

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2021

New Issue - Book-Entry Only

Ratings:

S&P: _____

Fitch: _____

(See "RATINGS" herein)

In the opinion of Bond Counsel, under existing law, and assuming compliance with the tax covenants described herein, interest on the 2021 Series A Bonds is excluded from gross income for Federal income tax purposes and is not a specific preference item for purposes of the Federal alternative minimum tax. Furthermore, in the opinion of Bond Counsel, under existing law interest on the 2021 Series A Bonds is exempt from all state, county, and municipal taxation in the State of Tennessee, except franchise and excise taxes. See, however, "TAX EXEMPTION" herein regarding certain other tax considerations.



THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

\$ _____ * ELECTRIC SYSTEM REVENUE BONDS, 2021 SERIES A

Dated: Date of Delivery

Due: May 15 as shown on the inside cover*

The \$ _____ * Electric System Revenue Bonds, 2021 Series A (the "2021 Series A Bonds") of The Metropolitan Government of Nashville and Davidson County (the "Metropolitan Government") will be issued in fully registered form, without coupons, in denominations of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the 2021 Series A Bonds. Individual purchases of the 2021 Series A Bonds will be made in book-entry form only. See "DESCRIPTION OF THE 2021 SERIES A BONDS – Book-Entry-Only System" herein.

Interest on the 2021 Series A Bonds will be payable semiannually on May 15 and November 15 of each year, commencing [November 15, 2021]. Ownership of the 2021 Series A Bonds will be registered on the registration books kept by Regions Bank, Nashville, Tennessee (the "Fiscal Agent"). Payment of principal, redemption price, if applicable, and interest will be made by the Fiscal Agent directly to Cede & Co., as nominee of DTC, and will be subsequently disbursed by DTC through the Direct Participants (as defined herein) and thereafter to Beneficial Owners (as defined herein). Purchasers will not receive physical delivery of the 2021 Series A Bonds. See "DESCRIPTION OF THE 2021 SERIES A BONDS – Book-Entry-Only System" herein.

The 2021 Series A Bonds are subject to redemption prior to maturity as described herein. See "DESCRIPTION OF THE 2021 SERIES A BONDS – Redemption" herein.

MATURITIES, AMOUNTS, INTEREST RATES, PRICE OR YIELD AND CUSIP NUMBERS – SEE INSIDE COVER

The 2021 Series A Bonds are being issued to finance the costs of acquisition, expansion and improvement of the Metropolitan Government's electric transmission and distribution system (the "Electric System") and to pay costs of issuance of the 2021 Series A Bonds. See "PLAN OF FINANCING" and "SOURCES AND USES" herein.

The 2021 Series A Bonds will be issued pursuant to the Bond Resolution and are limited obligations of the Metropolitan Government, payable from the Pledged Funds (as defined herein), including the Net Revenues (as defined herein) of the Metropolitan Government's Electric System, on a parity with the lien with respect to such Pledged Funds with certain Outstanding Bonds (as defined herein), Additional Bonds (as defined herein) and certain other obligations that may hereafter be issued on a parity of lien with respect to such Pledged Revenues, all as more fully described herein.

The 2021 Series A Bonds are not general obligations of the Metropolitan Government, and no holder of the 2021 Series A Bonds shall ever have the right to compel the Metropolitan Government to exercise its taxing power to pay principal, redemption price of or interest on the 2021 Series A Bonds. See "SECURITY FOR THE BONDS" and "Appendix D – SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION" herein.

The 2021 Series A Bonds are offered when, as and if issued by the Metropolitan Government, subject to approval as to legality by Bradley Arant Boult Cummings LLP, Nashville, Tennessee, Bond Counsel. Certain legal matters will be passed upon for the Electric Power Board of The Metropolitan Government of Nashville and Davidson County by Laura Smith, Esq., Vice President – General Counsel to the Board, and for the Underwriters by their counsel, Bass, Berry & Sims PLC, Nashville, Tennessee. Certain other legal matters will be passed upon for the Metropolitan Government by Robert Cooper, Director of Law. It is expected that the 2021 Series A Bonds will be available for delivery through the facilities of DTC in New York, New York on or about _____, 2021.

Raymond James

Barclays
J.P. Morgan

FHN Financial Capital Markets

Jefferies
Loop Capital Markets

Dated _____, 2021

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to change, completion or amendment without notice. The 2021 Series A Bonds may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the 2021 Series A Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

\$ _____ * ELECTRIC SYSTEM REVENUE BONDS, 2021 SERIES A

<u>Maturity*</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP No.**</u>
5/15/2022	\$			
5/15/2023				
5/15/2024				
5/15/2025				
5/15/2026				
5/15/2027				
5/15/2028				
5/15/2029				
5/15/2030				
5/15/2031				
5/15/2032				
5/15/2033				
5/15/2034				
5/15/2035				
5/15/2036				
5/15/2037				
5/15/2038				
5/15/2039				
5/15/2040				
5/15/2041				
5/15/2042				
5/15/2043				
5/15/2044				
5/15/2045				
5/15/2046				

* Preliminary, subject to change.

** Copyright, American Bankers Association (the "ABA"). Initial CUSIP data herein are provided by CUSIP Global Services, which is managed on behalf of the ABA by S&P Global Market Intelligence, a division of S&P Global Inc. The CUSIP numbers listed above are being provided solely for the convenience of purchasers of the 2021 Series A Bonds only at the time of issuance of the 2021 Series A Bonds, and neither the Underwriter nor the Metropolitan Government makes any representation with respect to such numbers nor undertakes any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2021 Series A Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2021 Series A Bonds.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

Honorable John Cooper, Metropolitan County Mayor

Elizabeth Waites, Metropolitan Clerk
Kevin Crumbo, Director of Finance
Robert Cooper, Director of Law

ELECTRIC POWER BOARD

Carolyn Schott, Chair
Irma Paz-Bernstein, Vice Chair
Clinton Gray
Robert McCabe
Michael Vandenberg

MANAGEMENT

Decosta E. Jenkins, President and Chief Executive Officer
Teresa Broyles-Aplin, Executive Vice President and Chief Financial Officer
Laura Smith, Esq., Vice President – General Counsel

FINANCIAL ADVISOR

PFM Financial Advisors LLC
Arlington, Virginia

AUDITOR

PricewaterhouseCoopers LLP
Nashville, Tennessee

FISCAL AGENT

Regions Bank
Nashville, Tennessee

BOND COUNSEL

Bradley Arant Boult Cummings LLP
Nashville, Tennessee

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or amended (collectively, the "Official Statement") from time to time, is an Official Statement with respect to the 2021 Series A Bonds described herein that is deemed final by the Metropolitan Government as of the date hereof (or of any such supplement or amendment). It is subject to completion with certain information to be established at the time of the sale of the 2021 Series A Bonds as permitted by Rule 15c2-12 of the Securities and Exchange Commission.

This Official Statement is furnished in connection with the sale of securities as referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. No dealer, broker, sales person or any other person has been authorized to give any information or make any representation, other than those contained herein, in connection with the offering of the 2021 Series A Bonds and, if given or made, such information or representation must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy by any person in any jurisdiction in which it is unlawful for such person to make such offer or solicitation in such jurisdiction.

The information contained in this Official Statement has been obtained from the Electric Power Board of the Metropolitan Government of Nashville and Davidson County (the "Board"), the Metropolitan Government, the Tennessee Valley Authority, public documents and records and other sources considered to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriters. The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. In making an investment decision, investors must rely on their own examination of the Metropolitan Government, the Board and the terms of the offering, including the merits and risks involved.

The information and expressions of opinion herein are subject to change without notice. Neither the delivery of this Official Statement nor the sale of any of the 2021 Series A Bonds implies that there has been no change in the affairs of the Metropolitan Government, the Board or the Electric System or the other matters described herein since the date hereof.

IN CONNECTION WITH THE OFFERING OF THE 2021 SERIES A BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2021 SERIES A BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

NO REGISTRATION STATEMENT RELATING TO THE 2021 Series A BONDS HAS BEEN FILED WITH THE SECURITIES EXCHANGE COMMISSION (THE "SEC") OR ANY STATE SECURITIES AGENCY. THE 2021 Series A BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SEC OR ANY STATE SECURITIES AGENCY, NOR HAS THE SEC OR ANY STATE SECURITIES AGENCY PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

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OFFICIAL STATEMENT

Relating to

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

\$ _____ * Electric System Revenue Bonds, 2021 Series A

INTRODUCTION

This Official Statement (including the cover page hereof and the Appendices hereto) is furnished by The Metropolitan Government of Nashville and Davidson County (the "Metropolitan Government") to provide information concerning the electric transmission and distribution system (the "Electric System") operated by the Electric Power Board of The Metropolitan Government of Nashville and Davidson County (the "Board"), which does business as the Nashville Electric Service ("NES"), and the issuance of the Metropolitan Government's \$ _____ * Electric System Revenue Bonds, 2021 Series A (the "2021 Series A Bonds") for the use and benefit of the Board.

This Introduction is not a summary of this Official Statement and is intended only for quick reference. It is only a brief description of and guide to, and is qualified in its entirety by reference to, more complete and detailed information contained in the entire Official Statement and incorporated by reference herein, including the cover page and the Appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement and of the documents summarized or described herein. The offering of the 2021 Series A Bonds to potential investors is made only by means of the entire Official Statement, including the Appendices hereto. No person is authorized to detach this Introduction from the Official Statement or to otherwise use it without the entire Official Statement, including the Appendices hereto.

The 2021 Series A Bonds are being issued by the Metropolitan Government under and pursuant to Chapter 34, Title 7, Tennessee Code Annotated, Sections 7-34-101 through 7-34-118, as amended (the "Act"), the Charter of the Metropolitan Government (the "Metropolitan Charter") which was approved by referendum on June 28, 1962, as amended, and a resolution of the Metropolitan Government adopted on November 5, 1985, entitled "Electric System Revenue Bond Resolution" as amended and supplemented (the "Bond Resolution"), including specifically, as supplemented by the Twenty-Ninth Supplemental Electric System Revenue Bond Resolution adopted by the Metropolitan Government on January 19, 2021 (the "Supplemental Resolution"). The 2021 Series A Bonds and all other bonds heretofore and hereafter issued under and pursuant to the Bond Resolution on a parity each with the other and Outstanding are hereinafter referred to as the "Bonds".

The 2021 Series A Bonds are being issued to finance the costs of acquisition, expansion and improvement of the Metropolitan Government's electric transmission and distribution system (the "Electric System") and to pay costs of issuance of the 2021 Series A Bonds. See "PLAN OF FINANCING" and "SOURCES AND USES" herein.

To the extent Outstanding, the following Bonds issued by the Metropolitan Government under the Bond Resolution have a lien on the Pledged Funds as described under the Bond Resolution: Electric System

* Preliminary, subject to change.

Revenue Refunding Bonds, 2008 Series B (the "2008 Series B Bonds"); Electric System Revenue Bonds, 2011 Series A (the "2011 Series A Bonds"); Electric System Revenue Refunding Bonds, 2011 Series B (the "2011 Series B Bonds"); Electric System Revenue Refunding Bonds, 2013 Series A (the "2013 Series A Bonds"); Electric System Revenue Bonds, 2014 Series A (the "2014 Series A Bonds"); Electric System Revenue Refunding Bonds, 2015 Series A (the "2015 Series A Bonds"); Electric System Revenue Bonds, 2017 Series A (the "2017 Series A Bonds"), and Electric System Revenue Refunding Bonds, 2017 Series B (the "2017 Series B Bonds" and, collectively with the 2008 Series B Bonds, the 2011 Series A Bonds, the 2011 Series B Bonds, the 2013 Series A Bonds, the 2014 Series A Bonds, the 2015 Series A Bonds, and 2017 Series A Bonds, the "Parity Debt Obligations"). See "PARITY DEBT OBLIGATIONS" herein. Prior to the delivery of the 2021 Series A Bonds, the Metropolitan Government intends to redeem the 2008 Series B Bonds and defease the 2011 Series A Bonds and 2011 Series B Bonds with available monies of the Board. See "PLAN OF FINANCING" herein.

The 2021 Series A Bonds, Parity Debt Obligations and all other Bonds issued under the Bond Resolution are limited obligations of the Metropolitan Government payable solely from and secured as to the payment of the principal, redemption price, if applicable, and interest thereon, in accordance with their terms, and the terms of the Bond Resolution, solely by a pledge of the Pledged Funds on a parity and equality of lien with respect to such Pledged Funds with the Parity Debt Obligations. Pledged Funds are defined in the Bond Resolution to include, among other sources, the Net Revenues of the Electric System. See "SECURITY FOR THE BONDS" and "Appendix D - SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION" herein.

Unless otherwise defined herein or where the context would clearly indicate otherwise, capitalized terms used herein shall have the meaning set forth in the Bond Resolution. See "Appendix D - SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION". Copies of the Bond Resolution may be obtained from the office of the Executive Vice-President and Chief Financial Officer, Nashville Electric Service, 1214 Church Street, Nashville, Tennessee 37246; telephone (615) 747-3831.

The 2021 Series A Bonds are not general obligations of the Metropolitan Government, and no holder of the 2021 Series A Bonds shall ever have the right to compel the Metropolitan Government to exercise its taxing power to pay the principal or redemption price of or interest on the 2021 Series A Bonds.

PLAN OF FINANCING

The proceeds of the sale of the 2021 Series A Bonds, together with all other available funds, will be used to finance all or a portion of the costs incurred in connection with the acquisition, expansion and improvement of the Electric System in accordance with the Board's capital improvement plan. For a discussion of the Board's construction program and additional financing requirements for the Electric System, see "CONSTRUCTION AND FINANCING PROGRAM" herein. See also "THE ELECTRIC SYSTEM – Capital Improvement Plan" herein. The Metropolitan Government through the Board will use the remaining proceeds of the 2021 Series A Bonds to pay costs of issuing the 2021 Series A Bonds.

As provided above, prior to the delivery of the 2021 Series A Bonds, the Metropolitan Government intends to redeem the 2008 Series B Bonds and defease the 2011 Series A Bonds and 2011 Series B Bonds with available monies of the Board. The Board first intends to redeem the 2008 Series B Bonds, which redemption will trigger the effectiveness of certain amendments to the Bond Resolution, including but not limiting to provisions allowing monies in the Debt Service Reserve Account to be released from the lien of the Bond Resolution and applied to authorized purposes under the Bond Resolution. After redemption of the 2008 Series B Bonds and the resulting release of monies held in the Debt Service Reserve Account, the Board intends to use the monies previously held in the Debt Service Reserve Account for the purpose of

defeating the 2011 Series A Bonds and the 2011 Series B Bonds. Upon redemption of the 2008 Series B Bonds and defeasance of the 2011 Series A Bonds and 2011 Series B Bonds, such 2008 Series B Bonds, 2011 Series A Bonds and 2011 Series B Bonds will no longer be considered Outstanding under the Bond Resolution and will no longer have a lien on the Pledged Funds as described under the Bond Resolution. See "SECURITY FOR THE BONDS" herein for additional information on the Debt Service Reserve Requirement, if any, for the 2021 Series A Bonds and for additional information on other amendments to the Bond Resolution that are effective upon the redemption of the 2008 Series B Bonds.

SOURCES AND USES OF FUNDS

The sources and uses of funds are estimated as follows:

Sources of Funds:

Bond Par Amount.....
 [Net] Reoffering Premium.....
 Total Sources.....

Uses of Funds:

Costs of Issuance.....
 Underwriters' Discount.....
 Deposit to Construction Fund.....
 Total Uses.....

DESCRIPTION OF THE 2021 SERIES A BONDS

Principal Amount, Interest, Maturity and Date

The 2021 Series A Bonds will be issued as fully registered bonds in the aggregate principal amount of \$ _____* and will be initially dated the date of delivery.

Interest on the 2021 Series A Bonds will be payable semiannually on May 15 and November 15 of each year, commencing [November 15, 2021], at the rates set forth on the inside cover page hereof. The 2021 Series A Bonds will mature on the dates set forth on the inside cover page hereof.

Redemption

Optional Redemption

The 2021 Series A Bonds are subject to redemption at the option of the Metropolitan Government, on the direction of the Board, on or after May 15, 20__, in whole or in part at any time at a redemption price of 100% of par plus accrued interest to the redemption date.

* Preliminary, subject to change.

Mandatory Redemption from Sinking Fund Installments

The 2021 Series A Bond maturing May 15, 20__ (the "2021 Series A Term Bond") is subject to mandatory redemption, in part, on each Sinking Fund Installment due date for the 2021 Series A Term Bond, at a redemption price equal to the principal amount thereof from the Sinking Fund Installments specified below. The following shall be the Sinking Fund Installments for the 2021 Series A Term Bond. Such Sinking Fund Installments shall be due on May 15 of each of the years set forth in the following table in the respective amounts set forth opposite such years:

2021 Series A Bond Due May 15, 20__

<u>Year</u>	<u>Principal Amount</u>
-------------	-------------------------

** Maturity

If less than all of the 2021 Series A Bonds are to be so redeemed, the Board may select the maturity or maturities to be redeemed. If less than all of the 2021 Series A Bonds of any maturity are to be redeemed, the particular Bonds of such maturity or portions thereof to be redeemed shall be selected at random by the Fiscal Agent in such manner as the Fiscal Agent in its discretion may deem fair and appropriate. The portion of any Bond of a denomination of more than \$5,000 to be redeemed will be in the principal amount of \$5,000 or an integral multiple thereof, and in selecting portions of such Bonds for redemption, the Fiscal Agent will treat each such Bond as representing that number of Bonds of \$5,000 denomination which is obtained by dividing the principal amount of such Bond by \$5,000.

Notice of Redemption

Notice of the redemption of 2021 Series A Bonds shall be mailed by the Fiscal Agent, postage prepaid, not less than twenty-five days prior to the redemption date, to the registered holders of any 2021 Series A Bonds or portions of 2021 Series A Bonds to be redeemed, at their last addresses appearing upon the registration books of the Metropolitan Government, but failure to give any such notice by mail or any defect in any such notice shall not affect the validity of the proceedings for the redemption of any other 2021 Series A Bonds. Any notice that is mailed in the manner described in the preceding sentence shall be conclusively presumed to have been duly given, whether or not the registered holder receives such notice.

Effect of Redemption

If, on the redemption date, moneys for the redemption of all the 2021 Series A Bonds to be redeemed, together with accrued interest to the redemption date, shall be held by the Paying Agent so as to be available therefore on the redemption date and if notice of redemption shall have been given as described above, the 2021 Series A Bonds or portions of 2021 Series A Bonds so called for redemption shall become due and payable at the applicable Redemption Price plus accrued interest; the interest on such 2021 Series A Bonds or portions of such 2021 Series A Bonds shall cease to accrue; the 2021 Series A Bonds or portions of 2021 Series A Bonds so called for redemption shall cease to be entitled to any benefit or security under the Bond Resolution; and the registered holders of such 2021 Series A Bonds or portions of such 2021 Series A Bonds shall have no rights in respect thereof except to receive payment of the Redemption Price

thereof plus accrued interest and to receive 2021 Series A Bonds for any unredeemed portion of 2021 Series A Bonds.

Transfer and Exchange

When in book-entry form, ownership of 2021 Series A Bonds held by DTC or its nominee, Cede & Co., may be transferred and exchanged in accordance with the rules and procedures of DTC.

When not in book-entry form, the 2021 Series A Bonds shall be transferable only upon the registration books of the Metropolitan Government, which shall be kept for such purpose at the principal corporate trust office of Regions Bank, Nashville, Tennessee (the "Bond Registrar"), by the registered holder thereof or by his attorney duly authorized in writing, upon surrender thereof together with an instrument of assignment duly executed by the registered holder or his duly authorized attorney, in form satisfactory to such Bond Registrar.

The 2021 Series A Bonds, upon surrender to the Bond Registrar, may, at the option of the registered holder thereof, be exchanged for an equal aggregate principal amount of registered 2021 Series A Bonds of any Authorized Denomination or Denominations.

The Metropolitan Government or the Bond Registrar may make a charge for every such exchange or transfer of 2021 Series A Bonds sufficient to reimburse it for any tax, fee or other governmental charge required to be paid, but no other charge shall be made to any registered holder for the privilege of exchanging or transferring 2021 Series A Bonds.

Book-Entry-Only System

DTC will act as securities depository for the 2021 Series A Bonds. The 2021 Series A Bonds will be issued as fully-registered 2021 Series A Bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2021 Series A Bond certificate will be issued for each maturity and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has S&P's rating of AA+.

The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of 2021 Series A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2021 Series A Bonds on DTC's records. The ownership interest of each actual purchaser of 2021 Series A Bonds ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in 2021 Series A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2021 Series A Bonds, except in the event that use of the book-entry system for the 2021 Series A Bonds is discontinued.

To facilitate subsequent transfers, all the 2021 Series A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of 2021 Series A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of 2021 Series A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2021 Series A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. **BENEFICIAL OWNERS SHOULD MAKE APPROPRIATE ARRANGEMENTS WITH THEIR BROKER OR DEALER TO RECEIVE NOTICES (INCLUDING NOTICES OF REDEMPTION) AND OTHER INFORMATION REGARDING 2021 Series A BONDS THAT MAY BE SO CONVEYED TO DIRECT PARTICIPANTS AND INDIRECT PARTICIPANTS.**

Redemption notices shall be sent to DTC. If less than all of the 2021 Series A Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2021 Series A Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Metropolitan Government as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2021 Series A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on 2021 Series A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Metropolitan Government or the Fiscal Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Metropolitan Government or the Fiscal Agent, subject to any statutory or

regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Metropolitan Government or the Fiscal Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to 2021 Series A Bonds at any time by giving reasonable notice to the Metropolitan Government or the Fiscal Agent. Under such circumstances, in the event that a successor depository is not obtained, certificates for the 2021 Series A Bonds are required to be printed and delivered.

The Metropolitan Government may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, certificates for the 2021 Series A Bonds will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Metropolitan Government believes to be reliable. The Metropolitan Government makes no representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

NEITHER THE METROPOLITAN GOVERNMENT, THE BOARD, THE BOND REGISTRAR NOR THE UNDERWRITER (OTHER THAN IN THEIR CAPACITY, IF ANY, AS A DIRECT PARTICIPANT OR AN INDIRECT PARTICIPANT) WILL HAVE ANY OBLIGATION TO THE DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO DTC'S PROCEDURES OR ANY PROCEDURES OR ARRANGEMENTS BETWEEN DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS AND BENEFICIAL OWNERS.

NEITHER THE METROPOLITAN GOVERNMENT NOR THE BOND REGISTRAR WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, BENEFICIAL OWNERS OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS FOR (1) SENDING TRANSACTION STATEMENTS; (2) MAINTAINING, SUPERVISING OR REVIEWING, THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS; (3) PAYMENT OR THE TIMELINESS OF PAYMENT BY DTC TO ANY PARTICIPANT, OR BY ANY PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNER, OF ANY AMOUNT DUE IN RESPECT OF THE PRINCIPAL OF OR INTEREST ON 2021 SERIES A BONDS; (4) DELIVERY OR TIMELY DELIVERY BY DTC TO ANY PARTICIPANT, OR BY ANY PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNERS, OF ANY NOTICE (INCLUDING NOTICE OF REDEMPTION) OR OTHER COMMUNICATION WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO HOLDERS OR OWNERS OF 2021 Series A BONDS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF 2021 Series A BONDS; OR (6) ANY ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF 2021 SERIES A BONDS.

SECURITY FOR THE BONDS

Pledge Under the Bond Resolution

The 2021 Series A Bonds constitute Bonds as defined in the Bond Resolution. All Bonds are limited obligations of the Metropolitan Government payable solely from and secured as to the payment of the principal and Redemption Price thereof and interest thereon, in accordance with their terms and the

terms of the Bond Resolution, solely by a pledge of the Pledged Funds on a parity and equality of lien with respect to such Pledged Funds with Parity Debt Obligations which can include certain Credit/Liquidity Facility Obligations, in addition to Additional Bonds. Pledged Funds are defined in the Bond Resolution to be the Net Revenues of the Electric System and the moneys and Investment Securities held in all funds and accounts established under the Bond Resolution (other than the Rate Stabilization Account), and subject to application as provided in the Bond Resolution. See "Appendix D – SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION".

The 2021 Series A Bonds are not general obligations of the Metropolitan Government, and no holder of the 2021 Series A Bonds shall ever have the right to compel the Metropolitan Government to exercise its taxing power to pay the principal or Redemption Price of or interest on the 2021 Series A Bonds.

Debt Service Fund

The Bond Resolution creates various funds and accounts, including the Debt Service Fund, which is held by the Fiscal Agent, and consists of the Debt Service Account and the Debt Service Reserve Account. All Revenues of the Electric System are deposited as received into the Revenue Fund, then monthly to the Operating Fund to provide for the next month's Operating Expenses, and then to the Debt Service Fund. See, Appendix D – SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION – Establishment of Funds and Accounts – Application of Revenues”.

Debt Service Account

On or before each principal and interest payment date, the Fiscal Agent pays the Paying Agents all amounts required to pay debt service coming due on the Parity Debt Obligations and any Additional Bonds. See, Appendix D – SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION – Application of Revenues – Debt Service Account”.

Debt Service Reserve Account

The Bond Resolution requires the Metropolitan Government to accumulate and maintain in the Debt Service Reserve Account an amount equal to the Debt Service Reserve Requirement. Amounts in the Debt Service Reserve Account are to be applied to make up any deficiencies in the Debt Service Account. In the event that there shall be any Debt Service Reserve Account Deficiency, the Debt Service Reserve Account is required to be restored from the General Reserve Fund, the Reserve Contingency Fund and the Subordinated Debt Fund, in that order. Amounts in the Debt Service Reserve Account in excess of the Debt Service Reserve Requirement (after taking into account any surety bond, insurance policy or letter of credit deposited therein pursuant to the Bond Resolution) shall be deposited in the Revenue Fund.

The Metropolitan Government adopted a supplemental resolution on October 18, 2011 providing for certain amendments to the Bond Resolution (each a "Resolution Amendment") that will become effective upon the redemption of the 2008 Series B Bonds. As provided herein, the Board intends to redeem the 2008 Series B Bonds prior to the delivery of the 2021 Series A Bonds. Upon redemption of the 2008 Series B Bonds as provided herein and in accordance with a Resolution Amendment, (i) the Debt Service Reserve Requirement, if any, may be established separately for each Series of Bonds and (ii) the Board intends to release the monies on deposit in the Debt Service Reserve Account from the lien of the Bond Resolution and apply such monies to the defeasance of the 2011 Series A Bonds and the 2011 Series B Bonds.

Upon effectiveness of said Resolution Amendment, the Debt Service Reserve Requirement applicable to the 2021 Series A Bonds will be as follows:

(1) So long as the Net Revenues for each fiscal year equal or exceed one hundred fifty percent (150%) of the Aggregate Debt Service for each such fiscal year, the Debt Service Reserve Requirement for the 2021 Series A Bonds shall be zero.

(2) If for any fiscal year the Net Revenues are less than one hundred fifty percent (150%) of the Aggregate Debt Service for such fiscal year, the Debt Service Reserve Requirement for the 2021 Series A Bonds shall be an amount equal to:

- (i) Ten percent (10%) of the greatest amount of Aggregate Debt Service for the 2021 Series A Bonds for any fiscal year if the Net Revenues for the previous fiscal year were less than one hundred fifty percent (150%), but were greater than or equal to one hundred forty percent (140%), of the Aggregate Debt Service for the previous fiscal year;
- (ii) Twenty percent (20%) of the greatest amount of Aggregate Debt Service for the 2021 Series A Bonds for any fiscal year if the Net Revenues for the previous fiscal year were less than one hundred forty percent (140%), but greater than one hundred thirty percent (130%), of the Aggregate Debt Service for the previous fiscal year;
- (iii) Thirty percent (30%) of the greatest amount of Aggregate Debt Service for the 2021 Series A Bonds for any fiscal year if the Net Revenues for the previous fiscal year were less than one hundred thirty percent (130%), but greater than or equal to one hundred twenty percent (120%), of the Aggregate Debt Service for the previous fiscal year;
- (iv) Forty percent (40%) of the greatest amount of Aggregate Debt Service for the 2021 Series A Bonds for any fiscal year if the Net Revenues for the previous fiscal year were less than one hundred twenty percent (120%), but greater than or equal to one hundred ten percent (110%), of the Aggregate Debt Service for the previous fiscal year; and
- (v) Fifty percent (50%) of the greatest amount of Aggregate Debt Service for the 2021 Series A Bonds for any fiscal year if the Net Revenues for the previous fiscal year were less than one hundred ten percent (110%) of the Aggregate Debt Service for the previous fiscal year.

Upon the issuance of the 2021 Series A Bonds, the Board anticipates that the Debt Service Reserve Requirement for the 2021 Series A Bonds will be zero. If for any fiscal year the Net Revenues are less than one hundred fifty percent (150%) of the Aggregate Debt Service for such fiscal year, the Debt Service Reserve Requirement for the 2021 Series A Bonds will be adjusted as provided above. See "Appendix D – SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION – Definitions" and "– Debt Service Reserve Account."

Rate Covenant

The Bond Resolution provides that the Board shall at all times establish and collect rates, fees and charges for the use or the sale of the output, capacity or service of the Electric System as shall be required in order that in each fiscal year the Net Revenues, together with other available Revenues plus the amount of any transfers from the Rate Stabilization Account to the Operating Fund during such fiscal year minus the amounts, if any, required by the Bond Resolution to be deposited from Net Revenues into the Debt Service Reserve Account, the Subordinated Debt Fund, the Reserve and Contingency Fund and the General Account during such fiscal year shall equal at least (i) the Aggregate Debt Service on the Bonds for such fiscal year, (ii) the Debt Service, if any, on any Credit/Liquidity Facility Obligations for such fiscal year, and (iii) the deposits made into the Rate Stabilization Account during such fiscal year, and in any event, as

shall be required, together with other available funds, to pay or discharge all other indebtedness, charges or liens whatsoever payable out of the Revenues under the Bond Resolution. Promptly upon any material change in the circumstances which were contemplated at the time such rates, fees and charges were most recently reviewed, but not less frequently than once in each fiscal year, the Board shall review the rates, fees and charges so established and shall promptly revise such rates, fees and charges as necessary to comply with the foregoing requirements, provided that such rates, fees and charges shall in any event produce moneys sufficient to enable the Metropolitan Government and the Board to comply with all their covenants under the Bond Resolution.

The Act requires the Metropolitan Government to prescribe and collect reasonable rates, fees or charges for the services, facilities and commodities of the Electric System, and revise such rates, fees or charges from time to time whenever necessary so that the Electric System shall be and always remain self-supporting. The rates, fees and charges prescribed shall be such as will produce revenue at least sufficient (a) to pay when due all Bonds and interest thereon, for the payment of which the Revenues of the Electric System is or shall have been pledged, charged or otherwise encumbered, including reserves therefor, and (b) to provide for all expenses of operation and maintenance of the Electric System, including reserves therefor.

Pursuant to the Metropolitan Charter, the Metropolitan Government has vested in the Board exclusive authority to prescribe and collect rates and charges for the Electric System obligations or indebtedness.

Upon the redemption of the 2008 Series B Bonds, a Resolution Amendment shall amend the Bond Resolution to provide that failure to comply with the rate covenant set forth in the Bond Resolution shall not constitute an Event of Default so long as the Board (i) shall, no later than sixty (60) days after discovering such non-compliance and in all events no later than sixty (60) days after receipt by the Board of audited financial statements for a particular fiscal year which show such non-compliance, retain the Consulting Engineer or another independent consultant or firm of consultants having a favorable reputation for skill and experience in the field of reviewing and recommending rates, fees and charges for electric systems (a “Qualified Independent Consultant”), for the purpose of reviewing the Electric System fees, rates, rents, charges and surcharges, (ii) shall either (A) implement the recommendations of such Qualified Independent Consultant with respect to fees, rates, rents, charges and surcharges for the Electric System necessary to comply with the rate covenant, or, (B) if the Qualified Independent Consultant shall be of the opinion that it would be impracticable at the time to charge such fees, rates, rents, charges and surcharges as would provide funds sufficient to comply with the rate covenant, impose such schedule of fees, rates, rents, charges and surcharges as in the opinion of such Qualified Independent Consultant will allow the Board to, as nearly as then practicable, comply with such rate covenant, and (iii) in any event shall be in compliance with such rate covenant no later than the end of the second fiscal year following the fiscal year in which such noncompliance requiring the engagement of the Qualified Independent Consultant occurred. As provided herein, it is anticipated that the 2008 Series B Bonds will be redeemed and, thus, the Resolution Amendments will be effective, prior to the date of the 2021 Series A Bonds. See “Appendix D – SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION – Amendment”.

Additional Bonds

Under the Bond Resolution, the Metropolitan Government may issue Bonds (“Additional Bonds”) in addition to the 2021 Series A Bonds and, to the extent Outstanding, the 2008 Series B Bonds, the 2011 Series A, the 2011 Series B Bonds, the 2013 Series A Bonds, the 2014 Series A Bonds, the 2015 Series A Bonds, the 2017 Series A Bonds and the 2017 Series B Bonds and ranking on a parity therewith as to security and payment for the purpose of paying all or a portion of the Cost of Acquisition and Construction of any part of the Electric System or for any other lawful purpose of the Board in connection with the Electric System. Neither the Metropolitan Government nor the Board shall issue or cause to be issued any

Additional Bonds unless an authorized representative of the Board (the “Authorized Board Representative”), files with the Fiscal Agent either (i) a certificate stating that the amount of Net Revenues during any twelve (12) consecutive months selected by the Board of the eighteen (18) months immediately preceding the issuance of said Additional Bonds were not less than one hundred twenty-five percent (125%) of the greatest amount of debt service scheduled to occur in any future fiscal year, with such debt service to be calculated to be the sum of (A) Adjusted Aggregate Debt Service in any future fiscal year on the then Outstanding Bonds and the Additional Bonds then proposed to be issued and (B) the debt service, if any, in any future fiscal year on any Credit/Liquidity Facility Obligations; provided, that, in the event that any adjustment in the rates, fees and charges collected by the Board for the services of the Electric System shall be effective at any time on or prior to the date of authentication and delivery of the Bonds then proposed to be issued, the Authorized Board Representative shall reflect in his certificate the Net Revenues he estimates would have been collected in such twelve month period if such new rates, fees and charges had been in effect for the entire twelve month period, or (ii) a certificate of a consulting engineer (the “Consulting Engineer”) stating that the Net Revenues for each of the full fiscal years in the period specified in the next sentence, as such Net Revenues are estimated by the Consulting Engineer in accordance with the Bond Resolution, shall be at least equal to one hundred forty percent (140%) of the sum of (A) the Adjusted Aggregate Debt Service and (B) the debt service, if any, on any Credit/Liquidity Facility Obligations for each such fiscal year, as estimated by the Consulting Engineer in accordance with the Bond Resolution. The period to be covered by such certificate of the Consulting Engineer shall be the period beginning with the fiscal year in which the series of Additional Bonds is authenticated and delivered and ending with the later of (a) the fifth full fiscal year after such date of authentication and delivery or (b) the first full fiscal year in which less than 10% of the interest coming due on Bonds estimated by the Consulting Engineer to be Outstanding is to be paid from deposits made from Bond proceeds in the Debt Service Account in the Debt Service Fund.

Under the Bond Resolution, the Metropolitan Government may issue bonds (“Refunding Bonds”) for the purpose of refunding: (i) any Outstanding Bonds; (ii) any subordinate debt; and (iii) any Credit/Liquidity Facility Obligations. Refunding Bonds issued to refund any Outstanding Bonds may be issued without complying with any earnings test whatsoever. Refunding Bonds issued for any other purpose shall comply with the earnings test described in the immediately preceding paragraph.

Upon the redemption of the 2008 Series B Bonds, Resolution Amendments shall amend the Bond Resolution to modify the ratio of historical Net Revenues to Debt Service necessary for the issuance of Additional Bonds from 125% to 110% and modify the ratio of projected Net Revenues to Debt Service necessary for the issuance of Additional Bonds from 140% to 110%. As provided herein, it is anticipated that the Resolution Amendments will be effective prior to the date of the 2021 Series A Bonds. See “Appendix D- SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION – Amendment.”

