THE CITY COUNCIL OF
THE CITY OF CHATTANOOGA,
HAMILTON COUNTY, TENNESSEE

Resolution No. 25435

Fourth Supplemental and Amendatory Resolution to
Resolution No. 22629
providing for the issuance of
City of Chattanooga, Tennessee
Electric System Revenue Bonds
Series 2008A

Authorizing Up To

$250,000,000

Series 2008A Bonds

Adopted February 19, 2008

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CITY OF CHATTANOOGA, TENNESSEE
ELECTRIC SYSTEM REVENUE BONDS

AUTHORIZING UP TO

$250,000,000

SERIES 2008A BONDS

WHEREAS, the City is a duly incorporated and existing municipal corporation of the State of Tennessee; and

WHEREAS, the City now owns, and through the Electric Power Board of Chattanooga ("EPB") operates and maintains, an electric system; and

WHEREAS, by the enactment of Chapter 455 of the 1935 Private Acts of the Tennessee General Assembly, as amended, and adopted as part of the Charter of the City, the EPB has been granted authority for the exclusive management and control of the operation of the electric power plant and distribution system; and

WHEREAS, the EPB has determined that various improvements and extensions, including a fiber optic broadband network, to the electric system of the City are necessary and has requested that bonds of the City be issued for the use and benefit of the EPB in order to provide funds for such purpose with repayment of the bonds to be from revenues from the operation of the Electric System; and

WHEREAS, the fiber optic broadband network is also usable in the provision of cable and internet services, but the ability of any future cable and internet operations of EPB to use capacity on the fiber optic broadband network has been challenged in the case styled *Tennessee Cable Telecommunications Association v. Electric Power Board of Chattanooga*, Docket No. 07-2145-III, in the Chancery Court of Davidson County, Tennessee (the "TCTA Litigation"); and

WHEREAS, EPB has determined that the anticipated benefits to the Electric System warrant the construction and operation of the fiber optic broadband networks as an improvement to the Electric System on a stand alone basis; and

WHEREAS, EPB has requested that the City authorize the issuance of bonds to finance the 2008 A Project, including the fiber optic broadband network, for the Electric System, notwithstanding the pending TCTA Litigation and without regard to the subsequent ability or inability of any Division of EPB other than the Electric System to utilize the fiber optic broadband network.

WHEREAS, the City has, by Resolution No. 22629, duly adopted September 5, 2000 (the "Master Resolution") and as amended by Resolution No. 22639 adopted September 12, 2000 (Resolution No. 22629 as so supplemented and amended to the date hereof, the "Resolution"), determined to, among other things, authorize the issuance of bonds and/or other forms of indebtedness to finance improvements and extensions to the Electric System for the benefit of the EPB; and

WHEREAS, Article V of the Resolution provides, among other things, that such Series of bonds shall be issued upon the terms and conditions and in the manner provided by a Supplemental Resolution (as such term is defined in the Resolution) of the City duly adopted prior to the authentication and delivery of such Series of bonds; and

WHEREAS, the City has determined to issue a Series of Bonds in a principal amount not to exceed $250,000,000 (the Series 2008A Bonds") to provide funds for, among other things, the 2008A Project (as hereinafter defined); and

WHEREAS, in accordance with the Resolution, the City desires on behalf of EPB to authorize the Series 2008A Bonds and provide certain terms and conditions with respect to such Series 2008A Bonds and in order to provide for the lowest cost of financing for the 2008A Project to EPB, the City Council desires to delegate certain responsibilities to the Mayor and/or Finance Officer relating to establishing certain terms of the Bonds. Such determination by the Mayor and/or Finance Officer will be subsequently set forth in a resolution adopted by the City Council;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF CHATTANOOGA, HAMILTON COUNTY, TENNESSEE, AS FOLLOWS:

ARTICLE I

DEFINITIONS AND STATUTORY AUTHORITY

Section 1.01 Short Title. This resolution may hereinafter be cited by the City, and is hereinafter sometimes referred to, as the "Fourth Supplemental Resolution" or the "Series 2008A Resolution."

Section 1.02 Series 2008A Resolution. This Fourth Supplemental Resolution to Resolution No. 22629, as supplemented and amended, providing for the issuance of City of Chattanooga, Tennessee Electric System Revenue Bonds Series 2008A Authorizing Up To $250,000,000 Series 2008A Bonds is supplemental to, and constitutes a Supplemental Resolution within the meaning of and is adopted in accordance with, Article XII of Resolution No. 22629 as supplemented and amended.

Section 1.03 Definitions.

(a) All terms which are defined in Section 2.01 of the Resolution and not otherwise defined herein shall have the same meanings, respectively, in this Series 2008A Resolution as such terms are given in Section 2.01 of the Resolution.

(b) As used in this Series 2008A Resolution, unless the context shall otherwise require, the following terms shall have the following respective meanings:

"Bond Depository" means DTC.

"2008A Certificate of Determination" means the applicable certificate of determination for the 2008A Series Bonds, to be delivered on or prior to the date of delivery of the 2008A Series Bonds. The Mayor and City Finance Officer hereby are authorized to execute any such Certificate of Determination for the purpose of determining certain matters with respect to the Series 2008A Bonds, subject to and in compliance with all applicable requirements of the Resolution and this Series 2008A Resolution. Any such Certificate of Determination upon execution hereby is incorporated by reference and made a part of this Series 2008A Resolution as if set forth herein at length.

"City" means the City of Chattanooga, Tennessee.

"City Council" means the City Council of the City.

"City Finance Officer" means the City Finance Officer of the City.

"DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

"EPB" has the meaning specified in the Recitals.

"Fourth Supplemental Resolution" has the meaning specified in Section 1.01.

"Interest Payment Date" has the meaning specified in Section 3.01(b).

"Mayor" means the Mayor of the City.

"Nominee" means the nominee of the Bond Depository as determined from time to time pursuant to Section 4.01.

"Official Statement" has the meaning specified in Section 2.04.

"Participants" means those broker-dealers, banks and other financial institutions from time to time for which the Bond Depository holds Series 2008A Bonds as securities depository.

"Preliminary Official Statement" has the meaning specified in Section 2.04.

"Representation Letter" means the representation letter from the City to DTC in substantially the form set forth in Exhibit A hereto.

"Resolution" has the meaning specified in the Recitals.

"Series 2008A Bonds" has the meaning specified in the Recitals.

"Series 2008A Resolution" means this Fourth Supplemental Resolution to Resolution No. 22629 providing for the issuance of City of Chattanooga, Tennessee Electric System Revenue Bonds Series 2008A Authorizing Up To $250,000,000 Series 2008A Bonds.

"Tax Certificate" means the Tax Certificate executed by an authorized officer of the City or EPB in connection with the issuance of the Series 2008A Bonds.

"2008A Project" has the meaning specified in Section 2.02(b).

(c) Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, words importing the singular number shall include the plural number and vice versa, and words importing persons shall include firms, associations and corporations, including public bodies, as well as natural persons.

(d) The terms "hereby," "hereof," "hereto," "herein," "hereunder," and any similar terms, as used in this Series 2008A Resolution, refer to this Series 2008A Resolution.

ARTICLE II

AUTHORIZATION, TERMS AND ISSUANCE OF SERIES 2008A BONDS

Section 2.01 Authority for the Series 2008A Resolution. This Series 2008A Resolution is supplemental to, and is adopted pursuant to and in accordance with, the provisions of the Act and the Resolution.

Section 2.02 Authorization of Series 2008A Bonds.

(a) In accordance with the provisions of the Act, and subject to and pursuant to the provisions of the Resolution and this Series 2008A Resolution, as the same may be amended or supplemented from time to time, a Series of bonds of the City (referred to herein as "Series 2008A Bonds") entitled to the benefit, protection and security of the Resolution hereby is authorized to be issued in an aggregate principal amount not to exceed $250,000,000. Such Series 2008A Bonds shall be designated as, and shall be distinguished from the bonds of all Series by the title, "City of Chattanooga, Tennessee Electric System Revenue Bonds, Series 2008A" pursuant to and subject to the terms, conditions and limitations established in the Resolution and this Series 2008A Resolution.

(b) The purposes for which the Series 2008A Bonds are being issued are (i) to pay certain Capital Costs, including the costs of a fiber optic broadband network, of the Electric System (the "2008A Project") and capitalized interest for a period as set forth in the 2008A Certificate of Determination, (ii) to make such deposit to the Reserve Fund, if any, as may be necessary in connection with the issuance of the Series 2008A Bonds, and (iii) to pay the costs of issuance of the Series 2008A Bonds including costs of a Credit Facility, if any, and contingency amounts.

(c) The Mayor and the City Finance Officer are hereby authorized to execute such documents, instruments and papers, to open such bank accounts or custodian accounts, and do such acts and things as may be necessary or advisable in connection with the authorization, sale and issuance of, and security for, the Series 2008A Bonds.

(d) The Mayor and City Finance Officer are hereby authorized and empowered to execute and deliver, or cause to be executed and delivered such other documents and opinions, and to do all such acts and things as may be necessary or desirable in connection with the issuance, execution and delivery of the Series 2008A Bonds and the final Official Statement.

Section 2.03 Place of Payment and Paying Agent. The principal and Redemption Price of the Series 2008A Bonds shall be payable at the principal office of the Paying Agent for the Series 2008 A Bonds as permitted by the Resolution. Interest on the Series 2008A Bonds shall be payable by check or draft of any Paying Agent in like coin or currency of the United States of America.

Section 2.04 Official Statement. The Mayor, City Finance Officer or Vice President of Finance of EPB are, and each of them hereby is, authorized to furnish to prospective purchasers of the Series 2008A Bonds the official statement in substantially the form attached hereto as Exhibit B (the "Official Statement"), with such changes, insertions and omissions as the Mayor, City Finance Officer or Vice President of Finance of EPB shall deem necessary and advisable, which is hereby approved, and to sign and deliver the Official Statement to the purchasers of the Series 2008A Bonds and the 2008A Certificate of Determination. The execution and delivery of the Official Statement by said officer shall be conclusive evidence of due authorization and approval. The distribution of a preliminary official statement in the form presented at this meeting (the "Preliminary Official Statement") and the Official Statement to prospective purchasers of the Series 2008A Bonds is hereby approved. The Preliminary Official Statement is "deemed final" within the meaning of Securities Exchange Commission Rule 15c2-12(b)(1).

