800)	-	-
Benefit payments, including refunds of employee contributions	(2,327)	(2,889)	(2,102)	(1,850)	(1,688)	(1,775)	(1,603)	(1,716)
Net change in total OPEB liability	702	10,217	2,830	249	866	(1,165)	(1,204)	(2,534)
Total OPEB liability—beginning	37,743	27,526	24,696	24,447	23,581	24,746	25,950	28,484
Total OPEB liability—ending (a)	\$ 38,445	\$ 37,743	\$ 27,526	\$ 24,696	\$ 24,447	\$ 23,581	\$ 24,746	\$ 25,950
Plan fiduciary net position:								
Contributions—employer	\$ 2,302	\$ 2,844	\$ 2,067	\$ 1,796	\$ 1,663	\$ 1,720	\$ 1,582	\$ 1,686
Net investment income	3,256	2,485	(4,813)	7,345	113	1,313	1,780	2,495
Benefit payments, including refunds of employee contributions	(2,327)	(2,889)	(2,102)	(1,850)	(1,688)	(1,775)	(1,603)	(1,716)
Administrative expense	(9)	(20)	(23)	(21)	(20)	(19)	(39)	(49)
Net change in plan fiduciary net position	3,222	2,420	(4,871)	7,270	68	1,239	1,720	2,416
Plan fiduciary net position—beginning	31,224	28,804	33,675	26,405	26,337	25,098	23,378	20,962
Plan fiduciary net position—ending (b)	\$ 34,446	\$ 31,224	\$ 28,804	\$ 33,675	\$ 26,405	\$ 26,337	\$ 25,098	\$ 23,378
Plan's net OPEB liability (asset)—ending (a) – (b)	\$ 3,999	\$ 6,519	\$ (1,278)	\$ (8,979)	\$ (1,958)	\$ (2,756)	\$ (352)	\$ 2,572
Plan fiduciary net position as a percentage of the total OPEB liability	89.60%	82.73%	104.64%	136.36%	108.01%	111.69%	101.42%	90.09%
Covered-employee payroll	\$ 63,026	\$ 55,842	\$ 48,441	\$ 48,884	\$ 48,790	\$ 46,282	\$ 43,270	\$ 42,611
Net OPEB liability (asset) as a percentage of covered-employee payroll	6.35%	11.67%	-2.64%	-18.37%	-4.01%	-5.95%	-0.81%	6.04%
Annual money-weighted rate of return	10.40%	8.60%	-14.30%	27.90%	0.40%	5.30%	7.60%	12.00%

Notes to Schedule:

Benefit changes: None.

Changes of assumptions: The estimated Healthcare Cost Trend and Inflation rate was changed during FY 2024 based on historical trends.

In addition, the actual and expected medical claims have been modified to reflect recent plan experience. The FY 2024 valuation as of June 30, 2023 also included a switch to RP-2014 Mortality Tables with MP-2021 generational improvements.

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

ELECTRIC POWER BOARD OF CHATTANOOGA
SCHEDULE OF EPB CONTRIBUTIONS TO OPEB PLAN
LAST 10 FISCAL YEARS
(in thousands)

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Employer Contributions	\$ 2,301	\$ 2,302	\$ 2,844	\$ 2,067	\$ 1,796	\$ 1,663	\$ 1,720	\$ 1,582	\$ 1,686
Covered payroll	\$ 63,026	\$ 55,842	\$ 48,441	\$ 48,884	\$ 48,790	\$ 46,282	\$ 43,270	\$ 42,611	\$ 39,553
Contributions as a percentage of covered payroll	3.65%	4.12%	5.87%	4.23%	3.68%	3.59%	3.98%	3.71%	4.26%

Notes to Schedule:

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Asset valuation method	Fair Market Value
Inflation	2.5% - 2025; 3.0% - 2024, 2.5% -2023, 1.5% - 2022 thru 2017
Health Cost Trend Rate	6.5% initial, 4.0% ultimate -2025; 7.0% initial, 4.0% ultimate - 2024; 6.0% initial, 4.0% ultimate - 2023; 6.5% initial, 4.0% ultimate - 2022;
Investment rate of return	7.0% initial, 4.0% ultimate - 2021; 7.5% initial, 4.0% ultimate - 2020; 7.5% initial, 5.5% ultimate - 2019 - 2017
Retirement age	6.5%
Mortality	3% per year for ages 57-61, 20% at age 62, 10% at ages 63 and 64, and 100% at age 65
	In the actuarial valuation, assumed life expectancies were computed using the RP-2014 Table with MP-2021 generation improvements for 2024-2025
	In the actuarial valuation, assumed life expectancies were computed using the UP 1984 Table for years 2017-2023