For a more extensive discussion of the terms and provisions of the Bond Resolution, the levels at which the funds and accounts established thereby are to be maintained and the purposes to which moneys in such funds and accounts may be applied, see “Appendix D- SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION.”

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PARITY DEBT OBLIGATIONS

As of _____, 2021

The following are the projected debt service requirements for Bonds payable from Net Revenues of the Electric System following the issuance of the 2021 Series A Bonds and including the redemption of the 2008 Series B Bonds and defeasance of the 2011 Series A Bonds and 2011 Series B Bonds.*

Year Ending 15- May	<u>Outstanding Debt Service</u>			<u>Plus Debt Service on 2021 Series A Bonds</u>			<u>Less Debt Service on 2008/2011 Bonds</u>			<u>Total Outstanding Debt Service</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$37,690,000	\$24,705,513	\$62,395,513				\$18,175,000	\$3,879,950	\$22,054,950			
2022	38,995,000	22,835,888	61,830,888				6,890,000	2,986,075	9,876,075			
2023	40,920,000	20,910,963	61,830,963				7,210,000	2,666,400	9,876,400			
2024	31,965,000	18,880,150	50,845,150				6,525,000	2,321,087	8,846,087			
2025	33,240,000	17,281,900	50,521,900				3,750,000	1,994,837	5,744,837			
2026	34,750,000	15,764,187	50,514,187				4,855,000	1,807,337	6,662,337			
2027	28,585,000	14,179,362	42,764,362				0	1,589,612	1,589,612			
2028	30,010,000	12,750,112	42,760,112				0	1,589,612	1,589,612			
2029	31,510,000	11,249,612	42,759,612				0	1,589,612	1,589,612			
2030	18,655,000	9,674,112	28,329,112				0	1,589,612	1,589,612			
2031	19,580,000	8,741,362	28,321,362				2,010,000	1,589,612	3,599,612			
2032	21,340,000	7,790,000	29,130,000				5,490,000	1,516,750	7,006,750			
2033	22,410,000	6,723,000	29,133,000				5,765,000	1,242,250	7,007,250			
2034	16,695,000	5,602,500	22,297,500				6,050,000	954,000	7,004,000			
2035	17,530,000	4,767,750	22,297,750				6,355,000	651,500	7,006,500			
2036	18,410,000	3,891,256	22,301,256				6,675,000	333,756	7,008,756			
2037	12,325,000	2,970,750	15,295,750				0	0	0			
2038	12,935,000	2,354,500	15,289,500				0	0	0			
2039	13,585,000	1,707,750	15,292,750				0	0	0			
2040	6,525,000	1,028,500	7,553,500				0	0	0			
2041	6,850,000	702,250	7,552,250				0	0	0			
2042	7,195,000	359,750	7,554,750				0	0	0			
2043	0	0	0				0	0	0			
2044	0	0	0				0	0	0			
2045	0	0	0				0	0	0			
2046	0	0	0				0	0	0			
Total	<u>\$501,700,000</u>	<u>\$214,871,167</u>	<u>\$716,571,167</u>	-	-	-	<u>\$79,750,000</u>	<u>\$28,302,002</u>	<u>\$108,052,002</u>	-	-	-

* Numbers may not total correctly due to rounding.

CONSTRUCTION AND FINANCING PROGRAM

Construction Program

The Board's construction program for the fiscal years ending June 30, 2021 through June 30, 2025 consists of capital improvements and construction of the transmission and distribution facilities described herein under "THE ELECTRIC SYSTEM." The estimated construction costs to be incurred by the Board in each of the fiscal years 2021 through 2025 and additional information on certain improvements are set forth herein under "THE ELECTRIC SYSTEM – Capital Improvement Plan." The Board believes that these cost estimates contain sufficient allowances for inflation, cost escalation and other possible increases. However, for a number of reasons, including unforeseen inflation, compliance with governmental procedures and regulations and changes in the Board's plan, actual costs may vary from the construction program estimates.

Financing Program

Under the Board's current financing plans, the estimated construction costs shown in "THE ELECTRIC SYSTEM – Capital Improvement Plan" would be funded with proceeds from internally generated funds and from the proceeds of the 2021 Series A Bonds.

In the opinion of management of the Board, the monies described above will be sufficient to complete the financing of the Board's construction program through fiscal year 2023, including the construction costs summarized above, interest during construction and provisions for reserves, bond discount and other financing expenses. The Board anticipates issuing one or more additional Series of Bonds in 2024 to finance future capital needs.

In addition to the debt obligations described above, the Metropolitan Government, acting by and through the Board, has established a \$25 million non-revolving line of credit attached to its banking contract (the "2021 Line of Credit") with Pinnacle Bank for the purchase of electric power in case of a natural disaster. The 2021 Line of Credit became effective January 1, 2021 and expires on December 31, 2021. There have currently been no borrowings under the 2021 Line of Credit. Any borrowings under the 2021 Line of Credit will bear interest at a variable rate and will be secured by net revenues of the Electric System, subject to the prior pledge of said revenues in favor of the Bonds. In the event of a default in the terms of the 2021 Line of Credit, Pinnacle Bank has the option to accelerate payment of all amounts due under the 2021 Line of Credit. The Metropolitan Government, acting by and through the Board, intends to renew the 2021 Line of Credit upon its expiration. The Metropolitan Government, acting by and through the Board, has established similar lines of credit with one or more banks since fiscal year 2015 for the emergency purchase of power, and there were no borrowings in those prior fiscal years.

THE ELECTRIC POWER BOARD

Organization and History

The Board was established in 1939 as a separate administrative agency of the City of Nashville pursuant to Chapter 262 of the Private Acts of the Legislature of Tennessee for 1939 (amended by chapter 246 of the Private Acts of 1947 and is now Appendix III of the Charter of the Metropolitan Government) to exercise control and jurisdiction over the Electric System. In 1963, the Metropolitan Government was created, consolidating the governments of the City of Nashville and Davidson County. The provisions of the Charter of the City of Nashville relating to the Board were incorporated into the Metropolitan Charter, which took effect on April 1, 1963. In conducting the operations of the Electric System, the Board does business as Nashville Electric Service ("NES"). The principal objective of the Board is to deliver electric

power to the homes, businesses, and industries of the service area at the lowest possible cost while maintaining an efficient electrical distribution system with a strong financial base.

The Board is composed of five members appointed by the Metropolitan Mayor (the "Mayor") and confirmed by the Metropolitan Council (the "Council"). Members of the Board serve staggered five-year terms without pay with the Chairman and Vice Chairman elected for one-year terms by the Board. Pursuant to the Metropolitan Charter, the Board appoints the President and Chief Executive Officer and certain assistants. The President and Chief Executive Officer is responsible for the day-to-day operation of the Electric System, including the hiring of employees. Except for the appointment of Board members and approval of bond issues, neither the Mayor nor the Council, nor any other board, officer, or agency of the Metropolitan Government, has any control over the operation or management of the Electric System or the Board.

NES has no generating capacity and purchases all of its power from the Tennessee Valley Authority ("TVA") pursuant to a Power Contract dated December 19, 1977 (the "Power Contract"). The Power Contract had an initial term of 20 years, but beginning on December 19, 1987, and on each subsequent anniversary thereof, the contract has been and is automatically extended for additional one-year renewal terms beyond its then existing time of expiration. Prior to August 28, 2019, the Power Contract had been subject to earlier termination by either party on not less than ten (10) years' written notice. Effective August 28, 2019, a Long-Term Partnership Agreement with TVA (the "Long-Term Partnership Agreement") extended the termination notice period to twenty (20) years, provided, however, that if certain provisions regarding wholesale rate stability are not met by TVA, the termination notice period could revert back to ten (10) years. In exchange for an extended termination notice period, TVA reduced certain non-fuel wholesale rates by 3.1% and committed to collaborating on distribution power solutions. See "THE ELECTRIC SYSTEM" herein.

The Board maintains the funds, accounts, and records relating to the Electric System separate and distinct from all other funds of the Metropolitan Government.

Board Members

Ms. Carolyn W. Schott, *Chair*, has been a member of the Board since 2015. Ms. Schott is a tax attorney with Sherrard, Roe, Voigt & Harbison, PLC. She is licensed as an attorney in Tennessee and Michigan and a member of the American, Tennessee and Nashville Bar Associations. She advises businesses and individuals in federal and state tax planning, strategy and controversy, estate planning, probate and trust litigation, and state and local tax administrative proceedings and appeals. Her experience includes counsel to companies in the transportation, communications and energy industries before state revenue agencies and local tax assessors. In addition, she regularly counsels nonprofit entities and tax-exempt organizations, including public charities, private foundations, trade and professional associations, and religious and educational organizations on business planning, regulatory compliance, and tax exemption qualification at both federal and state levels. Her current term on the Board expires in 2021.

Ms. Irma Paz-Bernstein, *Vice Chair*, has been a member of the Board since 2013. She is co-owner of Las Paletas, which produces gourmet frozen treats similar to an ice pop. She is a native of Guadalajara, Mexico and graduated from the UNIVA in Guadalajara, Mexico in 1992 and then continued her studies at the University of California – Los Angeles, where she started her professional life as a television producer. She started her career as an entrepreneur in Nashville, opening Las Paletas 15 years ago. Her current term on the Board expires in 2022.

Mr. Clinton Gray, *Board Member*, has been a member of the Board since 2019. He owns GT Services, a warehousing, logistics, transportation and staffing company, as well as Soon LLC, a hospitality

company that owns and operates several restaurants, bars and event spaces around the country, including notably Slim + Husky's Pizza Beeria. A Nashville native, Mr. Gray obtained both his Bachelor's degree and Master's degree in Business Administration from Tennessee State University. An avid volunteer, he often donates both his time and resources to local communities. His current term on the Board expires in 2024.

Mr. Robert McCabe, *Board Member*, has been a member of the Board since 2009. He serves as Chairman of Pinnacle Financial Partners and is currently the Audit Committee Chair of National Health Investors. His numerous civic involvement activities include serving on the Nashville Chamber of Commerce Board, Partnership 2020, Nashville Downtown Partnership, Boy Scouts of America, Cheekwood, and many others. He is past Vice-Chairman of the Board and past Board Chair of Ensworth School and The Nashville Symphony. His current term on the Board expires in 2023.

Mr. Michael Vandenberg, *Board Member*, has been a member of the Board since 2020. He is the David Daniels Allen Distinguished Chair of Law at Vanderbilt University Law School, Director of the Climate Change Research Network, and Co-Director of the Energy, Environment and Land Use Program. An award-winning teacher and author, Mr. Vandenberg has written numerous publications on private environmental governance and household energy use. His book with physicist Jonathan Gilligan, *BEYOND POLITICS: THE PRIVATE GOVERNANCE RESPONSE TO CLIMATE CHANGE*, was identified in the *ENVIRONMENTAL FORUM* as one of the top environmental law and policy books of the last 50 years. Prior to joining the Vanderbilt faculty, Mr. Vandenberg was a partner at Latham & Watkins in Washington, D.C. and served as Chief of Staff of the Environmental Protection Agency from 1993-95. He is a member of the Board on Environmental Change and Society of the National Academies of Science, Engineering and Medicine and of the American College of Environmental Lawyers. His current term on the Board ends in 2025.

Management

Mr. Decosta E. Jenkins, CPA, *President and Chief Executive Officer*, has served as President and Chief Executive Officer since 2004. Prior to his promotion, he was the Senior Vice President and Chief Financial Officer and Secretary/Treasurer to the Board. He has been with NES since July 1991. Before joining NES, Mr. Jenkins worked for 11 years with Deloitte & Touche LLP, a national accounting and consulting firm, where he worked in the audit department with both public and private entities. During his time at Deloitte, he assisted companies in accounting and auditing matters, mergers and acquisitions, and filings with the Securities and Exchange Commission including two initial public offerings. He is a graduate of the University of Tennessee with a Bachelor of Science in Accounting and is a member of the American Institute of Certified Public Accountants. He also has an Associates of Science Degree in Electrical Engineering Technology from Penn Foster College.

Mr. Jenkins serves on the board of Truxton Trust Corporation and is Chairman of the Audit and Ethics Committee and serves on the Credit Committee for the company. He also serves on the University of Tennessee Board of Trustees and the Audit and Compliance Committee of the Board of Trustees. His community involvement includes serving on the boards of the Community Foundation of Middle Tennessee, Seven States Power Corporation, The Nashville Chamber of Commerce, and the YMCA Middle Tennessee. He is a past Chairman of the Board of the American Public Power Association ("APPA"). He also continues to serve on a number of local, regional and national committees addressing civic, energy and climate issues and is a member of the APPA CEO Climate Change and Generation Policy Task Force and the Tennessee Valley Authority's Customer Planning Council. He was also recently appointed by the Mayor of the Metropolitan Government to the Livable Nashville Committee.

Ms. Teresa Broyles-Aplin, CPA, Executive Vice President and Chief Financial Officer, has been with NES since 2006. Her responsibilities include financial reporting, budgeting, supply chain management, fleet, customer service, information technology, and the pension administration. Ms. Broyles-Aplin also serves as the Secretary/Treasurer of the Electric Power Board. Prior to joining NES, Ms. Broyles-Aplin spent approximately 9 years in public accounting with most of that time in the assurance and advisory practice of Deloitte & Touche LLP. While working at Deloitte, she served as the lead manager on the NES audit. Ms. Broyles-Aplin provided consultation services in connection with bond offerings and pension accounting for Metropolitan Nashville Airport Authority, Metropolitan Government of Nashville and Davidson County, and Nashville Electric Service. She has also led the internal audit departments of two publicly-traded companies.

Ms. Broyles-Aplin graduated from Belmont University with a Master of Accountancy and from Austin Peay State University with a Bachelor of Business Administration. She has acted as a subject-matter expert and guest speaker for educational seminars on the topic of Sarbanes-Oxley compliance and risk management. She has also served on the Board of Directors, the Executive Committee, and as the chair of the Finance and Audit Committee for the Nashville Area Chamber of Commerce. Ms. Broyles-Aplin has been awarded the Belmont Massey Graduate School Distinguished Graduate Award and the Chief Financial Officer of the Year award by the *Nashville Business Journal*.

Ms. Laura Smith, Esq., Vice President – General Counsel, joined NES in July 1993. She has held several positions in the Legal and Corporate Affairs departments and today oversees all internal and external legal matters, governmental relations, community involvement, and strategic and business continuity planning for NES. Ms. Smith graduated from the University of Florida with a B.A. in Political Science and received her J.D. from the University of Florida College of Law. She has served on the Board of Directors for the Nashville Bar Association and has been named a Fellow of both the Nashville Bar Foundation and the Tennessee Bar Foundation. She is a past president of the Nashville Bar Association.

Active in community endeavors, Ms. Smith has served as president or chair of The Women's Fund of the Community Foundation of Middle Tennessee, FiftyForward, CABLE, Big Brothers of Nashville, WIN, Girl Scouts of Middle Tennessee and the Nashville Women's Political Caucus. She currently serves on the boards of the Center for Nonprofit Management and the Women's Political Collaborative of Tennessee.

Only the Chair, Vice-Chair, and Board members, as designated above, have a vote on matters before the Board.

THE ELECTRIC SYSTEM

The Electric System was established in 1939 through the purchase of certain properties of the Tennessee Electric Power Company by the city of Nashville. Pursuant to the Metropolitan Charter, the Electric System is owned by the Metropolitan Government and operated by the Board.

Service Area

According to the 2018 Public Power Statistical Report, a periodic publication of the APPA, NES is the ninth largest public electric utility in America based on electric revenues and the largest public electric utility in America based on customers served. In addition, NES is the seventeenth largest public electric utility in America based on megawatt-hour sales. The service area of the Electric System covers approximately 700 square miles and includes Davidson County and small portions of the adjacent counties of Cheatham, Rutherford, Robertson, Sumner, Wilson and Williamson Counties. The major portions of the

adjacent counties listed above are served by cooperative utilities. On June 30, 2020, the Board served approximately 416,000 customers – 374,000 residential and the remaining being commercial, industrial and municipal customers. In fiscal year 2020, residential customers accounted for 41.6 percent of kilowatt-hour sales and 45.4 percent of total operating revenue. Commercial, industrial and municipal customers accounted for 57.3 percent of kilowatt-hour sales and 52.9 percent of total operating revenue for fiscal year 2020. Street and highway lighting accounted for the remainder of kilowatt-hour sales and 1.7 percent of total operating revenue for fiscal year 2020. Miscellaneous revenues and pole attachment sales accounted for the remainder of total operating revenue for this period. On October 31, 2020, the Board served approximately 418,000 customers – 375,000 residential with the remaining being commercial, industrial and municipal customers. For the four months ended October 31, 2020, residential customers accounted for approximately 42.0 percent of kilowatt-hour sales and 45.4 percent of total operating revenue. During this same period, commercial, industrial and municipal customers accounted for 57.0 percent of kilowatt-hour sales and 51.5 percent of total operating revenue. Street and highway lighting accounted for the remainder of kilowatt-hour sales and 1.6 percent of total operating revenue for this period. Miscellaneous revenue accounted for the remainder of total operating revenue.

Source of Electric Power

As previously noted, NES has no generating capacity and purchases all of its power from TVA, an agency of the United States Government established in 1933 to develop the resources of the Tennessee Valley. TVA provides electric power to most of Tennessee, northern Alabama, northeastern Mississippi, and southwestern Kentucky. It also supplies power to small areas of Georgia, North Carolina and Virginia. TVA is the nation's largest public power company, providing power to approximately 10 million residents. TVA also maintains a navigable channel for the Tennessee River, performs flood control on the same river along with assistance to flood control on two other rivers, develops and introduces improved soil fertilizers, and encourages agricultural and industrial development and better forestry in the region. TVA's operations fall into two classes: power and non-power. Most of its revenues and assets are provided by the power program. TVA is a self-supporting entity.

The Power Contract provides that the Board may sell power to all customers in its service area, except federal installations having contract demands greater than 5,000 kW and large customers as determined by a calculation outlined in TVA's Industrial Service Policy whom TVA may serve directly. At the present time, TVA does not directly serve any customer located within the service area of the Electric System.

The Power Contract contains provisions that establish the wholesale rates, retail rates and terms and conditions under which power is to be purchased by TVA and distributed to the customers of NES. Under the Power Contract, TVA, on a monthly basis, may determine and make adjustments in the wholesale rate schedule with corresponding adjustments in retail rate schedules necessary to enable TVA to meet all requirements of the Tennessee Valley Authority Act of 1933, as amended (the "TVA Act"), and the tests and provisions of TVA's bond resolutions.

The Electric System receives its power from TVA at 27 delivery points. The total rated capacity for these 27 delivery points is 6,203 megavolt amperes, providing a substantial margin over the Electric System's highest demand of 2,712 megawatts on August 9, 2007.

TVA generates much of the electrical power and energy distributed to its distributors, including NES, but also purchases some of its electrical power and energy from third parties. The TVA system includes nuclear plants, fossil plants, hydroelectric plants, combustion-turbine plants, solar sites, a wind-energy site, and a methane gas facility. TVA transmits the electrical power and energy over its transmission system and sells such power and energy at wholesale rates to its distributors, of which NES is one. TVA

also directly serves a limited number of large customers and federal installations. The power sold to the Board is not supplied by one specific generating facility but from the entire TVA system.

The Power Contract provides that TVA shall make every reasonable effort to increase the generating capacity of its system and to provide the transmission facilities required to deliver output thereof so as to be in a position to supply additional power when and to the extent needed by the Board. Neither TVA nor the Board is liable for breach of contract if the availability or use of power is interrupted or curtailed or either is prevented from performing under the Power Contract by circumstances reasonably beyond their control. The amount of power supplied by TVA and the contractual obligation to supply such power are limited by the capacity of TVA's generating and transmission facilities and the availability of power purchased from other generating facilities. The cost and availability of power to the Board may be affected by, among other things, factors relating to TVA's nuclear program, fuel supply, environmental considerations such as stricter emissions standards and future legislation regulating the use of fossil fuel, changes in TVA's wholesale rate design, the construction and financing of future generating and transmission facilities, weather conditions and other factors relating to TVA's ability to supply the power demands of its customers, including NES. NES cannot determine with any precision its future cost of wholesale power purchased from TVA, and the Board's wholesale power costs could be impacted by any combination of the above or other factors.

For more information concerning TVA, its generation capacity and its financial condition, including some of those factors discussed above, see the annual, quarterly and current reports filed by TVA with the Securities and Exchange Commission ("SEC"). Annual financial information about TVA can be found in TVA's Annual Report filed on Form 10-K. Interim financial information can be found in TVA's Quarterly Reports filed on Form 10-Q. Additional information may be found from time to time on TVA's Current Reports filed on Form 8-K. You may read and copy any of these documents at the SEC's public reference room in Washington, D.C. Please call the SEC at 1-800-SEC-0330 for further information about the public reference room. In addition, TVA's SEC filings are available to the public from the SEC's website at www.sec.gov and from TVA's website at www.tva.gov. **Information contained in these reports and on TVA's website shall not be deemed to be incorporated into, or to be a part of, this Official Statement.**

Electric Rates

The Power Contract establishes the retail rates that NES and other distributors charge the ultimate power consumers. These rates are revised from time to time to reflect changes in costs, including changes in the wholesale cost of power and distribution costs. While the wholesale rates are uniformly applicable to all distributors of TVA power under the present power contracts with distributors such as NES, the retail rates will vary among distributors of TVA power depending upon the respective distributor's retail customer distribution costs. The rates of TVA for the sale of electric power in the TVA region and its contracts with distributors, including NES, are structured with the intent to achieve the TVA Act's objective of the distributors of TVA power, including NES, to operate the respective distribution systems on a nonprofit basis and to provide a wide and ample supply of power at the lowest feasible rates.

The Power Contract provides that NES will use its gross revenues from its electric operations to pay for, in the following order, (1) current operating expenses; (2) current payment of interest and debt, including sinking fund payments, when due; (3) reasonable reserves for renewals, replacements, contingencies, and working capital; and (4) payments-in-lieu-of-taxes. Any revenues remaining over and above the preceding requirements are considered to be surplus, under the terms of the Power Contract, and may be used for Electric System construction or retirement of Electric System indebtedness before maturity. Within certain parameters of discretion concerning various factors affecting the earnings of NES and its future financial needs, rates and charges are to be reduced to practicable levels.

NES's retail rates are subject to TVA's review and approval under the provisions, terms and conditions of the Power Contract. The Power Contract provides for revisions to the retail rates that may be charged by NES when necessary to permit NES to operate on a self-supporting and financially sound basis. NES is not aware of any pending legislation that would propose to make its retail electric rates subject to regulation by any third party or agency other than TVA. The Power Contract further provides that if the retail rates set forth therein do not provide sufficient revenues for the operation and maintenance of the Electric System on a self-supporting, financially-sound basis, including debt service, TVA and NES shall agree to changes in rates to provide increased revenues. Similarly, if the rates and charges produce excess revenues, the Power Contract provides that the parties will agree to appropriate reductions. Since the date of the Power Contract, the wholesale and retail rates have been adjusted from time to time.

Effective October 2016, TVA approved a 2.6% adjustment to wholesale base power rates. This wholesale base rate adjustment resulted in an increase to NES retail rates by approximately \$13.8 million or 1.5% to recover the increased cost of purchased power. Effective October 2017, TVA adjusted wholesale base power rates by 2.4%. In conjunction with the TVA rate increase, the Board raised retail rates by 3.0%, which resulted in increased annual revenues of approximately \$54.1 million. Effective October 2018, TVA approved a 2.4% adjustment to wholesale base power rates, which resulted in an increase to NES retail rates of 1.5% or approximately \$17.8 million. Effective September 2019, TVA approved a 3.1% decrease to wholesale base power rates, and NES retail rates remained constant. Effective October 2020, TVA decreased wholesale base power rates by 2.5% which resulted in a decrease to NES retail rates of 1.0% or approximately \$10.5 million. The following table summarizes TVA's and NES's wholesale and retail rate adjustments since 2016.

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TVA/NES Historical Rate Increase/Decrease

Month	NES Retail Increase	TVA Retail Impact Increase (Decrease)	TVA Wholesale Increase (Decrease)
October 2016	0.0%	1.5%	2.6%
October 2017	3.0%	1.5%	2.4%
October 2018	0.0%	1.5%	2.4%
September 2019	0.0%	0.0%	(3.1%) ⁽¹⁾
October 2020	0.0%	(1.0%) ⁽²⁾	(2.5%) ⁽²⁾

- (1) Rate was reduced as part of the Long-Term Partnership Agreement with TVA. See "THE ELECTRIC POWER BOARD – Organization and History" herein for more information on the Long-Term Partnership Agreement.
- (2) Rate was reduced as part of COVID-19 relief. See "COVID-19 AND OTHER EVENTS" herein for more information regarding the impact of COVID-19 to rates and the Pandemic Relief Program.

Source: Nashville Electric Service.

Effective April 2011, TVA implemented a seasonal Time-of-Use (TOU) wholesale rate structure. With the TOU rate structure, TVA provides distributors with a monthly wholesale power cost invoice, calculated by applying the respective rates detailed below to usage measured at TVA's wholesale metering points. All usage measured from the 65 separate wholesale metering points are combined by TVA and billed as a single wholesale meter. Qualifying industrial and commercial customer loads are removed from the total wholesale system load being billed on the TOU rate structure. The qualifying industrial and commercial customer loads are billed separately under a time-differentiated rate structure.

In addition, TVA applies a monthly fuel cost adjustment ("FCA") to TVA's wholesale rates based upon changing fuel and purchased power costs. The FCA for each month can either increase or decrease electric bills. The FCA is a pass-through to the Electric System's customers and does not directly affect the Electric System's operating income.

In addition to seasonal TOU energy (kilowatt-hour), demand (kilowatt), and FCA charges, TVA added a fixed cost recovery component to the wholesale rate structure effective October 2018. Designed to be revenue neutral, TVA reduced wholesale energy rates by \$0.005 while implementing an offsetting flat, monthly Grid Access Charge ("GAC"). The GAC is based on the average of NES's annual energy (kilowatt) load during TVA's previous five fiscal years and is recalculated annually.

Over the last several years, TVA and distributors have worked collaboratively to develop a Strategic Pricing Plan ("SPP") that focuses on TVA's long-term pricing strategy. The SPP serves as a guide for the long-term direction of TVA's wholesale rates and provides distributors the knowledge needed to make future business decisions and evaluate technology investments. As part of the SPP, effective October 2015, TVA changed the wholesale rate structure to send improved pricing signals that are more reflective of TVA's embedded (fixed) and marginal (variable) costs. Additionally, the wholesale rate structure provides more dynamic pricing and encourages technology investment through pricing and assistance with interval metering and data management.

As a result to the wholesale rate change, retail customers experience seasonal rates which have different prices during different seasons of the year. The following are the electric rates effective October 31, 2020, including the FCA.

Wholesale Time of Use Rates Effective October 31, 2020 (including FCA)¹

<u>Standard Wholesale</u>	<u>U.S. DOLLARS</u>
Summer Season	
Demand Charge (per kW)	
Onpeak kW	8.26
Max kW	3.04
Energy Charge (per kWh)	
Onpeak kWh	0.05170
Offpeak kWh	0.02970
TVA Grid Access Charge	
Optional Grid Access Charge	0.01500
Grid Access Charge*	0.00512
Winter Season	
Demand Charge (per kW)	
Onpeak kW	7.31
Max kW	3.04
Energy Charge (per kWh)	
Onpeak kWh	0.04135
Offpeak kWh	0.03135
TVA Grid Access Charge	
Optional Grid Access Charge	0.01500
Grid Access Charge*	0.00512
Transition Season	
Demand Charge (per kW)	
Onpeak kW	7.31
Max kW	3.04
Energy Charge (per kWh)	
Onpeak kWh	0.03198
Offpeak kWh	0.03198
TVA Grid Access Charge	
Optional Grid Access Charge	0.01500
Grid Access Charge*	0.00512
All seasons	
3.1% Long Term Partnership Reduction	
2.5% Pandemic Credit: October 2020 through September 2021	

¹ The above rates include TVA's October 2020 Fuel Cost Adjustment (FCA). This adjustment is revised monthly. For October 2020, the Standard Service wholesale FCA rate was \$(0.00423). The Time Differentiated Hours Use of Demand wholesale FCA rates for General Service and Manufacturing Service were \$(0.00431) and \$(0.00444), respectively.

Time Differentiated Hours Use of Demand (TDHUD) (Time of Use Service)**U.S. DOLLARS****TDHUD GSA (General Service) (Demand = 1,001 - 5,000 kW)**

Summer Season

On-Peak kW	10.63
Maximum Demand Charge	4.10
Energy Charge - On Peak	0.09246
Energy Charge - Off Peak First 200 hours	0.05994
Energy Charge - Off Peak Next 200 hours	0.01870
Energy Charge - Off Peak Additional kWh	0.01576

Winter Season

On-Peak kW	9.70
Maximum Demand Charge	4.10
Energy Charge - On Peak	0.07762
Energy Charge - Off Peak First 200 hours	0.06282
Energy Charge - Off Peak Next 200 hours	0.01870
Energy Charge - Off Peak Additional kWh	0.01576

Transition Season

On-Peak kW	9.70
Maximum Demand Charge	4.10
Energy Charge - On Peak	0.06398
Energy Charge - Off Peak First 200 hours	0.06398
Energy Charge - Off Peak Next 200 hours	0.01870
Energy Charge - Off Peak Additional kWh	0.01576

TDHUD GSB (Demand = 5,001 - 15,000 kW)

Summer Season

On-Peak kW	10.55
Maximum Demand Charge	4.09
Energy Charge - On Peak	0.07747
Energy Charge - Off Peak First 200 hours	0.05328
Energy Charge - Off Peak Next 200 hours	0.01971
Energy Charge - Off Peak Additional kWh	0.01640

Winter Season

On-Peak kW	9.61
Maximum Demand Charge	4.09
Energy Charge - On Peak	0.06644
Energy Charge - Off Peak First 200 hours	0.05543
Energy Charge - Off Peak Next 200 hours	0.01971
Energy Charge - Off Peak Additional kWh	0.01640

Transition Season

On-Peak kW	9.61
Maximum Demand Charge	4.09
Energy Charge - On Peak	0.05297
Energy Charge - Off Peak First 200 hours	0.05297
Energy Charge - Off Peak Next 200 hours	0.01971
Energy Charge - Off Peak Additional kWh	0.01640

U.S. DOLLARS

TDHUD GSC (Demand = 15,001 - 25,000 kW)

Summer Season	
On-Peak kW	10.55
Maximum Demand Charge	4.09
Energy Charge - On Peak	0.07747
Energy Charge - Off Peak First 200 hours	0.05328
Energy Charge - Off Peak Next 200 hours	0.01971
Energy Charge - Off Peak Additional kWh	0.01640
Winter Season	
On-Peak kW	9.61
Maximum Demand Charge	4.09
Energy Charge - On Peak	0.06644
Energy Charge - Off Peak First 200 hours	0.05543
Energy Charge - Off Peak Next 200 hours	0.01971
Energy Charge - Off Peak Additional kWh	0.01640
Transition Season	
On-Peak kW	9.61
Maximum Demand Charge	4.09
Energy Charge - On Peak	0.05297
Energy Charge - Off Peak First 200 hours	0.05297
Energy Charge - Off Peak Next 200 hours	0.01971
Energy Charge - Off Peak Additional kWh	0.01640

TDHUD GSD (Demand = > 25,000 kW)

Summer Season	
On-Peak kW	10.55
Maximum Demand Charge	4.09
Energy Charge - On Peak	0.07747
Energy Charge - Off Peak First 200 hours	0.05328
Energy Charge - Off Peak Next 200 hours	0.01860
Energy Charge - Off Peak Additional kWh	0.01640
Winter Season	
On-Peak kW	9.61
Maximum Demand Charge	4.09
Energy Charge - On Peak	0.06644
Energy Charge - Off Peak First 200 hours	0.05543
Energy Charge - Off Peak Next 200 hours	0.01860
Energy Charge - Off Peak Additional kWh	0.01640
Transition Season	
On-Peak kW	9.61
Maximum Demand Charge	4.09
Energy Charge - On Peak	0.05297
Energy Charge - Off Peak First 200 hours	0.05297
Energy Charge - Off Peak Next 200 hours	0.01860
Energy Charge - Off Peak Additional kWh	0.01640

U.S. DOLLARS

TDHUD MSA (Manufacturing) (Demand = 1,001 - 5,000 kW)

Summer Season	
On-Peak kW	9.94
Maximum Demand Charge	2.49
Energy Charge - On Peak	0.06822
Energy Charge - Off Peak First 200 hours	0.04395
Energy Charge - Off Peak Next 200 hours	0.01732
Energy Charge - Off Peak Additional kWh	0.01485
Winter Season	
On-Peak kW	9.00
Maximum Demand Charge	2.49
Energy Charge - On Peak	0.05714
Energy Charge - Off Peak First 200 hours	0.04611
Energy Charge - Off Peak Next 200 hours	0.01732
Energy Charge - Off Peak Additional kWh	0.01485
Transition Season	
On-Peak kW	9.00
Maximum Demand Charge	2.49
Energy Charge - On Peak	0.04697
Energy Charge - Off Peak First 200 hours	0.04697
Energy Charge - Off Peak Next 200 hours	0.01732
Energy Charge - Off Peak Additional kWh	0.01485

TDHUD MSB (Manufacturing) (Demand = 5,001 - 15,000 kW)

Summer Season	
On-Peak kW	9.94
Maximum Demand Charge	1.22
Energy Charge - On Peak	0.07021
Energy Charge - Off Peak First 200 hours	0.04594
Energy Charge - Off Peak Next 200 hours	0.01711
Energy Charge - Off Peak Additional kWh	0.01464
Winter Season	
On-Peak kW	9.00
Maximum Demand Charge	1.22
Energy Charge - On Peak	0.05914
Energy Charge - Off Peak First 200 hours	0.04811
Energy Charge - Off Peak Next 200 hours	0.01711
Energy Charge - Off Peak Additional kWh	0.01464
Transition Season	
On-Peak kW	9.00
Maximum Demand Charge	1.22
Energy Charge - On Peak	0.04895
Energy Charge - Off Peak First 200 hours	0.04895
Energy Charge - Off Peak Next 200 hours	0.01711

U.S. DOLLARS

Energy Charge - Off Peak Additional kWh	0.01464
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TDHUD MSC (Demand = 15,001 - 25,000 kW)

Summer Season

On-Peak kW	9.94
Maximum Demand Charge	1.22
Energy Charge - On Peak	0.06912
Energy Charge - Off Peak First 200 hours	0.04484
Energy Charge - Off Peak Next 200 hours	0.01848
Energy Charge - Off Peak Additional kWh	0.01848

Winter Season

On-Peak kW	9.00
Maximum Demand Charge	1.22
Energy Charge - On Peak	0.05804
Energy Charge - Off Peak First 200 hours	0.04700
Energy Charge - Off Peak Next 200 hours	0.01848
Energy Charge - Off Peak Additional kWh	0.01848

Transition Season

On-Peak kW	9.00
Maximum Demand Charge	1.22
Energy Charge - On Peak	0.04785
Energy Charge - Off Peak First 200 hours	0.04785
Energy Charge - Off Peak Next 200 hours	0.01848
Energy Charge - Off Peak Additional kWh	0.01848

TDHUD MSD (Demand = > 25,000 kW)

Summer Season

On-Peak kW	9.94
Maximum Demand Charge	1.22
Energy Charge - On Peak	0.06691
Energy Charge - Off Peak First 200 hours	0.04264
Energy Charge - Off Peak Next 200 hours	0.01684
Energy Charge - Off Peak Additional kWh	0.01627

Winter Season

On-Peak kW	9.00
Maximum Demand Charge	1.22
Energy Charge - On Peak	0.05583
Energy Charge - Off Peak First 200 hours	0.04479
Energy Charge - Off Peak Next 200 hours	0.01684
Energy Charge - Off Peak Additional kWh	0.01627

U.S. DOLLARS

Transition Season

On-Peak kW	9.00
Maximum Demand Charge	1.22
Energy Charge - On Peak	0.04564
Energy Charge - Off Peak First 200 hours	0.04564
Energy Charge - Off Peak Next 200 hours	0.01684
Energy Charge - Off Peak Additional kWh	0.01627

*TVA's fixed cost recovery charge, the basis of which is a rolling five-year average of NES standard service load ending each October.