Section 2.05 Sale of the Series 2008A Bonds. Pursuant to Section 7-34-109 of the Act, a negotiated sale of the Series 2008A Bonds is hereby authorized. The Bonds shall be sold to Goldman, Sachs & Co., Inc., as representative of the underwriters named in the Bond Purchase Agreement (the "Underwriter"), at the purchase price and on the terms and conditions set forth in the 2008A Certificate of Determination and a Bond Purchase Agreement (as defined below), with the principal amount, interest rates and maturities as so determined by the Mayor and/or City Finance Officer. Such terms of the Bonds as set forth in the 2008A Certificate of Determination and the Bond Purchase Agreement in substantially the form attached as Exhibit C (the "Bond Purchase Agreement") with such changes, insertions and omissions as the Mayor and City Finance Officer shall deem necessary or advisable which is hereby approved shall be approved in a supplemental resolution adopted by the City Council. The Mayor and City Finance Officer are hereby authorized on behalf of the City to execute said Bond Purchase Agreement and to deliver it to the Underwriter; and said officers and all other officers of the City are hereby authorized and directed to carry out or cause to be carried out all obligations of the City under said Bond Purchase Agreement and to take all action contemplated to be taken by the City pursuant to the terms of said Bond Purchase Agreement.

ARTICLE III

TERMS AND PROVISIONS RELATING TO the Series 2008A Bonds

Section 3.01 Description of the Series 2008A Bonds.

(a) Date, Maturity and Interest Rate. The Series 2008A Bonds shall be dated their date of delivery, shall bear interest at a true interest cost not to exceed six percent (6%) per annum and shall have a maturity not to exceed forty (40) years from the date hereof, all as set forth in the 2008A Certificate of Determination.

(b) Interest Payment Dates. The Series 2008A Bonds shall bear interest at the interest rate or rates per annum set forth in the 2008A Certificate of Determination and such interest shall be payable on September 1, 2008 and semiannually thereafter on the first day of March 1 and September 1 (each such date being an "Interest Payment Date") in each year until the City's obligation with respect to the payment of principal of the Series 2008A Bonds shall be discharged. The interest rates set forth in the 2008A Certificate of Determination shall not exceed the maximum rate of interest permitted by, or enforceable under, applicable law.

(c) Debt Service for Series 2008A Bonds. The Debt Service Requirement for the Series 2008A Bonds shall be as set forth in the 2008A Certificate of Determination.

(d) Registration, Denomination, Lettering and Numbering. The Series 2008A Bonds shall be issued in fully registered form, without coupons, in minimum denominations of $5,000 principal amount, or any integral multiple thereof. Unless the City shall otherwise direct, the Series 2008A Bonds shall be numbered from one upward.

Section 3.02 Redemption. The Series 2008A Bonds shall be subject to redemption as set forth in the 2008A Certificate of Determination.

Section 3.03 Form of Series 2008A Bonds. The form of the Series 2008A Bonds and the City's certificate of authentication shall be in substantially the form set forth below with such omissions, insertions and variations as are properly required, as determined by an authorized officer of the City, and which are not contrary to any of the provisions of the Resolution or any provisions of this Series 2008A Resolution all as set forth in the 2008A Certificate of Determination. The Series 2008A Bonds shall contain a recital that they are issued pursuant to the Act, particularly, Section 7-34-101 -7-34-118 inclusive Tennessee Code Annotated which shall be conclusive evidence of their validity and of the regularity of their issuance as set forth in Section 7 – 34- 112 thereof.

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UNITED STATES OF AMERICA

STATE OF TENNESSEE

NOTWITHSTANDING ANY PROVISION OF THE RESOLUTIONS REFERRED TO HEREIN TO THE CONTRARY, THE PRINCIPAL AMOUNT OUTSTANDING UNDER THIS BOND MAY BE PAID OR REDEEMED WITHOUT SURRENDER HEREOF TO THE FISCAL AGENT. THE DEPOSITORY TRUST COMPANY (TOGETHER WITH ANY SUCCESSOR SECURITIES DEPOSITORY APPOINTED PURSUANT TO THE RESOLUTIONS, "DTC") OR A TRANSFEREE OR ASSIGNEE OF DTC OF THIS BOND MAY NOT RELY UPON THE PRINCIPAL AMOUNT INDICATED HEREON AS THE PRINCIPAL AMOUNT HEREOF OUTSTANDING AND TO BE PAID. THE PRINCIPAL AMOUNT OUTSTANDING AND TO BE PAID ON THIS BOND SHALL FOR ALL PURPOSES BE THE AMOUNT INDICATED ON THE BOOKS OF THE FISCAL AGENT.

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF DTC TO THE FISCAL AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC AND ANY PAYMENT IS MADE TO CEDE & CO., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSONS IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

UNITED STATES OF AMERICA

STATE OF TENNESSEE

CITY OF CHATTANOOGA, TENNESSEE ELECTRIC SYSTEM

REVENUE BONDS, SERIES 2008A

Interest Rate Maturity Date Dated Date %

CUSIP

KNOW ALL MEN BY THESE PRESENTS, that the City of Chattanooga, Tennessee, a duly organized municipal corporation (the "City"), acknowledges itself to owe, and for value received, promises to pay to the registered owner above, or registered assigns on the Maturity Date hereof (or earlier as herein after referred to), solely from the revenues and funds hereinafter described, upon the presentation and surrender hereof at the principal office of the ______ as paying agent (herein called the "Agent"), the principal sum of

DOLLARS

lawful money of the United States of America with interest on said principal sum payable September 1 and thereafter semiannually thereafter on March 1 and September 1 in each year, September 1, 2008 at the Interest Rate per annum stated hereon from the Dated Date hereof, except as otherwise stated in the Resolution (as hereinafter defined), until payment of said principal sum shall be discharged. Interest when due shall payable by the Fiscal Agent, by check or draft mailed to the registered owner hereof on each interest payment date at its address as shown on the registration books of the City which shall be kept for that purpose at the principal office of the Fiscal Agent (the "Registration Books"), as of the close of business on the fifteenth business day of the calendar month immediately preceding each such interest payment date (the "Record Date"). Principal and redemption price, if any, of, and interest on, this bond are payable in lawful money of the United States of America, and for the prompt payment of this bond and the interest thereon the lien on the Trust Estate (as defined in the Resolution) is hereby irrevocably pledged. The holder hereof shall have no recourse to the power of taxation. The holder hereof shall have no recourse other than as against the Trust Estate. The incomes and revenues in the Trust Estate are required by the proceedings pursuant to which this bond is issued to be fully sufficient to pay the cost of operating and maintaining the Electric System (as defined in the Resolution as hereinafter defined) and to pay the principal of and interest on this bond and the issue of which it is a part promptly as each becomes due and payable. The Electric Power Board of the City has covenanted that there will be fixed and imposed such rates and charges for the services rendered by the Electric System and for the use of electric energy furnished by said Electric System, and will be collected and accounted for sufficient revenues to pay promptly the principal of and interest on this bond and the issue of which it is a part as each becomes due.

This bond and the interest hereon are payable solely from the revenues so pledged to the payment thereof, and this bond does not constitute a debt of the City within the meaning of any statutory limitation. Reference is hereby made to the below described resolution for a more complete statement of the revenues from which and conditions under which this bond is payable, the conditions under which obligations may hereafter be issued on a parity with this bond, the manner in which said resolution may be modified, and the general covenants and provisions pursuant to which this bond is issued.

THE SERIES 2008A BONDS SHALL UNDER NO CIRCUMSTANCES CONSTITUTE A GENERAL OBLIGATION OF THE CITY OR OF THE UNITED STATES. IT SHALL NOT BE A DEBT OF THE CITY. IT SHALL NOT BE A DEBT OF THE UNITED STATES, NOR SHALL THE UNITED STATES BE LIABLE THEREON.

This Bond is one of a series of bonds of the City designated as "City of Chattanooga, Tennessee Electric System Revenue Bonds, Series 2008A" (herein called the "Series 2008A Bonds"), issued as fully registered bonds in any integral multiples of $5,000, in the aggregate principal amount of $ _________ issued by the City pursuant to and in accordance with the provisions of Sections 7-34-101 to 7-34-118, inclusive, Tennessee Code Annotated, (the "Act") and pursuant to resolutions duly passed by the City Council of said City on September 5, 2000 and September 12, 2000 and _______________, 2008 (which resolutions are herein collectively called the "Resolution"). As provided in the Resolution, bonds may be issued from time to time pursuant to supplemental resolutions in one or more series, in various principal amounts, may mature at different times, may bear interest at different rates and may otherwise vary as in said supplemental resolutions provided. The aggregate principal amount of Bonds which may be issued under said Resolution is not limited except as provided in said Resolution and the Act, and all Bonds issued and to be issued under said Resolution are and will be equally secured by the pledge and covenants made therein, except as otherwise expressly provided or permitted in said Resolution and the Act.

To the extent and in the manner permitted by the terms of the Resolution, the provisions of the Resolution or any resolution amending or supplementing such Resolution may be modified or amended, with the written consent of holders of at least a majority in principal amount of the Bonds then outstanding under the Resolution. No such modification or amendment shall permit a change in the terms of maturity of the principal of any outstanding Bond or a reduction 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 the Issuer or EPB without its written assent thereto.

Reference is hereby made to the further provisions of this bond set forth on the reverse side hereof and such further provisions shall for all purposes have the same effect as if set forth on the front side hereof. It is further certified and recited that all acts, conditions and things required to be done precedent to and in the issuance of this bond have been done, have happened, and have been performed in regular and due form, time and manner as required by law, and that the total indebtedness of the City, including this bond, does not exceed any statutory or constitutional limitation.

It is further provided by Section 7-34-116, Tennessee Code Annotated, that neither the principal nor the interest on this bond shall be taxed by the State of Tennessee or by any County or Municipality thereof, except inheritance, transfer and estate taxes.

IN TESTIMONY WHEREOF, the City of Chattanooga, Tennessee has caused this to be executed by the manual or facsimile signature of the Mayor in the name of the City and the corporate seal of said City or a facsimile thereof, to be affixed hereto, or engraved, imprinted or otherwise reproduced hereon, attested by the Secretary or an Assistance Secretary of the City by such officer's manual or facsimile signature, this the ____ day of ________, 2008.

CITY OF CHATTANOOGA, TENNESSEE

____
Mayor

ATTEST:

____
City Finance Officer

FORM OF FISCAL AGENT'S CERTIFICATE
OF AUTHENTICATION ON ALL BONDS

This bond is one of the bonds executed and delivered pursuant to the within mentioned Resolution.

____
Fiscal Agent

By______________________________
Authorized Officer

Date______________________________

(Back of Bond)

The Bonds maturing on or before ____________, ____ shall not be subject to redemption prior to maturity.

