

Jellico Utilities Authority

Preliminary Electric Funding Analysis

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Prepared By:

Cumberland Securities Company, Inc.
Independent Registered Municipal Advisors
P.O. Box 22715
Knoxville, Tennessee 37933
Telephone: (865) 988-2663
Facsimile: (865) 988-1863



CUMBERLAND SECURITIES
SINCE 1931

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Risk Disclosures:

Fixed Rate Bonds		
Material Risk Consideration	Description of Risk	Potential Consequences
Issuer Default Risk	Possibility that the Issuer defaults under the authorizing documents	<ul style="list-style-type: none"> Range of available remedies may be brought against Issuer (e.g. forcing issuer to raise taxes or rates) Credit ratings negatively impacted Access to capital markets impaired Possibility of receivership or bankruptcy for certain issuers
Redemption Risk	The ability to redeem the bonds prior to maturity may be limited	<ul style="list-style-type: none"> Inability to refinance at lower interest rates
Refinancing Risk	Possibility that the bonds cannot be refinanced	<ul style="list-style-type: none"> Inability to refinance at lower interest rates
Reinvestment Risk	Possibility that the Issuer may be unable to invest unspent proceeds at or near the interest rate on the bonds	<ul style="list-style-type: none"> Negative arbitrage resulting in a higher cost of funds
Tax Compliance Risk	For tax-exempt bonds, possibility that failure to comply with tax-related covenants results in the bonds becoming taxable obligations	<ul style="list-style-type: none"> Increase in debt service costs retroactively to date of issuance Possible mandatory redemption of bonds affected Risk of IRS Audit Difficulty in refinancing the bonds Access to tax-exempt market impacted Difficulty in issuing future tax-exempt debt