NES Retail Rates Effective October 31, 2020 (with FCA included)

RS Residential	<u>U.S. DOLLARS</u>
Customer Charge (per delivery point per month)	
Between 0 – 500 kWh *	11.50
Between 501 – 2,000 kWh *	14.90
Between 2,001 – 4,000 kWh *	18.90
Equal to and above 4,001 kWh *	29.40
TVA Grid Access Charge (per delivery point per month)	
12 Month Average kWh between 0 – 500 kWh	4.10
12 Month Average kWh between 501 – 2,000 kWh	6.66
12 Month Average kWh between 2,001 – 4,000 kWh	6.66
12 Month Average kWh Equal to and above 4,001 kWh	7.17
Summer Season - Energy Charge (per kWh) **	0.09690
Winter Season - Energy Charge (per kWh) **	0.09376
Transition Season - Energy Charge (per kWh) **	0.09177
SRS Supplemental Residential	
Customer Charge (per delivery point per month)	
Between 0 – 500 kWh *	15.10
Between 501 – 2,000 kWh *	18.50
Between 2,001 – 4,000 kWh *	22.50
Equal to and above 4,001 kWh *	33.00
TVA Grid Access Charge (per delivery point per month)	
12 Month Average kWh between 0 – 500 kWh	2.05
12 Month Average kWh between 501 – 2,000 kWh	4.61
12 Month Average kWh between 2,001 – 4,000 kWh	4.61
12 Month Average kWh Equal to and above 4,001 kWh	5.12
Summer Season - Energy Charge (per kWh) **	0.09960
Winter Season - Energy Charge (per kWh) **	0.09646
Transition Season - Energy Charge (per kWh) **	0.09446
General Power Rate Schedules	
GSA1 (Small Commercial – 0-50 kW)	
Customer Charge (per delivery point per month)	
One Phase Meter, between 0 – 500 kWh *	28.00
One Phase Meter, equal to and above 501 kWh *	35.50
Three Phase Meter, between 0 – 500 kWh *	40.00
Three Phase Meter, equal to and above 501 kWh *	45.00
TVA Grid Access Charge (per delivery point per month)	
One Phase Meter, 12 Month Average kWh between 0 – 500 kWh	2.05
One Phase Meter, 12 Month Average kWh equal to and above 501 kWh	2.05
Three Phase Meter, 12 Month Average kWh between 0 – 500 kWh	2.05
Three Phase Meter, 12 Month Average kWh equal to and above 501 kWh	5.12
Demand Charge (per delivery point per month)	
0 – 50 kW	5.05
Summer Season - Energy Charge (per kWh) **	0.09667

U.S. DOLLARS

Winter Season - Energy Charge (per kWh) **	0.09355
Transition Season - Energy Charge (per kWh) **	0.09155
GSA 2 (Large Commercial - 51-1,000 kW)	
Customer Charge (per delivery point per month)	156.87
TVA Grid Access Charge (All kWh) (per delivery point per month)	12.80
Demand Capacity Charge	1.13
Summer Season	
Demand Charge (per delivery point per month)	
0 – 50 kW	5.05
51 – 1,000 kW	19.45
Energy Charge (per kWh)	
1st 15,000 kWh **	0.09667
All Additional kWh **	0.04707
Winter Season	
Demand Charge (per delivery point per month)	
0 – 50 kW	5.05
51 – 1,000 kW	18.50
Energy Charge (per kWh)	
1st 15,000 kWh **	0.09355
All Additional kWh **	0.04725
Transition Season	
Demand Charge (per delivery point per month)	
0 – 50 kW	5.05
51 – 1,000 kW	18.50
Energy Charge (per kWh)	
1st 15,000 kWh **	0.09155
All Additional kWh **	0.04730
GSA3 (Large Commercial – 1,001 – 5,000 kW)	
Customer Charge (per delivery point per month)	934.50
TVA Grid Access Charge (per delivery point per month)	
12 Month Average kWh between 0 – 150,000 kWh	205.30
12 Month Average kWh equal to and above 150,001 kWh	579.04
Summer Season	
Demand charge (per delivery point per month)	
0 - 1,000 kW	19.80
1,001 - 5,000 kW	19.93
Energy Charge	
1 st 150,000 kWh **	0.05617
All Additional kWh **	0.04797

U.S. DOLLARS

Winter Season	
Demand charge (per delivery point per month)	
0 - 1,000 kW	18.84
1,001 - 5,000 kW	18.97
Energy Charge	
1 st 150,000 kWh **	0.05635
All Additional kWh **	0.04815
Transition Season	
Demand charge (per delivery point per month)	
0 - 1,000 kW	18.84
1,001 - 5,000 kW	18.97
Energy Charge	
1 st 150,000 kWh **	0.05640
All Additional kWh **	0.04820
LS - Outdoor Lighting	
Customer Charge (per delivery point per month)	2.50
Summer Season	
Energy Charge - All kWh	0.07500
Winter Season	
Energy Charge - All kWh	0.07169
Transition Season	
Energy Charge - All kWh	0.06961

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Time of Day Rate Classes**U.S. DOLLARS**

TGSA1 (Demand 0-50kW)	
Customer Charge (per delivery point per month)	326.79
TVA Grid Access Charge (per delivery point per month)	
One Phase Meter, All kWh	2.05
Three Phase Meter, 12 Month Average kWh between 0 – 500 kWh	2.05
Three Phase Meter, 12 Month Average kWh equal to and above 501 kWh	5.12
Summer Season	
Demand Charge	
0 – 50 kW	5.05
Energy Charge (<= 15,000 kWh)	
On-peak kWh	0.10688
Off-peak kWh	0.09363
Winter Season	
Demand Charge	
0 – 50 kW	5.05
Energy Charge (<= 15,000 kWh)	
On-peak kWh	0.09936
Off-peak kWh	0.09332
Transition Season	
Demand Charge	
0 – 50 kW	5.05
Energy Charge (<= 15,000 kWh)	
On-peak kWh	0.09249
Off-peak kWh	0.09249
TGSA2 (Demand = 51-1,000 kW)	
Customer Charge (per delivery point per month)	326.79
TVA Grid Access Charge (per delivery point per month)	
All kWh	12.80
Demand Capacity Charge	1.13
Summer Season	
Demand Charge	
1 st 50 kW	5.05
Over 50 kW	19.45
Energy Charge	
On-peak kWh	0.10918
Off-peak kWh	0.09593
Winter Season	
Demand Charge	
1 st 50 kW	5.05
Over 50 kW	18.50

U.S. DOLLARS

Energy Charge	
On-peak kWh	0.10166
Off-peak kWh	0.09562
Transition Season	
Demand Charge	
1 ST 50 kW	5.05
Over 50 kW	18.50
Energy Charge	
On-peak kWh	0.09479
Off-peak kWh	0.09479
TGSA3 (Demand = 1,001-5,000 kW)	
Customer Charge	934.50
TVA Grid Access Charge (per delivery point per month)	
12 Month Average kWh between 0 – 150,000 kWh	205.30
12 Month Average kWh equal to and above 150,001 kWh	579.04
Summer Season	
Demand Charge	
1st 1,000 kW	19.80
Excess over 1,000	19.93
Energy Charge	
On-peak kWh	0.06536
Off-peak kWh	0.05210
Winter Season	
Demand Charge	
1st 1,000 kW	18.84
Excess over 1,000	18.97
Energy Charge	
On-peak kWh	0.06115
Off-peak kWh	0.05511
Transition Season	
Demand Charge	
1st 1,000 kW	18.84
Excess over 1,000	18.97
Energy Charge	
On-peak kWh	0.05631
Off-peak kWh	0.05631
Time Differentiated Hours Use of Demand (TDHUD) (Time of Use Service)	
TDHUD GSA (Demand = 1,001 - 5,000 kW)	
Customer Charge (per delivery point per month)	2,000.00
Summer Season	
On-Peak kW	10.95

U.S. DOLLARS

Maximum Demand Charge	8.04
Energy Charge - On Peak	0.09520
Energy Charge - Off Peak First 200 hours	0.06171
Energy Charge - Off Peak Next 200 hours	0.01923
Energy Charge - Off Peak Additional kWh	0.01620
Winter Season	
On-Peak kW	9.99
Maximum Demand Charge	8.04
Energy Charge - On Peak	0.07991
Energy Charge - Off Peak First 200 hours	0.06467
Energy Charge - Off Peak Next 200 hours	0.01923
Energy Charge - Off Peak Additional kWh	0.01620
Transition Season	
On-Peak kW	9.99
Maximum Demand Charge	8.04
Energy Charge - On Peak	0.06586
Energy Charge - Off Peak First 200 hours	0.06586
Energy Charge - Off Peak Next 200 hours	0.01923
Energy Charge - Off Peak Additional kWh	0.01620
TDHUD GSB (Demand = 5,001 - 15,000 kW)	
Customer Charge (per delivery point per month)	2,000.00
Summer Season	
On-Peak kW	10.87
Maximum Demand Charge	5.38
Energy Charge - On Peak	0.07976
Energy Charge - Off Peak First 200 hours	0.05485
Energy Charge - Off Peak Next 200 hours	0.02027
Energy Charge - Off Peak Additional kWh	0.01686
Winter Season	
On-Peak kW	9.90
Maximum Demand Charge	5.38
Energy Charge - On Peak	0.06841
Energy Charge - Off Peak First 200 hours	0.05707
Energy Charge - Off Peak Next 200 hours	0.02027
Energy Charge - Off Peak Additional kWh	0.01686
Transition Season	
On-Peak kW	9.90
Maximum Demand Charge	5.38
Energy Charge - On Peak	0.05453
Energy Charge - Off Peak First 200 hours	0.05453
Energy Charge - Off Peak Next 200 hours	0.02027
Energy Charge - Off Peak Additional kWh	0.01686

U.S. DOLLARS

TDHUD GSC (Demand = 15,001 - 25,000 kW)	
Customer Charge (per delivery point per month)	2,000.00
Summer Season	
On-Peak kW	10.87
Maximum Demand Charge	5.38
Energy Charge - On Peak	0.07976
Energy Charge - Off Peak First 200 hours	0.05485
Energy Charge - Off Peak Next 200 hours	0.02027
Energy Charge - Off Peak Additional kWh	0.01686
Winter Season	
On-Peak kW	9.90
Maximum Demand Charge	5.38
Energy Charge - On Peak	0.06841
Energy Charge - Off Peak First 200 hours	0.05707
Energy Charge - Off Peak Next 200 hours	0.02027
Energy Charge - Off Peak Additional kWh	0.01686
Transition Season	
On-Peak kW	9.90
Maximum Demand Charge	5.38
Energy Charge - On Peak	0.05453
Energy Charge - Off Peak First 200 hours	0.05453
Energy Charge - Off Peak Next 200 hours	0.02027
Energy Charge - Off Peak Additional kWh	0.01686
TDHUD GSD (Demand = > 25,000 kW)	
Customer Charge (per delivery point per month)	2,000.00
Summer Season	
On-Peak kW	10.87
Maximum Demand Charge	5.37
Energy Charge - On Peak	0.07976
Energy Charge - Off Peak First 200 hours	0.05485
Energy Charge - Off Peak Next 200 hours	0.01913
Energy Charge - Off Peak Additional kWh	0.01686
Winter Season	
On-Peak kW	9.90
Maximum Demand Charge	5.37
Energy Charge - On Peak	0.06841
Energy Charge - Off Peak First 200 hours	0.05707
Energy Charge - Off Peak Next 200 hours	0.01913
Energy Charge - Off Peak Additional kWh	0.01686

U.S. DOLLARS

Transition Season	
On-Peak kW	9.90
Maximum Demand Charge	5.37
Energy Charge - On Peak	0.05453
Energy Charge - Off Peak First 200 hours	0.05453
Energy Charge - Off Peak Next 200 hours	0.01913
Energy Charge - Off Peak Additional kWh	0.01686
TDHUD MSA (Manufacturing) (Demand = 1,001 - 5,000 kW)	
Customer Charge (per delivery point per month)	2,000.00
Summer Season	
On-Peak kW	10.24
Maximum Demand Charge	6.38
Energy Charge - On Peak	0.07024
Energy Charge - Off Peak First 200 hours	0.04524
Energy Charge - Off Peak Next 200 hours	0.01781
Energy Charge - Off Peak Additional kWh	0.01526
Winter Season	
On-Peak kW	9.27
Maximum Demand Charge	6.38
Energy Charge - On Peak	0.05882
Energy Charge - Off Peak First 200 hours	0.04746
Energy Charge - Off Peak Next 200 hours	0.01781
Energy Charge - Off Peak Additional kWh	0.01526
Transition Season	
On-Peak kW	9.27
Maximum Demand Charge	6.38
Energy Charge - On Peak	0.04835
Energy Charge - Off Peak First 200 hours	0.04835
Energy Charge - Off Peak Next 200 hours	0.01781
Energy Charge - Off Peak Additional kWh	0.01526
TDHUD MSB (Manufacturing) (Demand = 5,001 - 15,000 kW)	
Customer Charge (per delivery point per month)	2,000.00
Summer Season	
On-Peak kW	10.24
Maximum Demand Charge	2.43
Energy Charge - On Peak	0.07228
Energy Charge - Off Peak First 200 hours	0.04728
Energy Charge - Off Peak Next 200 hours	0.01759
Energy Charge - Off Peak Additional kWh	0.01504

U.S. DOLLARS

Winter Season	
On-Peak kW	9.27
Maximum Demand Charge	2.43
Energy Charge - On Peak	0.06088
Energy Charge - Off Peak First 200 hours	0.04951
Energy Charge - Off Peak Next 200 hours	0.01759
Energy Charge - Off Peak Additional kWh	0.01504
Transition Season	
On-Peak kW	9.27
Maximum Demand Charge	2.43
Energy Charge - On Peak	0.05038
Energy Charge - Off Peak First 200 hours	0.05038
Energy Charge - Off Peak Next 200 hours	0.01759
Energy Charge - Off Peak Additional kWh	0.01504
TDHUD MSC (Demand = 15,001 - 25,000 kW)	
Customer Charge (per delivery point per month)	2,000.00
Summer Season	
On-Peak kW	10.24
Maximum Demand Charge	2.43
Energy Charge - On Peak	0.07116
Energy Charge - Off Peak First 200 hours	0.04615
Energy Charge - Off Peak Next 200 hours	0.01900
Energy Charge - Off Peak Additional kWh	0.01900
Winter Season	
On-Peak kW	9.27
Maximum Demand Charge	2.43
Energy Charge - On Peak	0.05975
Energy Charge - Off Peak First 200 hours	0.04837
Energy Charge - Off Peak Next 200 hours	0.01900
Energy Charge - Off Peak Additional kWh	0.01900
Transition Season	
On-Peak kW	9.27
Maximum Demand Charge	2.43
Energy Charge - On Peak	0.04925
Energy Charge - Off Peak First 200 hours	0.04925
Energy Charge - Off Peak Next 200 hours	0.01900
Energy Charge - Off Peak Additional kWh	0.01900

U.S. DOLLARS

TDHUD MSD (Demand => 25,000 kW)	
Customer Charge (per delivery point per month)	2,000.00
Summer Season	
On-Peak kW	10.24
Maximum Demand Charge	2.42
Energy Charge - On Peak	0.06889
Energy Charge - Off Peak First 200 hours	0.04388
Energy Charge - Off Peak Next 200 hours	0.01731
Energy Charge - Off Peak Additional kWh	0.01672
Winter Season	
On-Peak kW	9.27
Maximum Demand Charge	2.42
Energy Charge - On Peak	0.05747
Energy Charge - Off Peak First 200 hours	0.04610
Energy Charge - Off Peak Next 200 hours	0.01731
Energy Charge - Off Peak Additional kWh	0.01672
Transition Season	
On-Peak kW	9.27
Maximum Demand Charge	2.42
Energy Charge - On Peak	0.04697
Energy Charge - Off Peak First 200 hours	0.04697
Energy Charge - Off Peak Next 200 hours	0.01731
Energy Charge - Off Peak Additional kWh	0.01672

*These customer charges are based on the highest monthly kWh usage during the latest 12-month period.

**NES has reduced residential and commercial energy rates in relation to a decrease in TVA's wholesale rates for COVID-19 pandemic relief. Energy rates have been reduced by 0.00094 cents per kilowatt-hour(kWh) for October (Transition). The COVID-19 relief reduction to base rates will end in October 2021 unless TVA extends the pandemic relief. See "COVID-19 AND OTHER EVENTS" herein for more information regarding the impact of COVID-19 to rates and the Pandemic Relief Program.

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Current monthly retail rates are determined in accordance with the provisions of the Power Contract. The rates and charges for wholesale power from TVA, effective October 2020, as adjusted by the monthly FCA, pursuant to the latest TVA Contract Amendment, are appropriate rates and charges applicable to municipal and cooperative distributors of TVA power under power contracts currently being entered into or renewed.

The Board assigns retail rates and charges for customers with special load requirements including interruptible and time of day rates. The Board also establishes and collects additional charges for service connections, reconnections, and other services.

Transmission Lines and Substations

The current Electric System is connected to the TVA system at 27 interchange points with a total infeed capacity of 6,202,800 kilovolt amperes. This capacity consists of:

- (a) seven bulk 161 kilovolt substations totaling 3,657,600 kilovolt amperes which step the voltage down to the 69 kilovolt level, the 23.9 kilovolt and the 13.8 kilovolt levels;
- (b) three industrial customer 161 kilovolt substations totaling 126,000 kilovolt amperes;
- (c) two 69 kilovolt hydroelectric plants totaling 156,000 kilowatt amperes; and
- (d) seventeen 161-kilovolt-distribution substations totaling 2,329,600 kilovolt amperes, which step the voltage down to 23.9 kilovolt and 13.8 kilovolt levels.

Transmission from the interchange points with TVA into the Electric System consists of approximately 41 pole miles of 161 kilovolt lines and a network of approximately 267 circuit miles of 69 kilovolt lines feeding 40 substations. These substations step the voltage down either to (1) 23.9 kilovolts or 13.8 kilovolts for utilization on distribution circuits or (2) various other voltage levels for industrial customer applications.

Electric Distribution System

Approximately 300 distribution circuits operating at 23.9 kilovolts and 13.8 kilovolts originate at the distribution substation busses and are routed throughout Davidson County and into six surrounding counties to feed the Board's customers.

The concentrated downtown Nashville area is served by an underground network system. Outside the downtown area, new distribution lines are installed both underground and overhead with a preference for underground where they are physically and economically feasible. The distribution infrastructure serves as routes for competitive communication providers who license the electric infrastructure for their use.

Engineering, Construction and Maintenance

Most transmission, substation and distribution engineering is done by NES personnel. Five engineering sections combine efforts to prepare plans that will provide service to new customers, maintain adequate service to existing customers, and prepare long-range plans to accommodate electric loads for customers of the future.

Generally, NES employees perform most of the construction and maintenance work required. NES supplements its work force with contractors when needed for certain construction and maintenance work

and storm restoration. For maintenance and repair of equipment and for making special apparatus of various kinds, the Board has shops, laboratory equipment, test apparatus, and instruments. Two-way radio systems and cellular units provide communications with mobile units to enhance the safety of the crews working on the System.

Smart Grid Initiatives

In 2011, NES entered into a partnership with TVA to implement Advanced Metering Infrastructure, or AMI, and processes that are beneficial to both organizations. TVA provided a portion of the funding for the installation and implementation of smart grid on the NES distribution network. In exchange, NES provides voltage and demand reductions when requested by TVA during summer and winter periods. NES estimates annual savings in purchased power costs in the range of \$2.5 to \$3.0 million. Savings in any year are dependent upon a number of factors including degree days, weather and other factors.

Since the initial AMI roll-out, NES has installed over 404,000 AMI meters throughout the NES service territory. The deployment of AMI meters was completed in August 2019. Below are a few benefits of transitioning to the AMI infrastructure:

- AMI technology enables meters to be read remotely.
- AMI provides useful information about the distribution network including automated notification of power outages and usage.
- Two-way communication with the electric grid improves service and power reliability.
- Ability to provide customers information on energy usage and patterns in order to better manage consumption.
- Fewer company vehicles are needed, reducing pollution, energy consumption, and traffic.

Prospective Financial Information

NES does not, as a matter of course, make public projections as to future sales, earnings, or other results. However, the management of NES has prepared the prospective financial information set forth below to present anticipated system growth and its capital improvement plan. The accompanying prospective financial information was not prepared with a view toward public disclosure or with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of NES management, was prepared on a reasonable basis, reflects the best currently available estimates and judgments, and presents, to the best of management's knowledge and belief, the expected course of action and the expected future financial performance of NES. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this Official Statement are cautioned not to place undue reliance on the prospective financial information.

Neither NES' independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

System Growth

From the fiscal years 2011 to 2020, the annual compounded customer growth rate was 1.64%, with total average customers increasing from 360,000 in 2011 to 416,000 in 2020. Yearly sales decreased from

11.92 billion kilowatt-hours in fiscal year 2011 to 11.69 billion kilowatt-hours in fiscal year 2020. This represents a 0.22% compound annual decrease in kilowatt-hour sales during the period. Sales and customer growth have been impacted in the last ten (10) years by economic factors, milder weather, and energy efficiencies.

NES prepares an annual forecast of both summer and winter kilowatt peak demand as well as annual megawatt-hours of energy consumption. By 2032, NES system studies have forecasted a 11.9 percent growth in kilowatt peak demand.

Year	Forecasted Peak Demand (MW)
2020	2,476.00*
2021	2,615.00
2022	2,660.00
2027	2,727.00
2032	2,771.00

*Actual

Capital Improvement Plan

Capital expenditures are budgeted and expected to be approximately in the amounts listed below for the respective fiscal years. The planned allocation to projects is also provided in the table below. The Board believes that these estimated construction costs contain sufficient allowances for inflation, cost escalation and other possible increases. However, for a number of reasons, including unforeseen inflation, compliance with governmental procedures and regulations and changes in the Board's plan, actual costs may vary from the construction program estimates.

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NES Capital Improvement Plan
(000's omitted)

Fiscal Year	NES Business Capital Requirements	Technology Strategy Capital Requirements	Eleventh Avenue Substation	Central Substation	Parking Structure	Total Capital Requirements
2021	\$100,000	\$38,300	\$37,300	\$7,500	\$250	\$183,350
2022	100,000	21,300	500	3,500	4,000	129,300
2023	100,000	20,000	0	33,400	0	153,400
2024	100,000	20,000	0	28,600	0	148,600
2025	100,000	0	0	500	0	100,500

Source: Nashville Electric Service

The Technology Strategy implementation began in January 2018. The table above includes forecasted capital expenditures of \$99.6 million from fiscal year 2021 to fiscal year 2024.

Construction on the Eleventh Avenue Substation began in July 2019 and is anticipated to be completed in fiscal year 2021. Decommissioning of the prior substation on Tenth Avenue will occur in fiscal year 2022. Total project costs are estimated at \$67.6 million. Capital expenditures of approximately \$37.8 million are included in the current five-year model provided above.

Property for Central Substation is anticipated to be acquired in fiscal year 2021. Engineering for the substation is projected to begin late in fiscal year 2022. The table above includes capital expenditures of \$73.5 million from fiscal year 2021 to project completion in fiscal year 2025.

NES is building a parking structure to utilize the main campus parking capacity more effectively and to compensate for space taken for the new Eleventh Avenue Substation. The project planning is anticipated to begin in fiscal year 2021 with construction in fiscal year 2022. Capital expenditures of \$4.3 million are included in the above table.

NES has historically funded approximately 50 percent of its capital needs through bond proceeds and plans to continue this practice for future NES system capital requirements. NES plans to utilize cash on hand, however, to fund capital requirements for the Technology Strategy. Management plans to repair, replace and restore capital assets according to the approved capital budget funding within plus or minus 5.0 percent. However, due to unforeseen circumstances, expenditures may arise that exceed forecasted funding levels. If this occurs, Management would request Board approval of any additional funding required to meet the needs of the Electric System.

FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY

The electric utility industry has been and will continue to be affected by a number of factors that will have an impact on the business, operations and financial conditions of both public and private electric utilities, including the Board. These include deregulation, compliance with North American Electric Reliability Corporation's ("NERC") electric reliability standards and Smart Grid initiatives.

In the past, one of these factors was the efforts at both the national and local levels to restructure the electric utility industry from a heavily regulated monopoly to an industry in which there is more (or open) competition for power supply service at both the wholesale and retail level. Historically, electric

utilities have operated as monopolies within their service territories, subject to certain exceptions. Under this arrangement, utilities have generally been able to charge rates primarily determined by their costs of service, rather than by competitive forces. There has been little activity regarding deregulation in recent years due to the perception of rapid escalation of electric rates in areas that have been deregulated. There can be no assurance that this arrangement will continue for the Board, and the Board is already subject to certain competitive forces and other factors as described below.

Competitive Environment in Tennessee

In the late 1990s and early 2000s, various regulatory and legislative bodies in Tennessee considered a wide range of issues associated with the advisability of retail competition in the electric utility industry. None of these groups recommended that the State actively pursue full retail competition at that time, and there are no currently pending State legislative or regulatory initiatives to provide for retail competition in Tennessee at this time.

Transmission Access to Wholesale Power

The Board's ability to access the wholesale power markets is limited, and TVA currently enjoys substantial insulation from wholesale competition. TVA operates under the Tennessee Valley Authority Act of 1933 (the "TVA Act"). Under the TVA Act, subject to certain minor exceptions, TVA may not currently enter into contracts that would have the effect of making it or the Board and other distributors a source of TVA power supply outside a statutorily-specified area. However, under a special provision of the Energy Policy Act of 1992 (the "anti-cherry-picking provision"), TVA is not required to provide its competitors with access to its transmission system to transmit power for consumption within the area that TVA or the Board and other distributors of TVA's power may serve. Thus, while TVA may not sell power outside its current service area, except for certain pre-existing arrangements, its competitors are not allowed to obtain transmission service from TVA to sell power within TVA's service areas under present law. Pending and future legislative and regulatory actions could impact the Board's ability to access the wholesale market, and modification of TVA's historically protected service area could adversely affect TVA's financial and operating condition.

Federal Energy Policy Act of 2005

The Energy Policy Act of 2005 authorizes the Federal Energy Regulatory Commission ("FERC") to require "unregulated transmitting utilities" to provide open access to their transmission systems on comparable terms and conditions as those "unregulated transmitting utilities" provide transmission service to themselves. While the Board meets the minimum kilowatt-hour sales threshold to be an "unregulated transmission utility" under Section 201(f) of the Federal Power Act, it is unclear the extent to which, if any, the Board's facilities would be considered subject to these requirements. The Board is unable to predict at this time the impact of these requirements on the Board's operations and finances.

The Energy Policy Act of 2005 provides certain "load serving entities" holding firm transmission rights the ability to continue to use those rights to serve their customers, and one provision of the Energy Policy Act of 2005 purports to provide these rights to wholesale customers of TVA like the Board. It is currently unclear whether these or other provisions of the Energy Policy Act of 2005 will fundamentally change the Board's power supply arrangements with TVA or the Board's ability to access the wholesale generation markets at a future point in time.

The Energy Policy Act of 2005 also subjected electric utilities like the Board to certain amendments to the Public Utility Regulatory Policies Act of 1978 ("PURPA"). The purposes of PURPA in 1978 were, and continue to be, to help the nation facilitate the conservation of energy, optimize efficiency, and provide

for the establishment of equitable rates. As originally enacted, PURPA required certain utilities to consider and, if appropriate, adopt certain service practice and rate standards. As amended, PURPA now requires consideration of five new standards: (i) Net Metering; (ii) Fuel Source Diversity; (iii) Fossil Fuel Generation Efficiency; (iv) Smart Metering (time-based metering and communications); and (v) Interconnection Standards for Independent Power Producers. Under the revised PURPA standards, the TVA Board is the Board's regulatory authority for purposes of PURPA. The potential financial implications for some of the standards are currently unknown.

NERC Electric Reliability Standards Compliance

With the passage of the Energy Policy Act of 2005 ("EPAAct") Congress authorized FERC to establish an Electric Reliability Organization ("ERO") to protect the reliability of the bulk electric power system in the United States. The North American Electric Reliability Corporation ("NERC") was certified by FERC as the ERO. Owners, operators, and users of the bulk power system are required to be registered with NERC and the appropriate Regional Entities, or in NES's case, the Southeastern Electric Reliability Corporation ("SERC"). NERC intends to comprehensively and thoroughly protect the reliability of the U.S. power grid. To support this goal, NERC will include in its compliance registry each entity that NERC concludes can materially impact the reliability of the bulk power system. Based on NERC's "functional model", NES has registered with SERC/NERC as a "Distribution Provider" (DP), "Transmission Owner" (TO), and "Transmission Planner" (TP). NES also meets the requirements to register as a "Transmission Operator" (TOP); however, NES has executed an agreement with TVA that delegates the TOP function to TVA.

NES has developed "Policies, Guidelines, & Procedures (PGP's) documents for all applicable NERC Reliability Standards and their associated requirements. In order to ensure compliance with each of these requirements, NES fosters a "culture of compliance" and has established an organizational structure to provide employees with annual reliability compliance training and to document all related testing and maintenance activities related to NES' electric facilities that can materially impact the bulk electric system.

TVA and General Industry Risk Factors

Because the Board purchases all of its power from TVA, any risk factors affecting or potentially affecting the business operations of TVA may also affect the Board. TVA may mitigate some of these risks by increasing the rates it charges for its power. A discussion of the risk factors affecting TVA's operations can be found in "Item 1A. Risk Factors" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in TVA's Annual Report. TVA's Annual Report is available to the public from the SEC's website at www.sec.gov and from the TVA's website at www.tva.gov.

In addition to risks discussed above, the electric utility industry in general has been, or in the future may be, affected by a number of other factors which could impact the financial condition of the Board. Such factors include, among others, the following: (i) effects of compliance with rapidly changing environmental, safety, licensing, regulatory and legislative other than those described elsewhere in this Official Statement; (ii) changes resulting from conservation and load management programs on the timing and use of electric energy; (iii) changes in national, regional or state energy policy; (iv) competition from other utilities, independent power producers, marketers and brokers; (v) competition with customer-owned generation, such as "self-generation" or "distributed generation," which might include microturbines, fuel cells, and other generation resources; (vi) shifts in the availability and relative costs of different fuels, whether such fuels are competitive alternatives to electricity or are used in the generation of electricity; (vii) other federal, state or local legislative or regulatory changes; (viii) loss of large municipal, industrial or commercial customers; and (ix) changes in the economy. Any of these factors (as well as other factors)

could have an adverse effect on the financial condition of any electric utility and will likely affect individual utilities in different ways.

The Board is unable to predict what impact any of the foregoing factors will have on its operations and financial conditions, but the impact could be significant. This Official Statement includes a brief discussion of certain of these factors. This discussion does not purport to be comprehensive or definitive, and these matters are subject to change subsequent to the date of this Official Statement. Extensive information on the electric utility industry is available in the public domain, and potential purchasers of the 2021 Series A Bonds should obtain and review such information.

ADDITIONAL FINANCIAL AND OPERATIONAL INFORMATION

Pension Plans and Other Post-Employment Benefits

The information relating to the Nashville Electric Service Retirement Annuity and Survivors' Benefit Plan (the "DB Plan"), the Defined Contribution Retirement Plan (the "DC Plan") and other post-employment benefits ("OPEB Plan") (together, the "Plans") contained herein relies on information produced by the Plans and their independent actuaries. The actuarial assessments are forward-looking information that reflect the judgment of the fiduciaries of the Plans. Actuarial assessments are based upon a variety of assumptions, one or more of which may prove to be inaccurate or be changed in the future.

Defined Benefit Pension Plan

The DB Plan is a single employer defined benefit pension plan administered by the Board. The DB Plan provides retirement and survivors' benefits to participants and beneficiaries. The authority to establish and maintain the DB Plan is assigned to the Board by the Charter of the Metropolitan Government.

All full-time regular employees hired before July 1, 2012 were eligible to participate in the DB Plan. Employees hired on or after July 1, 2012 are eligible to participate in the NES Defined Contribution Plan ("DC Plan"). As of April 1, 2020, there were a total of 1,681 participants, including 936 currently receiving benefits, and 139 terminated participants entitled to receive benefits in the future. The DB Plan provides for five-year cliff vesting; that is, active employees are not vested until they have earned 5 years of service, at which time they become fully vested. Participants who retire at or after age 65 are entitled to annual retirement benefits payable monthly for life in an amount equal to two percent of final average compensation multiplied by years of participation in the DB Plan up to 35 years. A participant is eligible for early retirement at age 52½ with 15 years of credited service or at age 50 with 30 years of credited service. The amount of the benefit that would otherwise be payable at age 65 is reduced according to a formula specified in the DB Plan. However, if a participant has attained age 55, and the participant's age plus service totals 80 or greater, there is no reduction for payment of the participant's benefit before age 65. A survivor benefit is paid to the spouse of a participant who dies while employed equal to 35 percent of the participant's final average compensation for life, and monthly survivor benefits are paid for certain surviving children until their 23rd birthday.

The Board establishes and may amend the contribution requirements for the DB Plan. All contributions to the DB Plan are made by the Board; participants are not required or permitted to contribute to the DB Plan (although participant contributions have been required for participation in the past). The Board's general practice is to fund at least the minimum required contribution as determined by Findley, Inc., the DB Plan's independent actuary (the "Plan's Actuary").

Source: The Plan's Actuary.

The Board's contributions for plan years ended March 31, 2016 through 2020, respectively, are as follows:

Plan Year Ended March 31	Annual Required Contribution	Actual Employer Contribution	Percentage Contributed	Percent of Annual Covered Payroll
2016	\$24,594,439	\$24,600,000	100.0%	35.8%
2017	\$30,904,993	\$30,905,000	100.0%	42.7%
2018	\$30,192,275	\$30,201,000	100.0%	46.1%
2019	\$29,897,500	\$29,897,500	100.0%	46.1%
2020	\$33,387,461	\$33,399,000	100.0%	51.4%

Sources: Actuarial Valuation and Reports for the DB Plan prepared by the Plan's Actuary for applicable plan years (the "Pension Actuarial Valuations") and the Board's Financial Statements for applicable years (the "Financial Statements").

The annual pension expense for the years ended June 30, 2016, 2017, 2018, 2019, and 2020 were \$40.4 million, \$33.1 million, \$28.1 million, \$42.4 and \$38.3 million, respectively. Fluctuations for the periods were related primarily to the difference between actual investment income and actuarially determined investment income.

Sources: The Pension Actuarial Valuations and the Financial Statements.

The minimum required employer contribution and the estimated liability of the DB Plan to pay future benefits are determined by the Plan's Actuary on an annual basis in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 68 ("GASB 68"). The Plan's Actuary uses demographic and other data (such as employee age, salary and service credits) and various assumptions (such as estimated salary increases, interest rates, employee turnover and mortality) to determine the amount that the Board should contribute in a given year in order for the DB Plan to accumulate sufficient funds to pay benefits when due. The Plan's Actuary then produces Pension Actuarial Valuations, which contain the actuary's report on the DB Plan's assets, liabilities and required contribution for the following year.

The annual required contribution beginning April 1, 2013 and continuing through the current plan year was determined as part of the April 1, 2016 Pension Actuarial Valuation using the entry age method¹. The entry age method looks at each participant based on an individual basis. The significant actuarial assumptions used by the Plan's Actuary in compiling the annual Pension Actuarial Valuations are based on study results conducted every five years (most recently in 2020) and on industry assumptions. Significant assumptions include (a) a 7.5 percent investment rate of return and (b) projected salary increases are based on study results and range from 4.5 to 7.5 percent each year and (c) mortality based on the Society of Actuaries Publication G-2010 Mortality Table. The assumptions also include cost-of-living post-retirement benefit increases equal to two percent per year. The effect of short-term volatility in the market value of investments is recognized in the net annual pension expense by amortizing the effects of differences between the "expected value" of assets on each valuation date (April 1) and actual results over a 5-year period.