The Bonds maturing on or after ________________, ____ shall be subject to redemption prior to maturity as a whole or in part (and by lot if less than all of a maturity is to be redeemed) at any time, at the option of the City on or after __________, ____ as hereinafter provided, at the prices as set forth below (expressed as percentages of principal amount) plus interest accrued to the redemption date:

Redemption Dates (dates inclusive)	Redemption Prices

Notice of any call for redemption shall be given by mailing such notice, at least thirty (30) days prior and no earlier than sixty (60) days prior to the date set for such redemption, to the registered owner of each bond being so redeemed at such owner's address, as shown on the Registration Books of the City (the "Registration Books") kept for that purpose at the office of the City of Chattanooga, Tennessee, as paying agent or any paying agent appointed pursuant to the Resolution (the "Paying Agent"). Notice shall also be given by publication in The Bond Buyer or a financial journal of general circulation in the city of New York, New York, not more than sixty (60) and not less than thirty (30) days prior to the redemption date. While DTC or its nominee is the registered owner of the bonds, the City shall send the notice of redemption to DTC and the City shall not be responsible for mailing notices of redemption to Participants or Indirect Participants or the Beneficial Owners of any Bonds. Any failure of DTC to mail such notice to any Participant will not affect the sufficiency or the validity of the redemption of the Bonds. Notice of redemption have been given as aforesaid, the Bonds so called for redemption shall, on the date for redemption set forth in such call for redemption, become due and payable, together with the redemption price, if any, and interest to such redemption date, and interest shall cease to be paid thereon after such redemption date.

The City shall cause books for the registration and for the transfer of the Bonds as provided in the Resolution to be kept by the Paying Agent. This bond is transferable by the registered owner hereof in person or by such owner's attorney duly authorized in writing, at the principal office of the Paying Agent, but only in the manner, subject to the limitations and upon payment of the charges provided in the Resolution, and upon surrender and cancellation of this. Upon such transfer a new Bond or Bonds of the same maturity or maturities and of authorized denomination or denominations, for the same aggregate principal amount, will be issued to the transferee in exchange therefor. The City and the Paying shall deem and treat the registered owner hereof as the absolute owner hereof for the purpose of receiving payment of or on account of principal, redemption price or interest due hereof and for all other purposes.

This Bond may be exchanged at the principal office of the Fiscal Agent for a like aggregate principal amount of Bonds of other authorized denominations of the same maturity. The City shall execute and the Paying Agent shall authenticate and deliver Bonds which the registered owner of any outstanding Bond or Bonds making the exchange is entitled to receive, bearing numbers not contemporaneously then outstanding. There shall be no charge for any such exchange or transfer of Bonds, but the City or the Fiscal Agent may require payment of a sum sufficient to pay any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer. Neither the City nor the Fiscal Agent shall be required (a) to transfer or exchange Bonds for a period beginning on any Record Date and ending on any interest payment date on such Bonds or next preceding any selection of Bonds to be redeemed or thereafter until after the mailing of any notice of redemption, or (b) to transfer or exchange Bonds called for redemption.

This bond shall not be entitled to any security, right or benefit under the Resolution or be valid or obligatory for any purpose, unless the Certificate of Authentication hereon has been duly executed by the Paying Agent.

[End of Bond Form]

Section 3.04 Further Provisions in 2008A Certificate of Determination. Any or all of the following, pursuant to Section 5.02 of the Resolution, may be designated in the 2008A Certificate of Determination: (i) the particular form or forms of demand provisions, if any, (ii) the period or periods for payment of principal and interest after delivery of notice, (iii) the appointment of the agent for EPB, acting with the authority of the Issuer, (iv) the terms and provisions of the remarketing or replacement agreement, if any, (v) terms for funding the Reserve Fund, if required by Section 7.05 of the Resolution, and (vi) the terms and provisions of the Credit or Liquidity Facility, if any.

ARTICLE IV

BOOK-ENTRY SYSTEM

Section 4.01 Book-Entry System; Limited Obligation of the City. The Series 2008A Bonds initially shall be issued in the form of a separate single fully registered Series 2008A Bond (which may be typewritten) for each of the maturities of the Series 2008A Bonds. Upon initial issuance, the ownership of each such Series 2008A Bond shall be registered in the bond register in the name of the Nominee, as nominee of the Bond Depository. Except as provided in Section 4.03 hereof, all of the Outstanding Series 2008A Bonds shall be registered in the bond register in the name of the Nominee.

With respect to the Series 2008A Bonds registered in the bond register in the name of the Nominee, the City shall have no responsibility or obligation to any Participant or to any person on behalf of which a Participant holds an interest in the Series 2008A Bonds. Without limiting the immediately preceding sentence, the City shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Bond Depository, the Nominee or any Participant with respect to any ownership interest in the Series 2008A Bonds, (ii) the delivery to any Participant or any other Person, other than an owner as shown in the bond register, of any notice with respect to the Series 2008A Bonds, including any notice of redemption, (iii) the selection by the Bond Depository and its Participants of the beneficial interests in the Series 2008A Bonds to be redeemed in the event the City redeems the Series 2008A Bonds in part, or (iv) the payment to any Participant or any other person, other than an owner as shown in the bond register, of any amount with respect to principal of, Redemption Price, if any, or interest on, the Series 2008A Bonds. The City shall treat and consider the Person in whose name the Series 2008A Bond is registered in the bond register as the holder and absolute owner of such Series 2008A Bond for the purpose of payment of principal, Redemption Price, if any, and interest with respect to such Series 2008A Bond, for the purpose of giving notices of redemption and other matters with respect to such Series 2008A Bond, for the purpose of registering transfers with respect to such Series 2008A Bond, and for all other purposes whatsoever. The City shall pay all principal of, Redemption Price, if any, and interest on, the Series 2008A Bonds only to or upon the order of the respective owner, as shown in the bond register, or the owner's respective attorney duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations with respect to payment of principal of, Redemption Price, if any, and interest on, the Series 2008A Bonds to the extent of the sum or sums so paid. No Person other than an owner, as shown on the bond register, shall receive a Series 2008A Bond evidencing the obligation of the City to make payment of principal, Redemption Price, if any, and interest pursuant to this Series 2008A Resolution. Upon delivery by the Bond Depository to the City of written notice to the effect that the Bond Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to record dates, the word Nominee in this Series 2008A Resolution shall refer to such nominee of the Bond Depository.

Section 4.02 Representation Letter. In order to qualify the Series 2008A Bonds for the Bond Depository's book-entry system, the City is executing and delivering to the Bond Depository the Representation Letter. The execution and delivery of the Representation Letter shall not in any way limit the provisions of Section 4.01 or in any other way impose upon the City any obligation whatsoever with respect to Persons having interests in the Series 2008A Bonds other than the owners, as shown on the bond register. In addition to the execution and delivery of the Representation Letter, the City shall take such other actions, not inconsistent with the Resolution and this Series 2008A Resolution, as are reasonably necessary to qualify the Series 2008A Bonds for the Bond Depository's book-entry program.

Section 4.03 Transfers Outside Book-Entry System. In the event the City determines that it is in the best interest of the City not to continue the book-entry system of transfer or that the interest of the holders of the Series 2008A Bonds might be adversely affected if the book-entry system of transfer is continued, the City may notify the Bond Depository, whereupon the Bond Depository will notify the Participants of the availability through the Bond Depository of bond certificates. In such event, the Bond Depository shall issue, transfer and exchange bond certificates in accordance with the provisions of the Resolution. In the event (i) the Bond Depository determines not to continue to act as securities depository for the Series 2008A Bonds, (ii) the Bond Depository shall no longer so act and gives notice to the City of such determination, or (iii) the City determines that the Bond Depository is incapable of discharging its responsibilities, then the City will discontinue the book-entry system with the Bond Depository with respect to the Series 2008A Bonds. If the City determines to replace the Bond Depository with another qualified securities depository or establishes its own book-entry system, the City shall prepare or direct the preparation of a new single, separate, fully registered Series 2008A Bond for each of the maturities of the applicable Series 2008A Bonds, registered in the name of such successor or substitute qualified securities depository or its Nominee. If the City fails to identify another qualified securities depository to replace the Bond Depository then the Series 2008A Bonds shall no longer be restricted to being registered in the bond register in the name of the Nominee, but shall be registered in whatever name or names owners transferring or exchanging Series 2008A Bonds shall designate, in accordance with the provisions of the Resolution.

Section 4.04 Payments to the Nominee. Notwithstanding any other provision of this Series 2008A Resolution to the contrary, so long as any Series 2008A Bond is registered in the name of the Nominee, all payments with respect to principal of, Redemption Price, if any, and interest on, such Series 2008A Bond and all notices with respect to such Series 2008A Bond shall be made and given, respectively, as provided in the Representation Letter or as otherwise agreed in writing with the Bond Depository.

Section 4.05 Initial Depository and Nominee. The initial Bond Depository under this Article IV shall be DTC. The initial Nominee shall be Cede & Co., as Nominee of DTC.

ARTICLE V

EXECUTION AND AUTHENTICATION OF THE SERIES 2008A BONDS

Section 5.01 Execution and Authentication of Series 2008A Bonds. Pursuant to the provisions of Section 5.03 of the Resolution, the Mayor is hereby authorized and directed to execute by his or her manual or facsimile signature the Series 2008A Bonds in the name of the City and the corporate seal (or a facsimile thereof) shall be thereunto affixed, imprinted, engraved or otherwise reproduced thereon. The City Finance Officer of the City is hereby authorized and directed to attest by his or her manual or facsimile signature the execution of the Series 2008A Bonds. The City is hereby authorized to endorse the same by a certificate of authentication by the City, and shall deliver the same to or upon the order of the City, in such amounts and at such times as the City shall be directed in writing by an authorized officer of the City.

Section 5.02 No Recourse on Series 2008A Bonds. No recourse, other than recourse against the lien on the Trust Estate pursuant to the Resolution, shall be had for the payment of the principal, Redemption Price of, or interest on, the Series 2008A Bonds or for any claim based thereon or on the Series 2008A Resolution against, including without limitation, any member, officer or employee of the City or EPB or any person executing the Series 2008A Bonds, and neither the members of the City nor EPB nor any other person executing the Series 2008A Bonds shall be subject to any personal liability or accountability by reason of the issuance thereof, all such liability being expressly waived and released by every Bondholder of Series 2008A Bonds by the acceptance thereof.

ARTICLE VI

APPLICATION OF PROCEEDS

Section 6.01 Application of Proceeds and Deposit of Moneys. The City shall on the date of delivery of the Series 2008A Bonds apply the proceeds of the sale of the Series 2008A Bonds as follows: (a) the amount representing accrued interest, if any, on the Series 2008A Bonds from the date thereof to the date of delivery thereof shall be deposited in the Electric Fund, (b) the amount equal to the Reserve Requirement, if any, shall be deposited in the Reserve Fund, and (c) the balance shall be deposited in the Capital Fund.