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

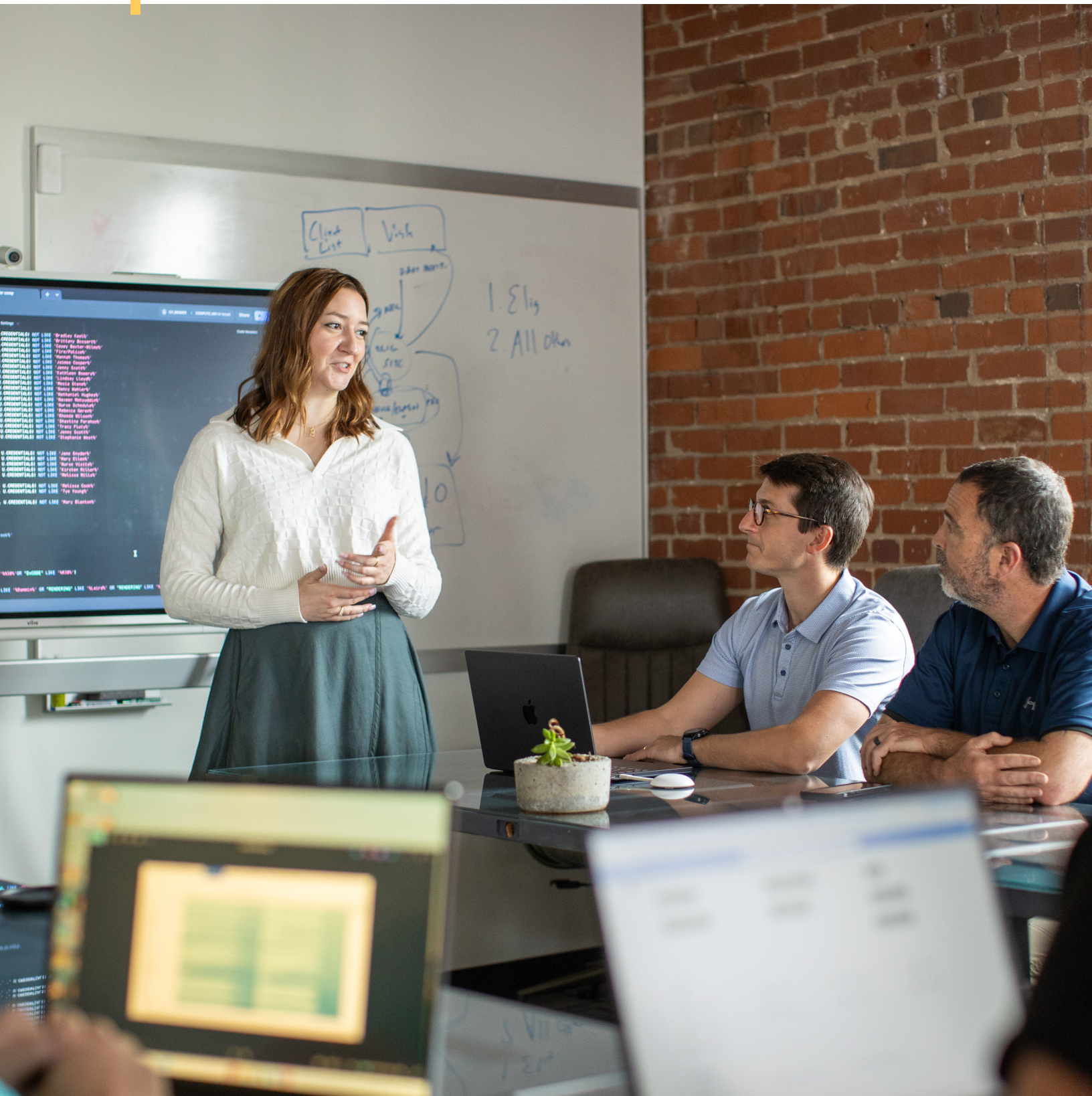
ELECTRIC POWER BOARD OF CHATTANOOGA
 SCHEDULE OF INVESTMENT RETURNS - OPEB TRUST FUND
 LAST 10 FISCAL YEARS
 (in thousands)

	2025	2024	2023	2022	2021	2020	2019	2018
Annual money-weighted rate of return	10.40%	8.60%	-14.30%	27.90%	0.40%	5.30%	7.60%	12.00%

Notes to Schedule:

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

SUPPLEMENTARY INFORMATION



ELECTRIC POWER BOARD OF CHATTANOOGA
EPB ELECTRIC SYSTEM
SCHEDULES OF NET POSITION
AS OF JUNE 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents	\$ 175,557,000	\$ 130,043,000
Investments	1,163,000	71,084,000
Accounts receivable, less allowance for doubtful accounts of \$1,220,000 and \$1,186,000 in 2025 and 2024, respectively	30,048,000	30,350,000
Unbilled electric sales	44,485,000	42,481,000
Materials and supplies, at average cost	24,991,000	26,948,000
Lease receivable, current	349,000	318,000
Prepayments and other current assets	8,459,000	7,513,000
Total Current Assets	<u>285,052,000</u>	<u>308,737,000</u>
NON-CURRENT ASSETS		
Utility plant -		
Utility plant	1,052,393,000	1,012,455,000
Less - accumulated provision for depreciation	(330,809,000)	(329,898,000)
Net utility plant	<u>721,584,000</u>	<u>682,557,000</u>
Right to use leased assets, net of amortization	758,000	1,591,000
Right to use subscription assets, net of amortization	5,107,000	4,846,000
FEMA grant receivable	4,998,000	1,267,000
Leases receivable, non-current	2,085,000	2,215,000
Other non-current assets	902,000	1,194,000
Total Non-Current Assets	<u>735,434,000</u>	<u>693,670,000</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension outflows	27,122,000	30,818,000
Deferred bond defeasance outflows	9,000	7,469,000
Deferred OPEB outflows	10,499,000	12,501,000
Total Deferred Outflows of Resources	<u>37,630,000</u>	<u>50,788,000</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,058,116,000</u>	<u>\$ 1,053,195,000</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable -		
Tennessee Valley Authority, for power purchased	\$ 88,214,000	\$ 80,305,000
Other	26,008,000	19,557,000
Customer deposits	1,562,000	4,544,000
Revenue bonds, current portion	14,955,000	14,285,000
Accrued tax equivalents	17,382,000	16,690,000
Accrued interest payable	3,217,000	5,140,000
Lease liability, current	319,000	796,000
Subscription liability, current	2,187,000	3,195,000
Other current liabilities	12,557,000	12,647,000
Total Current Liabilities	<u>166,401,000</u>	<u>157,159,000</u>
NON-CURRENT LIABILITIES		
Revenue bonds, net	357,804,000	388,652,000
Net pension liability	26,434,000	28,338,000
Accrued post-employment benefit obligation	3,484,000	5,734,000
Repayable advance payable - Telecom	23,600,000	23,600,000
Repayable advance payable - Video & Internet	25,250,000	25,250,000
Customer deposits	31,085,000	26,936,000
Other non-current liabilities	3,102,000	3,072,000
Lease liability, non-current	480,000	794,000
Subscription liability, non-current	1,329,000	1,650,000
Total Non-Current Liabilities	<u>472,568,000</u>	<u>504,026,000</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred bond defeasance inflows	8,874,000	--
Deferred OPEB inflows	3,750,000	3,240,000
Deferred other inflows	21,427,000	20,924,000
Deferred lease inflows	2,337,000	2,533,000
Total Deferred Inflows of Resources	<u>36,388,000</u>	<u>26,697,000</u>
NET POSITION		
Net investment in capital assets	292,660,000	309,299,000
Unrestricted	90,099,000	56,014,000
Total Net Position	<u>382,759,000</u>	<u>365,313,000</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 1,058,116,000</u>	<u>\$ 1,053,195,000</u>

