



Rating Action: Moody's Ratings assigns Aa2 to Knoxville, TN Electric Enterprise's \$27M Electric System Revenue Bonds, Series RR-2026; outlook is stable

15 Dec 2025

New York, December 15, 2025 -- Moody's Ratings (Moody's) has assigned a Aa2 to the City of Knoxville, TN Electric Enterprise's proposed \$27 million Electric System Revenue Bonds, Series RR-2026. We maintain the Aa2 rating on the system's outstanding rated parity debt. Post-sale the system will have approximately \$510 million in outstanding debt. The outlook is stable.

RATINGS RATIONALE

The Aa2 revenue rating reflects the electric system's strong regional economy and stable customer base which services residents in and around the city of Knoxville. The rating also reflects a solid financial position with healthy debt service coverage that approximates 4.07 times fiscal 2025 revenues. Days cash on hand is low for the rating category but is partially mitigated by the fact that the enterprise is primarily a distribution only system.

The rating further considers the enterprise's modestly above-average debt ratio and manageable debt to operating revenues ratio. Currently, additional debt plans include an estimated \$37 - \$47 million over the next three years and should not significantly impact the overall debt profile of the electric system. Additionally, the rating takes into consideration the buildup of the electric enterprise's Enhanced Grid Modernization project and loan to Knoxville Utility Board's Fiber Division as it relates to broadband service.

RATING OUTLOOK

The stable outlook reflects the expectation that the electric system will continue to proactively review and adjust rates to maintain debt service coverage and cash flow to support pay-as-you-go capital investment. The outlook also reflects the system's broad and stable service area.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

- Increases in days cash on hand to levels more in line with rating category
- Increases in service area wealth to around 140% of the national median
- Increased system demand and customer growth

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

- Deterioration of debt service coverage to below 2.25 times
- Declines in days cash on hand to below 50 days
- Significant increases in debt levels
- Reliance on electric system by fiber division beyond current expectations

PROFILE

The Knoxville Utilities Board (KUB) provides electric transmission and distribution, fiber broadband services, gas distribution, water treatment and distribution, and sewer collection and treatment to a population of 487,401

(2023 American Community Survey) located in the City of Knoxville (Aa1) and County of Knox (Aa1 stable).

METHODOLOGY

The principal methodology used in this rating was US Municipal Utility Revenue Debt published in March 2024 and available at <https://ratings.moodys.com/mc-documents/416489>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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