ARTICLE VII

SPECIAL COVENANTS

Section 7.01 Tax Exemption; Rebates. In order to maintain the exclusion from gross income for purposes of federal income taxation of interest on the Series 2008A Bonds, the City shall, and shall cause EPB to, comply with the provisions of the Code applicable to the Series 2008A Bonds, including without limitation the provisions of the Code relating to the computation of the yield on investments of the "gross proceeds" of the Series 2008A Bonds, as such term is defined in the Code, reporting of the earnings on such gross proceeds and rebates of earnings on such gross proceeds to the Department of the Treasury of the United States of America. In furtherance of the foregoing, the City shall comply with the provisions of the Tax Certificate executed by the City in connection with the Series 2008A Bonds.

The City shall not take any action or fail to take any action which would cause the Series 2008A Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Code; nor shall any part of the proceeds of the Series 2008A Bonds or any other funds of the City be used directly or indirectly to acquire any securities or obligations the acquisition of which would cause any Series 2008A Bond to be an "arbitrage bond" within the meaning of Section 148(a) of the Code.

The City shall make any and all payments required to be made to the United States Department of the Treasury in connection with the Series 2008A Bonds pursuant to Section 148(f) of the Code from moneys set aside pursuant to Section 12.03 of the Resolution.

Section 7.02 Survival of Covenant. The obligation of the City to comply with the provisions of Section 7.01 hereof with respect to the rebate to the Department of the Treasury of the United States of America relating to the Series 2008A Bonds shall remain in full force and effect so long as the City shall be required by the Code to rebate such earnings on the gross proceeds of the Series 2008A Bonds notwithstanding that the Series 2008A Bonds are no longer Outstanding.

ARTICLE VIII

1. Section 2.01 of the Master Resolution is amended by deleting any reference to payments-in-lieu-of taxes from the definition of Cost of Operation and Maintenance.

2. Section 7.02 A(v) is amended by adding the words "including payments-in-lieu of taxes" after the words "withdrawal for any lawful purpose".

ARTICLE IX

MISCELLANEOUS

Section 8.01 Supplemental Resolutions. At any time or from time to time, a Supplemental Resolution of the City may be adopted for the purpose of supplementing the Resolution or amending or supplementing this Series 2008A Resolution upon the terms and conditions which are set forth in Article XII of the Resolution.

Section 8.02 Transfer of Funds. Moneys presently maintained by the City with respect to the Electric System in various funds and accounts shall be transferred to the Funds and any and all accounts thereunder established by the City pursuant to the Resolution in accordance with a certificate of an authorized officer of EPB delivered to the City upon the effective date of this Series 2008A Resolution.

Section 8.03 Incorporation of Remainder of Resolution by Reference. All provisions of the Resolution are incorporated by this reference, as if set forth in full herein, and such provisions shall remain in full force and effect and, to the extent applicable, shall apply to the Series 2008A Bonds.

Section 8.04 Continuing Disclosure Covenant. The City hereby covenants that the Bonds will be subject to the provisions of that certain Continuing Disclosure Agreement, dated the date of delivery of the Series 2008A Bonds by EPB, as hereafter may be amended.

Section 8.05 Effective Date. This Series 2008A Resolution shall become effective immediately upon its adoption.

Section 8.06 Execution of Documents. Any authorized officer of the City is hereby authorized to execute and deliver, in the name and on behalf of the City, any and all documents and instruments, and to do and cause to be done any and all acts and things, said authorized officer deems necessary or advisable in connection with the offering, sale and issuance of the Series 2008A Bonds and to carry out the transactions contemplated by this Series 2008A Resolution.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities 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 the solicitation of an offer to buy nor shall there be any sale of these securities 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.

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY ___, 2008

NEW ISSUE – BOOK ENTRY ONLY Ratings: "AA" Fitch "AA" S&P

In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the City, interest on the Series 2008A Bonds (including any original issue discount allocable to an owner thereof) will be excluded from gross income for Federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining the adjusted current earnings of certain corporations for purposes of the alternative minimum tax on corporations. Under existing law, the Series 2008A Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except inheritance, transfer and estate taxes, and Tennessee franchise and excise taxes. See the discussion under the heading "LEGAL MATTERS - Opinion of Bond Counsel" and "TAX EXEMPTION" herein.

$215,075,000*

THE CITY OF CHATTANOOGA

ELECTRIC SYSTEM REVENUE BONDS, SERIES 2008A

For the Use and Benefit of

THE ELECTRIC POWER BOARD OF CHATTANOOGA

Dated: Date of Delivery **Due: September 1, as shown on inside cover**

The Electric System Revenue Bonds, Series 2008A ("Series 2008A Bonds") will be issued in book-entry form and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. Payment of the principal of and interest on the Series 2008A Bonds will be made by the Registration Agent directly to Cede & Co., as nominee of DTC, and will subsequently be disbursed to DTC Participants and thereafter to Beneficial Owners (as defined herein) of the Series 2008A Bonds, all as described herein. See "DESCRIPTION OF THE SERIES 2008A BONDS - Book-Entry Only System."

The Series 2008A Bonds are being issued to (i) finance the construction of a fiber optic broadband network, including reimbursement for prior expenditures, for the the Electric System (the "Electric System") of the City of Chattanooga, Tennessee ("Issuer" or "City")), which is under the exclusive management and control of the Electric Power Board ("EPB") and various capital improvements to EPB's distribution system, including acquisition of new transformers and the construction of facilities to serve new customers; (collectively, the "Project"), (ii) provide for capitalized interest, and (iii) pay the costs of issuing the Series 2008A Bonds.

The Series 2008A Bonds will be issued as fully registered bonds in denominations of $5,000 or any integral multiple thereof. Interest on the Series 2008A Bonds will be payable on March 1 and September 1 of each year, commencing September 1, 2008, to the owners thereof as shown on the registration books maintained by BB&T as paying agent and bond registrar (the "Registration Agent"). The Series 2008A Bonds will bear interest from their dated date. See "DESCRIPTION OF THE SERIES 2008A BONDS - Denominations, Principal Amount, Interest, Maturity and Date."

The Series 2008A Bonds are subject to redemption prior to maturity as described herein.

MATURITY SCHEDULE – See Inside Cover

The Series 2008A Bonds and any parity bonds hereafter issued are secured by and are payable from a first pledge of and lien on the Revenues (as defined in Appendix D hereto) derived from the operation of the Electric System. **The Series 2008A Bonds are limited obligations of the City, payable solely from the Revenues of the Electric System. Neither the full faith and credit nor the taxing power of the City is pledged to the payment of the Series 2008A Bonds. See "SECURITY FOR THE SERIES 2008A BONDS."**

This cover page contains certain information for quick reference only. It is not a summary of this Issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Series 2008A Bonds are offered, when, as and if issued by the Issuer, subject to prior sale, to the withdrawal or the modification of the offer without notice, and to the approval of legality by Katten Muchin Rosenman LLP, New York, New York ("Bond Counsel"). Certain legal matters will be passed upon for the Issuer by Randall L. Nelson, City Attorney, Chattanooga, Tennessee and for EPB by its counsel, Miller & Martin PLLC, Chattanooga, Tennessee and certain matters will be passed upon for the Underwriter by its counsel, Bass, Berry & Sims PLC, Nashville, Tennessee. The Series 2008A Bonds will be available for delivery through DTC on or about March __, 2008.

Goldman, Sachs & Co.

Banc of America Securities **Merrill Lynch & Co., Inc.**

Morgan Keegan & Company, Inc. **SunTrust Robinson Humphrey**

Dated: March __, 2008

* Preliminary subject to change.

AMOUNTS, MATURITIES, INTEREST RATES, PRICES OR YIELDS, AND CUSIP NUMBERS*

$215,075,000*
THE CITY OF CHATTANOOGA
ELECTRIC SYSTEM REVENUE BONDS, SERIES 2008A
For the Use and Benefit of
THE ELECTRIC POWER BOARD OF CHATTANOOGA

Maturity (September 1)	Amount*	Interest Rate	Price or Yield	CUSIP*
2013	$3,000,000			
2014	$4,000,000			
2015	$5,000,000			
2016	$5,990,000			
2017	$6,370,000			
2018	$6,775,000			
2019	$7,200,000			
2020	$7,635,000			
2021	$8,100,000			
2022	$8,590,000			
2023	$9,105,000			
2024	$9,640,000			
2025	$10,205,000			
2026	$12,340,000			
2027	$12,955,000			
2028	$13,595,000			
2033	$84,575,000			

epb

* CUSIP numbers have been assigned by an organization not affiliated with the Issuer and are included solely for the convenience of the holders of the Series 2008A Bonds. The issuer is not responsible for the selection or use of these CUSIP numbers, nor is any representation made as to their correctness in the Series 2008A Bonds or as indicated above.

THE CITY OF CHATTANOOGA, TENNESSEE

MAYOR

The Honorable Ron Littlefield

CITY COUNCIL

Dan Page, Chairman
Jack Benson
Carol Berz
John P. Franklin, Jr.
Debbie Gaines

Linda Bennett, Vice Chair
Leamon Pierce
Manuel Rico
Sally Robinson

Carol O'Neal – Clerk of the Council
Daisy W. Madison – City Finance Officer
Randall L. Nelson – City Attorney

CHATTANOOGA ELECTRIC POWER BOARD

L. Joe Ferguson, Chairman
Harold Coker
Vicky Gregg

Warren E. Logan, Jr. Vice Chairman
John Foy

General Counsel – Carlos C. Smith

MANAGEMENT

Harold E. DePriest	President and CEO
Gregory S. Eaves	Senior VP, Finance and CFO
David Wade	Senior VP, Electric System Operations
Steve L. Clark	VP, Strategic Systems
Kathy Burns	VP, Customer Relations
Aldous D. McCrory	VP, Legal Services
Diana Bullock	VP, Economic Development and Governmental Relations
Danna Bailey Cannon	VP, Corporate Communications
Marcellus Scott	VP, Human Resources
Jim Ingraham	VP, Strategic Planning
Katie Espeseth	VP, Communications System

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy. Nor shall there be any such offer or solicitation of the Bonds in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale in such jurisdiction.

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.

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 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 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 Bonds implies that there has been no change in the affairs of the Issuer, EPB or the other matters described herein since the date hereof. The information set forth herein has been provided by the Issuer and EPB and by other sources believed to be reliable, but it is not guaranteed as to its accuracy or completeness.

THE UNDERWRITERS HAVE ADVISED THE CITY THAT IN CONNECTION WITH THE OFFERING OF THE SERIES 2008A BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE TAXABLE SERIES 2008A 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 Series 2008A Bonds has been filed with the Securities Exchange Commission or any state securities agency. The Series 2008A Bonds have not been approved or disapproved by the Securities Exchange Commission or any state securities agency, nor has the Securities Exchange Commission or any state securities agency passed upon the accuracy or adequacy of this Official Statement. Any representation to the contrary is a criminal offense.