ELECTRIC POWER BOARD OF CHATTANOOGA
EPB ELECTRIC SYSTEM
SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
OPERATING REVENUES		
Electric sales		
Residential	\$ 301,826,000	\$ 273,342,000
Small commercial	58,792,000	55,572,000
Large commercial	290,495,000	268,676,000
Outdoor lighting systems	7,358,000	7,194,000
Total billed electric sales	<u>658,471,000</u>	<u>604,784,000</u>
Change in unbilled electric sales	2,004,000	8,800,000
Uncollectible electric sales	(485,000)	(283,000)
Total electric sales	<u>659,990,000</u>	<u>613,301,000</u>
Other operating revenues	40,129,000	36,436,000
Total operating revenues	<u>700,119,000</u>	<u>649,737,000</u>
OPERATING EXPENSES		
Operation		
Power purchased from Tennessee Valley Authority	504,098,000	464,806,000
Other operation expenses	60,144,000	54,780,000
Maintenance	50,517,000	52,037,000
Provision for depreciation and amortization	43,867,000	46,832,000
City, county, and state tax equivalents	10,731,000	10,288,000
Total operating expenses	<u>669,357,000</u>	<u>628,743,000</u>
Net operating income	<u>30,762,000</u>	<u>20,994,000</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest revenue on invested funds	6,822,000	6,245,000
Interest expense	(12,298,000)	(11,503,000)
Carrying charge expense	(401,000)	(303,000)
Other, net	(691,000)	(47,000)
Plant cost recovered through contributions in aid of construction	(6,890,000)	(5,481,000)
Total non-operating expenses	<u>(13,458,000)</u>	<u>(11,089,000)</u>
Income before transfers and contributions	17,304,000	9,905,000
Tax equivalents transferred to the City of Chattanooga	(6,748,000)	(6,505,000)
Contributions in aid of construction	<u>6,890,000</u>	<u>5,481,000</u>
CHANGE IN NET POSITION	17,446,000	8,881,000
NET POSITION, BEGINNING OF YEAR	<u>365,313,000</u>	<u>356,432,000</u>
NET POSITION, END OF YEAR	<u><u>\$ 382,759,000</u></u>	<u><u>\$ 365,313,000</u></u>

ELECTRIC POWER BOARD OF CHATTANOOGA
EPB ELECTRIC SYSTEM
SCHEDULES OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 697,650,000	\$ 637,947,000
Payments to suppliers for goods and services	(551,771,000)	(517,710,000)
Payments to employees for services	(50,541,000)	(47,114,000)
Payments in lieu of taxes	(10,109,000)	(12,198,000)
Net cash provided by operating activities	85,229,000	60,925,000
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Tax equivalents transferred to the City of Chattanooga	(6,505,000)	(7,866,000)
Miscellaneous non-operating revenue, net	(108,000)	(44,000)
Net cash used in noncapital financing activities	(6,613,000)	(7,910,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to utility plant	(84,999,000)	(81,245,000)
Removal cost and other	(2,003,000)	(1,666,000)
Salvage	395,000	181,000
Contributions in aid of construction	6,891,000	5,481,000
Carrying charge payment	(704,000)	--
Proceeds from bond issuance	158,568,000	125,529,000
Payment of refund bond escrow agent	(158,045,000)	--
Bond issuance costs	(566,000)	(528,000)
Unused line of credit fees	(17,000)	(5,000)
Bond principal payment	(14,285,000)	(13,625,000)
Bond interest payment	(15,080,000)	(11,260,000)
Net cash provided by (used in) capital and related financing activities	(109,845,000)	22,862,000
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	70,356,000	8,065,000
Purchases of investments	--	(75,537,000)
Interest on investments	6,387,000	4,749,000
Net cash provided by (used in) investing activities	76,743,000	(62,723,000)
NET CHANGE IN CASH AND CASH EQUIVALENTS	45,514,000	13,154,000
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	130,043,000	116,889,000
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 175,557,000	\$ 130,043,000
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net operating income	\$ 30,762,000	\$ 20,994,000
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation and amortization	45,238,000	47,997,000
Changes in assets, deferred outflows and inflows of resources, and liabilities:		
Accounts receivable, net	1,960,000	(4,831,000)
FEMA Receivable	(3,731,000)	412,000
Unbilled electric sales	(2,004,000)	(8,800,000)
Lease Receivable and Liability	(722,000)	(745,000)
Subscription Liability	(2,240,000)	(2,725,000)
Materials and supplies	1,957,000	776,000
Prepayments and other current assets	(4,989,000)	(712,000)
Other deferred charges	292,000	27,000
Accounts payable, net	14,360,000	12,700,000
Customer deposits	1,167,000	1,200,000
Accrued tax equivalents	449,000	(1,910,000)
Other current liabilities	143,000	34,000
Other deferred credits and inflows	30,000	479,000
Other deferred inflows	503,000	(4,448,000)
Net pension liability and deferred outflows	1,792,000	719,000
Accrued post-employment benefits and deferred outflows and inflows of resources	262,000	(242,000)
Net cash provided by operating activities	\$ 85,229,000	\$ 60,925,000

ELECTRIC POWER BOARD OF CHATTANOOGA
EPB TELECOM SYSTEM
SCHEDULES OF NET POSITION
AS OF JUNE 30, 2025 AND 2024

	2025	2024
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents	\$ 25,260,000	\$ 24,746,000
Accounts receivable, less allowance for doubtful accounts of \$97,000 and \$101,000 in 2025 and 2024, respectively	1,705,000	1,327,000
Lease receivable, current	1,932,000	1,452,000
Prepayments and other current assets	107,000	268,000
Total Current Assets	29,004,000	27,793,000
NON-CURRENT ASSETS		
Utility plant -		
Utility plant	10,244,000	12,531,000
Less - accumulated provision for depreciation	(5,033,000)	(7,395,000)
Net utility plant	5,211,000	5,136,000
Repayable advance receivable	23,600,000	23,600,000
Leases receivable, non-current	2,148,000	1,564,000
Total Non-Current Assets	30,959,000	30,300,000
DEFERRED OUTFLOWS OF RESOURCES		
Deferred other outflows	386,000	386,000
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 60,349,000	\$ 58,479,000
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 745,000	\$ 2,425,000
Accrued tax equivalents	659,000	686,000
Unearned revenue	369,000	388,000
Other current liabilities	152,000	163,000
Total Current Liabilities	1,925,000	3,662,000
DEFERRED INFLOWS OF RESOURCES		
Deferred lease inflows	4,079,000	3,015,000
NET POSITION		
Net investments in capital assets	5,211,000	5,136,000
Unrestricted	49,134,000	46,666,000
Total Net Position	54,345,000	51,802,000
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 60,349,000	\$ 58,479,000