The actuarial accrued liability ("AAL"), as determined by the Plan's Actuary, is an estimate of the present value of all future benefits that are based upon employment service performed up to the valuation date and that are expected to be paid from the Plan to current and retired employees. The AAL is based on the valuation methodology and actuarial assumptions that are being used. Any difference between the AAL

and the actuarial value of assets is called the “Unfunded Actuarial Accrued Liability” or “UAAL.” The Plan’s Actuary also calculates the “Funded Ratio,” which is the result obtained by dividing the actuarial value of plan assets by the AAL. The “asset smoothing” method described above is an accepted practice under GASB 68. It reduces large fluctuations in the actuarial value of assets and the UAAL that would otherwise occur as a result of market volatility.

Benefits for certain retirees who terminated before July 1, 1996 are being paid by John Hancock Insurance Company under a non-participating annuity contract. In addition, a portion of the benefits of retirees attributable to participant contributions to the DB Plan during the time period when such contributions were permitted are and will be paid by John Hancock. Because John Hancock is guaranteeing the payment of these benefits, neither the assets held by John Hancock for payment nor the liability of the DB Plan for these benefits is reflected in the Actuarial Valuations. The present value of these benefits guaranteed by John Hancock is estimated to be less than \$20.7 million. Should the Board ever be required to pay for or fund any of these benefits from the DB Plan for these benefits guaranteed by John Hancock, future contributions and the UAAL could be significantly increased.

Effective April 1, 2015, the actuarial valuation method for the DB Plan was changed to the current method. This change was made in accordance with GASB 68 and state law. It set a 25-year period, commencing on April 1, 2015, for amortization of the DB Plan’s UAAL.

The Pension Actuarial Valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and mortality. One or more of these actuarial assumptions may prove to be inaccurate or be changed in the future. As a result of the inaccuracy of actuarial assumptions, the UAAL could be larger or smaller than anticipated.

The Board’s contributions are held in trust. Studies and recommendations involving investment allocations are currently provided by SEI Investments Management Corp. (“SEI”). The recommendations from SEI are presented to an investment committee of the Board consisting of two management members and two union members. Recommendations from this committee must be approved by the Board to be implemented. Since the obligations of the DB Plan are long-term in nature, the investment policy is aimed toward performance and return over a number of years. The management of the DB Plan fund is governed by the Statement of Investment Objectives and Guidelines of the Investment Committee, most recently revised January 23, 2008.

The Actuarial Valuation assumes an investment rate of return equal to 7.5 percent. Due to the volatility of the investment marketplace, however, the actual rate of return on the assets of the DB Plan will be higher or lower than the assumed rate. If the actual market performance should be less than the assumed rate of 7.5 percent, the liabilities of the DB Plan will be greater than shown in the actuarial valuation, the UAAL will be greater, and the future contributions will have to be increased to enable the DB Plan to pay benefits. The following table shows the actual rate of return on the DB Plan’s assets for the past 10 years.

Investment Rate of Return

Plan Year Ended March 31	Rate of Return
2011	14.7%
2012	5.0%
2013	11.3%
2014	13.0%
2015	7.4%
2016	-2.0%
2017	12.1%
2018	11.0%
2019	4.2%
2020	-5.9%
<hr/>	
Last 3-Year Average Return Per Annum	3.1%
Last 5-Year Average Return Per Annum	3.8%
Last 10-Year Average Return Per Annum	7.1%

Source: The Plan's Actuary.

In compiling the annual Pension Actuarial Valuation, as noted above, the Plan's Actuary determines the actuarial value of plan assets under an asset smoothing method. The result is that the actuarial value of assets is different from the market value and does not reflect the true value of DB Plan assets at the time of measurement. As a result, use of the asset smoothing method can be expected to provide a more or less favorable presentation of the DB Plan's current financial condition than would a method based solely on market value. The tables below show the differences in certain factors in the Pension Actuarial Valuation for the past 5 years by comparing the use of market value versus actuarial value for DB Plan assets. The AAL figures are the same in both tables.

Historical Funding Progress Actuarial Value (\$000 omitted)

Actuarial Valuation Date April 1	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as % of Covered Payroll
2016	\$442,406	\$641,133	\$198,727	69.0%	\$72,457	274.3%
2017	\$455,271	\$655,519	\$200,248	69.5%	\$65,531	305.6%
2018	\$478,718	\$673,459	\$194,741	71.1%	\$64,922	300.0%
2019	\$500,306	\$725,052	\$224,746	69.0%	\$65,058	345.5%
2020	\$510,590	\$729,881	\$219,291	70.0%	\$63,265	346.7%

Sources: The Pension Actuarial Valuations and the Financial Statements.

**Historical Funding Progress
Market Value
(\$000 omitted)**

Actuarial Valuation Date April 1	Market Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as % of Covered Payroll
2016	\$409,405	\$641,133	\$231,728	63.9%	\$72,457	319.8%
2017	\$444,676	\$655,519	\$210,843	67.8%	\$65,531	321.7%
2018	\$484,676	\$673,459	\$188,783	72.0%	\$64,921	290.8%
2019	\$494,816	\$725,052	\$230,236	68.2%	\$65,058	353.9%
2020	\$457,134	\$729,881	\$272,747	62.6%	\$63,265	431.1%

Source: The Plan's Actuary.

The tables above also illustrate the changes in the UAAL and the Funded Ratio during the periods indicated. The Funded Ratio and the UAAL are useful in measuring the financial health of the DB Plan. An increasing UAAL or a decreasing Funded Ratio from year to year generally signals a deterioration in the financial health of the DB Plan because it indicates an increasing gap between the liabilities of the DB Plan for future benefit payments and the value of assets available in the DB Plan to pay those liabilities as they become due. Conversely, a decreasing UAAL or an increasing Funded Ratio generally indicates an improvement in the financial health of the DB Plan because such a change reflects a closing of the above-mentioned gap.

Under current Tennessee law, as interpreted by the Tennessee Supreme Court, a governmental employer such as the Board is generally not permitted to change the terms of a pension plan to reduce an accrued benefit, or the right to accrue future benefits, of any participant who is eligible to receive benefits under the plan (i.e., any vested participant) unless that participant consents to the decrease or reduction in benefits. However, a pension plan can be amended so as to exclude new employees. In that manner, the risk of future increases in the UAAL, whether anticipated or not, resulting from the entry of new participants can be eliminated.

The Public Employee Defined Benefit Financial Security Act of 2014 (the "2014 Act") was signed into law by the Governor of the State on May 22, 2014. The 2014 Act, as amended, requires, among other things, each political subdivision which provides defined benefit plans not administered by the Tennessee Consolidated Retirement System to (a) adopt a resolution delineating a funding policy for fiscal years beginning after June 15, 2015; (b) begin funding any unfunded accrued liability via the level dollar amortization method no later than the plan fiscal year commencing on or before June 15, 2020; (c) annually make a payment to the pension plan of no less than 100 percent of the actuarially determined annual required contribution that incorporates both the normal cost of benefits and the amortization of the pension plan's unfunded accrued liability (the "ADC"), provided however, the affected political subdivision may make a payment of more than 100 percent of the ADC. Any underpayment must be made up in the next fiscal year as an addition to the subsequent year's ADC. If the political subdivision fails to fund the ADC, the 2014 Act permits the State Commissioner of Finance and Administration, at the direction of the Comptroller of the Treasury, to withhold such amount or part of such amount from any state-shared taxes that are otherwise apportioned to such political subdivision. The money withheld from state-shared taxes will be paid to the political subdivision's pension plan.

The 2014 Act further provides that (a) for all affected employees of the political subdivision hired on or after the effective date of the 2014 Act, the political subdivision may freeze, suspend or modify

benefits, employee contributions and plan terms and design on a prospective basis (except as to those employees employed prior to the effective date of the 2014 Act where applicable law provides otherwise); and (b) for any pension plan that is funded below 60 percent, the affected political subdivision may not establish benefit enhancements unless approved by the State Treasurer.

The Board implemented changes in funding calculations to comply with the minimum requirements beginning in fiscal year 2016 and has complied with such requirements.

Defined Contribution Retirement Plan

Effective July 1, 2012, the Board established a Defined Contribution Retirement Plan for all new employees. The DC Plan is intended to be a defined contribution money purchase pension plan. Its purpose is to provide retirement benefits to eligible employees who were hired after July 1, 2012. Participants who were not vested in the DB Plan as of July 1, 2012 were able to choose whether to continue to participate in the DB Plan or to participate in the new DC Plan.

All contributions to the DC Plan are made by the Board; participants are not required or permitted to contribute to the DC Plan. The Board makes contributions to the DC Plan based on the normal cost for the DB Plan under the current actuarial cost method. However, investment risk is shifted from the Board to the participants in the DC plan preventing any underfunding exposure to the Board with respect to future employees. The investments of the DC plan are held in a Trust managed by the Board. The portfolio follows the same investment strategies as the DB and OPEB plans. As of April 1, 2020, the normal cost for the DB Plan was approximately 16.8 percent of covered payroll.

Members of the DC Plan are also eligible to participate in the OPEB Plan discussed below.

Other Post-Employment Benefits

The Board also provides post-employment medical, dental and life insurance benefits to eligible retirees (the "OPEB Plan"). Medical and dental benefits are also provided to their spouses. Retirees are eligible for these post-retirement benefits if they retire at or after age 55 and the sum of their age at retirement and service is at least 70. Retirees eligible for Medicare who reach age 65 after January 1, 2006 are required to enroll in Medicare as primary insurance but will be covered under the OPEB Plan for secondary coverage. Retirees are required to pay a share of the group medical rate for coverage under the OPEB Plan. As of April 1, 2020, approximately 699 retirees and 179 beneficiaries met those eligibility requirements. The OPEB Plan was funded on a pay-as-you-go basis prior to June 30, 2008. Effective with the year ending June 30, 2008, the Board also established a trust fund to hold its contributions to the OPEB Plan.

The independent actuarial firm of Findley, Inc., which produces the Actuarial Valuations for the DB Plan, also determines the required contribution for the OPEB Plan based on an annual valuation (the "OPEB Actuarial Valuations"). The actuarial method used is the entry age normal method. Under this method, the actuarial present value of the projected benefits of each individual employee is allocated on a level basis over the service of that individual between hire date and assumed retirement date. This is an individual, and not aggregate, actuarial method. The actuarial assumptions include (a) a 7.5 percent investment rate of return, (b) annual increase in healthcare costs determined using the Getzen model and a 5.2 percent to 3 percent trend, and (c) mortality assumptions based on the Society of Actuaries Publication H-2010 Mortality Table. The actuarial value of OPEB Plan assets is determined by a technique of asset smoothing analogous to the method described above that is used for the DB Plan.

OPEB Actuarial Valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Assumptions about future employment, mortality and the healthcare cost trend are based upon studies conducted every five years (most recently in 2020) and industry assumptions. One or more of these actuarial assumptions may prove to be inaccurate or be changed in the future. If the assumption for healthcare cost trends should prove to be less than the actual increases over time for covered medical expenses under the OPEB Plan, and if this increase is not offset through a corresponding increase in the retiree’s cost-sharing obligation, the OPEB Plan’s unfunded actuarial accrued liability (“UAAL”) will be greater than stated in the current financial statements and unanticipated increases in the required contribution would be required in future years.

The Actuarial Valuation assumes an investment rate of return equal to 7.5 percent. Due to the volatility of the investment marketplace, however, the actual rate of return on the assets of the OPEB Plan will be higher or lower than the assumed rate. If the actual market performance should be less than the assumed rate of 7.5 percent, the liabilities of the OPEB Plan will be greater than shown in the actuarial valuation, the UAAL will be greater, and the future contributions will have to be increased to enable the OPEB Plan to pay benefits. The following table shows the actual rate of return on the OPEB Plan’s assets for the past 10 years.

Investment Rate of Return

Plan Year Ended March 31	Rate of Return
2011	11.3%
2012	5.4%
2013	11.1%
2014	13.7%
2015	7.4%
2016	-1.7%
2017	12.9%
2018	11.2%
2019	4.5%
2020	-6.6%
Last 3-Year Average Return Per Annum	3.0%
Last 5-Year Average Return Per Annum	4.1%
Last 10-Year Average Return Per Annum	6.9%

Source: The OPEB Actuarial Valuation as of April 1, 2020.

The Board’s contributions for the past five years are as follows:

Plan Year Ended March 31	Annual Required Contribution	Actual Employer Contribution	Percentage Contributed
2016	\$16,834,694	\$16,832,634	100.0%
2017	\$19,168,134	\$19,168,134	100.0%
2018	\$20,137,405	\$20,143,764	100.0%
2019	\$21,695,696	\$21,700,000	100.0%
2020	\$21,972,837	\$22,000,000	100.1%

Sources: The OPEB Actuarial Valuations.

The annual OPEB expense for the years ended June 30, 2016, 2017, 2018, 2019, and 2020 were \$16.8 million, \$19.9 million, \$22.6 million, \$25.2 million and \$23.7 million, respectively.

In compiling the annual OPEB Actuarial Valuations, the Plan's Actuary determines the actuarial value of plan assets under an asset smoothing method as noted above. As is the case with the DB Plan, use of this asset smoothing method might provide a more favorable or less favorable presentation of the Plan's current financial condition than would a method based solely on market value.

The tables below show the difference in certain factors in the OPEB Actuarial Valuations for the past 5 years by comparing the use of market value versus actuarial value for OPEB Plan assets.

**Historical Funding Progress
Actuarial Value
(\$000 omitted)**

Actuarial Valuation Date April 1	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as % of Covered Payroll
2016	\$84,325	\$278,435	\$194,110	30.3%	\$78,207	248.2%
2017	\$96,951	\$294,435	\$197,484	32.9%	\$79,063	249.8%
2018	\$112,555	\$321,885	\$209,330	35.0%	\$81,985	255.3%
2019	\$129,184	\$325,610	\$196,426	39.7%	\$85,592	229.5%
2020	\$139,263	\$336,543	\$197,280	40.5%	\$90,498	218.0%

Source: The OPEB Actuarial Valuations.

**Historical Funding Progress
Market Value
(\$000 omitted)**

Actuarial Valuation Date April 1	Market Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as % of Covered Payroll
2016	\$81,207	\$278,435	\$197,228	29.2%	\$78,207	252.2%
2017	\$97,518	\$294,435	\$196,917	33.1%	\$79,063	249.1%
2018	\$114,877	\$321,885	\$207,008	35.7%	\$81,985	252.5%
2019	\$128,003	\$325,610	\$197,607	39.3%	\$85,592	230.9%
2020	\$126,353	\$336,543	\$210,190	37.5%	\$90,498	232.3%

Source: The Plan's Actuary.

The tables above also illustrate the changes in the UAAL and the Funded Ratio during the periods indicated. The Funded Ratio and the UAAL are useful in measuring the financial health of the OPEB Plan. An increasing UAAL or a decreasing Funded Ratio from year to year generally signals a deterioration in the financial health of the OPEB Plan because it indicates an increasing gap between the liabilities of the DB

Plan for future benefit payments and the value of assets available in the DB Plan to pay those liabilities as they become due. Conversely, a decreasing UAAL or an increasing Funded Ratio generally indicates an improvement in the financial health of the OPEB Plan because such a change reflects a closing of the above-mentioned gap.

Insurance

The Board 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. As an agency of the Metropolitan Government, the Board is a governmental entity and is covered under the Tennessee Governmental Tort Liability Act, Tennessee Code Annotated Sections 29-20-101, *et seq.* Tennessee Code Annotated Section 29-20-403 provides for minimum limits of not less than \$300,000 for bodily injury or death of any one person in any one accident, occurrence or act, \$700,000 for bodily injury or death of all persons in any one accident, occurrence or act and \$100,000 for injury to or destruction of property of others in any one accident. The Board is immune from any award of judgment for death, bodily injury, and/or property damage in excess of the limits described above. Therefore, the Board has not secured insurance coverage in excess of those limits.

The Board has secured property insurance for coverage of all property losses, effective November 1, 2019. The property insurance program is placed with Starr Technical Risks and AEGIS Insurance Services, Inc. The insurance companies participate on a quota share basis with Starr Technical providing 51% of the capacity and AEGIS providing 49%. The limit of liability per insurance company is \$150,000,000 and some of the key sub-limits are as follows:

Flood per occurrence and in the annual aggregate, except;	\$150,000,000
Locations in Flood Zone A or V	\$5,000,000
Earth Movement per occurrence and in the annual aggregate	\$50,000,000
Miscellaneous Unnamed Locations	\$1,000,000
Newly Acquired Property (90 days reporting)	\$5,000,000
Boiler and Machinery	\$50,000,000

The Board provides health benefits to its employees through a self-insured plan with no lifetime claim limit for essential health benefits and a \$2,000,000 lifetime claim limit for non-essential health benefits per insured except for certain survivors. The Board has secured a stop-loss reinsurance policy for individual medical claims over \$450,000.

Miscellaneous Revenues

The Board derives revenues from a variety of sources other than the Electric System, including charges to local telephone and cable television companies for pole attachments. The aggregate revenue from all of these activities was approximately \$22,562,000 for the fiscal year ended June 30, 2020.

Payments-in-Lieu-of-Taxes

The Board is one of the largest payers of taxes or in-lieu taxes in the Metropolitan Government. The terms and conditions of the Power Contract provide, in part, that the Board may use its revenues to pay taxes or in-lieu-of-taxes to the Metropolitan Government and to other jurisdictions in which it has property and customers. The State of Tennessee (the "State") has enacted into law specific statutes for the calculation and process for payment of an amount in lieu of taxes for municipal electric systems. In 1987, the Tennessee General Assembly passed and the Tennessee Governor signed into law the Municipal Electric

System Tax Equivalent Law of 1987 (the "Tax Equivalent Law of 1987"). The Tax Equivalent Law of 1987 governs the timing, calculation and payment of amounts in lieu of taxes by municipal electric systems in an effort to achieve a more uniform system in Tennessee for the payment of the amounts in lieu of taxes by the municipal electric systems to the municipality that owns such electric systems, as well as payments to other jurisdictions within which such municipal electric systems own property or operate their electric systems. For the Electric System's fiscal year ending June 30, 2020, the amounts due for payments-in-lieu-of-taxes to all of the cities and counties in the Electric System's service area was in the approximate aggregate amount of \$33,866,000, which sum was equal to approximately 2.5% of Electric System revenues for that fiscal year.

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SELECTED FINANCIAL DATA

The following selected financial data of the Board for the fiscal years presented have been summarized or derived from the Board's audited financial statements. Financial data for the four-month periods ended, or at period end on, October 31, 2020 and October 31, 2019 are unaudited and have been provided by the Board.

Statements of Revenues, Expenses and Changes in Net Position

(in Thousands)

	Four months ended October 31,		Fiscal Year Ended June 30,				
	2020	2019	2020	2019	2018	2017 ⁽¹⁾	2016
Operating Revenues, net	\$ 443,170	\$ 491,667	\$ 1,278,700	\$ 1,342,217	\$ 1,324,224	\$ 1,260,957	\$ 1,201,448
Operating Expenses	405,080	446,020	1,205,896	1,245,201	1,215,713	1,199,677	1,152,537
Operating Income	38,090	45,647	72,804	97,016	108,511	61,280	48,911
Other income and (deductions)	742	4,382	8,229	12,649	6,700	2,384	1,126
Income before Interest Charge	38,832	50,029	81,033	109,665	115,211	63,664	50,037
Interest Expense	5,527	6,277	17,643	19,639	21,019	22,490	21,466
Net Increase in Net Assets/Change in Net Position	<u>\$ 33,305</u>	<u>\$ 43,752</u>	<u>\$ 63,390</u>	<u>\$ 90,026</u>	<u>\$ 94,192</u>	<u>\$ 41,174</u>	<u>\$ 28,571</u>

Statements of Net Position

(in Thousands)

	As of October 31,		Fiscal Year Ended June 30,				
	2020	2019 ⁽²⁾	2020	2019 ⁽²⁾	2018 ⁽²⁾	2017 ⁽¹⁾	2016
Assets and Deferred Outflows of Resources							
Utility Plant, net	\$ 1,172,561	\$ 1,076,401	\$ 1,155,628	\$ 1,055,165	\$ 1,010,635	\$ 973,053	\$ 939,159
Investment of Restricted Funds	99,547	130,625	78,390	118,371	166,492	194,181	116,266
Current Assets	565,879	645,863	580,554	628,696	576,456	513,121	489,629
Other Non-Current Assets	8,257	7,672	8,747	7,337	5,971	5,699	2,778
Total Assets	<u>1,846,244</u>	<u>1,860,561</u>	<u>1,823,319</u>	<u>1,809,569</u>	<u>1,759,554</u>	<u>1,686,054</u>	<u>1,547,832</u>
Deferred Outflows of Resources	\$ 52,352	\$ 70,753	\$ 65,855	\$ 79,173	\$ 63,152	\$ 62,571	\$ 69,227
Total Assets and Deferred Outflows of Resources	<u>\$ 1,898,596</u>	<u>\$ 1,931,314</u>	<u>\$ 1,889,174</u>	<u>\$ 1,888,742</u>	<u>\$ 1,822,706</u>	<u>\$ 1,748,625</u>	<u>\$ 1,617,059</u>
Liabilities and Deferred Inflows of Resources							
Long Term Debt, less current portion	\$ 513,727	\$ 559,873	\$ 516,373	\$ 562,779	\$ 615,439	\$ 658,867	\$ 568,384
Current Liabilities	182,233	206,222	196,112	213,104	223,810	208,699	206,408
Current Liabilities Payable From Restricted Assets	50,997	48,821	48,891	41,637	33,729	30,782	29,830
Net Pension Liability	198,755	222,226	209,700	221,544	194,620	206,193	233,971
Net OPEB Liability	189,066	196,767	191,048	195,098	207,517	196,661	-
Other Non-Current Liabilities	10,018	10,097	8,527	8,695	9,256	5,227	7,030
Total Liabilities	<u>\$ 1,144,796</u>	<u>\$ 1,244,006</u>	<u>\$ 1,170,651</u>	<u>\$ 1,242,857</u>	<u>\$ 1,284,371</u>	<u>\$ 1,306,429</u>	<u>\$ 1,045,623</u>
Deferred Inflows of Resources	\$ 45,822	\$ 32,273	\$ 43,850	\$ 34,602	\$ 17,078	\$ 15,131	\$ -
Net Position	<u>\$ 707,978</u>	<u>\$ 655,035</u>	<u>\$ 674,673</u>	<u>\$ 611,283</u>	<u>\$ 521,257</u>	<u>\$ 427,065</u>	<u>\$ 571,436</u>
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 1,898,596</u>	<u>\$ 1,931,314</u>	<u>\$ 1,889,174</u>	<u>\$ 1,888,742</u>	<u>\$ 1,822,706</u>	<u>\$ 1,748,625</u>	<u>\$ 1,617,059</u>

⁽¹⁾ As restated for adoption of Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions

⁽²⁾ Certain amounts of prior-period financial statements have been reclassified to conform to subsequent period presentation

The following tables represent information relating to the number of customers, kilowatt-hour sales, maximum hourly demand, and data on largest customers.

Number of Customers (not Meters)

FISCAL YEAR	RESIDENTIAL	SMALL COMMERCIAL	LARGE COMMERCIAL & INDUSTRIAL	MUNICIPAL	TOTAL
(As of June 30)					
2011	323,346	32,402	7,010	548	363,306
2012	323,842	32,806	6,664	552	363,864
2013	327,033	33,111	6,790	550	367,484
2014	332,425	32,672	6,816	550	372,463
2015	339,381	33,428	6,818	539	380,166
2016	345,051	33,667	6,858	508	386,084
2017	355,456	34,231	6,967	292	396,946
2018	361,427	34,437	7,140	289	403,293
2019	366,045	34,984	7,004	225	408,258
2020	373,798	35,457	6,882	209	416,346

Interim Period Data

As of October 31

2019	368,594	35,137	7,002	225	410,958
2020	375,215	35,679	6,771	214	417,879

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Sales in kWh and Maximum System Demand in kW

FISCAL YEAR (Ended June 30)	RESIDENTIAL	SMALL COMMERCIAL	LARGE COMMERCIAL & INDUSTRIAL	LIGHTING	TOTAL KWH	MAX HOURLY DEMAND IN KW
2011	4,976,466,049	781,008,482	6,390,809,091	128,466,849	12,276,750,471	2,627,519
2012	4,527,844,386	770,429,623	6,189,479,142	128,861,545	11,616,614,696	2,561,686
2013	4,686,455,277	783,854,102	6,155,106,129	130,574,174	11,755,989,682	2,511,005
2014	4,912,802,936	808,214,925	6,202,635,803	134,211,759	12,057,865,423	2,713,367
2015	4,850,783,544	805,449,478	6,218,697,610	138,506,086	12,013,436,718	2,626,740
2016	4,539,869,451	794,321,352	6,133,371,471	138,041,618	11,605,603,892	2,422,744
2017	4,659,830,693	810,856,131	6,274,265,762	136,995,640	11,881,948,226	2,395,195
2018	4,925,981,572	825,843,592	6,178,405,432	136,331,006	12,066,561,602	2,572,736
2019	4,914,037,499	819,866,983	6,156,401,981	136,563,983	12,026,870,446	2,466,445
2020	4,862,286,789	790,846,391	5,899,743,533	134,414,754	11,687,291,467	2,525,250
Interim Period Data						
Four months ended October 31						
2019	1,845,686,399	318,295,029	2,318,312,044	45,299,863	4,527,593,335	2,525,250
2020	1,755,952,500	289,291,988	2,093,986,301	44,783,306	4,184,014,095	2,472,763

Ten Largest Customers
Fiscal Year Ended June 30,

Group Name	2020				2019			
	Revenue	% of Total	kWH	% of Total	Revenue	% of Total	kWH	% of Total
AT&T	\$7,594,024	0.60%	88,147,056	0.75%	\$8,480,127	0.65%	96,491,618	0.80%
Bridgestone/Firestone	7,802,956	0.62%	119,536,992	1.02%	8,987,563	0.68%	141,327,849	1.18%
Fiberweb	7,356,550	0.59%	135,596,464	1.16%	7,628,128	0.58%	135,188,960	1.12%
HCA	7,650,350	0.61%	91,565,251	0.78%	7,967,342	0.61%	92,052,625	0.77%
Metropolitan Board of Education	17,102,715	1.36%	154,299,075	1.32%	19,504,413	1.48%	177,926,087	1.48%
Metropolitan Government (all other departments)	11,774,601	0.94%	112,256,458	0.96%	12,708,287	0.97%	119,320,964	0.99%
Metropolitan Government District Energy System	12,506,804	1.00%	105,723,290	0.90%	12,891,583	0.98%	109,134,311	0.91%
Metropolitan Government Water and Sewer	17,015,658	1.35%	212,681,501	1.82%	18,117,046	1.38%	219,268,222	1.82%
State of Tennessee (all departments)	15,755,421	1.25%	159,264,421	1.36%	15,506,667	1.18%	153,169,352	1.27%
Vanderbilt University	20,828,282	1.66%	275,150,507	2.35%	21,600,680	1.64%	272,338,718	2.26%
	<u>\$125,387,361</u>	9.98%	<u>1,454,221,015</u>	12.44%	<u>\$133,391,836</u>	10.15%	<u>1,516,218,706</u>	12.61%
NES total electric sales and kWh	\$1,256,139,000		11,687,291,467		\$1,313,626,000		12,026,870,446	
Portion represented by non-governmental entities	\$51,232,162	4.08%	709,996,270	6.07%	\$54,663,840	4.16%	737,399,770	6.13%

Notes: As a result of the COVID-19 pandemic, some or all of the above-listed customers may have temporarily closed all or some of its facilities or may be operating at reduced capacity. It is unknown at this time when and if these customers will reopen at full capacity or whether additional operating restrictions will be necessary. See "COVID-19 AND OTHER EVENTS" herein for more information about the COVID-19 pandemic and its impact on the operations and financial condition of the Electric System.

Summary of Changes in Net Position
(in Dollars)

FISCAL YEAR (Ended June 30)	OPERATING REVENUES	PURCHASED POWER	OPERATING EXPENSES (a)	DEPRECIATION & AMORTIZATION	TAX EQUIVALENTS (b)	OPERATING INCOME	OTHER INCOME (c)	OTHER DEDUCTIONS (d)	CHANGES IN NET POSITION
2011	1,199,608,921	927,065,179	142,188,277	47,522,601	27,592,430	55,240,434	513,242	26,866,877	28,886,799
2012	1,154,512,724	868,452,530	141,289,100	49,275,854	28,627,861	66,867,379	399,424	23,240,434	44,026,369
2013	1,174,424,263	900,916,418	150,748,346	39,483,809	32,211,121	51,064,569	524,677	23,797,052	27,792,194
2014	1,241,434,000	926,575,000	145,267,000	49,106,000	32,641,000	87,845,000	295,000	22,236,000	65,904,000
2015	1,246,632,000	929,726,000	149,512,000	53,317,000	33,759,000	80,318,000	995,000	25,500,000	55,813,000
2016	1,201,448,000	884,535,000	181,163,000	54,456,000	32,383,000	48,911,000	1,126,000	21,466,000	28,571,000
2017	1,260,957,000	932,275,000	178,525,000	55,409,000	33,468,000	61,280,000	2,384,000	22,490,000	41,174,000
2018	1,324,224,000	943,511,000	182,932,000	58,719,000	30,551,000	108,511,000	6,700,000	21,019,000	94,192,000
2019	1,342,217,000	949,308,000	201,037,000	62,783,000	32,073,000	97,016,000	12,649,000	19,639,000	90,026,000
2020	1,278,700,000	887,729,000	220,035,000	66,266,000	31,866,000	72,804,000	8,229,000	17,643,000	63,390,000
Interim Period Data									
Four months ended October 31									
2019	491,667,000	344,077,000	69,577,000	21,467,000	10,899,000	45,647,000	4,382,000	6,277,000	43,752,000
2020	443,170,000	301,543,000	66,559,000	23,065,000	13,913,000	38,090,000	742,000	5,527,000	33,305,000

Notes:

- (a) Includes costs relating to customer accounts, sales and administrative and general expenses.
- (b) Tax equivalents are payments made to local government in-lieu-of real property taxes from which the Board is exempt so long as the property is used for its tax-exempt purpose.
- (c) Primarily interest income.
- (d) Primarily interest expense.

NASHVILLE ELECTRIC SERVICE
Debt Service Coverage

(MODIFIED CASH BASIS IN ACCORDANCE WITH BOND RESOLUTION)

FISCAL YEAR (Ended 6/30)	CHANGES IN NET POSITION	PLUS ADJUSTMENTS				INCOME AVAILABLE FOR DEBT SERVICE	DEBT SERVICE		TOTAL	DEBT SERVICE COVERAGE
		DEPRECIATION & AMORTIZATION	INTEREST EXPENSE	EXTRAORDINARY (GAINS)LOSSES	TAX EQUIVALENTS		INTEREST (a)(b)	PRINCIPAL (c)		
2011	28,886,799	47,522,601	24,452,091	2,414,786	27,592,430	130,868,707	21,994,001	21,933,125	43,927,126	2.98
2012*	44,026,369	49,275,854	25,250,860	(2,010,426)	28,627,861	145,170,518	23,589,914	23,408,125	46,998,039	3.09
2013	27,792,194	39,483,809	23,797,052	-	32,211,121	123,284,176	24,455,794	25,622,500	50,078,294	2.46
2014**	65,904,000	49,106,000	22,236,000	-	32,641,000	169,887,000	23,175,000	26,702,000	49,877,000	3.41
2015	55,813,000	53,317,000	25,500,000	-	33,759,000	168,389,000	27,031,000	29,893,000	56,924,000	2.96
2016	28,571,000	54,456,000	21,466,000	-	32,383,000	136,876,000	25,598,000	30,490,000	56,088,000	2.44
2017***	41,174,000	55,409,000	22,490,000	-	33,468,000	152,541,000	24,480,000	25,260,000	49,740,000	3.07
2018	94,192,000	58,719,000	21,019,000	-	30,551,000	204,481,000	28,362,000	27,288,000	55,650,000	3.67
2019	90,026,000	62,783,000	19,639,000	-	32,073,000	204,521,000	27,340,000	28,324,000	55,664,000	3.67
2020	63,390,000	66,266,000	17,643,000	-	31,866,000	179,165,000	26,171,000	36,222,000	62,393,000	2.87

Interim Period Data

Four months ended 10/31

2019	43,752,000	21,467,000	6,277,000	-	10,899,000	82,395,000	8,793,354	12,073,909	20,867,263	3.95
2020	33,305,000	23,065,000	5,527,000	-	13,913,000	75,810,000	8,235,171	12,618,155	20,853,326	3.64

NOTES:

(a) EXCLUDES ACCRETED INTEREST EXPENSE ON ELECTRIC SYSTEM REVENUE BONDS, 1996 SERIES A CABS.

(b) EXCLUDES ACCRETED INTEREST EXPENSE ON ELECTRIC SYSTEM REVENUE BONDS, 1998 SERIES A ZERO COUPON BONDS.

(c) INCLUDES ACCRETED INTEREST IN THE YEAR OF MATURITY. CALCULATED ON A PRORATA BASIS AT INTERIM DATES BASED ON BOND INSTRUCTIONS.

* As restated for adoption of GASB 65. NES early adopted GASB 65 in 2013, effective July 1, 2011. Effect of adoption resulted in an increase of \$1,148,918, and a corresponding decrease in Changes in Net Position. See footnote disclosure in FY 2013 Audited Financial Statements for additional information.

** As restated for adoption of GASB 68. NES adopted GASB 68 in 2015, effective July 1, 2013. Effect of adoption resulted in an increase in Change in Net position of \$5,000,000. See footnote disclosure in FY 2015 Audited Financial Statements for additional information.

*** As restated for adoption of GASB 75. NES adopted GASB 75 in 2018, effective July 1, 2016. Effect of adoption was not material. See footnote disclosure in FY 2017 Audited Financial Statements for additional information.

COVID-19 AND OTHER EVENTS

The worldwide spread of COVID-19, a respiratory illness caused by a novel strain of coronavirus, is a pandemic that has affected the entire world, including the Metropolitan Government, and is considered by the World Health Organization to be a Public Health Emergency of International Concern. The Governor of the State issued a state of emergency for the State in mid-March 2020 in response to the COVID-19 pandemic. The spread of COVID-19 has led to quarantine and other "social distancing" measures throughout the United States, including the Metropolitan Government. These measures have included, from to time, (i) the closure of nonessential businesses, (ii) recommendations and warnings to limit nonessential travel and promote telecommuting, (iii) the postponement or cancellation of large-scale gatherings such as conventions, concerts and sporting events, (iv) limits on operations and customer capacity at restaurants and other retail establishments, and (v) the closure of public school buildings. The State continues to be under a state of emergency, and the Governor of the State may continue to issue executive orders to facilitate continued response to the COVID-19 pandemic. The Metropolitan Government may also issue future restrictions in response to the pandemic. As of January __, 2021, there were over ____ confirmed cases of COVID-19 in the Metropolitan Government and over ____ deaths.

The Metropolitan Government is unable to predict: (i) the extent or duration of the COVID-19 outbreak, any recurrence thereof or any other epidemic or pandemic; (ii) the extent or duration of existing or additional quarantines, business and school closures or restrictions, travel restrictions or other measures relating to COVID-19 or any other epidemic or pandemic; or (iii) whether and to what extent the COVID-19 outbreak or any other epidemic or pandemic may disrupt the local or global economy, manufacturing or the supply chain or whether any such disruption may adversely affect the operations of Metropolitan Government or the Electric System. Given the evolving nature of the spread of the virus and the behavior of governments, businesses and individuals in response thereto, neither the Metropolitan Government nor the Board can accurately predict the magnitude of the impact of COVID-19 on its operations or financial condition. The Metropolitan Government is taking steps to mitigate the spread of COVID-19 within the Metropolitan Government, and the Metropolitan Government and the Board are proactively taking steps to preserve effective staffing for all essential Metropolitan Government and Electric System operations.