Variable Rate Demand Bonds ("VRDB") / Floating Rate Notes ("FRN") / Bank Index Loan ("Index") / "Put Loan" (e.g. Fixed Rate for Five (5) Years, then Rate Resets to New Rate)		
Material Risk Consideration	Description of Risk (Type of Debt Risk Applicable to)	Potential Consequences
Interest Rate Risk	Possibility that the interest rate may increase on an interest reset date (VRDB, FRN, Index, Put Loans)	<ul style="list-style-type: none"> Increase in debt service cost (up to maximum rate) Lower debt service coverage Lower cash reserves
Index Risk	Possibility that the method of determining the index (LIBOR or SIFMA) could change Indices may be affected by factors unrelated to FRN's/Index Loan or the tax-exempt market (VRDB, FRN, Index, Put Loans)	<ul style="list-style-type: none"> Increase in debt service costs Lower debt service coverage Lower cash reserves Provision should be made for alternate mechanism to determine rate
Issuer Default Risk	Possibility that the Issuer defaults under the authorizing documents (VRDB, FRN, Index, Put Loans)	<ul style="list-style-type: none"> Range of available remedies may be brought against Issuer (e.g., forcing Issuer to raise taxes or revenues) Credit ratings negatively impacted Default could impact remarketing which could cause increase in debt service costs Access to capital markets impaired
Issuer Ratings Downgrade Risk	Possibility that a downgrade of the issuer's rating(s) may result in optional tenders or an increase in fees payable to the bank providing the liquidity facility (VRDB, FRN, Index, Put Loans)	<ul style="list-style-type: none"> Ratings change could impact remarketing which could cause an increase in debt service cost Higher liquidity facility fees resulting in higher cost of funds
Liquidity Risk	Possibility that VRDB's cannot be successfully remarketing, resulting in Bank Bonds (VRDB)	<ul style="list-style-type: none"> Increase in debt service costs due to higher bank bond rate and accelerated principle repayment May be required to refinance or term out the VRDO's Inability to refinance or possibly higher interest rates
Liquidity Provider Default Risk	Possibility that the bank providing the liquidity facility supporting the VRDO's defaults in its obligations under the liquidity facility (VRDB)	<ul style="list-style-type: none"> Issuer required to repay principal and accrued interest if Issuer is not able to refinance Increase in debt service costs
Liquidity Provider Ratings Downgrade	Possibility that a downgrade of the liquidity provider's rating(s) may result in optional tenders (VRDB)	<ul style="list-style-type: none"> Ratings change could impact remarketing which could cause an increase in debt service cost
Refinancing Risk	Possibility that the FRN, Index or Put Loan cannot be remarketed or refinanced (FRN, Index, Put Loans)	<ul style="list-style-type: none"> Hard Put: must repay principal and accrued interest or Event of Default Soft Put: higher interest rate on debt and higher debt service costs up to maximum rate Increase in debt service costs upon any refinancing Inability to refinance or possibly higher interest rates
Regulatory Risk	Possibility that prospective regulatory requirements increase cost of obtaining and maintaining the liquidity facility (VRDB, FRN, Index, Put Loans)	<ul style="list-style-type: none"> Increase in debt service costs Higher liquidity facility fees resulting in higher cost of funds
Reinvestment Risk	Possibility that the issuer may be unable to invest unspent proceeds at or near the interest rate on the bonds (VRDB, FRN, Index, Put Loans)	<ul style="list-style-type: none"> Negative arbitrage resulting in higher cost of funds
Remarketing Risk	Possibility that the remarketing agent does not perform its duties in a satisfactory manner or may resign or cease its remarketing efforts (VRDB)	<ul style="list-style-type: none"> Higher interest rates Difficulty remarketing the VRDO's May require appointment of a successor remarketing agent
Renewal Risk	Possibility that the facility or loan will not be extended for a successive commitment period or not be replaced at a reasonable cost (VRDB, FRN, Index, Put Loans)	<ul style="list-style-type: none"> Issuer required to repay principal and accrued interest on tender date if issuer is not able to refinance Increase in debt service costs
Tax Compliance Risk	For tax exempt bonds, possibility that failure to comply with tax related covenants result in the bonds becoming taxable obligations (VRDB, FRN, Index, Put Loans)	<ul style="list-style-type: none"> Increase in debt service costs retroactively to date of issuance Possible mandatory redemption of bonds affected Risk of IRS audit Difficulty in refinancing the bonds Access to tax exempt market impacted Difficulty in issuing future tax-exempt debt

Jellico Utilities Authority
Preliminary Electric Funding Analysis
Table of Contents

REPORT	PAGE
Disclaimer	
Electric System - \$1,575,000	
Electric System Revenue Bonds - Estimated.....	1
Electric System Revenue Bond - Electric Graph - Post Issuance.....	2

\$1,575,000

Jellico Utilities Authority
Electric System Revenue Bonds, Series 2023

Estimated Debt Service

Date	Principal	Coupon	Interest	Total P+I
06/01/2024	100,000.00	5.500%	51,975.00	151,975.00
06/01/2025	164,000.00	5.500%	81,125.00	245,125.00
06/01/2026	164,000.00	5.500%	72,105.00	236,105.00
06/01/2027	164,000.00	5.500%	63,085.00	227,085.00
06/01/2028	164,000.00	5.500%	54,065.00	218,065.00
06/01/2029	164,000.00	5.500%	45,045.00	209,045.00
06/01/2030	164,000.00	5.500%	36,025.00	200,025.00
06/01/2031	164,000.00	5.500%	27,005.00	191,005.00
06/01/2032	164,000.00	5.500%	17,985.00	181,985.00
06/01/2033	163,000.00	5.500%	8,965.00	171,965.00
Total	\$1,575,000.00	-	\$457,380.00	\$2,032,380.00

Date And Term Structure

Dated.....	10/25/2023
First Coupon Date.....	6/01/2024
Frequency of Interest Payments.....	2 Per Year
First Serial Maturity Date.....	6/01/2024

Yield Statistics

Average Coupon.....	5.5000000%
Weighted Average Maturity.....	5.280 Years

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Total Outstanding Debt Service - Electric System - Post Issuance