ELECTRIC POWER BOARD OF CHATTANOOGA
EPB TELECOM SYSTEM
SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
OPERATING REVENUES		
Fiber optics sales		
Commercial basic local services revenue	\$ 13,372,000	\$ 14,043,000
Commercial long distance message revenue	283,000	325,000
Total billed fiber optics sales	<u>13,655,000</u>	<u>14,368,000</u>
Uncollectible accounts	(13,000)	(31,000)
Total fiber optics sales	<u>13,642,000</u>	<u>14,337,000</u>
Other operating revenues	<u>1,471,000</u>	<u>1,411,000</u>
Total operating revenues	<u>15,113,000</u>	<u>15,748,000</u>
OPERATING EXPENSES		
Cost of services	2,259,000	2,251,000
Operation expenses	8,400,000	8,793,000
General and administrative	913,000	1,091,000
Provision for depreciation	1,893,000	2,240,000
City, county, and state tax equivalents	360,000	391,000
Total operating expenses	<u>13,825,000</u>	<u>14,766,000</u>
Net operating income	<u>1,288,000</u>	<u>982,000</u>
NON-OPERATING REVENUES		
Carrying charge revenue	194,000	146,000
Interest income on invested funds	1,013,000	1,070,000
Other, net	347,000	415,000
Total non-operating revenues	<u>1,554,000</u>	<u>1,631,000</u>
Income before transfers	2,842,000	2,613,000
Tax equivalents transferred to the City of Chattanooga	<u>(299,000)</u>	<u>(295,000)</u>
CHANGE IN NET POSITION	2,543,000	2,318,000
NET POSITION, BEGINNING OF YEAR	<u>51,802,000</u>	<u>49,484,000</u>
NET POSITION, END OF YEAR	<u><u>\$ 54,345,000</u></u>	<u><u>\$ 51,802,000</u></u>

ELECTRIC POWER BOARD OF CHATTANOOGA
EPB TELECOM SYSTEM
SCHEDULES OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 14,716,000	\$ 16,239,000
Payments to suppliers for goods and services	(13,248,000)	(10,540,000)
Payments in lieu of taxes	(391,000)	(422,000)
Net cash provided by operating activities	1,077,000	5,277,000
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Tax equivalents transferred to the City of Chattanooga	(295,000)	(320,000)
Miscellaneous non-operating revenue, net	347,000	415,000
Net cash provided by noncapital financing activities	52,000	95,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to utility plant	(1,968,000)	(2,202,000)
Carrying charge received	340,000	--
Net cash used in capital and related financing activities	(1,628,000)	(2,202,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income received	1,013,000	1,070,000
Net cash provided by investing activities	1,013,000	1,070,000
NET CHANGE IN CASH AND CASH EQUIVALENTS	514,000	4,240,000
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	24,746,000	20,506,000
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 25,260,000	\$ 24,746,000
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net operating income	\$ 1,288,000	\$ 982,000
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation and amortization	1,893,000	2,240,000
Changes in assets, deferred outflows and inflows of resources, and liabilities:		
Accounts receivable, net	(378,000)	515,000
Prepayments and other current assets	15,000	(9,000)
Accounts payable, net	(1,680,000)	1,621,000
Accrued tax equivalents	(31,000)	(34,000)
Other current liabilities	(11,000)	(5,000)
Unearned revenue	(19,000)	(22,000)
Deferred other outflows	--	(11,000)
Net cash provided by operating activities	\$ 1,077,000	\$ 5,277,000

ELECTRIC POWER BOARD OF CHATTANOOGA
EPB VIDEO & INTERNET SYSTEM
SCHEDULES OF NET POSITION
AS OF JUNE 30, 2025 AND 2024

	2025	2024
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents	\$ 68,952,000	\$ 69,237,000
Investments	40,294,000	45,298,000
Accounts receivable, less allowance for doubtful accounts of \$503,000 and \$463,000 in 2025 and 2024, respectively	6,315,000	7,633,000
Prepayments and other current assets	2,487,000	3,694,000
Leases receivable, current	1,379,000	973,000
Total Current Assets	119,427,000	126,835,000
NON-CURRENT ASSETS		
Utility plant -		
Utility plant	154,665,000	141,111,000
Less - accumulated provision for depreciation	(56,772,000)	(52,453,000)
Net utility plant	97,893,000	88,658,000
Repayable advance receivable	59,546,000	25,250,000
Leases receivable, non-current	1,533,000	1,050,000
Right to use subscription assets, net of amortization	1,826,000	1,491,000
Total Non-Current Assets	160,798,000	116,449,000
DEFERRED OUTFLOWS OF RESOURCES		
Deferred OPEB outflows	1,551,000	1,711,000
Deferred pension outflows	4,232,000	4,943,000
Deferred other outflows	21,041,000	20,538,000
Total Deferred Outflows of Resources	26,824,000	27,192,000
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 307,049,000	\$ 270,476,000
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 9,172,000	\$ 8,407,000
Accrued tax equivalents	772,000	694,000
Subscription liabilities, current	989,000	910,000
Unearned revenue	6,291,000	6,269,000
Other current liabilities	5,011,000	4,808,000
Total Current Liabilities	22,235,000	21,088,000
NON-CURRENT LIABILITIES		
Net pension liability	4,124,000	4,546,000
Subscription liabilities, non-current	563,000	580,000
Accrued post-employment benefit obligation	515,000	785,000
Total Non-Current Liabilities	5,202,000	5,911,000
DEFERRED INFLOWS OF RESOURCES		
Deferred OPEB inflows	554,000	443,000
Deferred lease inflows	2,911,000	2,023,000
Total Deferred Inflows of Resources	3,465,000	2,466,000
NET POSITION		
Net investment in capital assets	98,167,000	88,659,000
Unrestricted	177,980,000	152,352,000
Total Net Position	276,147,000	241,011,000
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 307,049,000	\$ 270,476,000