Although neither the Metropolitan Government nor Board can predict the magnitude of the impact of the COVID-19 pandemic on the Electric System, they are monitoring the Electric System's operations and finances. From an operations perspective, their primary concern is ensuring that Electric System operators remain healthy and capable of managing the operation of the Electric System. The Board has enacted policies, based on guidelines issued by the Centers for Disease Control and Prevention, requiring the isolation of any employees who may have contracted or been exposed to the virus. To date, the Electric System's operations have not been materially impacted.

In response to the COVID-19 pandemic, TVA implemented a pandemic relief program in October 2020 (the "Pandemic Relief Program") whereby it instituted a rate reduction of approximately 2.5% in the wholesale schedule for its distributors, including NES. The Board anticipates that TVA will keep this reduced wholesale rate schedule through September 30, 2021. The wholesale rate reduction is expected to reduce NES's purchased power costs by \$18.3 million for the duration of the Pandemic Relief Program.

In connection with TVA's Pandemic Relief Program, the Board approved its own two-part approach to provide financial relief to NES customers during the pandemic. First, the Board approved a retail rate reduction for NES customers. The retail rate reduction is expected to result in a decrease of \$10.5 million in retail revenues, although, as noted above, purchased power costs for NES have also decreased as a result of the Pandemic Relief Program. As the second part of its approach to provide customer relief, the Board has partnered with a local agency that provides emergency financial assistance to NES customers who need help paying their NES bills. The financial assistance provided by the local agency comes from

local donations as well as a charitable contribution of \$6.0 million from NES. The local agency began making assistance payments on NES bills in November 2020.

In addition to the change in rates as a result of the pandemic, the Board has also seen a change in demand since the onset of the pandemic, though this change in demand may be due to several non-pandemic factors. In the period from March 2020 through October 2020, NES experienced decreased kilowatt-hour (or kWh) demand as compared to this same period in 2019. In mid-March 2020, restrictions on business and personal activity related to the COVID-19 pandemic took effect. In addition to the COVID-19 pandemic, NES customers experienced the following events in the period from March 2020 through October 2020 that impacted demand: 1) temperatures as measured by degree days were 11% lower in 2020 compared to 2019, 2) a tornado in the first week of March 2020 caused power outages and disruption for over 60,000 customers and 3) a derecho in the first week of May 2020 caused power outages and disruption to over 130,000 customers. Total kWh sold by NES decreased by 8.5% from March 2020 through October 2020 as compared to the same period in 2019. While retail revenue decreased 10.4% for the comparison period, purchased power costs for NES also decreased 13.1% for this period. The net effect was only a \$7.6 million decrease in margin.

Billing and collection efforts by NES, to date, have not been significantly disrupted by the COVID-19 pandemic and the storm events previously mentioned. To aid customers who experienced economic hardship as a result of the storm events and the pandemic, NES did not disconnect service for nonpayment or charge late fees during the period of March 2020 through September 2020. Additionally, effective July 1, 2020, all customer balances over 30 days past due (totaling approximately \$20.1 million) were transferred to a payment arrangement account which is amortizing the balances over the succeeding 12 months (the "Special Payment Arrangement"). During the period from July 1, 2020 to September 30, 2020, another \$16.1 million in customer balances aged past 30 days. NES estimates that approximately 55,000 customers have deferred their payments as part of this Special Payment Arrangement. On average, approximately \$4.9 million of billing was deferred each month while the program was in effect. As of October 31, 2020, [\$11.5 million of accounts receivable remained as part of the Special Payment Arrangement in addition to the \$16.1 million at September 30 either as part of the Special Payment Arrangement or past due]. As of October 31, 2020, NES customers have received approximately \$2.9 million of assistance from outside agencies to pay their NES bills. At June 30, 2020 and October 31, 2020, NES recorded allowances for uncollectable accounts of \$2.2 million and \$3.3 million, respectively. These amounts are netted with residential revenues.

To date, NES has not incurred a significant increase in operating expenses as a result of the COVID-19 pandemic. NES has expended approximately \$400,000 since mid-March 2020 directly in response to COVID-19, which operating expenses mostly involved costs of personal protective equipment and supplies and overtime for employees. While reimbursement is not certain, the Board believes some or all of these expenses may be reimbursable from the Federal Emergency Management Agency ("FEMA").

The Board does not expect a material decrease in operating revenues or a material increase in operating expenses in future fiscal years as a result of the COVID-19 pandemic, though circumstances may change due to the unprecedented and evolving nature of the pandemic. Though no assurances can be made, the Board believes it has adequate cash on hand to cover essential services and make timely debt service payments if unexpected changes to Electric System revenues and expenses occur. See the section entitled "SECURITY FOR THE BONDS" herein regarding the funds and accounts available for Electric System needs and debt service payments. As of Fiscal Year 2020, the Board had unrestricted cash and short-term investments on hand equivalent to 129 days of cash expenses, which include purchased power, operating expenses, and tax equivalents. The Board does not expect to receive any aid from the State or the federal government other than the potential FEMA reimbursement of operating expenses discussed above.

See "SELECTED FINANCIAL DATA" above for additional information on revenues, expenses, changes in net position as well as information on sales and demand and debt service coverage for the Electric System as of the fiscal year ended June 30, 2020 (audited) and for the four-month period ended October 31, 2020 (unaudited).

BONDHOLDERS' RISKS

General

Set forth below are certain risks purchasers of the 2021 Series A Bonds should consider when making an investment decision. All potential risks are not included, and the discussion is not intended to be exhaustive.

Enforceability of Remedies

The remedies available to the owners of the 2021 Series A Bonds upon an event of default under the Bond Resolution are in many respects dependent upon judicial actions, which are often subject to discretion and delay. The enforceability of remedies or rights with respect to the 2021 Series A Bonds may be limited by state and federal laws, rulings and decisions affecting remedies and by bankruptcy, insolvency or other laws affecting creditors' rights or remedies heretofore or hereafter enacted. Under existing constitutional and statutory law and judicial decisions, certain remedies specified by the Bond Resolution may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the 2021 Series A Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

Additional Obligations

The Metropolitan Government may issue Additional Bonds on a parity of lien with the 2021 Series A Bonds and the Parity Debt Obligations with respect to the Pledged Funds or subordinate to the 2021 Series A Bonds and the Parity Debt Obligations in accordance with the provisions of the Bond Resolution. The issuance of Additional Bonds would increase the debt service requirements and could adversely affect debt service coverage on the 2021 Series A Bonds. See "SECURITY FOR THE BONDS - Additional Bonds."

Early Payment Prior to Maturity

The 2021 Series A Bonds are subject to optional redemption prior to maturity. See "DESCRIPTION OF THE SERIES 2021 Series A Bonds —Redemption – *Optional Redemption*." A prospective investor should consider these rights when making any investment decision. Following a redemption, the owners of the 2021 Series A Bonds may not be able to reinvest their funds at a comparable interest rate.

Loss of Tax Exemption

There is no provision for the redemption of the 2021 Series A Bonds or for the payment of additional interest on the 2021 Series A Bonds in the event that interest on the 2021 Series A Bonds becomes includable in gross income for federal income tax purposes. In the event that interest on the 2021 Series A Bonds becomes includable in gross income for federal income tax purposes, the value and marketability of the 2021 Series A Bonds would likely be adversely affected. The Metropolitan Government and the Board

have, however, covenanted not to do anything that would adversely affect the tax-exempt status of the 2021 Series A Bonds. See "TAX EXEMPTION."

Future Legislation Could Affect Tax-Exempt Obligations

The federal government is considering various proposals to reduce federal budget deficits and the amount of federal debt, including proposals that would eliminate or reduce indirect expenditures made through various deductions and exemptions currently allowed by the income tax laws. The exemption for interest on tax-exempt obligations is one of the indirect expenditures that could be affected by a deficit reduction initiative. Some deficit-reduction proposals would completely eliminate the exemption for interest on all tax-exempt obligations. Other proposals would place an aggregate cap on the total amount of exemptions and deductions that may be claimed by a taxpayer, or a cap on the exemption for interest on all tax-exempt obligations. Changes in the rate of the federal income tax, including so-called "flat tax" proposals, could also reduce the value of the exemption.

Changes affecting the exemption for interest on tax-exempt bonds, if enacted, could apply to tax-exempt obligations already outstanding, including the 2021 Series A Bonds offered pursuant to this Official Statement, as well as obligations issued after the effective date of such legislation. It is not possible to predict whether Congress will adopt legislation affecting the exemption for tax-exempt bonds, what the provisions of such legislation may be, whether any such legislation will be retroactive in effect, or what effect any such legislation may have on investors in the 2021 Series A Bonds. Investors should consult their own tax advisors about the prospects and possible results of future legislation that could affect the exemption for interest on tax-exempt obligations.

Climate Change

Numerous scientific studies have detailed changing global weather patterns and the potential for increasing extreme weather events across the world. The Metropolitan Government's location in the southern United States and proximity to several waterways increases its vulnerability to flooding and extreme heat. In addition to flooding and extreme heat, the Metropolitan Government faces other threats due to climate change, including the possibility of drought conditions that could become increasingly severe and frequent. The Metropolitan Government has undertaken multiple local initiatives to address climate change and sustainability, including the creation of an energy savings program to support energy efficiency efforts in the Metropolitan Government's general government facilities. Neither the Metropolitan Government nor the Board can predict the timing, extent or severity of climate change and its impact on the Metropolitan Government's or Board's operations and finances.

Cyber Security

The Metropolitan Government and the Board utilize various computer systems and network technology to perform many of its vital operations. Such operations often include the storage and transmission of sensitive information. As a result, the Metropolitan Government and/or the Board may be the target of cyberattacks attempting to gain access to such information. In addition to intentional attacks, information breaches may occur due to unintentional employee error. A successful cyberattack or unintentional breach may require the expenditure of an unknown amount of money or time to resolve, substantially interrupt municipal services and operations and subject the Metropolitan Government and/or the Board to legal action. Neither the Metropolitan Government nor the Board has any knowledge of, nor historical record of, any successful cyber security breach or related attack. Attempted cyber security attacks, whether anonymous or targeted, occur on a periodic frequency that is not uncommon to organizations or entities similar to the Metropolitan Government and the Board. To mitigate against such risks, the Metropolitan Government and the Board have instituted various technical controls, policies and procedures

to protect its network infrastructure, including a cyber-security training requirement for certain departments, as well as general cyber-security training and awareness for all employees. The Board is subject to the requirements of NERC and complies with federal rules applicable to utilities owning certain types of assets on the bulk electric system. The Board undergoes regular monitoring and compliance audits in this regard. The Metropolitan Government and the Board also maintain insurance against cyber security incidents. Despite the Metropolitan Government's and the Board's measures to safeguard its network infrastructure, there are no guarantees that such measures will be successful.

COVID-19

As previously mentioned herein, the COVID-19 pandemic is far-reaching and unprecedented. Neither the Metropolitan Government nor the Board is able to predict the impact of the pandemic on the operations or financial condition of the Metropolitan Government, Board or Electric System. As stated herein, the Board is monitoring the Electric System's operations and finances. See "COVID-19 AND OTHER EVENTS" herein for more information about the pandemic and any impact to the Board and the Electric System.

Other Risk Factors

In the future, the following additional factors, among others, may adversely affect the operations of energy providers, including the Board, to an extent that cannot be determined at this time:

(1) The ability of, and costs to, the Board to insure or otherwise protect itself against property damage and general liability claims. See "ADDITIONAL FINANCIAL AND OPERATIONAL INFORMATION – Insurance."

(2) TVA's inability to provide electricity and other risk factors relating to the Board's relationship with TVA. See "FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY – TVA and General Industry Risk Factors."

(3) Proposals to eliminate the tax-exempt status of bonds issued by the Metropolitan Government, or to limit the use of such tax-exempt bonds, as discussed above, which have been made in the past, and which may be made again in the future. The adoption of such proposals would increase the cost to the Board of financing future capital needs.

LITIGATION AND OTHER PROCEEDINGS

There are not now pending, nor to the knowledge of the Metropolitan Government or the Board are there threatened, any legal proceedings restraining, enjoining, or adversely affecting the issuance or delivery of the 2021 Series A Bonds, the fixing or collecting of rates and charges for the services of the Electric System, to the pledge of the Pledged Funds, the proceedings and authority under which the 2021 Series A Bonds are to be issued, which affect in any way the validity of the 2021 Series A Bonds or which in any manner affect or call into question the right of the Board to operate the Electric System.

The Board, like other similar public bodies, is subject to a variety of lawsuits and proceedings arising in the ordinary conduct of its affairs. After reviewing the current status of all pending and threatened litigation involving the Electric System with its General Counsel, the Board believes that, while the outcome of such litigation and proceedings cannot be predicted, the final resolution of these pending and threatened lawsuits, proceedings and claims against the Board and its officials in such capacity are not expected to have a material adverse effect upon the financial position or results of operations of the Electric System after taking into consideration the Board's insurance and self-insurance arrangements.

TAX EXEMPTION

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met subsequent to the issuance and delivery of the 2021 Series A Bonds for interest thereon to be and remain excluded from gross income for Federal income tax purposes. Noncompliance with such requirements could cause the interest on the 2021 Series A Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issue of the 2021 Series A Bonds. The Metropolitan Government has covenanted in the Bond Resolution to maintain the exclusion of the interest on the 2021 Series A Bonds from gross income for Federal income tax purposes pursuant to Section 103(a) of the Code.

In the opinion of Bradley Arant Boult Cummings LLP, Nashville, Tennessee, Bond Counsel, under existing law, and assuming compliance with the aforementioned covenant, interest on the 2021 Series A Bonds is excluded from gross income for Federal income tax purposes. Bond Counsel is also of the opinion that the 2021 Series A Bonds are not "specified private activity bonds" within the meaning of Section 57(a)(5) of the Code and, therefore, the interest on the 2021 Series A Bonds will not be treated as a preference item for purposes of computing the alternative minimum tax imposed by Section 55 of the Code. Bond Counsel is further of the opinion that under existing law interest on the 2021 Series A Bonds is exempt from all state, county, and municipal taxation in the State of Tennessee, except franchise and excise taxes.

With respect to the 2021 Series A Bonds initially offered to the public at prices less than the amounts payable thereon at maturity, the difference between the principal amount of such 2021 Series A Bonds and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such 2021 Series A Bonds of the same maturity was sold constitutes original issue discount which is excluded from gross income for Federal income tax purposes to the same extent as interest on such 2021 Series A Bonds. Such original issue discount accrues actuarially on a constant interest rate basis over the term of each such 2021 Series A Bond, and the basis of each such 2021 Series A Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount.

With respect to the 2021 Series A Bonds initially offered to the public at prices greater than the amounts payable thereon at maturity, the difference between the principal amount of such 2021 Series A Bonds and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such 2021 Series A Bonds of the same maturity was sold constitutes original issue premium. As a result of the tax cost reduction requirements of the Code relating to amortization of original issue premium, under certain circumstances an initial owner of such 2021 Series A Bonds may realize a taxable gain upon the disposition of such 2021 Series A Bonds even though such 2021 Series A Bonds are sold or redeemed for an amount equal to such owner's original cost of acquiring such 2021 Series A Bonds.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the 2021 Series A Bonds may affect the tax status of interest on the 2021 Series A Bonds. No assurance can be given that future legislation, or amendments to the Code, if enacted into law, will not contain provisions which could directly or indirectly reduce the benefit of the exclusion of the interest on the 2021 Series A Bonds from gross income for Federal income tax purposes. Furthermore, Bond Counsel expresses no opinion as to any Federal, State or local tax law consequences with respect to the 2021 Series A Bonds, or the interest thereon, if any action is taken with respect to the 2021 Series A Bonds or the proceeds thereof upon the advice or approval of bond counsel other than Bond Counsel.

Although Bond Counsel has rendered an opinion that interest on the 2021 Series A Bonds is excluded from gross income for Federal and State income tax purposes, a Bondholder's Federal, state or local tax liability may otherwise be affected by the ownership or disposition of the 2021 Series A Bonds. The nature and extent of these other tax consequences will depend upon the Bondholder's other items of income or deduction. Without limiting the generality of the foregoing, prospective purchasers of the 2021 Series A Bonds should be aware that (i) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the 2021 Series A Bonds or, in the case of the financial institution, that portion of a holder's interest expense allocated to interest on the 2021 Series A Bonds, (ii) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the 2021 Series A Bonds, (iii) interest on the 2021 Series A Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (iv) passive investment income, including interest on the 2021 Series A Bonds, may be subject to Federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income, and (v) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest on the 2021 Series A Bonds. Bond Counsel has expressed no opinion regarding any such other tax consequences.

The foregoing discussion does not address the effects of any applicable federal, state, local or foreign tax laws other than those specifically discussed above. Prospective purchasers are urged to consult their own tax advisor concerning the federal tax consequences of owning and disposing of the 2021 Series A Bonds, as well as any consequences under the laws of any state, local or foreign taxing jurisdiction.]

See "BONDHOLDERS' RISKS – Loss of Tax Exemption" and "BONDHOLDERS' RISKS – Future Legislation Could Affect Tax-Exempt Obligations" herein for a discussion of certain risk factors relating to investment in the 2021 Series A Bonds.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization and issuance of the 2021 Series A Bonds are subject to the approval of Bradley Arant Boult Cummings LLP, Nashville, Tennessee, Bond Counsel, whose approving opinion in substantially the form attached hereto as Appendix E will be delivered with the 2021 Series A Bonds. Certain legal matters with respect to the Board will be passed upon by Laura Smith, Esq., Vice President – General Counsel to the Board, with respect to the Metropolitan Government, by Robert Cooper, Director of Law, and, with respect to the Underwriters, by Bass, Berry & Sims PLC, counsel to the Underwriters.

UNDERWRITING

Pursuant to a Bond Purchase Agreement dated January __, 2021 (the "Bond Purchase Agreement") among the Metropolitan Government, the Board and Raymond James & Associates, Inc., as representative and on behalf of the underwriters (the "Underwriters"), the Underwriters have agreed to purchase the 2021 Series A Bonds at an aggregate purchase price of \$_____ (consisting of the par amount of the 2021 Series A Bonds plus/less [net] original issue premium/discount of \$_____, and less an Underwriters' discount of \$_____). The obligation of the Underwriters to purchase the 2021 Series A Bonds is subject to certain conditions contained in the Bond Purchase Agreement.

The 2021 Series A Bonds will be offered at the respective initial public offering prices shown on the inside cover page of this Official Statement. The Underwriters may offer and sell the 2021 Series A

Bonds to certain dealers (including dealers depositing the 2021 Series A Bonds into investment trusts) and others at prices lower than the public offering prices stated on the inside cover page hereof. The initial public offering prices may be changed from time to time by the Underwriters in their discretion.

FHN Financial Capital Markets is a division of First Horizon Bank, and First Horizon Advisors, Inc., is a wholly owned subsidiary of First Horizon Bank. FHN Financial Capital Markets has entered into a distribution agreement with First Horizon Advisors, Inc., for the distribution of the offered 2021 Series A Bonds at the original issue prices. Such arrangement generally provides that FHN Financial Capital Markets will share a portion of its underwriting compensation or selling concession with First Horizon Advisors, Inc.

FINANCIAL ADVISOR

PFM Financial Advisors LLC ("PFM") is employed by the Board to perform professional services in the capacity of financial advisor. In its role as financial advisor to the Board, PFM has provided advice on the plan of financing and structure of the 2021 Series A Bonds, reviewed certain legal and disclosure documents, including this Official Statement, for financial matters, and reviewed and will give an opinion to the Board on the fairness of the pricing of the 2021 Series A Bonds by the underwriting syndicate. PFM has not independently verified the factual information contained in this Official Statement, but relied on the information supplied by the Metropolitan Government and other sources and the Metropolitan Government's and the Board's certification as to the Official Statement.

CONTINUING DISCLOSURE

Rule 15c2-12 under the Securities and Exchange Act of 1934, as amended (the "Rule"), prohibits an underwriter from purchasing or selling municipal securities unless it has determined that the issuer or other obligated person of such securities has committed to provide annually certain information, including audited financial information, and notice of various events described in the Rule. The Board has covenanted for the benefit of the holders of the Bonds that, consistent with the Rule, the Board will provide the following: (i) annual financial information for the Board, including audited financial statements of the Board for each fiscal year ending on and after June 30, 2021, in a timely manner; (ii) notices of certain events with respect to the Bonds and (iii) notice of any failure of the Board to provide required annual financial information not later than June 30, 2022 or any June 30 thereafter.

[Certain bonds issued for the benefit of the Board were or are insured by bond insurance companies that experienced rating changes within the previous five years. Notice of these insured rating changes was not filed by the Board; however, information on these insured rating changes was widely available and reported to the market. The Board has since filed notice of the current rating of the insurer for all insured Outstanding Bonds. Otherwise, in the previous five years, the Board has not failed to comply in any material respect with any undertaking in a written contract or agreement specified in the Rule.] The proposed form of the Continuing Disclosure Agreement is in Appendix F.

INDEPENDENT AUDITOR

The financial statements as of June 30, 2020 and 2019 and for each of the two years in the period ended June 30, 2020, included in this Official Statement, have been audited by PricewaterhouseCoopers LLP, independent auditor, as stated in its report appearing herein.

RATINGS

S&P Global Ratings and Fitch Ratings have given the ratings appearing on the front cover of this Official Statement to the 2021 Series A Bonds. Such ratings reflect only the view of such organizations, and an explanation of the significance of such rating may be obtained only from the respective rating agency. There is no assurance that such ratings will be maintained for any given period of time or that they will not be revised downward or be withdrawn entirely by the respective rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2021 Series A Bonds. Due to the ongoing uncertainty regarding the economy of the United States of America, including, without limitation, matters such as the future political uncertainty regarding the United States debt limit, obligations issued by state and local governments, such as the 2021 Series A Bonds, could be subject to a rating downgrade. Additionally, if a significant default or other financial crisis should occur in the affairs of the United States or of any of its agencies or political subdivisions, then such event could also adversely affect the market for and ratings, liquidity, and market value of outstanding debt obligations, including the 2021 Series A Bonds.

FORWARD-LOOKING STATEMENTS

Any statements made in this Official Statement, including in the appendices attached hereto, involving estimates or matters of opinion, whether or not so expressly stated as such, are set forth as estimates or matters of opinion and not as representations of fact. No representation is made that any of the estimates or matters of opinion will be realized.

The statements contained in this Official Statement, including in the appendices attached hereto, that are not purely historical, are forward-looking statements. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available on the date hereof, and the Metropolitan Government assumes no obligation to update any such forward-looking statement. It is important to note that actual results could differ materially from those in such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including without limitation: risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates; possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions; and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners, competitors and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Metropolitan Government. Any of such assumptions could be inaccurate. Therefore, there can be no assurance that the forward-looking statements included in this Official Statement, including in the appendices attached hereto, will prove to be accurate.

MISCELLANEOUS

The references herein to, and the summaries presented herein, of the Supplemental Resolution, the Bond Resolution, the Act and the Metropolitan Charter are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and reference is made to such documents and the Act for full and complete statements of such provisions. The delivery of this Official Statement by the Board has been authorized by the Metropolitan County Council. The Fiscal Agent and its counsel have not participated in the preparation of this Official Statement, except for confirming the accuracy of any description of the

Fiscal Agent contained herein, and hereby disclaim any responsibility for the accuracy or completeness of the information set forth in this Official Statement.

Use of the words "shall" or "will" in this Official Statement or in summaries of documents to describe future events or continuing obligations is not intended as a representation that such event or obligation will occur but only that the document contemplates or requires such event to occur or obligation to be fulfilled.

Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the owners of the 2021 Series A Bonds.

[Certification Page Follows]

CERTIFICATION AS TO OFFICIAL STATEMENT

The Metropolitan Government and the Board will represent to the Underwriters in the Bond Purchase Agreement that (i) the information and statements, including financial statements of or pertaining to the Metropolitan Government or the Board, contained in this Official Statement were and are correct in all material respects, and (ii) insofar as the Metropolitan Government or the Board and their affairs, including their financial affairs, are concerned, this Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

THE METROPOLITAN GOVERNMENT OF
NASHVILLE AND DAVIDSON COUNTY

ELECTRIC POWER BOARD OF THE
METROPOLITAN GOVERNMENT OF
NASHVILLE AND DAVIDSON COUNTY

By: _____ /s/
Title: Metropolitan Mayor

By: _____ /s/
Title: Board Chair

APPENDIX A

**Audited Financial Statements of the
Electric Power Board of the Metropolitan Government
of Nashville and Davidson County
for the Years Ended June 30, 2020 and June 30, 2019 and
Independent Auditor's Report**

APPENDIX B

**Unaudited Financial Information for the Four-Month Periods
Ended October 31, 2020 and October 31, 2019**

(See Notes to Unaudited Financial Information included herein.)

STATEMENTS OF NET POSITION (\$000 OMITTED)

(Unaudited) (Unaudited)
October 31, October 31,
2020 2019

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS:

Cash and cash equivalents	\$ 335,981	\$ 413,224
Other investments	50,494	50,860
Customer and other accounts receivable, less allowance for doubtful accounts of \$3,333 and \$828 respectively	138,181	139,738
Materials and supplies	32,367	30,466
Other current assets	<u>8,856</u>	<u>11,575</u>

TOTAL CURRENT ASSETS 565,879 645,863

INVESTMENT OF RESTRICTED FUNDS:

Cash and cash equivalents – Bond funds	19	662
Other investments – Bond funds	98,209	129,733
Cash and cash equivalents – Other funds	<u>1,319</u>	<u>230</u>

TOTAL INVESTMENT OF RESTRICTED FUNDS 99,547 130,625

UTILITY PLANT:

Electric plant, at cost	1,950,996	1,814,196
Less: Accumulated depreciation	<u>(778,435)</u>	<u>(737,795)</u>

TOTAL UTILITY PLANT, NET 1,172,561 1,076,401

OTHER NON-CURRENT ASSETS 8,257 7,672

TOTAL ASSETS 1,846,244 1,860,561

DEFERRED OUTFLOWS OF RESOURCES:

Deferred amount on refunding of debt	11,560	13,291
Difference between projected and actual pension earnings, net	-	-
Difference between projected and actual pension experience	2,331	5,138
Difference between projected and actual pension assumptions	16,765	28,035
Difference between projected and actual OPEB earnings, net	-	-
Difference between projected and actual OPEB experience	2,505	4,652
Difference between projected and actual OPEB assumptions	<u>19,191</u>	<u>19,637</u>

TOTAL DEFERRED OUTFLOWS OF RESOURCES 52,352 70,753

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES 1,898,596 1,931,314

See notes to unaudited financial information.

STATEMENTS OF NET POSITION (\$000 OMITTED) (continued)	(Unaudited) October 31, 2020	(Unaudited) October 31, 2019
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
CURRENT LIABILITIES:		
Accounts payable for purchased power	127,601	154,438
Trade accounts payable	13,564	11,394
Accrued employee obligations	9,533	10,472
Accrued expenses	11,373	10,664
Customer deposits	<u>20,162</u>	<u>19,254</u>
TOTAL CURRENT LIABILITIES	<u>182,233</u>	<u>206,222</u>
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:		
Construction accounts payable and retainage	1,984	720
Accrued interest payable	11,323	12,091
Current portion of long-term debt	<u>37,690</u>	<u>36,010</u>
TOTAL CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS	<u>50,997</u>	<u>48,821</u>
LONG-TERM DEBT, LESS CURRENT PORTION	513,727	559,873
NET PENSION LIABILITY	198,755	222,226
NET OPEB LIABILITY	189,066	196,767
OTHER NON-CURRENT LIABILITIES	<u>10,018</u>	<u>10,097</u>
TOTAL LIABILITIES	<u>1,144,796</u>	<u>1,244,006</u>
DEFERRED INFLOWS OF RESOURCES		
Difference between projected and actual pension earnings, net	4,976	5,657
Difference between projected and actual pension experience	7,062	4,028
Difference between projected and actual pension assumptions	6,435	-
Difference between projected and actual OPEB earnings, net	2,170	1,952
Difference between projected and actual OPEB experience	<u>25,179</u>	<u>20,636</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	45,822	32,273
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>1,190,618</u>	<u>1,276,279</u>
NET POSITION	<u>707,978</u>	<u>655,035</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	<u>\$ 1,898,596</u>	<u>\$ 1,931,314</u>

See notes to unaudited financial information.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (\$000 OMITTED)

	(Unaudited)	(Unaudited)
	October 31,	October 31,
	2020	2019
OPERATING REVENUES:		
Residential	\$ 201,544	\$ 215,918
Commercial and industrial	228,215	259,441
Street and highway lighting	7,144	6,956
Other	<u>6,267</u>	<u>9,352</u>
Total operating revenues, net	443,170	491,667
PURCHASED POWER	301,543	344,077
OPERATING EXPENSES	66,559	69,577
TAX EQUIVALENTS	13,913	10,899
DEPRECIATION & AMORTIZATION	<u>23,065</u>	<u>21,467</u>
Operating income	<u>38,090</u>	<u>45,647</u>
NON-OPERATING REVENUE (EXPENSE):		
Interest income	243	4,172
Interest expense, net	(5,527)	(6,277)
Other non-operating income	<u>499</u>	<u>210</u>
Total non-operating expense	<u>(4,785)</u>	<u>(1,895)</u>
INCREASE IN NET POSITION	<u>33,305</u>	<u>43,752</u>
NET POSITION, beginning of year	674,673	611,283
NET POSITION, end of year	<u>\$ 707,978</u>	<u>\$ 655,035</u>

See notes to unaudited financial information.

**ELECTRIC POWER BOARD OF THE METROPOLITAN GOVERNMENT
OF NASHVILLE AND DAVIDSON COUNTY**

NOTES TO UNAUDITED FINANCIAL INFORMATION BASIS OF PRESENTATION

[The accompanying unaudited financial information includes the accounts of the Electric Power Board of the Metropolitan Government of Nashville and Davidson County (the “Board”). This financial information does not include certain information and footnotes required by generally accepted accounting principles. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the four months ended October 31, 2020 and 2019 are not necessarily indicative of the results that may be expected for the fiscal years ending June 30, 2021 and 2020. PricewaterhouseCoopers LLP, the Board’s auditor, has not been engaged to perform and has not performed any procedures on the financial information included in this Appendix B.]

APPENDIX C

**The Metropolitan Nashville and Davidson County Area –
Economic and Demographic Information**

THE METROPOLITAN NASHVILLE AND DAVIDSON COUNTY AREA

Economic and Demographic Information

The Metropolitan Government of Nashville and Davidson County (the "Metropolitan Government") is issuing its Electric System Revenue Bonds, 2021 Series A (the "2021 Series A Bonds") for the use and benefit of the Electric Power Board of The Metropolitan Government of Nashville and Davidson County, which does business as Nashville Electric Service (the "Board"). *The 2021 Series A Bonds are not general obligations of the Metropolitan Government, and no holder of the 2021 Series A Bonds shall ever have the right to compel the Metropolitan Government to exercise its taxing power to pay principal, redemption price of or interest on the 2021 Series A Bonds.*

All of the following information, estimates, and expressions of opinion are subject to change without notice. Though collected from sources that the Metropolitan Government and the Board believe to be reliable, neither the Metropolitan Government nor the Board has made any independent verification of the information provided by non-Metropolitan Government or non-Board sources, and neither the Metropolitan Government nor the Board takes any responsibility for the completeness or accuracy thereof. Except as otherwise provided, the information herein is generally in relation to dates and periods prior to the COVID-19 pandemic and the resulting measures instituted to mitigate it. As provided in the section of the Official Statement entitled "BONDHOLDERS' RISKS – COVID-19," the economic and social impact of COVID-19 is far-reaching, unprecedented and constantly evolving. Historical numbers, including but not limited to those regarding employment and tourism, presented herein cannot be relied upon as reflective of current conditions or predictive of future results, which may be materially different from the information presented herein. The delivery by the Metropolitan Government and the Board of the information contained herein shall not, under any circumstances, create any implication that there has not been a material change in the affairs of the Metropolitan Government since the date of the Official Statement.

The Metropolitan Government

Organization

On June 28, 1962, the voters of Nashville and Davidson County approved the Charter of the Metropolitan Government (the "Charter"). The Tennessee Supreme Court upheld the validity of the Charter in October 1962. On April 1, 1963 the governments of the City of Nashville and of Davidson County were consolidated to form "The Metropolitan Government of Nashville and Davidson County", under which the boundaries of Nashville and Davidson County are co-extensive.

The executive and administrative powers are vested in the Metropolitan Mayor (the "Mayor"), who is elected at large for a four-year term. The Mayor is authorized to administer, supervise and control all departments and to appoint all members of boards and commissions created by the Charter or by ordinance enacted pursuant to the Charter unless otherwise excepted. A two-thirds vote of the Metropolitan County Council is required to override the Mayor's veto. The Charter also provides for a Vice Mayor, who is elected at large for a four-year term and is the presiding officer of the Metropolitan County Council. The Metropolitan County Council is the legislative body of the Metropolitan Government and is composed of 40 members who are elected for four-year terms: 35 are elected from council districts and five are elected at large.

Economic and Demographic Profile of the Metropolitan Government

Introduction

The Metropolitan Government as created in 1963, is in the north central part of Tennessee and covers 533 square miles. Nashville is the capital of the State of Tennessee and is situated in the Nashville Basin, between the Tennessee River on the west and the Eastern Highland Rim on the east.

Population Growth

The following table sets forth information concerning population growth in the Metropolitan Government. A comparison with the Nashville Metropolitan Statistical Area (“MSA”), the State and the United States serves to illustrate relative growth.

The Metropolitan Government of Nashville and Davidson County Demographic Statistics – Population Growth Change

Area	2000	2010	2000 - 2010	2019 Estimates
Nashville/Davidson	569,891	626,681	10.0%	670,820
MSA	1,311,789	1,670,900	27.4%	2,090,958
State of Tennessee	5,689,283	6,346,105	11.5%	6,829,174
United States	281,421,906	308,745,538	9.7%	328,329,523

Source: Census Bureau (census.gov)

Growth within the MSA has occurred to the greatest extent in surrounding communities, which, although suburbs of Nashville, are in themselves residential, manufacturing and agricultural communities.

Per Capita Personal Income

Area	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Nashville/Davidson	\$45,459	\$47,505	\$48,941	\$47,729	\$46,986	\$51,179	\$56,064	\$58,283	62,876	\$66,060
MSA	39,949	41,579	43,512	44,865	44,916	47,423	50,747	52,450	55,382	57,953
State of Tennessee	32,950	35,653	37,457	38,778	38,814	40,125	42,128	43,326	45,517	46,894
United States	38,144	40,277	42,461	44,282	44,493	46,494	48,451	49,246	51,640	54,440

Source – Bureau of Economic Analysis (bea.gov)

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Employment

The following table shows the labor force segments of the eight-county Nashville Metropolitan Statistical Area for calendar years 2015 through 2019. As previously noted, the COVID-19 pandemic has affected employment throughout sectors since mid-March 2020, including most notably Leisure & Hospitality.

NASHVILLE MSA EMPLOYMENT BY INDUSTRY

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Employed – All Industries ¹	1,048	1,015	980	950	915
<i>In Percentages:</i>					
Education & Health Services	14.78%	15.03%	15.29%	15.34%	15.39%
Financial Activities	6.81%	6.74%	6.51%	6.60%	6.52%
Government	11.42%	11.68%	12.08%	12.13%	12.40%
Information	2.36%	2.31%	2.39%	2.43%	2.36%
Leisure & Hospitality	11.62%	11.48%	11.35%	11.12%	10.98%
Manufacturing	8.09%	8.31%	8.23%	8.61%	8.64%
Professional & Business Services	16.83%	16.65%	16.59%	16.42%	16.04%
Trade, Transportation, Utilities	19.29%	19.12%	18.87%	19.02%	19.29%
Other	8.79%	8.69%	8.68%	8.32%	8.39%

⁽¹⁾ Total Nonfarm Employment in thousands
Source: Bureau of Labor Statistics (bls.gov)

UNEMPLOYMENT RATES

The following table sets forth the unemployment percentage rates in Davidson County, the MSA, the State and the United States for the calendar years 2010-2019. The COVID-19 pandemic has affected the unemployment rates for much of the country since mid-March 2020, including the Metropolitan Government. The unemployment rate for the Metropolitan Government for November 2020 was []%. Because of the nature of the pandemic, one cannot predict its course or its impact on the Metropolitan Government's economy, including its employment rate.