In making an investment decision, investors must rely on their own examination of the City, EPB and the Electric System and the terms of the offering, including the merits and risks involved.

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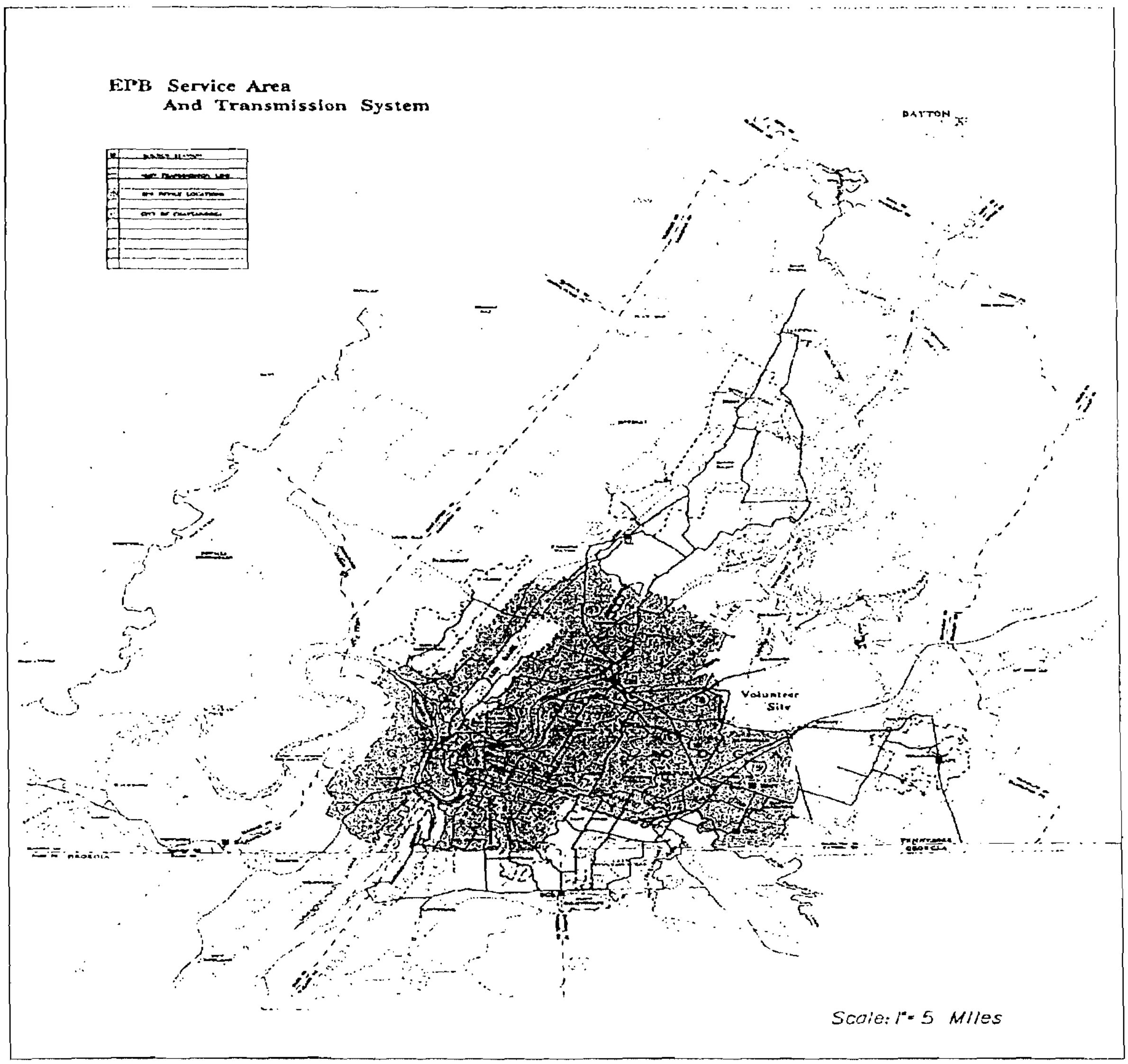
APPENDICES



EPB Service Area
And Transmission System
DAYTON
Volunteer Site
Scale: 1" = 5 Miles

OFFICIAL STATEMENT

Relating to
THE CITY OF CHATTANOOGA, TENNESSEE
$215,075,000* Electric System Revenue Bonds, Series 2008A

For the Use and Benefit of
THE ELECTRIC POWER BOARD OF CHATTANOOGA

INTRODUCTION

General

This Official Statement (including the cover page and inside cover page hereof and the Appendices hereto) is furnished by the City of Chattanooga, Tennessee (the "Issuer" or "City") and the Electric Power Board of Chattanooga ("EPB") to provide information concerning the electric transmission and distribution system operated by EPB (the "Electric System"), and the offering by the Issuer of its Electric System Revenue Bonds, Series 2008A (the "Series 2008A Bonds") on behalf of EPB.

The Series 2008A Bonds are being issued by the Issuer under and pursuant to Chapter 34, Title 7, Tennessee Code Annotated, Sections 7-34-101 through 7-34-118, as amended (the "Act"), the City Charter, and a resolution of the Issuer originally adopted on September 5, 2000, as supplemented and amended (the "Resolution"). The Resolution sets forth the terms of the Series 2008A Bonds, governs EPB's application of Revenues (as defined below) of the Electric System, and includes covenants regarding the operation of the Electric System. The Resolution requires that EPB set rates in each year sufficient to provide for 100% of the payment of operating costs and all Electric System debt service. The Resolution requires that EPB establish a debt service reserve fund in the event that Revenues, after providing for the payment of operating expenses, is less than 150% of annual debt service requirements. Currently, EPB's rate coverage is in excess of 150% and no reserve fund is maintained. The Resolution prohibits the issuance of additional bonds on parity with the Series 2008A Bonds unless the Electric System's revenues, after providing for the payment of operating costs, are at least 110% of the maximum annual debt service on then outstanding bonds and any proposed bonds. For a description of the terms of the Resolution, see "SECURITY FOR THE SERIES 2008A BONDS" herein, and Appendix D – Summary of Certain Provisions of the Bond Resolution.

The Series 2008A Bonds are payable from and secured by a first lien on the Revenues (as defined in Appendix D) of the Electric System. The Issuer has previously issued on behalf of EPB and as of December 31, 2007 had outstanding $69,830,000 in aggregate principal amount of its Electric System revenue bonds on parity with the Series 2008A Bonds. These bonds were also issued pursuant to the Resolution. For a discussion of the sources of payment and security for the Series 2008A Bonds, see "SECURITY FOR THE SERIES 2008A BONDS" herein.

THE SERIES 2008A BONDS ARE NOT GENERAL OBLIGATIONS OF THE ISSUER, AND NO HOLDER OF THE SERIES 2008A BONDS SHALL EVER HAVE THE RIGHT TO COMPEL THE ISSUER TO EXERCISE ITS TAXING POWER TO PAY THE PRINCIPAL, REDEMPTION PRICE OF OR INTEREST ON THE SERIES 2008A BONDS.

The Series 2008A Bonds are being issued to (i) finance the construction of a fiber optic broadband network for the Electric System, including reimbursement for prior expenditures, and various capital improvements to EPB's distribution system, including acquisition of new transformers and the construction of facilities to serve new customers; (collectively, the "Project"), (ii) provide for capitalized interest, and (iii) pay the costs of issuing the Series 2008A Bonds.

For a more detailed discussion of the Project, see "THE PROJECT" herein.

EPB

EPB is a municipal utility system that provides retail electric service through its Electric Division to approximately 168,000 ratepayers in the City and in Hamilton County, Tennessee, and portions of four other counties in Tennessee, and three counties in Georgia. EPB does not own any generation facilities and presently

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* Throughout this Preliminary Official Statement, an asterisk indicates that the information is preliminary and subject to change.

purchases its entire power supply requirements under a wholesale power contract (the "Power Contract") with the Tennessee Valley Authority ("TVA"), a federal governmental instrumentality created by Congress pursuant to the Tennessee Valley Authority Act of 1933, as amended, (the "TVA Act"). The Power Contract provides that EPB may sell power to all customers in its service area, except certain federal installations and large customers, which TVA may serve directly. The Power Contract establishes the rates and terms and conditions under which power is to be purchased from TVA and distributed to the customers of EPB. EPB's customer rates are set at levels sufficient to cover the cost of power supplied by TVA under the Power Contract and EPB's costs of operation. EPB also provides telecommunications and Internet services through its Communications Services Division, and these services are primarily provided within the City.

Under the Charter of the City (the "City Charter"), and the provisions of Chapter 455 of the Public Acts of the General Assembly for 1935, (the "Enabling Act"), the governing board of EPB is delegated the exclusive authority and responsibility for the operation of the electrical distribution system of the City. There are five members of EPB's governing board, who serve for terms of five years each, which one term expiring each calendar year. Board members and their successors are appointed by the Mayor of the City of Chattanooga, and are subject to confirmation by the Chattanooga City Council.

Defined Terms

Capitalized terms used but not defined herein shall have the meanings ascribed in Appendix D – Summary of Certain Provisions of the Bond Resolution.

THE ISSUER

The City of Chattanooga is a political subdivision of the State of Tennessee, which issues bonds on behalf of and for the use and benefit of EPB. The City was incorporated under State of Tennessee Private Acts of 1839. The City is the fourth largest city in the State of Tennessee and serves as County seat of Hamilton County, Tennessee. The City is commercially and industrially developed and is the center of a six-county Metropolitan Statistical Area (the "MSA"), which includes Hamilton County and the counties of Marion and Sequatchie, Tennessee, and the counties of Catoosa, Dade and Walker, Georgia. The Tennessee River flows through the center of the City, which has a diversified terrain. The MSA is centrally located in relation to other major population centers of the Southeast, being within a 150-mile radius of Knoxville and Nashville, Tennessee; Birmingham, Alabama and Atlanta, Georgia.

The City operates under a Mayor/Council form of government. The Mayor is elected at large and is not a member of the City Council. The City Council is composed of nine members, with each member being elected from one of nine districts within the geographic boundaries of the City. The Mayor and Council are elected for four-year terms. The Mayor is the chief executive officer of the City and oversees the operations of all departments of the City.

The Issuer is further described in its Supplemental Information Statement, which is included herein as Appendix C.

THE PROJECT

EPB plans to construct a fiber optic broadband network (the "Fiber Optic System") for its Electric System and plans to make various other improvements to EPB's current facilities described more fully below.

The Fiber Optic System project consists of the installation of fiber-based communications infrastructure. EPB currently projects that the construction costs of the Fiber Optic System will be approximately $169 million. Upon completion, the Fiber Optic System will generally cover more than seventy-five percent (75%) of EPB's service area.