ELECTRIC POWER BOARD OF CHATTANOOGA
EPB VIDEO & INTERNET SYSTEM
SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
OPERATING REVENUES		
Fiber optics sales		
Commercial basic local services revenue	\$ 33,566,000	\$ 32,054,000
Residential services revenue	134,126,000	132,810,000
Total billed fiber optics sales	<u>167,692,000</u>	<u>164,864,000</u>
Uncollectible accounts	(739,000)	(523,000)
Total fiber optics sales	<u>166,953,000</u>	<u>164,341,000</u>
Other operating revenues	5,314,000	5,628,000
Total operating revenues	<u>172,267,000</u>	<u>169,969,000</u>
OPERATING EXPENSES		
Cost of services	43,192,000	46,224,000
Operation expenses	75,018,000	71,686,000
General and administrative	7,003,000	6,075,000
Provision for depreciation and amortization	17,335,000	19,485,000
City, county, and state tax equivalents	462,000	434,000
Total operating expenses	<u>143,010,000</u>	<u>143,904,000</u>
Net operating income	<u>29,257,000</u>	<u>26,065,000</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income on invested funds	5,789,000	5,311,000
Carrying charge revenue	251,000	157,000
Other revenue, net	161,000	244,000
Plant cost recovered through contributions in aid of construction	(473,000)	(295,000)
Total non-operating revenues (expenses)	<u>5,728,000</u>	<u>5,417,000</u>
Income before transfers and contributions	34,985,000	31,482,000
Tax equivalents transferred to the City of Chattanooga	(322,000)	(275,000)
Contributions in aid of construction	473,000	295,000
CHANGE IN NET POSITION	35,136,000	31,502,000
NET POSITION, BEGINNING OF YEAR	<u>241,011,000</u>	<u>209,509,000</u>
NET POSITION, END OF YEAR	<u>\$ 276,147,000</u>	<u>\$ 241,011,000</u>

ELECTRIC POWER BOARD OF CHATTANOOGA
EPB VIDEO & INTERNET SYSTEM
SCHEDULES OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 173,607,000	\$ 168,405,000
Payments to suppliers for goods and services	(108,371,000)	(108,001,000)
Payments to employees for services	(16,582,000)	(15,133,000)
Payments in lieu of taxes	(431,000)	(593,000)
Net cash provided by operating activities	48,223,000	44,678,000
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Tax equivalents transferred to the City of Chattanooga	(275,000)	(383,000)
Miscellaneous non-operating revenue, net	161,000	244,000
Net cash used in noncapital financing activities	(114,000)	(139,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to utility plant	(25,772,000)	(26,037,000)
Carrying charge received	408,000	--
Contributions in aid of construction	473,000	295,000
Repayable advance paid	(35,296,000)	--
Repayable advance received	1,000,000	--
Net cash used in capital and related financing activities	(59,187,000)	(25,742,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(40,000,000)	(44,990,000)
Proceeds from sales and maturities of investments	46,355,000	--
Interest income received	4,438,000	5,004,000
Net cash provided by (used in) investing activities	10,793,000	(39,986,000)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(285,000)	(21,189,000)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	69,237,000	90,426,000
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 68,952,000	\$ 69,237,000
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net operating income	\$ 29,257,000	\$ 26,065,000
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation and amortization	17,335,000	19,485,000
Changes in assets, deferred outflows and inflows of resources, and liabilities:		
Accounts receivable, net	1,318,000	(1,543,000)
Prepayments and other current assets	447,000	111,000
Accounts payable, net	408,000	(2,734,000)
Accrued tax equivalents	32,000	(158,000)
Net pension liability and deferred outflows of resources	289,000	575,000
Unearned revenue	22,000	(21,000)
Accrued post-employment benefits and deferred outflows/inflows	1,000	(190,000)
Other current liabilities	188,000	(71,000)
Subscription liability	(571,000)	(1,300,000)
Other deferred outflows of resources	(503,000)	4,459,000
Net cash provided by operating activities	\$ 48,223,000	\$ 44,678,000

ELECTRIC POWER BOARD OF CHATTANOOGA
EPB FIBER OPTICS SYSTEM
SCHEDULES OF NET POSITION
AS OF JUNE 30, 2025 AND 2024

	2025	2024
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents	\$ 94,212,000	\$ 93,983,000
Investments	40,294,000	45,298,000
Accounts receivable, less allowance for doubtful accounts of \$600,000 and \$564,000 in 2025 and 2024, respectively	7,598,000	7,321,000
Prepayments and other current assets	2,594,000	3,962,000
Leases receivable, current	3,311,000	2,425,000
Total Current Assets	148,009,000	152,989,000
NON-CURRENT ASSETS		
Utility plant -		
Utility plant	164,909,000	153,642,000
Less - accumulated provision for depreciation	(61,805,000)	(59,848,000)
Net utility plant	103,104,000	93,794,000
Right to use subscription assets, net of amortization	1,826,000	1,491,000
Repayable advance receivable	83,146,000	48,850,000
Leases receivable, non-current	3,681,000	2,614,000
Total Non-Current Assets	191,757,000	146,749,000
DEFERRED OUTFLOWS OF RESOURCES		
Deferred OPEB outflows	1,551,000	1,711,000
Deferred pension outflows	4,232,000	4,943,000
Deferred other outflows	21,427,000	20,924,000
Total Deferred Outflows of Resources	27,210,000	27,578,000
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 366,976,000	\$ 327,316,000
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 9,495,000	\$ 9,193,000
Accrued tax equivalents	1,431,000	1,380,000
Unearned revenue	6,660,000	6,657,000
Subscription liabilities, current	989,000	910,000
Other current liabilities	5,163,000	4,971,000
Total Current Liabilities	23,738,000	23,111,000
NON-CURRENT LIABILITIES		
Subscription liabilities, non-current	563,000	580,000
Net pension liability	4,124,000	4,546,000
Accrued post-employment benefit obligation	515,000	785,000
Total Non-Current Liabilities	5,202,000	5,911,000
DEFERRED INFLOWS OF RESOURCES		
Deferred OPEB inflows	554,000	443,000
Deferred lease inflows	6,990,000	5,038,000
Total Deferred Inflows of Resources	7,544,000	5,481,000
NET POSITION		
Net investment in capital assets	103,378,000	93,795,000
Unrestricted	227,114,000	199,018,000
Total Net Position	330,492,000	292,813,000
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 366,976,000	\$ 327,316,000