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Nashville/Davidson	8.2%	7.5%	6.2%	5.9%	5.0%	4.4%	3.6%	2.8%	2.6%	2.5%
MSA	8.6	7.8	6.4	6.2	5.2	4.5	3.7	3.0	2.8	2.6
State of Tennessee	9.7	9.0	7.8	7.8	6.5	5.6	4.7	3.8	3.5	3.4
United States	9.6	8.9	8.1	7.4	6.2	5.3	4.9	4.4	3.9	3.7

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

PRINCIPAL EMPLOYERS

JUNE 30, 2019

<u>Employer</u>	<u>Employees</u>	<u>% of Total Employment</u>
Vanderbilt University	34,370	3.45 %
State of Tennessee	26,795	2.69
Metro Nashville-Davidson Co. Government and Public Schools	19,700	1.98
U.S. Government	13,253	1.33
Nissan North America Inc.	12,000	1.20
Healthcare Corporation of America	10,600	1.06
Saint Thomas Health	8,335	0.84
Community Health Systems Inc.	4,550	0.46
Randstad	4,170	0.42
Asurion	<u>3,878</u>	<u>0.39</u>
	<u>137,651</u>	<u>13.82 %</u>

Sources: Principal Employers and Number of Employees - Nashville Area Chamber of Commerce, Nashville Business Journal. Total Employment - TN Department of Labor & Workforce Development

Note: The schedule reflects employers and number of employees within the Metropolitan Statistical Area. As a result of the COVID-19 pandemic, some or all of the above-listed employers may have temporarily closed or may be operating at reduced capacity. It is unknown at this time when and if these employers will resume operations at full capacity or whether additional operating restrictions will be necessary.

Private-Sector Investment and Job Creation

Since July 1, 2019, the Nashville Area Chamber of Commerce announced 21 business relocations or expansions into Davidson County, collectively bringing 393 new jobs into Metro Davidson County. Continued expansion has occurred in recent years in corporate and regional headquarters, the technology industry, manufacturing, health care management and many areas where the local economy has established strength and growth potential.

Over the past several years, many sizable headquarters, shared service operations, and manufacturing operations have relocated and/or expanded in Nashville. In the 2019-2020 Fiscal Year, iHeartmedia announced it will be establishing its second digital headquarters in Nashville. Allegiant announced in October 2019 that it will establish a base of operations at Nashville International Airport (BNA). The Las Vegas-based company will house two Airbus aircraft at BNA, which will become the airline's 19th aircraft base. Global Shares, a fast-growing Irish financial services technology software company, announced an opening of a Nashville office, set to yield more than 50 new jobs in 2020 and 200 jobs by 2022. Health care services company, Briye, is relocating its headquarters from Jackson, Mississippi to Nashville. The company plans to slowly transition the majority of its 20 employees to Nashville.

Other successes in Davidson County include Asurion moving nearly 100 product development jobs to Nashville from its San Mateo, California office. Citizens Bank is also expanding in Nashville, looking to divide 200 software engineers between Boston, Charlotte, Nashville, and Providence. Moreover, Chicago-based Shore Capital Partners' decided to open an investment office focused on health care in

Nashville. The company hopes to invest in as many as six Nashville-area companies over the next 3-4 years.

Manufacturing

As of December 2019, an average of 84,800 persons were employed in the manufacturing industries in the MSA, engaging in a wide range of activities and producing a variety of products, including food, tobacco, textiles and furnishings, lumber and paper, printing and publishing, chemical and plastics, leather, concrete, glass, stone, primary metals, machinery and electronics, motor vehicle equipment, measuring and controlling devices, and consumer products.

Nashville MSA's largest manufacturing employers include Nissan North America, Bridgestone Americas, Electrolux Home Products, A.O. Smith Water Products and Vought Aircraft Industries.

Trade

Nashville is the major wholesale and retail trade center for the MSA and some 50 counties in the central region of the State, southern Kentucky and northern Alabama. Nashville is one of the top 50 retail markets in the country. In the Nashville region, there are 48 shopping centers with over 21 million square feet of gross leasable area.

Agriculture

Nashville is surrounded by agricultural-based economies. The area encompassing middle Tennessee produces livestock, dairy products, soybeans, small grain, feed lot cattle, strawberries, hay and tobacco. Additionally, the area surrounding Nashville is the home of the Tennessee Walking Horse.

Transportation

Nashville serves as a conduit or trans-shipment point for much of the traffic between the northeast and southeast United States. Three interstate highways extending in six directions intersect in Nashville in addition to nine Federal highways and four State highways. Barge service on the Cumberland River, together with good rail and air services, give Nashville an excellent four-way transportation network.

The Cumberland River, connecting Nashville and the surrounding area to the Gulf of Mexico and intermediate points on the Ohio and Mississippi Rivers, is used by 51 commercial operators, 18 of which serve Nashville. With the completion of the Tennessee-Tombigbee Waterway in 1985, Cumberland River freight is able to reach the Port of Mobile, thereby eliminating approximately 600 miles of the distance from Nashville to the open sea and contributing to the development of foreign trade in Nashville. In addition, the Federal Government in 1982 approved Nashville as a Foreign Trade Zone, a secured area supervised by the United States Customs Service, which provides for the storing of foreign merchandise without duty payments.

The CSX System, a major national railroad, serves Nashville. In addition, five major rail lines link Nashville to all major markets in the nation. Rail carriers interchange freight and cooperate in providing and extending transit privileges covering both dry and cold storage and the processing or conversion of materials.

A commuter rail service from Lebanon, Tennessee to Nashville, approximately 32 miles, known as the Music City Star commenced transportation services in the September of 2006. It is operated under the direction of the Regional Transportation Authority, a multi-county agency. The ticket price includes Metropolitan Transportation Authority ("MTA") bus service on circulator routes in the downtown area.

In 1973, the Metropolitan Government acquired the net assets of the Nashville Transit Company and the Metropolitan Transit Authority was established. MTA provides a comprehensive public transportation system covering the entire metropolitan area. In addition to regularly scheduled bus routes, MTA provides special transportation services for the handicapped and operates bus service in the downtown area for shoppers, tourists and downtown workers. The revenues derived from the transit system are not sufficient to pay the expenses incurred in the operation of the system. The Metropolitan Government and the State of Tennessee contributed in the fiscal year ending June 30, 2020, approximately \$48.636 million and \$4.977 million, respectively, to pay approximately 63.5% of the Authority's operating expenses. The State directs revenues from a two cent per gallon gasoline tax, which it imposes on local governments that may be applied to mass transit. The contribution of the Metropolitan Government was paid from its general revenues.

The Metropolitan Nashville Airport Authority (the "Airport Authority") owns Nashville International and John C. Tune airports. Funding for the Airport Authority's capital and operating expenses is provided exclusively from Airport Authority revenues. Nashville International Airport (BNA) (the "Airport") is situated approximately eight miles from downtown Nashville. For the Fiscal Year ended June 30, 2019, the Airport served more than 17.1 million total passengers, operating an average of 540 daily flights to 71 nonstop markets. In May 2018, the Airport added five weekly nonstop international flights to London's Heathrow Airport.

In 2016, the Airport Authority announced plans for BNA Vision, a major renovation and expansion project intended to meet projected growth in passengers. BNA Vision is currently in the process of construction and completion, and by 2023 is expected to include a new parking garage, a new international arrivals facility and new hotel and office facilities.

Airlines have continued to operate at the Airport during the COVID-19 pandemic. Passenger activity has decreased significantly, however, causing reduced service to many markets. As a result of reduced passenger activity, certain Airport facilities may have closed. Any such closures are expected to be temporary. While airlines are expected to restore certain routes upon anticipated future traffic, schedules are fluid and subject to change.

The Airport Authority also operates the John C. Tune Airport in the Cockrill Bend Industrial area west of Nashville. It serves the needs of regional corporate and private aircraft and allows Nashville International's air carrier traffic to flow with fewer constraints. Tune Airport also provides a pilot training environment and modern facilities for the transient and corporate operator.

Mayor Cooper delivered on his commitment to produce a new people-first transportation strategy within his first year of office: *Metro Nashville's Transportation Plan* proposes \$1.6 billion in critical projects for community resilience, neighborhood livability, shared prosperity, and system preservation and performance. The plan is informed by 11 community listening sessions held throughout Davidson County this year, along with dozens of targeted discussions with stakeholder groups and organizations as well as all 40 Metro Councilmembers individually.

Metro Nashville's Transportation Plan proposes core categories for investment that reflect our communities' and the region's stated priorities: Mass transit, neighborhood infrastructure (sidewalks, bikeways, greenways), a "state of good repair" for roads and bridges, traffic operations and signals, and safety/Vision Zero. Projects within the plan will be advanced via individual, opportunistic funding strategies such as grants leveraging existing Metro funding, while more comprehensive, dedicated revenue streams—via the IMPROVE Act's authorizing mechanism for referendums, or other available legal framework—can be pursued in a future year once America's economy recovers from the pandemic-induced downturn. In addition to a depth of contemporary feedback gathered from Nashvillians in 2020, the plan also rests on many years of careful study and community engagements through Metro's adopted modal plans (nMotion, Access Nashville 2040, and WalkNBike).

Construction

Construction in Nashville is illustrated by the table on the following page describing the number and value of building permits issued by the Department of Codes Administration of the Metropolitan Government.

Several high-profile corporate relocations, the completion of new office buildings, and robust leasing activity all contributed to an active market in 2019. Nashville closed 2019 with a positive net absorption totaling 900,000 square feet, with the Central Business District (CBD) submarket accounting for most of the market activity. In the largest lease of the year, Amazon signed 500,000 square feet in the Nashville Yards development. Over 3.8 million square feet of office space is under construction and set to deliver over the next 3 years (70% in CBD). Year to date office sales volume reached a new record for the city, totaling \$1.1 billion (up 20% from last year). Furthermore, Nashville is ranked No.3 in the nation for overall real estate prospects in 2020 (source: Urban Land Institutes and PwC's Emerging Trends in Real Estate Report). This marks the 5th year Nashville has been in the top 10. In 2019, 5.4 million square feet of industrial space was delivered to the Nashville market, and 30 plus tower cranes continue to line Nashville's skyline.

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**NUMBER AND VALUE OF BUILDING PERMITS IN
THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY**

Calendar Year	Residential Construction		Non-Residential Construction		Repairs, Alterations and Installations		Other ⁽¹⁾		Total	
	Number of Permits	Value	Number of Permits	Value	Number of Permits	Value	Number of Permits	Value	Number of Permits	Permit Value
	2010	2,067	294,470,986	528	647,479,914	6,722	424,461,986	1,663	15,189,625	10,980
2011	2,166	372,440,931	444	382,483,854	3,163	377,053,306	1,840	18,738,180	7,613	1,150,716,271
2012	2,656	526,206,509	735	621,590,087	4,850	431,579,639	2,047	34,340,897	10,288	1,613,717,132
2013	3,406	737,396,336	762	493,330,146	3,405	455,745,450	2,135	23,344,644	9,708	1,709,816,576
2014	4,579	1,163,334,572	696	692,801,880	3,244	397,757,642	2,522	23,934,719	11,041	2,277,828,813
2015	5,774	1,428,091,853	762	937,747,113	2,988	441,598,956	2,862	38,771,613	12,386	2,846,209,535
2016	5,858	1,751,681,098	1,136	1,607,184,808	2,737	562,151,606	2,694	21,911,674	12,425	3,942,929,186
2017	5,537	1,084,398,438	1,196	1,996,276,985	2,342	572,053,980	2,642	24,394,733	11,717	3,677,124,136
2018	5,536	989,334,771	866	1,931,789,059	2,458	639,160,352	2,771	15,622,773	11,431	3,575,906,955
2019	5,195	968,600,069	1,056	2,598,254,537	2,374	607,178,804	2,388	26,243,063	11,013	4,200,276,473

(1) Includes moved residential buildings, house trailers, and the demolition of residential and non-residential buildings and signs & billboard permits

Source: Metropolitan Government Department of Code Administration

Healthcare

Nashville is one of the nation's leaders in the healthcare field. HCA Healthcare has its headquarters and operates several hospitals in the surrounding area. Vanderbilt University Medical Center and St. Thomas Hospital are the city's other primary hospitals.

The Metropolitan Government relocated the city-owned hospital, the Metropolitan Nashville General Hospital, to Hubbard Hospital of Meharry Medical College in 1998. In addition, Meharry provides medical staff to the Metropolitan Nashville General Hospital. The arrangement provides the city with a renovated facility staffed with residents from Meharry Medical College.

Higher Education

The Nashville Metropolitan Statistical Area has 15 colleges and universities, including Vanderbilt University, Belmont University, Tennessee State University, David Lipscomb University, Meharry Medical College, Nashville State Technical Institute and Fisk University. Total higher education enrollment exceeds 65,000 students annually.

Seven of Nashville's institutions of higher education offer graduate programs. Nashville is also a leading center for medical research and education with Vanderbilt University emphasizing medical research in addition to its programs in other disciplines and with Meharry Medical College specializing in health care delivery.

Professional Sports

The Metropolitan Government is home to four professional sports franchises, all of which are located in or near downtown Nashville. The National Hockey League's Nashville Predators has played their hockey games in the Bridgestone Arena for the past 21 years. Nashville hosted the NHL All-Star game in 2017. The National Football League's Tennessee Titans have played their football games in Nissan Stadium since 1999. Nashville hosted the NFL draft in 2019. The Nashville Sounds – the AAA affiliate of the Texas Rangers – play their baseball games in First Horizon Ballpark. Nashville Soccer Club – a member of Major League Soccer– commenced play of its soccer games at Nissan Stadium, where it will play its home games until a soccer-specific stadium is constructed for the team's use. The Sports Authority of The Metropolitan Government of Nashville and Davidson County (Tennessee) issued certain revenue bonds in December 2020 to finance the construction of a soccer-specific stadium, which stadium is expected to be completed in the second quarter of 2022.

Cultural Facilities

Library System

The Nashville Public Library system includes a 300,000 square foot downtown main library and 20 community branches located across the county. In addition, an extensive online offering of books and resources has extended its reach beyond the traditional branch system. The library facilities host numerous in-house programs and community events throughout the year. The State of Tennessee constructed in downtown Nashville a 165,000 square foot library and archives, which opened in fall 2019.

Performing Arts

The Tennessee Performing Arts Center is the first state-funded facility of its kind in the nation and is home to the Nashville Ballet, the Nashville Opera Association, and the Tennessee Repertory Theatre. The arts center occupies an entire city block, and its venues include Andrew Jackson Hall (2,472 seats), the James Polk Theater (1,075 seats), the Andrew Jackson Theater (256 seats), and the War Memorial Auditorium (1,661 seats). The center plays host to numerous events each year, including an annual series of Broadway plays. The Nashville Children's Theater is home to the oldest professional theater for children in the county. Thousands of school age children and adults are treated to a variety of productions each year. The Schermerhorn Symphony Center is a 1,844-seat concert hall located in downtown Nashville, which hosts the Nashville Symphony.

Museums and Visual Arts

The Frist Art Museum occupies the former Nashville's historic downtown former post office building. A public-private partnership between the Metropolitan Government, the Frist Foundation and the Dr. Thomas F. Frist, Jr. family, the Frist Center contains more than 24,000 square feet of gallery space capable of showcasing major national and international visual arts exhibitions.

The Parthenon, located in Nashville's Centennial Park, is a full-scale replica of the original building in Athens, Greece. The reproduction was built to honor Nashville's reputation for education and has attracted visitors since 1897. The recently restored building serves as Nashville's permanent art museum, holding a collection of paintings by 19th and 20th century American artists.

Cheekwood Botanical Garden and Art Museum is a fifty-five acre site that includes the original Cheek gardens, with pools, fountains, statuary, extensive boxwood plantings and breathtaking views of the rolling Tennessee hills. The Museum of Art is housed in a 30,000-square foot Georgian-style mansion, and contains world-class collections of American and contemporary painting and sculpture, English and American decorative arts and traveling exhibitions. Collections also include silver, and the most comprehensive collection of Worcester porcelain in America.

Vanderbilt University's Fine Arts Gallery showcases six exhibitions each year that represent Eastern and Western art and an international collection of works. The Van Vechten Gallery at Fisk University houses more than 100 pieces from artists like Picasso, Renoir, and O'Keeffe. For religious art, there's a wooden 8-foot-by-17-foot carving of "The Last Supper" based on Leonardo da Vinci's masterpiece at The Upper Room Chapel along with a striking 9,000-mosaic stained glass World Christian Fellowship Window. The museum at the Upper Room also has outstanding religious works, besides two annual displays of nearly 70 Ukrainian Easter eggs in April and more than 100 Nativity scenes in December.

The Country Music Hall of Fame and Museum is one of the world's largest and most active popular music research centers and the world's largest repository of country music artifacts. In May 2001, the Museum moved to a new 130,000 square foot facility in downtown Nashville. In 2014, the Museum expanded to 350,000 feet to connect to the new Omni headquarters hotel described below.

The Adventure Science Center features a state-of-the-art Planetarium as well as exhibits and programs which focus on geology, zoology, ecology, physics and other sciences. The Nashville Zoo at Grassmere is a zoological garden and historic plantation farmhouse located six miles from downtown. The Zoo contains over 6,000 individual animals and attracts approximately 950,000 visitors each year.

The Tennessee State Museum opened October 2018. It is designed to bring history to life. It includes a "Tennessee Time Tunnel" chronicling the state's rich history, a hands-on children's gallery, six rotating galleries, a state-of-the art digital learning center and a two-story Grand Hall.

The National Museum of African American Music opened in the Fall of 2020 in downtown Nashville. The Museum has over 56,000 square feet dedicated to preserving, educating, and celebrating the genres created and inspired by African Americans.

Music Concert Venues

The Metropolitan Government hosts large concert events at either Bridgestone Arena or Nissan Stadium. Smaller indoor venues include the Ryman Auditorium – the 2,362-seat original home of the Grand Ole Opry – and the new Grand Ole Opry, a 4,372 seat theater venue located near Gaylord Opryland Resort & Convention Center that hosts America’s longest running live radio show. The Metropolitan Government opened the Ascend Amphitheater in 2015, which maintains capacity of 6,800 and is located downtown, adjacent to the Cumberland River. The 4,500-seat Woods Amphitheatre at Fontanel is located nine miles north of downtown.

Impact of COVID-19

As a result of the COVID-19 pandemic, many facilities and venues in the Metropolitan Government are operating at reduced capacity or are closed. These closures and capacity modifications are anticipated to be temporary, though it is unknown when these changes will cease or whether increased restrictions or additional closures will be necessary.

Tourism

Tourism is a major industry in Nashville consistently ranking in the top 3 producers. The Nashville Convention and Visitors Corporation (NCVC) and U.S. Travel Data Center estimate more than 16.1 million visitors came to Nashville in 2019 and spent an estimated \$6.9 billion. Annual visitation to Nashville has increased over 45% in the last ten years.

The Nashville MSA has more than 412 hotels offering more than 47,962 rooms. Nashville has experienced hotel room sales growth 106 of the last 109 months.

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MSA HOTEL AND MOTEL ROOMS / OCCUPANCY RATE

Calendar Year	Rooms Available	Occupancy Rate
2010	35,639	59.50%
2011	35,727	63.50%
2012	36,263	66.80%
2013	37,124	69.80%
2014	37,824	72.50%
2015	38,721	73.70%
2016	40,558	75.10%
2017	41,733	74.10%
2018	44,335	73.30%
2019	47,676	73.50%

Source: Nashville Conventions and Visitors Corporation

The following is a description of the major sources of tourism for the Metropolitan Government:

Conventions and Corporate Meetings

Nashville’s Music City Center opened in May 2013 and features a 350,000 square foot exhibit hall, 75,000 square feet of ballroom space (consisting of a 57,000 square foot grand ballroom and an 18,000 square foot junior ballroom), 90,000 square feet of meeting rooms, 31 loading docks and a parking garage with 1,800 spaces. The Center’s location created a high demand for hotel rooms, particularly full service properties. An 800-room full-service Omni headquarters hotel opened in September 2013 next to the Music City Center. In the fall of 2016 a 454-room full-service Westin Hotel opened adjacent to the Music City Center. A 533-room J W Marriott opened in 2018. Several smaller hotels have also opened near the Music City Center. The Music City Center and its adjacent hotels are located within walking distance of the downtown entertainment district described below.

Located approximately ten miles from downtown is the Gaylord Opryland Resort & Convention Center, the third largest hotel/convention center under one roof in the United States. The complex features 2,881 hotel rooms, 263,000 square feet of exhibit space and 300,000 square feet of meeting space. SoundWaves, a half indoor, half outdoor water park at Gaylord Opryland opened in May of 2019. Soundwaves spans four acres and 111,000 square feet of indoor attractions, dining and amenities, as well as 106,000 square feet of outdoor water activities. Adjacent to the Gaylord Opryland Resort & Convention Center is the Grand Ole Opry, described above, and Opry Mills – a 1.1 million square foot megamall, which opened in May 2000. The mall contains 200 stores, theme restaurants, a 20 screen multi-theater complex and an IMAX theater.

Downtown Entertainment District

The downtown entertainment district encompasses approximately 20 square blocks centered around historic Lower Broadway (or Lower Broad). Lower Broad consists primarily of historic brick restaurants and bars that feature live music with no cover charge. Many of the restaurants and bars are owned and/or sponsored by current and past music artists. Lower Broad is a short walk to the Music City Center and its adjacent hotels, Nissan Stadium, Bridgestone Arena, the Ryman, the Country Music Hall of Fame and Museum and most other downtown Nashville attractions.

The Convention Center, Omni, Westin and J W Marriott hotels are located downtown in the Metropolitan Government's Central Business District, and are within walking distance of many notable attractions, including, the Bridgestone Arena, the Ryman Auditorium, Frist Center for the Visual Arts, Schermerhorn Symphony Center, Musicians Hall of Fame and Museum and the Johnny Cash Museum.

Seasonal, Festival and Sporting Events

Downtown Nashville annually hosts several seasonal, festival and sporting events. Downtown Nashville hosts one of the nation’s largest New Year’s Eve parties each year, with approximately 100,000 people coming to downtown for fireworks and live music. Nashville also hosts a four-day music festival each June known as CMA Music Fest. The event includes performances by more than 100 entertainers and groups, autograph sessions and activities directed at the attendees. Nissan Stadium hosts the college football Music City Bowl each December, and the Bridgestone Arena is a regular host for Southeastern Conference and NCAA men’s and women’s basketball tournaments.

Impact of COVID-19

The tourism industry in the Metropolitan Government has been significantly impacted by the COVID-19 pandemic. In addition to a decrease in visitors, many popular tourist attractions, event spaces and venues in the Metropolitan Government are operating at reduced capacity or are closed because of health concerns. These closures and capacity modifications are anticipated to be temporary, though it is unknown when these changes will cease or whether increased restrictions or additional closures will be necessary.

Education

As described above, the Nashville public schools make up the second largest school system in Tennessee. The following table summarizes the school system’s enrollment and attendance trends.

Public Schools Enrollment and Attendance

School Year	Enrollment	Average Attendance
2010-2011	78,096	73,808
2011-2012	79,117	75,072
2012-2013	81,077	76,946
2013-2014	82,863	75,190
2014-2015	84,500	76,252
2015-2016	85,797	77,791
2016-2017	86,633	78,098
2017-2018	85,379	77,117
2018-2019	86,292	77,218
2019-2020	84,358	77,474

APPENDIX D

Summary of Certain Provisions of the Bond Resolution

SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

The following is a summary of certain provisions of the Bond Resolution. This summary does not purport to be a full statement of the terms of the Bond Resolution and, accordingly, is qualified by reference thereto and is subject to the full text thereof. Capitalized terms not defined in this summary or in the Official Statement shall have the respective meanings set forth in the Bond Resolution.

Definitions

The following are summaries of certain definitions in the Bond Resolution:

Accreted Value shall mean with respect to any Capital Appreciation Bonds (i) as of any Valuation Date, the amount set forth for such date in the Bond Resolution or the Supplemental Resolution authorizing such Capital Appreciation Bonds and (ii) as of any date other than a Valuation Date, the sum of (a) the Accreted Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date, calculated based on the assumption that Accreted Value accrues during any semiannual period in equal daily amounts on the basis of a year of twelve thirty-day months, and (2) the difference between the Accreted Values for such Valuation Dates.

Accrued Aggregate Debt Service shall mean, as of any date of calculation, an amount equal to the sum of the amounts of accrued Debt Service with respect to all Series of Bonds, calculating the accrued Debt Service (notwithstanding the assumption concerning Variable Interest Rate Bonds set forth in the definition of "Debt Service" contained below) with respect to each Series at an amount equal to the sum of (i) interest on the Bonds of such Series accrued and unpaid and to accrue to the end of the then current Month, and (ii) Principal Installments due and unpaid and that portion of the Principal Installment for such Series next due which would have accrued (if deemed to accrue in the manner set forth in the definition of Debt Service) to the end of such Month. For purposes of this definition, the principal and interest portions of the Accreted Value of Capital Appreciation Bonds and the Appreciated Value of Deferred Income Bonds becoming due at maturity or by virtue of a Sinking Fund Installment shall be included in the calculations of accrued and unpaid and accruing interest or Principal Installments in such manner and during such period of time as is specified in the Bond Resolution or the Supplemental Resolution authorizing such Capital Appreciation Bonds or Deferred Income Bonds.

Adjusted Aggregate Debt Service for any period shall mean, as of any date of calculation, the Aggregate Debt Service for such period except that, if any Refundable Principal Installment for any Series of Bonds is included in Aggregate Debt Service for such period, Adjusted Aggregate Debt Service shall mean Aggregate Debt Service determined as if each such Refundable Principal Installment had been payable over a period extending from the due date of such Principal Installment through the later of the 25th anniversary of the issuance of such Series of Bonds or the 10th anniversary of the due date of such Principal Installment, in installments which would have required equal annual payments of principal and interest over such period. Interest deemed payable in any fiscal year after the actual due date of any Refundable Principal Installment of any Series of Bonds shall be calculated at the average rate of interest actually payable on the Bonds of such Series at the time the calculation is made (using the true, actuarial method of calculation). For purposes of this definition, the principal and interest portions of the Accreted Value of Capital Appreciation Bonds and the Appreciated Value of any Deferred Income Bonds becoming due at maturity or by virtue of a Sinking Fund Installment shall be included in the calculations of accrued and unpaid and accruing interest or Principal Installments in such manner and during such period of time as is specified in the Bond Resolution or the Supplemental Resolution authorizing such Capital Appreciation Bonds or Deferred Income Bonds.

Aggregate Debt Service for any period shall mean, as of any date of calculation, the sum of the amounts of Debt Service for such period with respect to all Series; provided, however, that for the purpose of estimating Aggregate Debt Service for any future period, any Option Bonds Outstanding during such period shall be assumed to mature on the stated maturity date or mandatory redemption date thereof.

Appreciated Value shall mean with respect to any Deferred Income Bonds, (A) (i) as of any Valuation Date, the amount set forth for such date in the Bond Resolution or the Supplemental Resolution authorizing such Deferred Income Bonds and (ii) as of any date other than a Valuation Date, the sum of (a) the Appreciated Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date calculated based on the assumption that Appreciated Value accrues during any semiannual period in equal daily amounts on the basis of a year of twelve thirty-day months, and (2) the difference between the Appreciated Values for such Valuation Dates, and (B) as of any date of computation on and after the Interest Commencement Date, the Appreciated Value of the Interest Commencement Date.

Authorized Investments shall mean any obligations in which municipal funds or the funds of municipally owned electric systems may be lawfully invested.

Bank Notes shall mean the note or notes issued by the Metropolitan Government to The Industrial Bank of Japan, Limited, New York Branch or any Substitute Bank (as defined in the Subordinated Resolution) under and pursuant to (i) the Letter of Credit and Reimbursement Agreement, dated as of June 1, 1985, by and among the Metropolitan Government, the Board and The Industrial Bank of Japan, Limited, New York Branch, as amended and as the same may be amended, (ii) the Loan Agreement, dated as of June 25, 1985, by and among the Metropolitan Government, the Board and The Industrial Bank of Japan, Limited, New York Branch, as amended and as the same may be amended or (iii) any letter of credit agreement, reimbursement agreement or other similar agreement by and among the Metropolitan Government, the Board and any Substitute Bank. The aforesaid agreements with The Industrial Bank of Japan are Credit Facilities for 1985 Series B Bonds.

Capital Appreciation Bonds shall mean any Bonds as to which interest is payable only at the maturity or prior redemption of such Bonds. For the purposes of (i) receiving payment of the Redemption Price, if any, of a Capital Appreciation Bond that is redeemed prior to maturity, or (ii) receiving payment of a Capital Appreciation Bond if the principal of all Bonds is declared immediately due and payable following an Event of Default as provided in the Bond Resolution or (iii) computing the principal amount of Bonds held by the holder of a Capital Appreciation Bond in giving to the Metropolitan Government, the Board or the Fiscal Agent any notice, consent, request, or demand pursuant to the Bond Resolution for any purpose whatsoever, the principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value.

Cost of Acquisition and Construction shall mean, with respect to the Electric System or any part thereof, the Metropolitan Government's or the Board's costs, expenses and liabilities paid or incurred or to be paid or incurred by the Metropolitan Government or the Board in connection with the planning, engineering, designing, acquiring, constructing, installing, financing, operating, maintaining, retiring and disposing of the Electric System or any part thereof and the obtaining of all governmental approvals, certificates, permits and licenses with respect thereto.

Credit Facility shall mean a letter of credit, surety bond, loan agreement, or other credit agreement, facility or insurance or guaranty arrangement pursuant to which the Metropolitan Government is entitled to

obtain funds to pay Bonds and interest thereon tendered for payment or redemption in accordance with the Bond Resolution.

Debt Service for any period shall mean, as of any date of calculation and with respect to any Series, an amount equal to the sum of (i) the interest accruing during such period on such Series of Bonds except to the extent such interest is to be paid from deposits made from Bond proceeds into the Debt Service Account in the Debt Service Fund, and (ii) that portion of each Principal Installment for such Series which would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the next preceding Principal Installment due date for such Series or, if there should be no preceding Principal Installment due date, from a date one year (or such lesser period as shall be appropriate if Principal Installments shall become due more frequently than annually) preceding the due date of such Principal Installment or from the date of issuance of the bonds of such Series, whichever is later. Except as set forth in the definition of "Accrued Aggregate Debt Service" contained in this section, in the case of Variable Interest Rate Bonds, with respect to a particular period and date of calculation, the interest rate therein shall be calculated on the assumption that such Bonds will bear interest during such period at the higher of (i) a fixed rate of interest equal to that rate, as estimated by an Authorized Board Representative, after consultation with the remarketing agent, if any, for such Series of Variable Interest Rate Bonds, on a day not more than 20 days prior to the date of initial issuance of such Series of Variable Interest Rate Bonds, which such Series of Variable Interest Rate Bonds would have had to bear to be marketed at par on such date as fixed rate obligations with the same maturity schedule as such Series of Variable Interest Rate Bonds or (ii) a rate, not less than the initial rate of interest on such Series of Variable Interest Rate Bonds, set forth in or determined pursuant to a formula set forth in the Supplemental Resolution authorizing such Series of Variable Interest Rate Bonds; provided that, if on such date of calculation the interest rate on such Variable Interest Rate Bonds shall then be fixed for a specified period, the interest rate used for such specified period for the purposes of the foregoing calculation shall be such actual interest rate. For purposes of this definition, the principal and interest portions of the Accreted Value of Capital Appreciation Bonds and the Appreciated Value of Deferred Income Bonds becoming due at maturity or by virtue of a Sinking Fund Installment shall be included in the calculations of accrued and unpaid and accruing interest or Principal Installments in such manner and during such period of time as is specified in the Bond Resolution or the Supplemental Resolution authorizing such Capital Appreciation Bonds or Deferred Income Bonds.

Debt Service Reserve Account Deficiency shall mean an amount equal to the sum of (i) any amount withdrawn from the Debt Service Reserve Account pursuant to the Bond Resolution, including, without limitation, any disbursement pursuant to a surety bond, insurance policy or letter of credit provided pursuant to the Bond Resolution unless the maximum limits of such bond, policy or letter of credit shall be reinstated or the amount of such disbursement shall be deposited in the Debt Service Reserve Account or a combination of such alternatives shall otherwise make up for such disbursements; (ii) any amounts necessary to make up for deficiencies in payments to the Debt Service Reserve Account pursuant to the Bond Resolution; (iii) the amount of any reduction in value of securities in the Debt Service Reserve Account below the amount required to be on deposit therein as a result of a valuation thereof pursuant to the Bond Resolution; and (iv) any other unauthorized depletion of the Debt Service Reserve Account below the amount required to be on deposit therein pursuant to the Bond Resolution.

Debt Service Reserve Requirement shall mean with respect to each Series of Bonds the amount determined by the Metropolitan Government prior to the issuance of such Series of Bonds and set forth in the Supplemental Resolution authorizing such Series or in a certificate of an Authorized Metropolitan Government Representative or, if delegated by the Metropolitan Government to the Board, the amount determined by the Board prior to the issuance of such Series of Bonds and set forth in a resolution of the Board or in a certificate of an Authorized Board Representative.

Deferred Income Bonds shall mean any bonds issued under the Bond Resolution as to which accruing interest is not paid prior to the Interest Commencement Date specified in the Bond Resolution or the Supplemental Resolution authorizing such Bonds and the Appreciated Value for such Bonds is compounded on the Valuation Date for such Series of Deferred Income Bonds.

Electric Fund shall mean the fund of that name established in the Bond Ordinance.

Electric System shall mean the electric system of the Metropolitan Government, now existing and hereafter acquired as part of such electric system by lease, contract, purchase or otherwise or constructed by the Metropolitan Government, including any interest or participation of the Metropolitan Government in any facilities in connection with said electric system, together with all additions, betterments, extensions and improvements to said electric system or any part thereof, hereafter constructed or acquired and together with all lands, easements, licenses and rights of way of the Metropolitan Government and all other works, property or structure of the Metropolitan Government and contract rights and other tangible and intangible assets of the Metropolitan Government now or hereafter owned or used in connection with or related to said electric system.

Interest Commencement Date shall mean with respect to any particular Deferred Income Bonds, the date specified in the Bond Resolution or the Supplemental Resolution authorizing such Bonds (which date must be prior to the maturity date for such Bonds), after which interest accruing on such bonds shall be payable with the first such payment date being the applicable interest payment date immediately succeeding such Interest Commencement Date.