EPB management expects that the Fiber Optic System will enhance the quality and efficiency of the Electric System's electric service by, among other things, (i) allowing the Electric System to read electric meters remotely, (ii) allowing the Electric System to remotely connect and disconnect meters, (iii) enabling the Electric System to reduce power theft and other thefts involving Electric System assets, such as copper theft; (iv) enabling the Electric System to more efficiently utilize capital expenditures by improved sizing of substations, line conductors, and distribution transformers; and (v) enabling the Electric System to implement demand side management programs, utilize time of use rates and better manage its peak load. EPB management further expects that the Electric System reliability and customer service will improve from having real-time outage reports which will enable the Electric

System to respond more quickly to power outages and to restore service more quickly. EPB management expects that the Electric System will benefit from a combination of increased revenues, reduced expenses, increased reliability, operational efficiencies and more general societal benefits. The value of these projected benefits and the ability of the Electric System to realize such benefits are speculative and cannot be determined with any certainty.

EPB anticipates that homes and businesses in proximity to the Fiber Optic System will be connected to the Fiber Optic System using a combination of direct fiber optic connections and a wireless mesh network. The cost of the wireless mesh network is not included in the projected costs for the Fiber Optic System funded by the Series 2008A Bonds, but this cost is included in EPB's current five-year capital improvement program.

In addition to the Fiber Optic System, the Project also includes approximately $40,000,000 of various capital improvements to EPB's distribution system, including acquisition of new transformers and the construction of facilities to serve new customers.

EPB 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, technology risk, and changes in EPB's capital plan, actual costs and actual uses may vary from the Project description above.

PLAN OF FINANCE

The Series 2008A Bonds are being issued to (i) finance the construction of a fiber optic broadband network for the Electric System, including reimbursement for prior expenditures, and various capital improvements to EPB's distribution system, including acquisition of new transformers and the construction of facilities to serve new customers; (ii) provide for capitalized interest, and (iii) pay the costs of issuing the Series 2008A Bonds. For a discussion of EPB's additional capital requirements for the Electric System, see "FINANCIAL INFORMATION – Additional Capital Requirements" herein.

SOURCES AND USES

The sources and uses of funds for the Series 2008A Bonds are estimated as follows:

Sources of Funds:		Uses of Funds:	
Bond Par Amount	$	Deposit to Construction Fund	$
		Capitalized Interest	
Net Original Issue Premium (Discount)		Costs of Issuance	
		Purchaser's Discount	
Total Sources	$	Total Uses	$

DESCRIPTION OF THE SERIES 2008A BONDS

Authority for Issuance

The Series 2008A Bonds are being issued by the Issuer under and pursuant to Chapter 34, Title 7, Tennessee Code Annotated, Sections 7-34-101 through 7-34-118, as amended (the "Act"), the City Charter, which was approved by referendum on January 7, 2000, as amended, Chapter 455 of the Public Acts of the General Assembly of the State of Tennessee of 1935, as amended ("the Enabling Act") embodied within the City Charter, and a resolution of the Issuer adopted on September 5, 2000, entitled "Electric System Revenue Bond Resolution" (the "Bond Resolution") together with the Issuer's First Supplemental Resolution adopted on September 5, 2000 (the "First Supplemental Resolution"), and with a further amendment to the Bond Resolution adopted by the Issuer on September 12, 2000 (the "First Amendment to Bond Resolution"); and as supplemented by the Second Supplemental Resolution for the Electric System Revenue Bonds Series 2006 A (the "Second Supplemental Resolution") and the Third Supplemental Resolution for the Electric System Refunding Revenue Bonds Series 2006B (the "Third Supplemental Resolution"), adopted by the Issuer on August 1, 2006 (together, the "Series Resolution"), with a further amendment to the Bond Resolution adopted by the Issuer on February 19, 2008 (the "Second Amendment to Bond Resolution"), and the Fourth Supplemental Resolution adopted February 19, 2008 (the "Fourth Supplemental Resolution"), and the Electric System Revenue Bond Awarding Resolution Series 2008A dated ____________, 2008 (the "Awarding Resolution", and together with the Bond Resolution, the First Supplemental Resolution, the

First Amendment to Bond Resolution, the Second Supplemental Resolution, the Third Supplemental Resolution, the Second Amendment to Bond Resolution and the Fourth Supplemental Resolution, the "Resolution").

The Series 2008A Bonds are secured on a parity basis with the Issuer's Electric System Revenue Bonds, Series 2000 (the "Series 2000 Bonds"), its Electric System Revenue Bonds, Series 2006 A (the "Series 2006A Bonds"), and its Electric System Revenue Bonds, Series 2006 B (the "Series 2006 B Bonds"), and all other bonds hereafter issued as parity bonds under the Bond Resolution. The aggregate amount of outstanding Series 2000 Bonds, the Series 2006A Bonds and the Series 2006B Bonds is $69,830,000 as of December 31, 2007. Together, the Series 2000 Bonds, the Series 2006A Bonds, the Series 2006B Bonds and the Series 2008A Bonds may be collectively referred to as the "Bonds."

Denominations, Registration, Transfers and Exchanges

The Series 2008A Bonds will be issued in the denomination of $5,000 each or integral multiples thereof as fully registered bonds in the aggregate principal amount of $215,075,000*, and will be dated the date of delivery. Interest on the Bonds will be payable semiannually on March 1 and September 1 of each year, commencing September 1, 2008. The Bonds will mature on the dates set forth on the inside cover page hereof.

Ownership of the Series 2008A Bonds will be registered on the registration books kept by the Registration Agent. The registered owner thereof shall be treated as the absolute owner thereof for all purposes, including payment, and payment to the registered owner thereof shall satisfy all liability thereon to the extent of sums so paid.

When in book-entry form, ownership of Series 2008A Bonds held by DTC or its nominee, Cede & Co., may be transferred and Series 2008A Bonds may be exchanged in accordance with the rules and procedures of DTC.

When not in book-entry form, ownership of any Series 2008A Bonds will be transferable upon surrender thereof to the Registration Agent, together with an assignment duly executed by the registered owner or his attorney, in such form as shall be satisfactory to the Registration Agent. Upon any such transfer of ownership, the Registration Agent, will cause to be authenticated and delivered a new Series 2008A Bond or Series 2008A Bonds registered in the name of the transferee in the authorized denomination in the same aggregate principal amount and interest rate as the Series 2008A Bonds surrendered for such transfer. When not in book-entry form, the Series 2008A Bonds may be exchanged for a like principal amount of Series 2008A Bonds of the same interest rate of other authorized denominations. For every exchange or registration of transfer, the Registration Agent, may charge an amount sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration or transfer, but no other charge may be made to the owner for any exchange or registration of transfer of the Series 2008A Bonds.

Optional Redemption

The Series 2008A Bonds maturing on or after ________________ are subject to redemption at the option of the Issuer on or after ________________ in whole or in part at any time at par plus accrued interest to the redemption date.

Mandatory Redemption

The Series 2008A Bonds maturing on ________________, are subject to redemption at their principal amount, without any premium, plus accrued interest thereon to such redemption date on ________________ in the years and amounts as set forth below, or, if less than such amount is then outstanding, an amount equal to the aggregate principal amount of such bonds then outstanding.

Year	Principal

Notice of Redemption

Notice of the redemption of the Series 2008A Bonds shall be mailed by the Registration Agent, BB&T, postage prepaid, not less than twenty-five days prior to the redemption date, to the registered Holders of any Bonds or portions of the Series 2008A Bonds to be redeemed, at their last addresses appearing upon the registration books of the Issuer, 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 Series 2008A Bonds. Any notice, which 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.

If less than all of the Series 2008A Bonds are to be so redeemed, EPB may select the maturity or maturities to be redeemed. If less than all of the Series 2008A Bonds of any maturity are to be redeemed, the particular Series 2008A Bonds of such maturity or portions thereof to be redeemed shall be selected at random by EPB in such manner as EPB in its discretion may deem fair and appropriate. The portion of any Series 2008A Bonds 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 Series 2008A Bonds for redemption, EPB 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.

Effect of Redemption

If, on the redemption date, moneys for the redemption of all the Series 2008A Bonds of a maturity to be redeemed, together with accrued interest to the redemption date, shall be held by the Paying Agent so as to be available therefor on the redemption date and if notice of redemption shall have been given as described above, the Series 2008A Bonds of a series or portions of Series 2008A Bonds of a series so called for redemption shall become due and payable at the applicable Redemption Price plus accrued interest; the interest on such Bonds of a series or portions of such Bonds of a series shall cease to accrue; the Series 2008A Bonds of a maturity or portions of Series 2008A Bonds of a maturity so called for redemption shall cease to be entitled to any benefit or security under the Resolution; and the registered Holders of such Series 2008A Bonds or portions of such Series 2008A Bonds shall have no rights in respect thereof except to receive payment of the Redemption Price thereof plus accrued interest and to receive Series 2008A Bonds for any unredeemed portion of Series 2008A Bonds.

Book-Entry-Only System

DTC will act as securities depository for the Series 2008A Bonds. The Series 2008A Bonds will be issued as fully-registered Series 2008A 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 Series 2008A 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 Standard & Poor's highest rating: AAA. 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 Series 2008A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2008A Bonds on DTC's records. The ownership interest of each actual purchaser of Series 2008A 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 Series 2008A 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 Series 2008A Bonds, except in the event that use of the book-entry system for the Series 2008A Bonds is discontinued.

To facilitate subsequent transfers, all the Series 2008A 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 Series 2008A 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 Series 2008A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2008A 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 SERIES 2008A 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 Series 2008A 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 Series 2008A Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer 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 Series 2007 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on Series 2008A 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 Isuer or the Registration 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 Issuer or the Registration 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 Issuer or the Registration 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 Series 2008A Bonds at any time by giving reasonable notice to the Issuer or the Registration Agent. Under such circumstances, in the event that a successor depository is not obtained, certificates for the Series 2008A Bonds are required to be printed and delivered.

The Issuer 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 Series 2008A 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 Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

NEITHER THE ISSUER NOR THE REGISTRATION AGENT 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 ISSUER NOR THE REGISTRATION AGENT 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 REDEMPTION PREMIUM, IF ANY, OR INTEREST ON SERIES 2007 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 SERIES 2008A BONDS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF SERIES 2008A BONDS; OR (6) ANY ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF SERIES 2008A BONDS.

SECURITY FOR THE SERIES 2008A BONDS

Pledge of Revenues

Pursuant to Resolution, the Series 2008A Bonds, together with the Issuer's outstanding Series 2000 Bonds, Series 2006A Bonds and Series 2006B Bonds (collectively, the "Bonds"), are payable from and secured by an irrevocable lien on and irrevocable pledge of all Electric System Revenues (as defined in Appendix D), all amounts held in the funds, accounts and subaccounts established by the Resolution derived from Electric System operations, and certain other amounts described in the Resolution (the "Trust Estate").