ELECTRIC POWER BOARD OF CHATTANOOGA
EPB FIBER OPTICS SYSTEM
SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
OPERATING REVENUES		
Fiber optics sales		
Commercial basic local services revenue	\$ 46,938,000	\$ 46,097,000
Commercial long distance message revenue	283,000	325,000
Residential services revenue	134,126,000	132,810,000
Total billed fiber optics sales	181,347,000	179,232,000
Uncollectible accounts	(752,000)	(554,000)
Total fiber optics sales	180,595,000	178,678,000
Other operating revenues	6,785,000	7,039,000
Total operating revenues	187,380,000	185,717,000
OPERATING EXPENSES		
Cost of services	45,451,000	48,475,000
Operation expenses	83,418,000	80,479,000
General and administrative	7,916,000	7,166,000
Provision for depreciation and amortization	19,228,000	21,725,000
City, county, and state tax equivalents	822,000	825,000
Total operating expenses	156,835,000	158,670,000
Net operating income	30,545,000	27,047,000
NON-OPERATING REVENUES (EXPENSES)		
Carrying charge revenue	445,000	303,000
Interest income on invested funds	6,802,000	6,381,000
Other revenue, net	508,000	659,000
Plant cost recovered through contributions in aid of construction	(473,000)	(295,000)
Total non-operating revenues	7,282,000	7,048,000
Income before transfers and contributions	37,827,000	34,095,000
Tax equivalents transferred to the City of Chattanooga	(621,000)	(570,000)
Contributions in aid of construction	473,000	295,000
CHANGE IN NET POSITION	37,679,000	33,820,000
NET POSITION, BEGINNING OF YEAR	292,813,000	258,993,000
NET POSITION, END OF YEAR	\$ 330,492,000	\$ 292,813,000

ELECTRIC POWER BOARD OF CHATTANOOGA
EPB FIBER OPTICS SYSTEM
SCHEDULES OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 188,323,000	\$ 184,644,000
Payments to suppliers for goods and services	(121,619,000)	(118,540,000)
Payments to employees for services	(16,582,000)	(15,134,000)
Payments in lieu of taxes	(822,000)	(1,015,000)
Net cash provided by operating activities	49,300,000	49,955,000
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Tax equivalents transferred to the City of Chattanooga	(570,000)	(703,000)
Miscellaneous non-operating revenue, net	508,000	659,000
Net cash used in noncapital financing activities	(62,000)	(44,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to utility plant	(27,740,000)	(28,239,000)
Carrying charges received	748,000	--
Contributions in aid of construction	473,000	295,000
Repayable advance paid	(35,296,000)	--
Repayable advance received	1,000,000	--
Net cash used in capital and related financing activities	(60,815,000)	(27,944,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(40,000,000)	(44,990,000)
Proceeds from investment sales and maturities	46,355,000	--
Interest income received	5,451,000	6,074,000
Net cash provided by (used in) investing activities	11,806,000	(38,916,000)
NET CHANGE IN CASH AND CASH EQUIVALENTS	229,000	(16,949,000)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	93,983,000	110,932,000
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 94,212,000	\$ 93,983,000
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net operating income	\$ 30,545,000	\$ 27,047,000
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation and amortization	19,228,000	21,725,000
Changes in assets, deferred outflows and inflows of resources, and liabilities:		
Accounts receivable, net	(594,000)	101,000
Prepayments and other current assets	461,000	101,000
Accounts payable, net	262,000	(2,242,000)
Accrued tax equivalents	1,000	(192,000)
Other current liabilities	177,000	(76,000)
Subscription liabilities	(570,000)	(1,299,000)
Unearned revenue	3,000	(43,000)
Net pension liability and deferred outflows and inflows of resources	289,000	575,000
Accrued post-employment benefits and deferred outflows and inflows of resources	1,000	(190,000)
Other deferred outflows	(503,000)	4,448,000
Net cash provided by operating activities	\$ 49,300,000	\$ 49,955,000

ELECTRIC POWER BOARD OF CHATTANOOGA
EPB STRATEGIC INITIATIVES
SCHEDULES OF NET POSITION
AS OF JUNE 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 19,447,000	\$ --
Accounts receivable	7,420,000	--
Total Current Assets	<u>26,867,000</u>	<u>--</u>
NON-CURRENT ASSETS		
Utility plant -		
Utility plant	8,750,000	--
Less - accumulated provision for depreciation	--	--
Net utility plant	<u>8,750,000</u>	<u>--</u>
Total Non-Current Assets	<u>8,750,000</u>	<u>--</u>
TOTAL ASSETS	<u>\$ 35,617,000</u>	<u>\$ --</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 428,000	\$ --
Total Current Liabilities	<u>428,000</u>	<u>--</u>
NON-CURRENT LIABILITIES		
Repayable advance payable - Video & Internet	14,860,000	--
Repayable advance payable - operating expenses	19,436,000	--
Total Non-Current Liabilities	<u>34,296,000</u>	<u>--</u>
NET POSITION		
Net investment in capital assets	--	--
Unrestricted	893,000	--
Total Net Position	<u>893,000</u>	<u>--</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 35,617,000</u>	<u>\$ --</u>

ELECTRIC POWER BOARD OF CHATTANOOGA
EPB STRATEGIC INITIATIVES
SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
OPERATING REVENUES		
Other operating revenues	\$ 161,000	\$ --
Total operating revenues	<u>161,000</u>	<u>--</u>
OPERATING EXPENSES		
Cost of services	14,000	--
Operation expenses	550,000	--
General and administrative	3,749,000	--
Total operating expenses	<u>4,313,000</u>	<u>--</u>
Net operating loss	<u>(4,152,000)</u>	<u>--</u>
NON-OPERATING REVENUES (EXPENSES)		
Carrying charge expense	(44,000)	--
Investment income	5,000,000	--
Interest income on invested funds	89,000	--
Total non-operating revenues	<u>5,045,000</u>	<u>--</u>
Income before transfers and contributions	893,000	--
Tax equivalents transferred to the City of Chattanooga	--	--
Contributions in aid of construction	--	--
CHANGE IN NET POSITION	893,000	--
NET POSITION, BEGINNING OF YEAR	<u>--</u>	<u>--</u>
NET POSITION, END OF YEAR	<u>\$ 893,000</u>	<u>\$ --</u>