Investment Securities, when used with respect to the Bonds and the Bond Resolution, shall mean and include any of the following securities, if and to the extent the same are at the time legal for investment of the Metropolitan Government's funds:

(i) any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America, including obligations of any of the Federal agencies set forth in clause (iii) below to the extent unconditionally guaranteed by the United States of America;

(ii) any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local government unit of any such state (a) which are not callable prior to maturity or as to which irrevocable instructions have been given to the trustee of such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified in such instructions, (b) which are secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in clause (i) hereof which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (ii), as appropriate, and (c) as to which the principal of and interest on the bonds and obligations of the character described in clause (i) hereof which have been deposited in such fund along with any cash on deposit in such fund are sufficient to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (ii) on the maturity date or dates thereof or on the redemption date or dates specified in this clause (ii) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (ii), as appropriate;

(iii) bonds, debentures, or other evidences of indebtedness issued or guaranteed by any agency or corporation which has been or may hereafter be created pursuant to an Act of Congress as an agency or instrumentality of the United States of America;

(iv) New Housing Authority Bonds issued by public agencies of municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an Annual Contributions Contract or Contracts with the United States of America; or Project Notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;

(v) direct and general obligations of any state of the United States of America, to the payment of the principal of and interest on which the full faith and credit of such state is pledged, provided that at the time of their purchase hereunder such obligations are rated in the two highest rating categories by Moody's and S&P's;

(vi) obligations of any state of the United States of America or any political subdivision of any state of the United States of America or any agency or instrumentality of any such state or political subdivision which shall be rated in the highest rating category by Moody's and by S&P's;

(vii) direct and general obligations of the State to the payment of the principal of and interest on which the full faith and credit of the State are pledged or any bonds or other obligations which as to principal and interest are unconditionally guaranteed by the State, provided that at the time of their purchase hereunder such obligations are rated in the two highest rating categories by Moody's and S&P's;

(viii) certificates or other instruments that evidence ownership of the right to payments of principal of or interest on obligations of any state of the United States of America or any political subdivision thereof or any agency or instrumentality of any state or political subdivision, provided that such obligations shall be held in trust by a bank or trust company or a national banking association meeting the requirements for a successor Fiscal Agent under the Bond Resolution, and provided further that the payments of all principal of and interest on such certificates or such obligations shall be fully insured or unconditionally guaranteed by, or otherwise unconditionally payable pursuant to a credit support arrangement provided by, one or more financial institutions or insurance companies or associations which shall be rated in the highest rating category by Moody's and S&P's, or, in the case of an insurer providing municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bonds, such insurance policy shall result in such municipal bonds being rated in the highest rating category by Moody's and S&P's;

(ix) certificates that evidence ownership of the right to payments of principal or interest on obligations described in clause (i), provided that such obligations shall be held in trust by a bank or trust company or a national banking association meeting the requirements for a successor Fiscal Agent under the Bond Resolution;

(x) certificates of deposit, whether negotiable or non-negotiable, and banker's acceptances of any of the 50 largest banks in the United States which are rated not lower than the second highest rating category by Moody's and S&P's;

(xi) commercial paper, other than that issued by bank holding companies, rated at the date of investment in the highest short term rating category by Moody's and by S&P's;

(xii) any repurchase agreement which by its terms matures not later than 30 days from its date of execution with any bank or trust company organized under the laws of any state of the United States of America or any national banking association or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is secured by any one or more of the securities described in clauses (i) and (iii) above which securities shall at all times have a market value (exclusive of accrued interest) not less than one hundred two percent (102%) of the full amount of the repurchase agreement, and provides that deficiencies therein shall be made up within five days, dates of maturity not in excess of seven years and be delivered to another bank or trust company organized under the laws of any state of the United States of America or any national banking association, as custodian; and

(xiii) shares of an Investment Company, organized under the Investment Company Act of 1940, as amended, which invests its assets exclusively in obligations of the type described in clause (i), (iii), (vi), (x), (xi) or (xii) above.

Liquidity Facility shall mean an irrevocable letter of credit or other irrevocable Credit Facility issued by, or a revocable line of credit extended by, a financial institution or insurance company or association which has been rated not lower than the second highest rating category by Moody's and S&P's, respectively, which letter of credit or Credit Facility is payable on demand in the event the terms under which such letter of credit or Credit Facility require payment thereunder.

Moody's shall mean Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, if any.

Net Revenues for any period shall mean the Revenues during such period minus the Operating Expenses during such period.

Operating Expenses shall mean all expenses incurred in connection with the operation and maintenance of the Electric System, including, without limiting the generality of the foregoing, all operating and maintenance expenses included in the Uniform System of Accounts exclusive of interest, depreciation and amortization charges and payments-in-lieu-of-taxes.

Option Bonds shall mean Bonds which by their terms may be tendered by and at the option of the holder thereof for payment by the Metropolitan Government prior to the stated maturity thereof, or the maturities of which may be extended by and at the option of the holder thereof.

Outstanding, when used with reference to Bonds, shall mean, as of any date, Bonds theretofore or thereupon being authenticated and delivered under the Bond Resolution except:

(i) Bonds canceled by the Fiscal Agent at or prior to such date;

(ii) Bonds (or portions of Bonds) for the payment or redemption of which moneys, equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, shall be held in trust under the Bond Resolution and set aside for such payment or redemption (whether at or prior to the maturity or redemption date), provided that if such Bonds (or portions of Bonds) are to be redeemed, notice of such redemption shall have been given or provision satisfactory to the Fiscal Agent shall have been made for the giving of such notice as provided in Article IV of the Bond Resolution;

(iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Bond Resolution;

(iv) Bonds deemed to have been paid as provided in the Bond Resolution; and

(v) Option Bonds deemed tendered in accordance with the provisions of the Supplemental Resolution authorizing such Bonds on the applicable adjustment or conversion date, if interest thereon shall have been paid through such applicable date and the purchase price thereof shall have been paid or amounts are available for such payment as provided in the Bond Resolution.

Pledged Funds shall mean the right, title and interest of the Metropolitan Government and the Board to the Net Revenues and all Funds and Accounts established under the Bond Resolution (other than the Rate Stabilization Account), including Investment Securities held in any such Funds and Accounts under the Bond Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Bond Resolution, together with all proceeds and revenues of the foregoing and all other moneys, securities or funds pledged for the payment of the principal or Redemption Price of and interest on the Bonds and the Metropolitan Government's other obligations under the Bond Resolution in accordance with the terms and provisions of the Bond Resolution.

Principal Installment shall mean, as of any date of calculation and with respect to any Series of Bonds, so long as any Bonds thereof are Outstanding, (i) the principal amount of Bonds of such Series due on a certain future date for which no Sinking Fund Installments have been established (including the principal amount of Option Bonds tendered for payment and not purchased), or (ii) the unsatisfied balance of any Sinking Fund Installments due on a certain future date for Bonds of such Series, plus the amount of the sinking fund redemption premiums, if any, which would be applicable upon redemption of such Bonds on such future date in a principal amount equal to said unsatisfied balance of such Sinking Fund Installments, or (iii) if such future dates coincide as to different Bonds of such Series, the sum of such principal amount of Bonds and of such unsatisfied balance of Sinking Fund Installments due on such future date plus such applicable redemption premiums, if any.

Refundable Principal Installment shall mean any Principal Installment for any Series of Bonds which the Metropolitan Government intends to pay with moneys which are not Net Revenues.

Revenues shall mean (i) all fees, rents and charges and other income derived or to be derived by the Metropolitan Government or the Board from or for the operation, use or services of the Electric System, (ii) any other amounts received from any other source by the Metropolitan Government or the Board and pledged by the Metropolitan Government as security for the payment of Bonds, and (iii) interest received or to be received on any moneys or securities held pursuant to the Bond Resolution and paid or required to be paid into the revenue fund established under the Bond Resolution.

S&P's shall mean Standard & Poor's Corporation, a corporation organized and existing under the laws of the State of New York, and its successors and assigns, if any.

Subordinated Debt shall mean indebtedness issued pursuant to and complying with the provisions for the issuance of subordinated debt contained in the Bond Resolution.

Supplemental Bond Resolution shall mean resolution supplemental to or amendatory of the Bond Resolution, adopted by the Metropolitan Government in accordance with the Bond Resolution.

Variable Interest Rate Bonds for any period of time, shall mean Bonds which during such period bear a variable interest rate, provided that Bonds the interest rate on which shall have been fixed for the remainder of the term thereof shall no longer be Variable Interest Rate Bonds.

Pledge Effected by the Bond Resolution

The Bonds are special obligations of the Metropolitan Government payable solely from and secured solely by the Pledged Funds. Such Pledged Funds are pledged and assigned as security for the payment of the principal and Redemption Price of, and interest on, the Bonds, subject and subordinate with respect to the revenues and funds pledged under the Bond Ordinance to the lien and pledge created in favor of the Senior Bonds in the Bond Ordinance and the rights of the holders of the Senior Bonds thereunder. The pledge of and lien on the Net Revenues created by the Bond Resolution ranks on a parity with the pledge of and lien on Net Revenues created by the Metropolitan Government in favor of the Bank Notes. Notwithstanding anything to the contrary contained in the Bond Resolution, the Metropolitan Government may incur Credit/Liquidity Facility Obligations which are payable on a parity with the Bonds from the Net Revenues and which are secured by a parity lien and pledge of the Net Revenues, without preference, priority or distinction over the rights of the Bondholders.

Establishment of Funds and Accounts

The following funds and accounts are hereby established by the Bond Resolution:

- (1) Construction Fund, to be held by the Fiscal Agent,
- (2) Revenue Fund, to be held by the Board,
- (3) Operating Fund, to be held by the Board,
- (4) Debt Service Fund, to be held by the Fiscal Agent, which shall consist of a Debt Service Account and a Debt Service Reserve Account,
- (5) Subordinated Debt Fund, to be held by the Fiscal Agent,
- (6) Reserve and Contingency Fund, to be held by the Board, and
- (7) General Reserve Fund, to be held by the Board, which shall consist of a Rate Stabilization Account and a General Account.

Construction Fund

The Bond Resolution establishes a Construction Fund into which are paid amounts required by the provisions of the Bond Resolution, and at the option of the Board, any moneys received by the Board from any source, unless required to be otherwise applied as provided by the Bond Resolution. Amounts in the Construction Fund shall be applied to pay the Cost of Acquisition and Construction in the manner provided in the Bond Resolution.

To the extent that other moneys are not available therefor, amounts in the Construction Fund shall be applied to the payment of Principal Installments of and interest on Bonds when due.

Amounts credited to the Construction Fund which an Authorized Board Representative determines to be in excess of the amounts required for the purposes thereof, shall be transferred to the Debt Service Reserve Account in the Debt Service Fund, to the extent necessary to make up any Debt Service Reserve Account Deficiency and any balance shall be paid over or transferred to the Board for deposit in the General Account in the General Reserve Fund.

The Metropolitan Government or the Board may discontinue the acquisition or construction of any portion of the Electric System the cost of which is at the time being paid out of the Construction Fund, if the Metropolitan Government or the Board determines by resolution that such discontinuance is necessary or desirable in the conduct of the business of the Metropolitan Government or the Board and not disadvantageous to the holders of the Bonds.

Application of Revenues

All Revenues shall be promptly deposited by the Board upon the receipt thereof in the Revenue Fund. In each month after the deposit of Revenues into the Revenue Fund (but in any case no later than the last Business Day of such month), the Board shall, to the extent of moneys available therefor, credit to, or shall transfer to the Fiscal Agent for deposit in, the following funds and accounts in the following order the amounts set forth below (such application to be made in such a manner so as to assure good funds in such Funds on the last Business Day of such month):

(1) To the Operating Fund, such amount as an Authorized Board Representative shall estimate is required, together with amounts then on deposit therein, to provide for the payment of Operating Expenses estimated to be paid through the next month;

(2) To the Debt Service Fund, (i) credit to the Debt Service Account, the amount, if any, required so that the balance in said Account shall equal the Accrued Aggregate Debt Service as of the last day of the then current month or, if interest and/or principal are required to be paid to holders of Bonds during the next succeeding month on a day other than the first day of such month, Accrued Aggregate Debt Service as of the day through and including which such interest and/or principal is required to be paid; provided that, for the purposes of computing the amount to be deposited in said Account, there shall be excluded from the balance of said Account the amount, if any, set aside in said Account from the proceeds of Bonds (including amounts, if any, transferred thereto from the Construction Fund) for the payment of interest on Bonds less that amount of such proceeds to be applied in accordance with the Bond Resolution to the payment of interest accrued and unpaid and to accrue on Bonds to the last day of the then current month or, if interest is required to be paid to holders of Bonds during the next succeeding month on the day other than the first day of such month less that amount of such proceeds to be applied in accordance with the Bond Resolution to the payment of interest accrued and unpaid and to accrue on Bonds to the day through and including which such interest is required to be paid, and (ii) for credit to the Debt Service Reserve Account, an amount equal to one thirty-sixth (1/36th) of the Debt Service Reserve Requirement as of the last day of the then current month; provided, however that no such credit shall be required to be made to the Debt Service Reserve Account whenever and so long as the amount on deposit therein after giving effect to any surety bond, insurance policy, letter of credit or other similar obligation deposited in such Account pursuant to the Bond Resolution, shall equal the Debt Service Reserve Requirement as of the last day of the then current month;

(3) To the Subordinated Debt Fund, the amount, if any, required to pay principal or sinking fund installments of and interest on each issue of Subordinated Debt and reserves therefor and the amounts, if any, to pay tendered Subordinated Debt, in accordance with the resolution or other debt instrument authorizing such issue of Subordinated Debt;

(4) To the Reserve and Contingency Fund the amount, if any, provided for deposit therein in the then current month as set forth in a certificate of an Authorized Board Representative theretofore delivered to the Fiscal Agent, which certificate is based on the current annual budget of the Board; and

(5) To the General Reserve Fund, (i) for credit to the Rate Stabilization Account, the amount, if any, provided for deposit therein in the then current month as set forth in a certificate of an Authorized Board Representative theretofore delivered to the Fiscal Agent, which certificate is based on the current annual budget for the Board; and (ii) for credit to the General Account the remaining balance of moneys in the Revenue Fund after making the above credits and deposits;

provided, however, that so long as there shall be held in the Debt Service Account and the Debt Service Reserve Account an amount sufficient to pay in full all Outstanding Bonds in accordance with their terms (including principal or applicable sinking fund Redemption Price and interest thereon), no transfers shall be required to be made to the Debt Service Fund; and provided further, that if and to the extent that there shall be any Debt Service Reserve Account Deficiency attributable to a reduction in value of Securities as a result of valuation thereof pursuant to the Bond Resolution, after giving effect to any surety bond, insurance policy or letter of credit deposited in such Account pursuant to the Bond Resolution, there shall be deposited into the Debt Service Reserve Account each month during the period commencing with the month following the month in which the determination of such Debt Service Reserve Account Deficiency was made an amount equal to one thirty-sixth (1/36th) of such Debt Service Reserve Account Deficiency in addition to any amounts required to be deposited in said Account as provided in the Bond Resolution, except that, if a new valuation of Investment Securities held in the Debt Service Reserve Account is made pursuant to the Bond Resolution during the period that such deposits are required, then the obligation of the Metropolitan Government to make deposits during the balance of such period on the basis of the preceding valuation shall be discharged and the deposits, if any, required to be made for the balance of such period shall be determined under this proviso on the basis of the new valuation; provided further that if and to the extent there shall be any Debt Service Reserve Account Deficiency attributable to any other cause, after giving effect to any surety bond, insurance policy or letter of credit deposited in such Account pursuant to the Bond Resolution, there shall be deposited into the Debt Service Reserve Account by the last Business Day of the month following the month in which the determination of such Debt Service Reserve Account Deficiency was made an amount equal to such Debt Service Reserve Account Deficiency in addition to any amounts required to be deposited in said Account as provided in the Bond Resolution. Notwithstanding the foregoing, in the event of any conflict between the foregoing provisions concerning the funding of the Debt Service Reserve Account and those set forth in the Supplemental Resolution authorizing a particular Series of Bonds, the provisions concerning the funding of the Debt Service Reserve Account with respect to a particular Series of Bonds set forth in such Supplemental Resolution shall control.

Operating Fund

Amounts credited to the Operating Fund shall be applied from time to time by the Board to the payment of Operating Expenses.

Amounts on deposit in the Operating Fund which the Board determines to be in excess of the requirements thereof shall be credited to the General Account in the General Reserve Fund.

Debt Service Account

The Fiscal Agent shall pay out of the Debt Service Account to the respective Paying Agents (i) on or before each interest payment date for any of the Bonds, the amount required for the interest payable on such date; (ii) on or before each Principal Installment due date, the amount required for the Principal Installment payable on such due date; and (iii) on or before any redemption date for the Bonds, the amount required for the payment of interest on the Bonds then to be redeemed. Such amounts shall be applied by the Paying Agents on and after the due dates thereof. The Fiscal Agent shall also pay out of the Debt Service Account the accrued interest included in the purchase price of Bonds purchased for retirement.

Amounts accumulated in the Debt Service Account with respect to any Sinking Fund Installment may and, if so directed by the Board, shall be applied by the Fiscal Agent to (i) the purchase of Bonds of the Series and maturity for which such Sinking Fund Installment was established, or (ii) the redemption at the applicable sinking fund Redemption Price of such Bonds, if then redeemable by their terms.

The amount, if any, deposited in the Debt Service Account from the proceeds of each Series of Bonds shall be set aside in such Account and applied to the payment of interest on Bonds as provided in the Bond Resolution or in accordance with certificates of an Authorized Board Representative delivered to the Fiscal Agent pursuant to the Bond Resolution.

Debt Service Reserve Account

If on any interest or Principal Installment due date with respect to any Series of Bonds payment for such interest or Principal Installment in full has not been made or provided for, the Fiscal Agent shall forthwith withdraw from the Debt Service Reserve Account an amount not exceeding the amount required to provide for such payment in full and deposit such amount in the Debt Service Account for application to such payment.

Whenever the amount in the Debt Service Reserve Account shall exceed the Debt Service Reserve Requirement, after giving effect to any surety bond, insurance policy or letter of credit deposited in such Account pursuant to the Bond Resolution, such excess shall be deposited in the Revenue Fund. Notwithstanding the foregoing, in the event of any conflict between the provisions of the preceding sentence and those set forth in the Supplemental Resolution authorizing a particular Series of Bonds, the provisions of such Supplemental Resolution shall control as to any excess funds in the Debt Service Reserve Account relating to such Series of Bonds.

In lieu of the required transfers or deposits to the Debt Service Reserve Account, the Metropolitan Government may cause to be deposited into the Debt Service Reserve Account a surety bond or an insurance policy for the benefit of the holders of the Bonds or a letter of credit in an amount equal to the difference between the Debt Service Reserve Requirement and the sums then on deposit in the Debt Service Reserve Account, if any. The surety bond, insurance policy or letter of credit shall be payable (upon the giving of notice as required thereunder) on any due date on which moneys will be required to be withdrawn from the Debt Service Reserve Account and applied to the payment of a Principal Installment of or interest on any Bonds and such withdrawal cannot be met by amounts on deposit in the Debt Service Reserve Account. The insurer providing such surety bond or insurance policy shall be an insurer whose municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bond issues results in such issues being rated in the highest rating category by Moody's and S&P's or who holds the highest policy holder rating accorded insurers by a nationally recognized insurance rating agency. The letter of credit issuer shall be a bank or trust company which is rated not lower than the second highest rating category by Moody's and S&P's, and the letter of credit itself shall be rated in the highest rating category of either such rating agency. If a disbursement is made pursuant to a surety bond, an insurance policy or a letter of credit provided pursuant to this subsection, the Metropolitan Government shall be obligated either (i) to reinstate the maximum limits of such surety bond, insurance policy or letter of credit or (ii) to deposit into the Debt Service Reserve Account, funds in the amount of the disbursement made under such surety bond, insurance policy or letter of credit, or a combination of such alternatives, as shall otherwise make up for such disbursement. In the event that the rating attributable to any insurer providing any surety bond or insurance policy or any bank or trust company providing any letter of credit held as above provided in the Debt Service Reserve Account shall fall below that required by the Bond Resolution, the Metropolitan Government shall use its best efforts to replace, as soon as possible, such surety bond, insurance policy or letter of credit with a surety bond, insurance policy or letter of credit which shall meet the above described requirements.

In the event that a debt service reserve is required for some but not all Bonds Outstanding or in the event the amount or method for determining the amount of the debt service reserve is not the same for all Series of Bonds Outstanding, then separate subaccounts shall be established within the Debt Service Reserve Account and such subaccounts shall be administered so that funds therein shall only secure, and shall be used to pay Debt Service only on, the Series of Bonds for which such subaccount is established. In such case, if Revenues are not sufficient to fund the entire amount required to be deposited in the Debt Service Reserve Account, then the available amount shall be transferred to the subaccounts therein on a pro rata basis.

Subordinated Debt Fund

The Fiscal Agent as directed by the Board shall apply amounts in the Subordinated Debt Fund to the payment of the principal or sinking fund installment of and interest on each issue of Subordinated Debt and reserves therefor in accordance with the provisions of, and subject to the priorities and limitations and restrictions provided in, the resolution or other debt instrument authorizing each issue of such Subordinated Debt. However, if at any time there shall be a Debt Service Reserve Account Deficiency and there shall not be any moneys available in the General Account in the General Reserve Fund and the Reserve and Contingency Fund to make up such deficiency, the Fiscal Agent shall forthwith transfer from the Subordinated Debt Fund for deposit in the Debt Service Reserve Account the amount necessary (or all moneys in the Subordinated Debt Fund, if necessary), to make up such Deficiency.

Reserve and Contingency Fund

Amounts in the Reserve and Contingency Fund shall be applied to the costs of major renewals, replacements, repairs, additions, betterments, enlargements and improvements to the System and the payment of extraordinary operation and maintenance costs and contingencies, including the costs of scheduled, emergency or other interchange service, payments with respect to the prevention or correction of any unusual loss or damages in connection with the Electric System or to prevent a loss of revenue therefrom, all to the extent not provided for by reserves in the Operating Fund or from the proceeds of Bonds or from amounts on deposit in the General Reserve Fund.

If at any time the amounts in the Debt Service Account in the Debt Service Fund shall be less than the amount required by the Bond Resolution or there shall be a Debt Service Reserve Account Deficiency, and there shall not be on deposit in the General Account in the General Reserve Fund available moneys sufficient to cure such deficiency, then the Board, upon requisition by the Fiscal Agent, shall transfer from the Reserve and Contingency Fund to the Fiscal Agent for deposit in the Debt Service Account or Debt Service Reserve Account (in that priority) the amount necessary (or all the moneys in said Fund if less than the amount necessary) to make up such Deficiency.

General Reserve Fund

The Board shall apply moneys credited to the General Account in the General Reserve Fund in the following amounts and in the following order of priority: (i) to the Fiscal Agent for deposit in the Debt Service Account in the Debt Service Fund, the amount necessary (or all moneys in the General Account, if necessary) to make up any deficiency in payments to said Account, (ii) to the Fiscal Agent for deposit in the Debt Service Reserve Account in the Debt Service Fund the amount necessary (or all moneys in the General Account, if necessary) to make up any Debt Service Reserve Account Deficiency, after giving effect to any surety bond, insurance policy or letter of credit deposited in such Account pursuant to the Bond Resolution, (iii) to the Fiscal Agent for deposit in the Subordinated Debt Fund the amount necessary

(or all moneys in the General Account, if necessary) to make up any deficiency in such Fund, and (iv) to payments in lieu of such taxes as may legally be levied against the Electric System or any part thereof.

Amounts in the General Account not required to meet a deficiency or provide for payments as required by the Bond Resolution shall upon determination of the Board be applied to or set aside for any one or more of the following:

- (a) The purchase or redemption of any Bonds, including without limitation Option Bonds tendered for payment and not remarketed, or purchase or redemption of Subordinated Debt, and to provide for expenses in connection with the purchase or redemption of any Bonds or Subordinated Debt or any reserves which the Board determines shall be required for such purposes;
- (b) payments into the Subordinated Debt Fund for application to the purposes of such Fund;
- (c) transfer to the Operating Fund payment of Operating Expenses;
- (d) payment of any extraordinary operation and maintenance costs, including the prevention or correction of any unusual loss or damage, in connection with the Electric System;
- (e) payments into the Construction Fund for application to the purposes of such Fund;
- (f) any other lawful purpose of the Metropolitan Government related to the Electric System or to a Separately Financed Project (as defined in the next following paragraph);

provided, however, that (i) amounts deposited in the General Account and required by the Bond Resolution to be applied to the purchase or redemption of Bonds shall be applied to such purpose and (ii) no payments shall be made from the General Account to pay any costs if and to the extent that the proceeds of insurance or other moneys recoverable as a result of damage, if any, are available to pay such costs.

Separately Financed Project

Nothing in the Bond Resolution prevents the Metropolitan Government, acting upon request by the Board, from authorizing and issuing bonds, notes or other obligations or evidences of indebtedness, other than Bonds, for any project authorized by the Act, Sections 7-52-401 to 7-52-407, inclusive, Tennessee Code Annotated, or Sections 7-52-601 to 7-52-611, inclusive, Tennessee Code Annotated, as may from time to time be amended, or for any project for the provision of goods or services other than the generation, transmission, distribution and sale of electric energy and capacity or related goods and services which presently are or hereafter may be authorized or permitted for municipal electric systems generally or the Board specifically under any Tennessee or federal law or the Charter of the Metropolitan Government, or from financing or otherwise providing for any such project from other available funds (such project being referred to herein as a "Separately Financed Project"), if the debt service on such bonds, notes or other obligations or evidences of indebtedness, and the Metropolitan Government's or the Board's share of any operating expenses related to such Separately Financed Project, are payable solely from the revenues or other income derived from the ownership or operation of such Separately Financed Project, from other available funds of the Metropolitan Government or the Board not constituting part of the Revenues or from other funds withdrawn by the Metropolitan Government or the Board from the General Reserve Fund pursuant to subparagraph (f) of the immediately preceding paragraph. The Board may lend or invest Electric System funds disbursed from the General Reserve Fund pursuant to subparagraph (f) of the immediately preceding paragraph in any Separately Financed Project provided (a) such loan or investment of funds is

authorized by law; and (b) the Electric System is to be reimbursed for the loan or investment of funds at a rate substantially comparable to the return on investment of Electric System funds of similar maturity dates.

Subordinated Debt

The Metropolitan Government may, at any time, or from time to time, issue Subordinated Debt for any of its corporate purposes payable out of, and which may be secured by a pledge of, such amounts in the Subordinated Debt Fund as may from time to time be available for the purpose of payment thereof; provided, however, that such pledge shall be, and shall be expressed to be, subordinate and junior in all respects to (i) the lien and pledge created by the Bond Resolution as security for the Bonds, and (ii) the lien and pledge created by the Bond Ordinance as security for the Senior Bonds.

Investment of Certain Funds

Moneys held in the Debt Service Fund shall be invested and reinvested by the Fiscal Agent to the fullest extent practicable in Authorized Investments, (a) in the case of moneys held in the Debt Service Reserve Account within ten years and (b) in the case of moneys held in the Debt Service Account not later than such times as shall be necessary to provide moneys when needed for payments to be made from such Account. Moneys held in the Revenue Fund and the Construction Fund may be invested and reinvested in Authorized Investments which mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from such Fund. Moneys held in the Operating Fund shall be invested in Authorized Investments which mature within twelve months and moneys held in the General Reserve Fund and Reserve and Contingency Fund shall be invested in Authorized Investments which mature no later than the latest maturity date of any Bonds outstanding, and in any case the Authorized Investments in such Funds shall mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from such Funds. Subject to the terms of any resolution, indenture or other instrument securing any issue of Subordinated Debt, moneys held in the Subordinated Debt Fund shall be invested and reinvested to the fullest extent practicable in Authorized Investments which shall mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from such Fund. The Fiscal Agent shall make all such investments of moneys held by it in accordance with written instructions from time to time received from any Authorized Board Representative. In making any investment in any Authorized Investments with moneys in any Fund or Account established under the Bond Resolution, an Authorized Board Representative may instruct the Fiscal Agent to combine such moneys with moneys in any other fund or account, but solely for purposes of making such investment in such Authorized Investments.

Unless otherwise provided in a Supplemental Bond Resolution, interest (net of that which represents a return of accrued interest paid in connection with the purchase of any investment) earned or any gain realized on any moneys or investments in any funds and accounts, other than the Construction Fund, shall be paid into the Revenue Fund on a periodic basis at least quarterly as shall be directed by the Board; provided, however, that at the direction of the Metropolitan Government, such income earned on moneys or investments in any fund or account or any portion thereof shall be paid into the Construction Fund. Interest earned or gain realized on any moneys or investments in the Construction Fund shall be held in such fund for the purposes thereof or, if so directed by the Board, paid into the Revenue Fund.

Valuation and Sale of Investments

In computing the amount in any fund or account created under the provisions of the Bond Resolution for any purpose provided in the Bond Resolution, obligations purchased as an investment of

moneys therein shall be valued at the amortized cost of such obligations or at the market price thereof, whichever is lower. The accrued interest paid in connection with the purchase of any obligation shall be included in the value thereof until interest on such obligation is paid. Such computation shall be determined as of July 1 in each year and at such other times as the Board shall determine.

Creation of Liens

The Metropolitan Government shall not issue any bonds, notes, debentures, or other evidences of indebtedness of similar nature, other than the Bonds, payable out of or secured by a pledge or assignment of the Pledged Funds or other moneys, securities or funds held or set aside by the Metropolitan Government, the Board or by the fiduciaries under the Bond Resolution and shall not create or cause to be created any lien or charge on the Pledged Funds, or such moneys, securities or funds; provided, however, that nothing contained in the Bond Resolution shall prevent the Metropolitan Government from issuing, if and to the extent permitted by law (i) evidences of indebtedness (a) payable out of moneys in the Construction Fund as part of the Cost of Acquisition and Construction of the Electric System, or (b) payable out of, or secured by a pledge or assignment of, Revenues to be received on and after such date as the pledge of the Net Revenues provided in the Bond Resolution shall be discharged and satisfied, (ii) Subordinated Debt, (iii) the Bank Notes, (iv) Credit/Liquidity Facility Obligations, or (v) bonds, notes, debentures or other evidences of indebtedness payable out of the General Account in the General Reserve Fund.

Disposition of Electric System or the Board

No part of, or interest of the Metropolitan Government or the Board in, the Electric System shall be sold, leased, mortgaged or otherwise disposed of, except as follows:

(a) The Metropolitan Government or the Board may sell or exchange at any time and from time to time any property or facilities constituting part of the Electric System, only if it shall determine that such property or facilities are not necessary for the purposes of the Metropolitan Government or the Board in the operation of the Electric System. The proceeds of any such sale or exchange not used to acquire other property necessary or desirable for the purposes of the Metropolitan Government or the Board in the operation of the Electric System shall forthwith be deposited in the General Account in the General Reserve Fund for the purpose or redemption of the Bonds, and

(b) The Metropolitan Government or the Board may lease or make contracts or grant licenses for the operation of, or make arrangements for the use of, or grant easements or other rights with respect to, any part of the Electric System, provided that any such lease, contract, license, arrangement, easement or right (i) does not impede the operation by the Metropolitan Government or the Board or its agents of the Electric System and (ii) does not in any manner impair or adversely affect the rights or security of the Bondholders under the Bond Resolution; and provided, further, that if the book value of the property to be covered by any such lease, contract, license, arrangement, easement or other right is in excess of 1% of the book value of the assets of the Board at such time, the Board shall first file with the Fiscal Agent a certificate of the Authorized Board Representative that the action of the Metropolitan Government or the Board with respect thereto does not result in a breach of the conditions under the Bond Resolution. Any payments received by the Metropolitan Government or the Board under or in connection with any such lease, contract, license, arrangement, easement or right in respect of the Electric System or any part thereof shall be deposited in the Revenue Fund.

Operation and Maintenance of Electric System

The Metropolitan Government and the Board shall at all times use their best efforts to operate or cause to be operated the Electric System properly and in an efficient and economical manner, and shall use their best efforts to maintain, preserve and keep the same or cause the same to be so maintained, preserved and kept, with the appurtenances and every part and parcel thereof, in good repair, working order and condition, and shall from time to time make or cause to be made, all necessary and proper repairs, replacements and renewals so that at all times the operation of the Electric System may be properly and advantageously conducted.

Certain Covenants with Respect to the Bond Ordinance and the Subordinated Resolution

The Metropolitan Government shall not amend or modify either the Bond Ordinance or the Subordinated Resolution in any manner which adversely affects or diminishes the rights of the Bondholders under the Bond Resolution. A copy, certified by an Authorized Metropolitan Government Representative, of any amendment to either the Bond Ordinance or the Subordinated Resolution shall be promptly filed with the Fiscal Agent.

The Metropolitan Government shall not (i) issue any additional bonds under the Bond Ordinance, or (ii) extend the maturity of the Senior Bonds.

Immediately following the date on which the Senior Bonds are paid, the Metropolitan Government shall transfer all of the revenues, moneys, securities and funds then remaining in all funds established under the Bond Ordinance to the Revenue Fund.

Rates, Fees and Charges

The Board shall at all times establish and collect rates, fees and charges for the use or the sale of the output, capacity or service of the Electric System as shall be required in order that in each fiscal year the Net Revenues, together with other available Revenues, plus the amount of any transfers from the Rate Stabilization Account to the Operating Fund during such fiscal year minus the amounts, if any, required by the Bond Resolution to be deposited from Net Revenues into the Debt Service Reserve Account, the Subordinated Debt Fund, the Reserve and Contingency Fund and the General Account during such fiscal year shall equal at least (i) the Aggregate Debt Service for such fiscal year and, (ii) the debt service, if any, on the Bank Notes and any Credit/Liquidity Facility Obligations for such fiscal year and (iii) the deposits required to be made into the Rate Stabilization Account during such fiscal year, and, in any event, as shall be required, together with other available funds, to pay or discharge all other indebtedness, charges and liens whatsoever payable out of Revenues under the Bond Resolution. Promptly upon any material change in the circumstances which were contemplated at the time such rates, fees and charges were most recently reviewed, but not less frequently than once in each fiscal year, the Board shall review the rates, fees and charges so established and shall promptly revise such rates, fees and charges as necessary to comply with the foregoing requirements, provided that such rates, fees and charges shall in any event produce moneys sufficient to enable the Metropolitan Government and the Board to comply with all its covenants under the Bond Resolution.

The Metropolitan Government or the Board will not furnish or supply or cause to be furnished or supplied any use, output or service of the Electric System, free of charge to any person, firm or corporation, public or private, and the Metropolitan Government and the Board will enforce the payment of any and all accounts owing to the Metropolitan Government by reason of the ownership and operation of the Electric System by discontinuing such use, output or service, or by filing suit therefor within 120 days after any

such accounts are due, or by both such discontinuance and by filing suit; provided, however, that no such action need be taken with respect to disputed accounts which are being negotiated for settlement.

In estimating Adjusted Aggregate Debt Service on any Variable Interest Rate Bonds, the Board shall be entitled to assume that such Variable Interest Rate Bonds will bear such interest rate or rates as the Board shall determine; provided, however, that the interest rate or rates assumed shall not be less than the interest rate borne by such Variable Interest Rate Bonds at the time such estimate is made.

Failure by the Board to comply with the provisions of the initial paragraph above under the heading "Rates, Fees and Charges" in any Fiscal Year shall not constitute an Event of Default as described in subparagraph (iv) under the heading "Events of Default" below so long as the Board (i) shall, no later than sixty (60) days after discovering such non-compliance and in all events no later than sixty (60) days after receipt by the Board of audited financial statements for a particular Fiscal Year which show such non-compliance, retain the Consulting Engineer or another independent consultant or firm of consultants having a favorable reputation for skill and experience in the field of reviewing and recommending rates, fees and charges for electric systems (such Consulting Engineer or other consultant or firm of consultants being referred to in this paragraph as the "Qualified Independent Consultant"), for the purpose of reviewing the Electric System fees, rates, rents, charges and surcharges, and (ii) either (A) shall, subject to securing such approvals as may be required and that in good faith will be sought by the Board, implement the recommendations of such Qualified Independent Consultant with respect to such fees, rates, rents, charges and surcharges suggested or recommended by the Qualified Independent Consultant to the Board in a written report or certificate to comply with the requirements of the initial paragraph above under the heading "Rates, Fees and Charges", or (B) if the Qualified Independent Consultant shall be of the opinion, as set forth in such report or certificate, that it would be impracticable at the time to charge such fees, rates, rents, charges and surcharges for the Electric System as would provide funds sufficient to comply with the requirements the initial paragraph above under the heading "Rates, Fees and Charges," shall, subject to securing such approvals as may be required and that in good faith will be sought by the Board, impose such schedule of fees, rates, rents, charges and surcharges as in the opinion of such Qualified Independent Consultant will allow the Board to, as nearly as then practicable, comply with such requirements, and (iii) in any event shall be in compliance with the initial paragraph above under the heading "Rates, Fees and Charges" no later than the end of the second Fiscal Year following the Fiscal Year in which such non-compliance requiring the engagement of the Qualified Independent Consultant occurred. The Board shall provide notice of its failure to comply with the initial paragraph above under the heading "Rates, Fees and Charges" to the Fiscal Agent no later than thirty (30) days after engaging the services of a Qualified Independent Consultant pursuant to the requirements of the preceding sentence and shall provide a copy of the report or certificate of the Qualified Independent Consultant to the Fiscal Agent and to any Bondholder who shall request the same in writing.