The following table sets forth the outstanding debt of the Issuer that has been issued on behalf of the Electric System as of December 31, 2007:

Outstanding Debt of the Issuer on behalf of the Electric System

Description	Principal Outstanding As of December 31, 2007
Electric System Revenue Bonds	
Series 2000	$ 6,400,000
Series 2006A	40,000,000
Series 2006B	23,430,000
Total Electric System Revenue Bonds	$ 69,830,000

THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE ISSUER AND NO HOLDER OF THE BONDS SHALL EVER HAVE THE RIGHT TO COMPEL THE ISSUER TO EXERCISE ITS TAXING POWER TO PAY THE PRINCIPAL, REDEMPTION PRICE OF OR INTEREST ON THE BONDS.

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 the Summary of the Bond Resolution in Appendix D, which includes definitions of terms that are capitalized but not defined in the following summary. A more limited summary of certain provisions of the Bond Resolution follows.

Rate Covenant

The Resolution requires EPB to charge and collect rates, rentals, fees and charges for the use of and for the services and products provided by the Electric System as are expected to be sufficient in each Fiscal Year to produce Revenues in an amount at least equal to the sum of (1) one hundred percent (100%) of the Costs of Operation and Maintenance for such Fiscal Year, (2) one hundred percent (100%) of the Debt Service Requirement for such Fiscal Year, (3) one hundred percent (100%) of the: amounts payable with respect to Subordinated Indebtedness and Subordinated Contract Obligations in such Fiscal Year, and (4) one hundred percent (100%) of the amount required to maintain the Reserve Fund in accordance with the requirements of the Resolution.

Flow of Funds; Debt Service Reserve Fund

The Resolution requires EPB to deposit all Revenues of the Electric System to the EPB Electric Fund. From the Electric Fund, EPB is to make the following payments in the following order of priority:

(1) To pay Costs of Operation and Maintenance or establish reserves therefor.

(2) To deposit to a debt service sinking account within the Electric Fund amounts necessary to accrue for debt service obligations on the Bonds.

(3) During such times as the Debt Service Reserve Fund is required to be funded (see below), to make deposits to the Debt Service Reserve Fund established by the Resolution.

(4) To pay debt service on Subordinate Indebtedness.

(5) To be used to make any other lawful payment, including payments in lieu of taxes.

In the event that an EPB audit reflects that Revenues for the applicable fiscal year, after providing for the payment of Costs of Operation and Maintenance, are less than 150% of the debt service on the Bonds during such fiscal year, the Resolution requires EPB to fund the Reserve Fund for the benefit of the Bonds, in an amount equal to the Reserve Requirement. To date, EPB has not been required to fund the Reserve Fund. Any amounts on deposit in the Reserve Fund may be used solely for the purpose of curing deficiencies in the Electric Fund for the payment when due of the principal of and interest on the Obligations. If funds on deposit in the Reserve Fund or the available amount under a Reserve Product on deposit in the Reserve Fund exceed in the aggregate the Reserve Requirement, the excess cash shall be deposited into the Electric Fund. Upon the initial delivery of the Series 2008A Bonds the Reserve Fund shall be unfunded, and the Municipality shall only be required to fund the Reserve Fund upon the occurrence of the condition described above.

If at any time EPB is required to fund the Reserve Fund, the amount may be funded in up to twelve substantially equal consecutive monthly deposits commencing not later than the month following the receipt of audited financial statements which reflect the Revenue deficiency.

The Reserve Requirement may be funded with cash or Investment Obligations, or one or more Reserve Products, or a combination thereof, all as described in the Resolution.

Additional Obligations

Additional Obligations may be issued or Parity Debt may be incurred from time to time under the Resolution on parity in all respects with the Bonds for any lawful purpose of the Municipality in connection with the Electric System if:

(1) the Municipality and EPB are not in default in the performance of the terms and provisions of the Resolution; and

(2) the Net Revenues of the Electric System as shown on the then-most recent available audited financial statements of the Electric System, adjusted as described below, equal or exceed 1.1 times the maximum annual Debt Service Requirement for all Outstanding Obligations and Parity Debt and the additional Obligations proposed to be issued or Parity Debt proposed to be incurred for the first complete Bond Year during which such additional Obligations or Parity Debt shall be Outstanding.

In calculating Net Revenues of the Electric System for purposes of paragraph (2) above, the Municipality and EPB may make adjustments to reflect (i) previously enacted rate increases, and (ii) the financial impact of distribution system acquisitions to be funded with the proceeds of the additional obligations.

Subordinate Indebtedness may be issued at any time without regard to the tests set forth in the preceding paragraphs.

For a more extensive discussion of the terms and provisions of the Resolution related to the sources of payment of and security for the Series 2008A Bonds, see "SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION" in APPENDIX D hereto.

THE ELECTRIC POWER BOARD

History and Organizational Structure

EPB was created by authority of a Private Act passed by the Tennessee General Assembly ("the Enabling Act") and signed into law by Tennessee Governor Hill McAlister on April 17, 1935, as an amendment to the Charter of the City of Chattanooga, Tennessee (the "City Charter"). On August 15, 1939, EPB, which had begun building its own electric system in Chattanooga, bought the Chattanooga area facilities of the Tennessee Electric Power Company, for $10,850,000. Through growth of its service area, with capital additions to improve and expand EPB's distribution system to serve the additional growth in numbers of customers, density of population and demand for electrical energy and power, the depreciated plant value of EPB had increased to $298,506,000 as of December 31, 2007.

In 1972, the City of Chattanooga adopted the home rule form of municipal government by approval of a majority vote of the voters at a referendum. The provisions of the original Enabling Act, as periodically amended by act of the Tennessee General Assembly from 1935 until 1972, as a part of the City Charter, continued in effect as a part of the Charter of the City of Chattanooga under its home rule charter. As a home rule city, the City may adopt its own ordinances and resolutions as long as such ordinances and resolutions are not inconsistent with the laws of the State of Tennessee or the scope and extent of the authority extended to municipalities by the General Laws of the State of Tennessee.

Pursuant to the provisions of the 1935 Enabling Act, as amended by subsequent Private Acts of the Tennessee General Assembly and by the referendum of the voters in 1972, the exclusive management and control of the EPB is vested within a five member governing board who serve for terms of five years each, with the term of one board member to expire on April 15 of each year and until the respective board member's successors are elected and qualified.

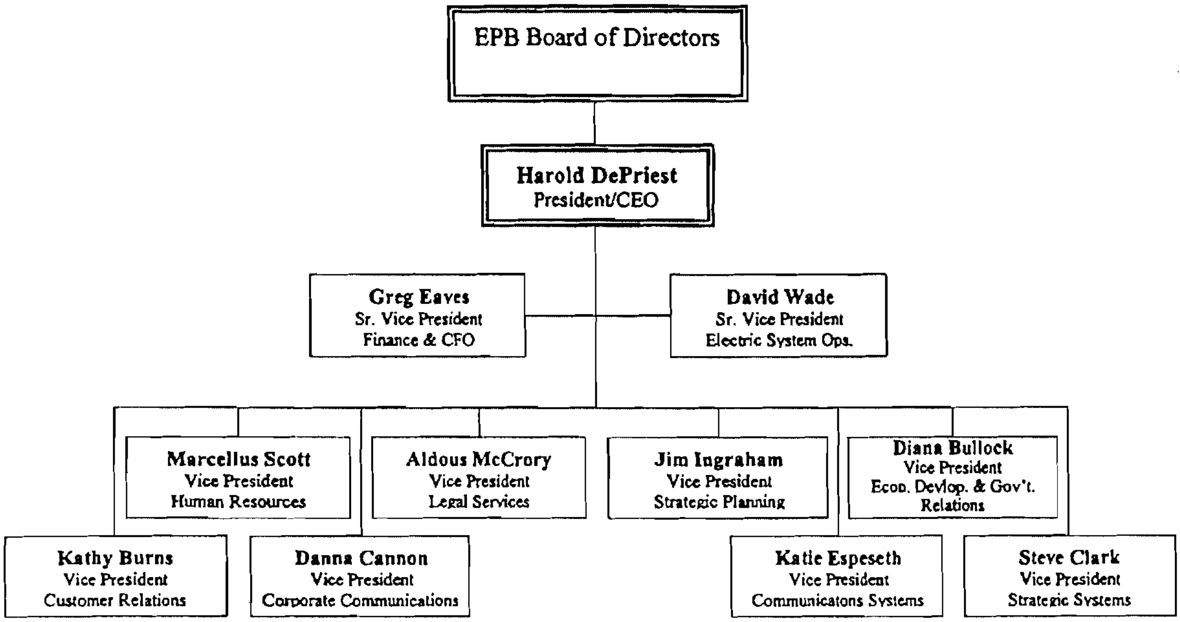
Historically, Board members were elected and qualified upon nomination by the remaining four EPB governing board members and confirmation by the Mayor and Council of the City of Chattanooga. In November, 2006, the City Charter was amended by the voters of the City so that future Board appointments would originate within the office of the Mayor, subject to confirmation by the City Council.

The voters also approved an amendment to the City Charter so that the Board may elect its own Board Chairman on a periodic basis. Previously, the Office of Chairman was a discrete office that was appointed for a term of five years.

The City Charter also designates the positions of EPB General Counsel and Secretary to the Board, to be appointed by the governing board of EPB. The governing board of EPB is authorized to delegate the management of its operations to a general manager, which the governing board has done by specifying that such delegation shall be made to a President and Chief Executive Officer. The practice of the Board has been to designate a member of EPB management to serve as Secretary, typically the Chief Financial Officer or a person holding a similar position.

EPB is one of the largest payers of taxes or in-lieu taxes in Chattanooga and Hamilton County. The terms and conditions of the wholesale power contract in effect between TVA and EPB provide, in part, that EPB may use its revenues to pay taxes or in lieu of taxes to the City of Chattanooga and to other jurisdictions in which it has property and customers. The State of Tennessee 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 a 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 operation their electric systems. Payments are being made on a fiscal year basis, and with a minimum amount of payment by certain municipal electric systems including EPB. For the Electric System's fiscal year ending June 30, 2007, the amounts due for payments in lieu of taxes to all of the cities and counties in EPB's service area was in the approximate aggregate amount of $8,818,000 which sum was equal to approximately two percent (2.0%) of EPB's revenues from the sale of electrical power for that fiscal year.