ELECTRIC POWER BOARD OF CHATTANOOGA
EPB STRATEGIC INITIATIVES
SCHEDULES OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 98,000	\$ --
Payments to suppliers for goods and services	(3,841,000)	--
Net cash used in operating activities	(3,743,000)	--
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Tax equivalents transferred to the City of Chattanooga	--	--
Investment income	5,000,000	--
Net cash provided by noncapital financing activities	5,000,000	--
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to utility plant	(17,708,000)	--
Carrying charges paid	(44,000)	--
Contributions in aid of construction	1,557,000	--
Repayable advance received	35,296,000	--
Repayable advance payments	(1,000,000)	--
Net cash provided by capital and related financing activities	18,101,000	--
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income received	89,000	--
Net cash provided by investing activities	89,000	--
NET CHANGE IN CASH AND CASH EQUIVALENTS	19,447,000	--
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	--	--
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 19,447,000	\$ --
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net operating income	\$ (4,152,000)	\$ --
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Changes in assets, deferred outflows and inflows of resources, and liabilities:		
Accounts receivable, net	(19,000)	--
Accounts payable, net	428,000	--
Net cash used in operating activities	\$ (3,743,000)	\$ --

ELECTRIC POWER BOARD OF CHATTANOOGA

**UTILITY RATE STRUCTURE AND NUMBER OF CUSTOMERS
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30	Residential Customers	Cents per KWH	Small Commercial Customers	Cents per KWH	Large Commercial Customers	Cents per KWH	Outdoor Lighting Customers	Cents per KWH	Total Customers	Cents per KWH
2016	154,273	10.58	21,082	11.94	3,178	8.52	144	11.70	178,677	9.58
2017	155,745	10.93	21,500	12.30	3,199	8.55	145	12.07	180,589	9.77
2018	157,547	10.86	21,627	12.23	3,135	8.45	144	12.57	182,453	9.72
2019	159,504	10.94	21,841	12.32	3,173	8.43	143	13.63	184,661	9.76
2020	162,048	10.83	21,745	12.27	3,125	8.35	140	14.18	187,058	9.70
2021	163,996	10.77	22,184	12.24	2,948	8.10	141	14.73	189,269	9.54
2022	165,729	11.42	22,557	12.84	2,982	8.68	138	15.86	191,406	10.14
2023	168,628	12.46	22,417	13.85	3,074	9.71	134	17.23	194,253	11.17
2024	172,251	12.09	21,871	13.48	3,052	9.11	136	17.20	197,310	10.67
2025	177,286	12.70	21,924	14.16	3,142	9.70	136	18.06	202,488	11.31

Note: Number of customers and rate are the average for the year.

ELECTRIC POWER BOARD OF CHATTANOOGA
SCHEDULE OF BONDS PAYABLE
AS OF JUNE 30, 2025

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2026	2015 A Electric System Revenue Bonds	5.000%	\$ 12,485,000	\$ 104,042	\$ 12,589,042
			<u>12,485,000</u>	<u>104,042</u>	<u>12,589,042</u>
2026	2015 B Electric System Revenue Bonds	3.375%	1,520,000	8,550	1,528,550
			<u>1,520,000</u>	<u>8,550</u>	<u>1,528,550</u>
2026	2015 C Electric System Revenue Bonds	5.000%	950,000	7,917	957,917
			<u>950,000</u>	<u>7,917</u>	<u>957,917</u>
2026	2021 Electric System Revenue Bonds		-	1,741,300	1,741,300
2027			-	1,741,300	1,741,300
2028			-	1,741,300	1,741,300
2029			-	1,741,300	1,741,300
2030			-	1,741,300	1,741,300
2031			-	1,741,300	1,741,300
2032			-	1,741,300	1,741,300
2033			-	1,741,300	1,741,300
2034			-	1,741,300	1,741,300
2035		4.000%	7,830,000	1,480,300	9,310,300
2036		4.000%	8,155,000	1,156,267	9,311,267
2037		2.000%	8,400,000	961,900	9,361,900
2038		2.000%	8,575,000	790,983	9,365,983
2039		2.000%	8,750,000	616,567	9,366,567
2040		2.000%	8,925,000	438,650	9,363,650
2041		2.000%	9,110,000	257,067	9,367,067
2042		2.000%	11,335,000	37,783	11,372,783
			<u>71,080,000</u>	<u>21,411,217</u>	<u>92,491,217</u>

ELECTRIC POWER BOARD OF CHATTANOOGA
SCHEDULE OF BONDS PAYABLE
AS OF JUNE 30, 2025

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2026	2023 Electric System Revenue Bonds		\$ -	\$ 5,606,250	\$ 5,606,250
2027			-	5,606,250	5,606,250
2028			-	5,606,250	5,606,250
2029			-	5,606,250	5,606,250
2030			-	5,606,250	5,606,250
2031			-	5,606,250	5,606,250
2032			-	5,606,250	5,606,250
2033			-	5,606,250	5,606,250
2034			-	5,606,250	5,606,250
2035		5.000%	8,860,000	5,237,083	14,097,083
2036		5.000%	9,315,000	4,775,125	14,090,125
2037		5.000%	9,795,000	4,289,375	14,084,375
2038		5.000%	10,295,000	3,778,792	14,073,792
2039		5.000%	10,825,000	3,241,958	14,066,958
2040		5.000%	11,380,000	2,677,583	14,057,583
2041		5.000%	11,960,000	2,084,417	14,044,417
2042		5.000%	12,575,000	1,460,792	14,035,792
2043		5.000%	13,220,000	805,167	14,025,167
2044		5.000%	13,900,000	115,833	14,015,833
			<u>112,125,000</u>	<u>78,922,375</u>	<u>191,047,375</u>
2026	2025 Electric System Revenue Bonds		-	7,295,000	7,295,000
2027		5.000%	14,530,000	6,689,583	21,219,583
2028		5.000%	15,260,000	5,932,667	21,192,667
2029		5.000%	15,870,000	5,144,250	21,014,250
2030		5.000%	16,750,000	4,314,083	21,064,083
2031		5.000%	17,590,000	3,441,583	21,031,583
2032		5.000%	18,390,000	2,528,750	20,918,750
2033		5.000%	19,305,000	1,571,125	20,876,125
2034		5.000%	20,375,000	561,292	20,936,292
2035		5.000%	965,000	351,292	1,316,292
2036		5.000%	1,010,000	301,167	1,311,167
2037		5.000%	1,060,000	248,583	1,308,583
2038		5.000%	1,115,000	193,292	1,308,292
2039		5.000%	1,170,000	135,250	1,305,250
2040		5.000%	1,225,000	74,458	1,299,458
2041		5.000%	1,285,000	10,708	1,295,708
			<u>145,900,000</u>	<u>38,793,083</u>	<u>184,693,083</u>
	Total		<u>\$ 344,060,000</u>	<u>\$ 139,247,184</u>	<u>\$ 483,307,184</u>