Enforcement of Charges

The Metropolitan Government and the Board shall compel the prompt payment of rates, fees, rentals and charges imposed for service rendered by the Electric System, and to that end will vigorously enforce all of the provisions of any ordinance or resolutions of the Metropolitan Government or the Board having to do with electric charges and any other Electric System charges, and all of the rights and remedies permitted the Metropolitan Government or the Board under law. The Metropolitan Government and the Board expressly covenant and agree to exercise and enforce every right and remedy legally available to it to the end that such rates, fees, rentals and charges will be enforced and promptly collected to the full extent permitted by law.

Maintenance of Insurance

The Board shall at all times use its best efforts to keep or cause to be kept the properties of the Electric System which are of an insurable nature and of the character usually insured by those operating properties similar to the Electric System insured against loss or damage by fire and from other causes customarily insured against and in such relative amounts as are usually obtained. The Board shall at all times use its best efforts to maintain or cause to be maintained insurance or reserves against loss or damage from such hazards and risks to the person and property of others as are usually insured or reserved against by those operating properties similar to the properties of the Electric System. The Board shall only be required to obtain such insurance if the same is available at reasonable rates and upon reasonable terms and conditions.

The Board shall also use its best efforts to maintain or cause to be maintained any additional or other insurance which it shall deem necessary or advisable to protect its interests and those of the Bondholders.

Reconstruction; Application of Insurance Proceeds

If any useful portion of the Electric System shall be damaged or destroyed, the Board shall prosecute or cause to be prosecuted the reconstruction or replacement thereof, unless a certificate of an Authorized Board Representative filed with the Fiscal Agent shall state, in the opinion of the signer, that such reconstruction or replacement is not in the interest of the Metropolitan Government and the Bondholders. The proceeds of any insurance paid on account of such damage or destruction (other than any business interruption loss insurance) shall be held by the Board in the Construction Fund and made available for, and to the extent necessary be applied to, the cost of such reconstruction or replacement. Pending such application, such proceeds may be invested by the Board in Investment Securities which mature not later than such times as shall be necessary to provide moneys when needed to pay such costs of reconstruction or replacement. Interest earned on such investments shall be deposited in the Revenue Fund.

The proceeds of business interruption loss insurance, if any, shall be paid into the Revenue Fund.

Events of Default

The following events shall constitute an Event of Default under the Bond Resolution:

- (i) if default shall be made by the Metropolitan Government in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity or by call for redemption, or otherwise;
- (ii) if default shall be made by the Metropolitan Government in the due and punctual payment of any installment of interest on any Bond or the unsatisfied balance of any Sinking Fund Installment therefor (except when such Installment is due on the maturity date of such Bond), when and as such interest installment or Sinking Fund Installment shall become due and payable;
- (iii) if default shall be made in the due and punctual payment of the purchase price of any Option Bond duly tendered for purchase in accordance with the terms thereof and the Bond Resolution;
- (iv) if the default shall be made by the Metropolitan Government in the performance or observance of any other of the covenants, agreements or conditions on its part in the Bond Resolution or in the Bonds contained, and such default shall continue for a period of 60 days after written notice thereof to the Metropolitan Government by the Fiscal Agent or to the Metropolitan

Government and to the Fiscal Agent by the holders of not less than 10% in principal amount of the Bonds outstanding;

(v) if the Metropolitan Government shall commence a voluntary case or similar proceeding under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect or shall authorize, apply for or consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator or similar official for the Metropolitan Government and/or its rents, fees, charges or other revenues therefrom, or shall make any general assignment for the benefit of creditors, or shall make a written declaration or admission to the effect that it is unable to meet its debts as such debts mature, or shall authorize or take any action in furtherance of any of the foregoing; or

(vi) if a court having jurisdiction in the premises shall enter a decree or order for relief in respect of the Metropolitan Government in an involuntary case or similar proceeding under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or a decree or order appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for the Metropolitan Government, and/or the rents, fees, charges or other revenues therefrom, or a decree or order for the dissolution, liquidation or winding up of the Metropolitan Government and its affairs or a decree or order finding or determining that the Metropolitan Government is unable to meet its debts as such debts mature, and any such decree or order shall remain unstayed and in effect for a period of 60 consecutive days;

then, and in each and every such case, so long as such Event of Default shall not have been remedied, unless the principal of all the Bonds shall have already become due and payable, either the Fiscal Agent (by notice in writing to the Metropolitan Government), or the holders of not less than 25% in principal amount of the Bonds Outstanding (by notice in writing to the Metropolitan Government and the Fiscal Agent), may declare the principal of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and be immediately due and payable. The right of the Fiscal Agent or of the holders of not less than 25% in principal amount of the Bonds to make any such declaration as aforesaid, however, is subject to the condition that if, at any time after such declaration, but before the Bonds shall have matured by their terms, all overdue installments of interest upon the Bonds, together with interest on such overdue installments of interest to the extent permitted by law and the reasonable and proper fees, charges, expenses and liabilities of the Fiscal Agent, and all other sums then payable by the Metropolitan Government under the Bond Resolution (except the principal of, and interest accrued since the next preceding interest date on, the Bonds due and payable solely by virtue of such declaration) shall either be paid by or for the account of the Metropolitan Government or provision satisfactory to the Fiscal Agent shall be made for such payment, and all defaults under the Bonds or under the Bond Resolution (other than the payment of principal and interest due and payable solely by reason of such declaration) shall be made good or be secured to the satisfaction of the Fiscal Agent or provision deemed by the Fiscal Agent to be adequate shall be made therefor, then and in every such case the holders of 25% in principal amount of the Bonds Outstanding, by written notice to the Metropolitan Government and the Fiscal Agent, may rescind such declaration and annul such default in its entirety, or, if the Fiscal Agent shall have acted itself, and if there shall not have been theretofore delivered to the Fiscal Agent written direction to the contrary by the holders of 25% in principal amount of the Bonds Outstanding, then any such declaration shall be deemed to be rescinded and any such default shall be deemed to be annulled, but no such rescission or annulment shall extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon.

Application of Pledged Funds After Default

During the continuance of an Event of Default, the Fiscal Agent shall apply the Pledged Funds, including all moneys, securities, funds and Net Revenues received by the Fiscal Agent as follows in the following order:

- (i) Expenses of Fiduciaries - to the payment of the reasonable and proper fees (including reasonable attorney's fees), charges, expenses and liabilities of the fiduciaries;
- (ii) Operating Expenses - to the payment of the amounts required for reasonable and necessary Operating Expenses and for the reasonable renewals, repairs and replacements of the Electric System necessary in the judgment of the Fiscal Agent to prevent a loss of Revenues;
- (iii) Principal or Redemption Price and Interest - to the payment of the interest and principal or Redemption Price then due on the Bonds.

Nothing in the Bond Resolution or in the Bonds contained shall affect or impair the obligation of the Metropolitan Government, which is absolute and unconditional, to pay at the respective dates of maturity and places therein expressed the principal of (and premium, if any) and interest on the Bonds to the respective holders thereof, or affect or impair the right of action, which is also absolute and unconditional, of any holder to enforce such payment of its Bond.

Concerning the Fiduciaries

The Bond Resolution requires the appointment by the Metropolitan Government of a Fiscal Agent and one or more Paying Agents for the Bonds of each Series. The Fiscal Agent may resign on 90 days' notice and may at any time be removed with cause by the holders of a majority in principal amount of the Bonds then outstanding. A successor Fiscal Agent may be appointed by the Metropolitan Government, but if the Metropolitan Government does not appoint a successor Fiscal Agent within 60 days, then by the holders of a majority in principal amount of the Bonds then outstanding. Failing such an appointment, the holder of any Bond may apply to any court of competent jurisdiction to appoint a successor Fiscal Agent. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Fiscal Agent. Any successor Fiscal Agent shall be a bank or trust company organized under the laws of the state or a national banking association and shall have capital stock, surplus and undivided earnings aggregating at least \$50,000,000 if there be such a bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Bond Resolution.

Supplemental Bond Resolutions Effective Upon Filing With the Fiscal Agent

For any one or more of the following purposes and at any time or from time to time, a Supplemental Bond Resolution of the Metropolitan Government may be adopted, which, upon the filing with the Fiscal Agent of a copy thereof certified by an Authorized Metropolitan Government Representative, shall be fully effective in accordance with its terms:

- (1) To close the Bond Resolution against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the Bond Resolution on, the authentication and delivery of Bonds or the issuance of other evidences of indebtedness;
- (2) To add to the covenants and agreements of the Metropolitan Government in the Bond Resolution, other covenants and agreements to be observed by the Metropolitan Government which are not contrary to or inconsistent with the Bond Resolution as theretofore in effect;

(3) To add to the limitations and restrictions in the Bond Resolution, other limitations and restrictions to be observed by the Metropolitan Government which are not contrary to or inconsistent with the Bond Resolution as theretofore in effect;

(4) To authorize Bonds of an additional Series;

(5) To authorize, in compliance with all applicable law, Bonds of each Series to be issued in the form of coupon Bonds and, in connection therewith, specify and determine the matters and things relative to the issuance of such coupon Bonds, including provisions relating to the timing and manner of provision of any notice required to be given hereunder to the holders of such coupon Bonds, which are not contrary to or inconsistent with the Bond Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such coupon Bonds;

(6) To authorize, in compliance with all applicable law, Bonds of each Series to be issued in the form of Bonds issued and held in book-entry form on the books of the Metropolitan Government or any fiduciary appointed for that purpose by the Metropolitan Government and, in connection therewith, make such additional changes herein, not adverse to the rights of the holders of the Bonds, as are necessary or appropriate to accomplish or recognize such book-entry form Bonds and specify and determine the matters and things relative to the issuance of such book-entry form Bonds as are appropriate or necessary;

(7) Notwithstanding any other provisions of the Bond Resolution, to authorize Bonds of a Series having terms and provisions different than the terms and provisions theretofore provided in the Bond Resolution, including but not limited to provisions relating to the timing of the payment of interest, and authorizing the form of bond for such Series of Bonds and otherwise to provide amendments or modifications of provisions of the Bond Resolution relative to such Bonds; provided that neither the authorization and issuance of such Series of Bonds nor any such amendment or modification shall in any manner impair or adversely affect the rights or security of the holders of Bonds then Outstanding under the Bond Resolution;

(8) To confirm, as further assurance, any pledge or assignment under, and the subjection to any security interest, pledge or assignment created or to be created by, the Bond Resolution of the Pledged Funds and to pledge as Pledged Funds any additional revenues, moneys, securities, Credit Facilities or other agreements; and

(9) To modify any of the provisions of the Bond Resolution in any other respect whatever, provided that (i) such modification shall be, and be expressed to be, effective only after all Bonds of each Series Outstanding at the date of the adoption of such Supplemental Bond Resolution shall cease to be Outstanding, and (ii) such Supplemental Bond Resolution shall be specifically referred to in the text of all Bonds of any Series authenticated and delivered after the date of the adoption of such Supplemental Bond Resolution and of Bonds issued in exchange therefor or in place thereof.

Supplemental Bond Resolutions Effective With Consent of Bondholders

At any time or from time to time, a Supplemental Bond Resolution may be adopted subject to consent by Bondholders and, if applicable, an Insurer, in accordance with and subject to the provisions of the Bond Resolution, which Supplemental Bond Resolution, upon the filing with the Fiscal Agent of a copy thereof certified by an Authorized Metropolitan Government Representative and upon compliance with the provisions of the Bond Resolution shall become fully effective in accordance with its terms.

Powers of Amendment

Any modification or amendment of the Bond Resolution and of the rights and obligations of the Metropolitan Government and of the holders of the Bonds thereunder, in any particular, may be made by a Supplemental Bond Resolution, with the written consent given (i) of the holders of at least a majority in principal amount of the Bonds Outstanding at the time such consent is given and (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the holders of at least a majority in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given. No such modification or amendment shall permit a change in the terms of redemption (including Sinking Fund Installments) or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto.

Defeasance

The lien of the Bond Resolution and all covenants, agreements and other obligations of the Metropolitan Government under the Bond Resolution will cease, terminate and be discharged and satisfied wherever all Bonds are paid in full. Bonds are deemed to have been paid and are not entitled to the lien, benefit and security of the Bond Resolution wherever the following conditions are met: (i) in case any Bonds are to be redeemed prior to their maturity, the Metropolitan Government has given to the Fiscal Agent irrevocable instructions to publish notice of redemption therefor, (ii) there has been deposited with the Fiscal Agent either moneys or Investment Securities which, together with other moneys, if any, also deposited, will be sufficient to pay when due the principal or redemption price, if applicable, and interest due and to become due on the Bonds, and (iii) in the event such Bonds are not subject to redemption within the next succeeding 60 days, the Metropolitan Government has given the Fiscal Agent irrevocable instructions to publish a notice to the holders of such Bonds that the above deposit has been made and that such Bonds are deemed to have been paid and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal or redemption price, if applicable, on said Bonds.

Amendment

Resolution No. RS2014-42 adopted on October 18, 2011 ("Resolution RS2011-42") provided for certain amendments of the Bond Resolution which become effective only after all Bonds Outstanding on the date of the adoption of the Resolution No. RS2011-42 are paid or defeased. It is anticipated that these amendments will be effective prior to the issuance of the 2021 Series A Bonds. The foregoing provisions of this summary assume such amendments have become effective. For a more complete description of such amendments, reference is hereby made to Resolution No. RS2011-42.

APPENDIX E

Form of Opinion of Bond Counsel

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon delivery of the 2021 Series A Bonds, Bradley Arant Boult Cummings LLP, Nashville, Tennessee, Bond Counsel, proposes to render its opinion with respect to the 2021 Series A Bonds in substantially the following form:

[Date]

Metropolitan County Council
The Metropolitan Government
of Nashville and Davidson County
205 Metropolitan Courthouse
Nashville, TN 37201

Ladies and Gentlemen:

We have examined the record of proceedings relating to the issuance of \$195,000,000¹ aggregate principal amount of Electric System Revenue Bonds, 2021 Series A (the "2021 Series A Bonds") by The Metropolitan Government of Nashville and Davidson County (the "Metropolitan Government").

The 2021 Series A Bonds are issued under and pursuant to the Charter of the Metropolitan Government, as amended and supplemented (the "Charter"), the Constitution and applicable statutes of the State of Tennessee, including, without limitation, Tennessee Code Annotated, Sections 7-34-101 through 7-34-118, as amended (the "Act"), and a resolution of the Metropolitan Government adopted on November 5, 1985, entitled "Electric System Revenue Bond Resolution", as amended and supplemented (the "Resolution").

The 2021 Series A Bonds will mature on the dates and in the principal amounts, and bear interest at the respective rates per annum, shown below:

<u>May 15</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
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The 2021 Series A Bonds are dated, and shall bear interest from, the date of delivery thereof, except as otherwise provided in the Resolution. Interest on the 2021 Series A Bonds is payable on May 15 and November 15 in each year, commencing on May 15, 2021. The 2021 Series A Bonds are subject to redemption prior to maturity in the manner and upon the respective terms set forth in the Resolution.

The 2021 Series A Bonds are issued in fully registered form in the denominations of \$5,000 or any integral multiple of \$5,000. The 2021 Series A Bonds are each numbered, prefixed by the letter R, from one upward.

The 2021 Series A Bonds are being issued for the principal purposes of providing sufficient funds for the following: (i) to finance a portion of the Cost of Acquisition and Construction (as defined in

¹ Preliminary, subject to change.

the Resolution) of the 2021 System Improvements (as defined in the Resolution) for the Electric System (as defined in the Resolution), which is owned by the Metropolitan Government and operated by the Electric Power Board of the Metropolitan Government (the "Board"), and (ii) to pay the administrative, legal, financing and other expenses incurred in connection with the issuance of the 2021 Series A Bonds.

The Metropolitan Government has also issued and has outstanding under the Resolution the Electric System Revenue Refunding Bonds, 2013 Series A, the Electric System Revenue Bonds, 2014 Series A, the Electric System Revenue Refunding Bonds, 2015 Series A, the Electric System Revenue Bonds, 2017 Series A and the Electric System Revenue Refunding Bonds, 2017 Series B (together with the 2021 Series A Bonds, collectively, the "Outstanding Bonds").

The Metropolitan Government has reserved the right to issue additional bonds and other evidences of indebtedness on the terms and conditions and for the purposes stated in the Resolution. Under the provisions of the Resolution, all such additional bonds and other evidences of indebtedness may rank equally as to security and payment with the 2021 Series A Bonds and the other Outstanding Bonds.

As to questions of fact material to our opinions, we have, with your consent, relied upon the representations of officials of the Metropolitan Government contained in the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon such documents, showings and related matters of law as we deem necessary to render these opinions, and in reliance, to the extent set forth in the third from the last paragraph of this letter, upon the opinion described in said paragraph, we are of the opinion that:

1. The Board has good right and lawful authority to operate, maintain and improve the Electric System and to fix rates and collect charges for electric energy and the services, facilities and commodities furnished by the Electric System and to perform all its obligations under the Resolution in those respects.

2. The Resolution has been duly and lawfully adopted by the Metropolitan Government, is in full force and effect, is valid and binding upon the Metropolitan Government and is enforceable in accordance with its terms. No other or further authorization or approval for the Resolution is required. The Resolution creates the valid pledge of the Pledged Funds (as defined in the Resolution) that the Resolution purports to create. We express no opinion as to the perfection or priority of the pledge of the Pledged Funds so created.

3. The Metropolitan Government is duly authorized and entitled to issue the 2021 Series A Bonds, and the 2021 Series A Bonds have been duly and validly authorized and issued by the Metropolitan Government in accordance with the Charter, with the Constitution and statutes of the State of Tennessee, including the Act, and with the Resolution, and constitute valid and binding limited obligations of the Metropolitan Government as provided in the Resolution, enforceable in accordance with their terms and the terms of the Resolution and are entitled to the benefits of the Act and the Resolution.

4. The Internal Revenue Code of 1986, as amended (the "Code") imposes certain requirements which must be met subsequent to the issuance and delivery of the 2021 Series A Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the 2021 Series A Bonds to be included in gross income retroactive to the date of issue of the 2021 Series A Bonds. The Metropolitan Government has covenanted in the Resolution to maintain the exclusion of the interest on the 2021 Series A Bonds from gross income for federal income tax purposes pursuant to Section 103(a) of the Code.

Under existing law, and assuming compliance with the aforementioned covenant, interest on the 2021 Series A Bonds is excluded from gross income for federal income tax purposes. The 2021 Series A Bonds are not "specified private activity bonds" within the meaning of Section 57(a)(5) of the Code and, therefore, the interest on the 2021 Series A Bonds will not be treated as a preference item for purposes of computing the alternative minimum tax imposed by Section 55 of the Code.

With respect to the 2021 Series A Bonds initially offered to the public at prices less than the amounts payable thereon at maturity, the difference between the principal amount of such 2021 Series A Bonds and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such 2021 Series A Bonds of the same maturity was sold constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on such 2021 Series A Bonds. Such original issue discount accrues actuarially on a constant interest rate basis over the term of each such 2021 Series A Bond, and the basis of each such 2021 Series A Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount.

With respect to the 2021 Series A Bonds initially offered to the public at prices greater than the amounts payable thereon at maturity, the difference between the principal amount of such 2021 Series A Bonds and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such 2021 Series A Bonds of the same maturity was sold constitutes original issue premium. As a result of the tax cost reduction requirements of the Code relating to amortization of original issue premium, under certain circumstances an initial owner of such 2021 Series A Bonds may realize a taxable gain upon the disposition of such 2021 Series A Bonds even though such 2021 Series A Bonds are sold or redeemed for an amount equal to such owner's original cost of acquiring such 2021 Series A Bonds.

5. Under existing law, interest on the 2021 Series A Bonds is exempt from all state, county and municipal taxation in the State of Tennessee, except (a) Tennessee excise taxes on all or a portion of the interest on the 2021 Series A Bonds during the period such 2021 Series A Bonds are held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee, and (b) Tennessee franchise taxes by reason of the inclusion of the book value of the 2021 Series A Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

The opinions set forth in paragraphs 2 and 3 above are qualified to the extent that the enforcement of the Resolution and the 2021 Series A Bonds may be limited by applicable bankruptcy, moratorium or similar laws affecting creditors' rights generally and as to the availability of any particular remedy. Except as stated in paragraphs 4 and 5 above, we express no opinion as to any federal, state or local tax consequences of the ownership or disposition of the 2021 Series A Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the 2021 Series A Bonds, or the interest thereon, if any action is taken with respect to the 2021 Series A Bonds or the proceeds thereof upon the advice or approval of other bond counsel.

We have not been engaged nor have we undertaken to review the accuracy, completeness or sufficiency of the Preliminary Official Statement dated _____, 2021 or the Official Statement dated _____, 2021 or any other offering material relating to the 2021 Series A Bonds, and we express no opinion herein relating thereto. Further, we express no opinion herein as to the compliance by the Metropolitan Government, the Board or the underwriters for the 2021 Series A Bonds with any federal or state statute, regulation or ruling that may relate to the sale, distribution or marketing of

the 2021 Series A Bonds.

In rendering this opinion, we have, with your consent, relied upon the opinion of even date herewith of Robert E. Cooper, Jr., Director of Law of the Metropolitan Government, with respect to: (i) the due organization and existence of the Metropolitan Government as a valid political subdivision of the State of Tennessee; (ii) the right, title and interest of the present officials of the Metropolitan Government to their respective positions; (iii) the due and valid adoption of the Resolution by the Metropolitan Government and its continued validity and the creation of a valid pledge of the Pledged Funds purported to be created thereby; (iv) compliance by the Metropolitan Government with the provisions of Chapter 44, Title 8, Tennessee Code Annotated, in connection with the adoption of the Resolution; (v) matters which might be disclosed by an examination of agreements or instruments to which the Metropolitan Government is a party or by which it may be bound; and (vi) such other matters as are expressed in such opinion.

We have examined the first numbered 2021 Series A Bond for each maturity, and, in our opinion, the form of such 2021 Series A Bonds and their execution are regular and proper. We have not, however, verified, and express no opinion as to the accuracy of, any "CUSIP" identification number or other identifying mark that may be imprinted on any of the 2021 Series A Bonds.

As indicated hereinbefore, this opinion is rendered based upon laws, regulations, rulings and judicial decisions existing as of the date hereof. We express no opinion as to what effect laws passed, regulations or rulings promulgated or judicial decisions published subsequent to the date hereof but with a retroactive effective date may have on the federal income taxation of the interest on the 2021 Series A Bonds.

Very truly yours,

APPENDIX F

Form of Continuing Disclosure Agreement

CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT (the "Agreement") is made and entered into as of the __ day of February 2021, among REGIONS BANK, as disclosure agent (the "Disclosure Agent"), and the ELECTRIC POWER BOARD OF THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY (the "Board").

RECITALS

WHEREAS, The Metropolitan Government of Nashville and Davidson County (the "Metropolitan Government") has issued or will issue its \$ _____* Electric System Revenue Bonds, 2021 Series A (the "Bonds") under the provisions of the Electric System Revenue Bond Resolution adopted by the Metropolitan Government on November 5, 1985, as amended and supplemented, including specifically as supplemented by the Twenty-Ninth Supplemental Electric System Revenue Bond Resolution adopted by the Metropolitan Government on January 19, 2021 (such Electric System Revenue Bond Resolution adopted on November 5, 1985 and all amendments and supplements thereto are hereinafter referred to collectively as the "Resolution"); and

WHEREAS, the Bonds have been offered and sold pursuant to a Preliminary Official Statement dated January __, 2021 and a final Official Statement dated January __, 2021 (collectively, the "Official Statement"), and the Metropolitan Government and the Board have entered into a Bond Purchase Agreement dated January __, 2021 (the "Bond Purchase Agreement") with Raymond James & Associates, Inc., on behalf of the Underwriters (as defined therein) as to the Bonds; and

WHEREAS, the Bonds are subject to the provisions of Rule 15c2-12 (the "Rule"), promulgated by the Securities and Exchange Commission of the United States of America (the "SEC") pursuant to the Securities Exchange Act of 1934, as amended; and

WHEREAS, the Board has entered into this Agreement with the Disclosure Agent in order to assist the Underwriters in complying with the Rule.

NOW, THEREFORE, in consideration of the mutual promises and agreements made herein and in the Resolution, the receipt and sufficiency of which consideration is hereby mutually acknowledged, the parties hereto agree as follows:

Section 1. Definitions; Scope of this Agreement.

(A) All terms capitalized but not otherwise defined herein shall have the meanings assigned to those terms in the Resolution. For this purpose, all amendments to, or supplements of, the Resolution shall be deemed automatically incorporated herein by reference, but only to the extent that such amendments or supplements relate to the Bonds.

(B) This Agreement applies to the Bonds. It does not apply to any other Bonds issued and Outstanding under the Resolution or to any Additional Bonds which may be issued under the Resolution or to any other securities issued by the Metropolitan Government.

(C) The Disclosure Agent shall have no obligation to make any disclosure except as expressly provided herein; provided, however, that nothing herein shall limit the duties or obligations of the

* Preliminary, subject to change.

Disclosure Agent as Fiscal Agent under the Resolution or the duties or obligations of the Disclosure Agent in any other capacity pursuant to written agreement between the Disclosure Agent and the Metropolitan Government and/or the Board.

Section 2. Disclosure of Information

(A) General Provisions. This Agreement governs the direction of the Board to the Disclosure Agent with respect to information to be made public. In its actions under this Agreement, the Disclosure Agent is acting not as Fiscal Agent under the Resolution but as the agent of the Board; provided, however, that the Disclosure Agent shall be entitled to the same protection in so acting under this Agreement as it has in acting as Fiscal Agent under the Resolution. This Agreement is intended to benefit the holders of the Bonds, but only indirectly through the Disclosure Agent as agent of the Board as long as a Disclosure Agent is serving under this Agreement. This Agreement is not intended to create any rights exercisable by the holders of the Bonds except indirectly through the Disclosure Agent as set forth herein as long as a Disclosure Agent is serving under this Agreement. This Agreement is not intended to limit or affect rights of the holders of the Bonds as set forth in the Resolution.

(B) Information Provided to the Public. Except to the extent this Agreement is modified or otherwise altered in accordance with Section 4 hereof, the Board shall make or cause to be made public the information set forth in subsections (1) and (2) below:

(1) Periodic Reports.

- (a) Copies of the annual financial statements of the Board, including, without limitation, balance sheets and related statements of revenues, expenses and changes in retained earnings and cash flows, prepared in accordance with generally accepted accounting principles and audited in accordance with generally accepted auditing standards and generally accepted government auditing standards.
- (b) To the extent such items are not included in the annual financial statements referred to in subsection (a) above, the financial and statistical data of the Board for the type of information included in the tables entitled "Summary of Changes in Net Position", "Debt Service Coverage", "Number of Customers", "Sales in KWh and Maximum System Demand in kW", and "Ten Largest Customers" contained in the Official Statement of the Metropolitan Government dated January __, 2021, prepared in connection with the Bonds.

(2) Occurrence Notices. Notices of the following events with respect to the Bonds:

- a. Principal and interest payment delinquencies;
- b. Non-payment related defaults, if material;
- c. Unscheduled draws on debt service reserves reflecting financial difficulties;
- d. Unscheduled draws on credit enhancements reflecting financial difficulties;
- e. Substitution of credit or liquidity providers, or their failure to perform;
- f. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-

TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

- g. Modifications to rights of Bondholders, if material;
- h. Bond calls, if material, and tender offers;
- i. Defeasances;
- j. Release, substitution, or sale of property securing repayment of the securities, if material;
- k. Rating changes;
- l. Bankruptcy, insolvency, receivership or similar event of the obligated person;
- m. The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- n. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- o. Incurrence of a financial obligation (as defined in the Rule) of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and
- p. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation (as defined in the Rule) of the obligated person, any of which reflect financial difficulties.

The Board shall provide the Disclosure Agent a copy of the audited annual financial statement of the Board described in subsection (B)(1)(a) above by not later than nine (9) months after the fiscal year ending June 30 of each year that the Bonds remain Outstanding, beginning at the end of the fiscal year ending June 30, 2021. While any of the Bonds remain Outstanding, the Board shall provide to the Disclosure Agent written notice of any event described in subsection (2) above as soon as possible upon the occurrence of any such event.

The Board may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed in subsection (2) above, if, in the judgment of the Board, such other event is material with respect to the Bonds, but the Board does not undertake to commit to provide any such notice of the occurrence of any event except those events listed in subsection (2) above.

(C) Information Provided by Disclosure Agent to Public.

- (1) The Board hereby directs the Disclosure Agent on its behalf to make public in accordance with subsection (D) of this Section 2 and within the time frame set forth in subsection

(C)(2) below, and the Disclosure Agent agrees to act as the agent of the Board in so making public:

- (a) the periodic reports which the Board has agreed to make public under subsection (B)(1) of this Section 2 (as it may be amended from time to time);
 - (b) the occurrence notices which the Board has agreed to make public under subsection (B)(2) of this Section 2 (as it may be amended from time to time); and
 - (c) such other information as the Board shall determine to make public through the Disclosure Agent as set forth in the last paragraph of Section 2(B) above.
- (2) To the extent that the Board has provided the Disclosure Agent with the periodic reports required by Section 2(B)(1) above, the Disclosure Agent shall make such information public not later than one year after the fiscal year ending June 30 of each year that the Bonds remain Outstanding, beginning at the end of the fiscal year ending June 30, 2021. In the event of any failure to file the periodic reports specified in Section 2(B)(1) above, the Disclosure Agent shall make notice of such failure public within a timely manner. To the extent that the Board has informed the Disclosure Agent of the occurrence of certain events as required by Section 2(B)(2) above, the Disclosure Agent shall make such notice of such events public within ten (10) business days after the occurrence thereof.

(D) Means of Making Information Public.

- (1) Information shall be transmitted to (i) the Municipal Securities Rulemaking Board ("MSRB") and (ii) any public or private depository to which continuing disclosure information shall be sent pursuant to Tennessee law (a "State Depository").
- (2) Information shall be made public by the Disclosure Agent (as long as a Disclosure Agent is serving under this Agreement and, if a Disclosure Agent is not serving under this Agreement, by the Board) (i) to the MSRB by filing such information electronically with the MSRB at emma.msrb.org, accompanied by identifying information as prescribed by the MSRB and submitted in any other manner pursuant to, and in accordance with, SEC Release No. 34-59062 and (ii) to the State Depository, if any, by whatever means are mutually acceptable to the Disclosure Agent (or the Board if a Disclosure Agent is not serving under this Agreement) and such State Depository.

Nothing in this subsection (D)(2) shall be construed to relieve the Fiscal Agent of its obligation to provide notices to the holders of all Bonds if such notice is required by the Resolution.

Nothing in this Agreement shall be construed to require the Disclosure Agent to interpret or provide an opinion concerning the information made public. If the Disclosure Agent receives a request for an interpretation or opinion, the Disclosure Agent may refer such request to the Board for response.

[Certain bonds issued for the benefit of the Board were or are insured by bond insurance companies that experienced rating changes within the previous five years. Notice of these insured rating changes was not filed by the Board; however, information on these insured rating changes was widely available and reported to the market. The Board has since filed notice of the current rating of the insurer for all insured Outstanding Bonds. Otherwise, in the previous five years, the Board has not failed to comply in any material respect with any undertaking in a written contract or agreement specified in the Rule.]

Section 3. Disclosure Agent Compensation.

The Disclosure Agent's acts hereunder shall constitute services for which the Board shall pay the Disclosure Agent, and the Disclosure Agent is entitled to reasonable compensation in accordance with the fee schedule attached hereto as Schedule A. In addition, the Board shall pay or reimburse the Disclosure Agent for its expenses incurred in performing its services in accordance with this Agreement.

Section 4. Amendment or Modification.

(A) This Agreement shall not be amended or modified except by a writing executed by the Disclosure Agent (but the signature of the Disclosure Agent shall only be required if a Disclosure Agent is then serving under this Agreement) and the Board.

(B) This Agreement may be amended by the Disclosure Agent (but the signature of the Disclosure Agent shall only be required if a Disclosure Agent is then serving under this Agreement) and the Board without consent of any holders of the Bonds if (i) the Agreement, as so amended, would have complied with the requirements of the Rule at the time of the execution hereof, after taking into account any amendments or interpretations of the Rule, or (ii) the amendment is necessary or desirable to conform the terms hereof to the Rule or any other rule or regulation of the SEC, the MSRB or any other federal or state regulatory body having jurisdiction over the Bonds.

Section 5. Miscellaneous.

(A) Representations. Each of the parties hereto represents and warrants to each other party that it has duly authorized the execution and delivery of this Agreement by the officer of such party whose signature appears on the execution pages hereto, that it has all requisite power and authority to execute and deliver, and perform, this Agreement under its organizational documents and any corporate resolutions now in effect, that the execution and delivery of this Agreement, and performance of the terms hereof, does not and will not violate any law, regulation, ruling, decision, order, indenture, decree, agreement or instrument by which such party is bound, and such party is not aware of any litigation or proceeding pending, or, to the best of such party's knowledge, threatened, contesting or questioning its existence, or its power and authority to enter into this Agreement, or its due authorization, execution and delivery of this Agreement, or otherwise contesting or questioning the issuance of the Bonds. The Disclosure Agent makes no representation that this Agreement complies with the Rule.

(B) Governing Law. This Agreement shall be governed by and interpreted in accordance with the laws of the State of Tennessee.

(C) Severability. If any provision hereof shall be held invalid or unenforceable by a court of competent jurisdiction, the remaining provisions hereof shall survive and continue in full force and effect.

(D) Counterparts. This Agreement may be executed in one or more counterparts, each and all of which shall constitute one and the same instrument.

(E) Resignation or Removal of Disclosure Agent. The Disclosure Agent may resign by giving notice in writing to the Board. The Disclosure Agent may be removed by the delivery to the Disclosure Agent by the Board of notice in writing evidencing the desire of the Board to remove the Disclosure Agent. If the position of Disclosure Agent becomes vacant due to resignation or removal of the Disclosure Agent or any other reason, a successor Disclosure Agent may be appointed by the Board. If no successor Disclosure Agent is appointed by the Board, then the responsibilities of the Disclosure Agent under this Agreement shall be discharged by the Board.

(F) Defaults; Remedies. A party shall be in default of its obligations hereunder if it fails and refuses to carry out or perform its obligations hereunder for a period of thirty (30) days following notice of default given in writing to such party by any other party hereto, unless such default is cured within such thirty (30) days notice period.

If a default occurs and continues beyond the notice period specified above, the non-defaulting party (and, if the Board is the defaulting party and a Disclosure Agent is no longer serving hereunder, the holders of the Bonds or the Fiscal Agent on behalf of the holders of the Bonds) may take such action at law or in equity as may be necessary or desirable to enforce the provisions hereof, including, without limitation, an action for mandamus or for specific performance, but the defaulting party shall not in any event be liable for damages incurred as a consequence of such default.

(signature page follows)

IN WITNESS WHEREOF, the Disclosure Agent and the Board have each caused a duly authorized officer to execute this Agreement as of the day and year first above written.

REGIONS BANK, as Disclosure Agent

By: _____
Name: _____
Title: _____

ELECTRIC POWER BOARD OF THE
METROPOLITAN GOVERNMENT OF NASHVILLE
AND DAVIDSON COUNTY

By: _____
Name: _____
Title: _____

APPROVED AS TO FORM AND LEGALITY

By: _____
Name: _____
Title: _____

ATTEST

Secretary

Date: _____