ELECTRIC POWER BOARD OF CHATTANOOGA
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
JUNE 30, 2025
(in thousands)

Electric System	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Balance at June 20, 2024	Repayments, Amortization or Accretion	Additions	Refunded	Balance at June 30, 2025	Current Amount Due
<u>BONDS PAYABLE</u>										
Electric System Refunding Revenue Bonds, 2015 Series A	\$ 218,855	5.00%	8/31/2015	9/1/2033	\$ 159,140	\$ (11,810)	\$ -	\$ (134,845)	\$ 12,485	\$ 12,485
Electric System Refunding Revenue Bonds, 2015 Series B	15,355	3.375%	8/31/2015	9/1/2025	3,080	(1,560)	-	-	1,520	1,520
Electric System Refunding Revenue Bonds, 2015 Series C	25,880	5.00%	8/31/2015	9/1/2040	23,380	(915)	-	(21,515)	950	950
Electric System Revenue Bonds, 2021	71,080	2.00%- 4.00%	6/29/2021	9/1/2041	71,080	-	-	-	71,080	-
Electric System Revenue Bonds, 2023	112,125	5.00%	12/19/2023	9/1/2043	112,125	-	-	-	112,125	-
Electric System Revenue Bonds, 2025	145,900	5.00%	6/5/2025	9/1/2040	-	-	145,900	-	145,900	-
Total Bonds Payable										
Unamortized premium/(discount)					368,805	(14,285)	145,900	(156,360)	344,060	14,955
					34,132	(2,619)	12,718	(15,532)	28,699	-
Total Debt					\$ 402,937	\$ (16,904)	\$ 158,618	\$ (171,892)	\$ 372,759	\$ 14,955

ELECTRIC POWER BOARD OF CHATTANOOGA
SCHEDULE OF CHANGES IN LEASE OBLIGATIONS
June 30, 2025
(in thousands)

	Original Amount of Issue	Interest Rate	Date of Issue	Maturity Date	Outstanding July 1, 2024	Issued During Period	Paid and/or Matured During Period	Remeasurements	Outstanding June 30, 2025
Electric System									
<u>LEASES PAYABLE</u>									
Tower Lease	\$ 286,000	2.86%	11/1/2023	10/31/1933	\$ 235,000	\$ -	\$ 25,000	\$ -	\$ 210,000
Tower Lease	263,000	2.86%	8/1/2013	7/31/2023	211,000	-	24,000	6,000	193,000
Virtual Storage Equipment Lease	Various	2.86%	Various	8/31/2025	693,000	-	604,000	11,000	100,000
Postage Meter Leases	672,000	2.86%	11/1/2021	10/31/2026	313,000	-	136,000	17,000	194,000
Printer Lease	203,000	2.86%	Various	Various	103,000	-	31,000	3,000	75,000
Printer Lease	55,680	2.86%	8/31/2022	7/31/2027	35,000	-	13,000	5,000	27,000
TOTAL LEASES PAYABLE					<u>\$ 1,590,000</u>	<u>\$ -</u>	<u>\$ 833,000</u>	<u>\$ 42,000</u>	<u>\$ 799,000</u>

ELECTRIC POWER BOARD OF CHATTANOOGA
SCHEDULE OF LEASE OBLIGATIONS, PRINCIPAL AND INTEREST REQUIREMENTS
June 30, 2025
(in thousands)

Fiscal Year	Principal	Interest	Total
2026	\$ 319	\$ 18	\$ 337
2027	144	12	156
2028	64	9	73
2029	49	8	57
2030	51	6	57
2031	54	5	59
2032	57	3	60
2033	61	2	63
Total	\$ 799	\$ 63	\$ 862

ELECTRIC POWER BOARD OF CHATTANOOGA
SCHEDULE OF CHANGES IN SBITA OBLIGATIONS
June 30, 2025
(in thousands)

	Original Amount of Issue	Interest Rate	Date of Issue	Maturity Date	Outstanding July 1, 2024	Issued During Period	Paid and/or Matured During Period	Remeasurements	Outstanding June 30, 2025
Electric System									
<u>SBITA PAYABLE</u>									
Software-Based Information Technology Arrangements	Various	2.86%	Various	Various	\$ 4,845,000	\$ 4,660,000	\$ 5,040,000	\$ (949,000)	\$ 3,516,000
Total Electric System SBITA Payable					4,845,000	4,660,000	5,040,000	(949,000)	3,516,000
Fiber Optics System									
<u>SBITA PAYABLE</u>									
Software-Based Information Technology Arrangements	Various	2.86%	Various	Various	1,490,000	1,690,000	1,487,000	(141,000)	1,552,000
Total Fiber Optics System SBITA Payable					1,490,000	1,690,000	1,487,000	(141,000)	1,552,000
TOTAL SBITA PAYABLE					\$ 6,335,000	\$ 6,350,000	\$ 6,527,000	\$ (1,090,000)	\$ 5,068,000

ELECTRIC POWER BOARD OF CHATTANOOGA
SCHEDULE OF SBITA OBLIGATIONS, PRINCIPAL AND INTEREST REQUIREMENTS
June 30, 2025
(in thousands)

Fiscal Year	Principal	Interest	Total
2026	\$ 3,104	\$ 39	\$ 3,143
2027	1,964	34	1,998
Total	<u>\$ 5,068</u>	<u>\$ 73</u>	<u>\$ 5,141</u>



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Members of the Board of Directors
of the Electric Power Board of
Chattanooga, Tennessee

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate remaining fund information of the Electric Power Board of Chattanooga, Tennessee (EPB, an enterprise fund of the City of Chattanooga) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise EPB's basic financial statements, and have issued our report thereon dated.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered EPB's internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of EPB's internal control. Accordingly, we do not express an opinion on the effectiveness of EPB's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether EPB's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Chattanooga, Tennessee

October 13, 2025

*Henderson Hutcherson
& McCullough, PLLC*