Organizational Chart



Governing Board Members and Management Team

The Electric Power Board governing body is composed by five members who serve for staggered terms of five years each, with the term of one board member scheduled to expire each year, and until their successors are elected through an appointment process describe above, and subject to confirmation by the City Council of the City of Chattanooga. The Enabling Act, now a part of the City Charter, also provides for a General Counsel and a Secretary to be appointed, and empowers the Board to appoint a general manager, which the Board has done by designation of title as President and Chief Executive Officer.

The following are brief biographies of EPB's Chief Executive Officer, Executive Vice President and Chief Financial Officer:

Harold E. DePriest, President and Chief Executive Officer

Harold E. DePriest, 58, an electrical engineer who began his career at EPB in 1971 as a Junior Engineer, became its General Manager on October 1, 1996. He succeeded Kenneth S. Baxter, becoming the sixth General Manger in EPB history. Shortly after his appointment, Mr. DePriest's title was changed by action of the governing board of EPB to that of President and Chief Executive Officer in keeping with his executive responsibilities and those holding the similar leadership positions in the business community.

Mr. DePriest worked in EPB's Engineering Division for 13 years, advancing in 1977 to Manager of the Underground Engineering Department. He was promoted to Vice President of the General Services Division in 1984 and became Operating Division Vice President in 1986. On May 20, 1996, he was appointed Executive Vice President.

While Mr. DePriest was Vice President of the Operating Division, which installs, operates, and maintains EPB's electric system; he focused on finding ways to increase the reliability of the system and to shorten the response time when power outages occur. He led the division efforts to restore service following the Blizzard of 1993, the Ice Storm of 1994, Hurricane Opal in 1995, the Ice Storm of 1996, and Hurricane Ivan in 2004.

A native of Linden, Tennessee, Mr. DePriest is an honors graduate of Tennessee Technological University in Cookeville with a degree in Electrical Engineering. He obtained an MBA degree from the University of Tennessee at Chattanooga. Mr. DePriest is a member of the Rotary Club and serves on the boards of directors of the Chamber of Commerce, the Southeastern Industrial Development Association, the United Way, and RiverValley Partners. Mr. DePriest has 36 years of related utility experience.

Gregory S. Eaves, Senior Vice President, Finance and CFO

Gregory S. Eaves, 44, a Certified Public Accountant, began his career with EPB in 2004. Before joining EPB, he was Vice President, Finance of Burner Systems International, Inc., a manufacturer of components for the gas appliance industry. Mr. Eaves was with Burner Systems for 12 years. During his tenure with Burner Systems, Mr. Eaves was an executive member of the merger and acquisition team that handled the due diligence, acquisition, financing, and consolidation efforts of four companies with seven manufacturing facilities in the United States, Europe, and Mexico. Mr. Eaves is responsible for cash management, corporate accounting and information systems. He also serves as Secretary of EPB, as well as a trustee for various EPB retirement trust funds.

A native of Chattanooga, Mr. Eaves is a graduate of the University of Tennessee at Chattanooga. He is a member of the Accounting Advisory Board of the University of Tennessee at Chattanooga, Financial Executives International, and Tennessee Society of CPAs. Mr. Eaves has 23 years of financial experience in manufacturing, healthcare, financial and utility services.

David Wade, Senior Vice President, Electric Systems

David Wade, 49, was first employed by EPB on April 25, 1983 as a Line Helper and has been continuously employed by EPB since that time. During his career with EPB, Mr. Wade returned to school and received his Bachelor of Science degree in Engineering. He has held several positions of increasing responsibility including, Assistant Manager, Overhead Line Manager, Process Improvement Manager, and Vice President of Engineering and Construction. In April 2005, Mr. Wade became the Senior Vice President of the Electric Systems Division. The Electric Systems Division is responsible for providing electric service to approximately 168,400 customers in a manner that is reliable, efficient and courteous.

Mr. Wade is a member and past President of the East Ridge Kiwanis Club, and he has served on the Board of Habitat for Humanity. Mr. Wade also serves on the City Mayor's Green Committee. Mr. Wade has almost 25 years' experience with EPB and an additional five years' experience in electric related fields.

THE ELECTRIC SYSTEM

As of December 31, 2007, EPB was providing electric service to approximately 168,400 customers in an approximate 600-square-mile area composed of the City of Chattanooga, most of Hamilton County, and small parts of Bledsoe, Bradley, Marion, Rhea, and Sequatchie Counties in Tennessee, as well as portions of the adjacent Catoosa, Dade, and Walker Counties in North Georgia. EPB is the primary distributor of electric power within the boundaries of the Issuer. The major portions of the counties adjacent to Hamilton County listed above are served by cooperative utilities.

Source of Electric Power

EPB presently does not own any electric power and generation facilities. EPB is an electric distribution system that purchases all of its electrical power and energy requirements from TVA for distribution to EPB's customers.

EPB has a long-term wholesale power contract with TVA (the "Power Contract"). Under the terms of the Power Contract, TVA is to provide to EPB and EPB is to take and distribute to its customers the electric power required for service to EPB's customers. The Power Contract, effective as of January 23, 1989, carried an initial term of twenty (20) years. Effective October 1, 1989, the term of the Power Contract was amended to include a new provision that provided that after the Power Contract was effective for a period of ten (10) years from its initial anniversary date of January 23. 1989; it is automatically extended for one (1) additional year beyond its then-existing termination date on each subsequent anniversary date thereafter unless terminated by either party upon on not less than ten (10) years' prior written notice. In the fiscal year ending June 30, 2007, EPB paid TVA approximately $352,725,000. The cost of the purchased power was approximately 84% of EPB's total electric sales for the period.

TVA generates much of the electrical power and energy distributed to its distributors, including EPB, but also purchases some of its electrical power and energy from third parties. 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 EPB is one. TVA also directly serves a limited number of large customers and federal installations.

EPB receives its power from TVA at eleven delivery points: TVA substations located at Chickamauga Dam and Haletown, and EPB substations located at Moccasin Bend, Oglethorpe, Concord, Ridgedale, Falling Water, Hamilton Place, Hawthorne, Cummings, and Apison. The total rated capacity for these eleven delivery points is 2,513 MW, providing a substantial margin over EPB's highest demand of 1,302 MW (August 2007).

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 EPB. TVA approves rules and regulations in effect between EPB and its customers, and those rules and regulations form a part of the Power Contract in effect between EPB and TVA. Under EPB's rules and regulations, EPB agrees to use reasonable diligence to provide a regular and uninterrupted supply of electricity to its customers. The rules and regulations provide that EPB shall not be liable for any loss, injury, property damage from failure to supply electricity, interruption, delay in restoration, mechanical failure, single-phasing, voltage irregularities, fire, labor difficulties, riots, explosion, breakdown, external forces, flood, acts of God, or the public enemy. 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 Power Contract provides that EPB may sell power to all customers in its service area, except certain federal installations and large customers, which TVA may serve directly.

The Power Contract and Basic Power Agreements contain provisions that establish the wholesale rates, resale rates and terms and conditions under which power is to be purchased by TVA and distributed to the customers of EPB. Under these contracts, TVA, on a quarterly basis, may determine and make adjustments in the wholesale rate schedule with corresponding adjustments in resale 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 Power Contract and Basic Power Agreements provide for agreement between the parties to these agreements on general or major changes in both the wholesale and resale rate schedules. If, however, agreement is not reached, the contracts permit TVA to make changes in these schedules to carry out the objectives of the TVA Act, to meet financial requirements and tests and to comply with the provisions of TVA's bond resolutions.

On July 28, 2006, the TVA Board of Directors implemented a fuel cost adjustment (or "FCA") to make quarterly adjustments to TVA's wholesale rates based upon changing fuel and purchased power costs beginning in TVA's 2007 fiscal year. The FCA had its first impact on rates effective January 1, 2007. Although the FCA provides TVA with a mechanism to adjust its rates based upon variances in fuel and purchased power costs, when the TVA Board adopted a budget for TVA's fiscal year beginning October 1, 2007 and ending September 30, 2008, it recognized that TVA would need a wholesale rate increase to balance its budget for TVA's fiscal year 2008 separate and apart from cost recovery through the FCA provision. On February 15, 2008, the TVA Board approved a wholesale rate increase of seven percent (7.0%) effective as of April 1, 2008.

The cost and availability of power to EPB 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, the construction and financing of future generating and transmission facilities and other factors relating to TVA's ability to supply the power demands of its customers including EPB. EPB cannot determine with any precision EPB's future cost of wholesale power purchased from TVA, and EPB's wholesale power costs could be impacted by any combination of the above or other factors.

More information concerning TVA and its financial condition, including some of those factors discussed above, is available in TVA's Form 10-K Annual Report filing, as amended, with the Securities Exchange Commission for the period ending September 30, 2007. The Consolidated Appropriations Act, 2005 added a provision to the Securities Exchange Act of 1934, as amended (the "Exchange Act") that requires TVA to file with the Securities Exchange Commission such periodic, current and supplementary information, documents, and reports as would be required pursuant to Section 13 of the Exchange Act if TVA were an issuer of a security registered pursuant to Section 12 of the Exchange Act. Extensive information concerning TVA is available in the public domain, and potential purchasers of the Bonds should obtain and review such information.

Retail Electric Rates

The Power Contract and Basic Power Agreements establish the resale rates that EPB 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. While the wholesale rates are uniformly applicable to all distributors of TVA power under the present power contracts with distributors such as EPB, the retail resale rates will vary among distributors of TVA power depending upon it 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 TVA, are structured with the intent to achieve the TVA Act's objective of the distributors of TVA power, including EPB, to operate the respective distribution systems on a nonprofit basis and to provide an a wide and ample supply of power at the lowest feasible rates.

The Power Contract provides that EPB 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 due, 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 EPB and its future financial needs, rates and charges are to be reduced to practicable levels.

EPB's retail resale 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 resale rates that may be charged by EPB when necessary to permit EPB to operate on a self-supporting and financially sound basis. EPB 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's. The Power Contract further provides that if the resale rates set forth therein do not provide sufficient revenues for the operation and maintenance of EPB's Electric System on a self-supporting, financially-sound basis, including debt service, TVA and EPB 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 resale rates have been adjusted from time to time.

Between July 1997 and July 2007, EPB increased its electric rates to reflect increases in its wholesale power costs from TVA, but EPB did not add any rate increase to provide margin for its own operations. In July 2007, EPB increased rates by four percent (4%) to provide additional margin for EPB's operations. EPB has also adjusted its rates from time to time to pass through TVA's FCA charges.

The following table provides a history of the average rate impact on residential and commercial customers from TVA's wholesale rate actions (expressed as a percentage of retail rates) and EPB's retail rate actions since 1991, excluding additional FCA adjustments:

Rate Changes Since 1991

	TVA	EPB
May 1992		1.18%
June 1993	-0.35%	
July 1997	2.96%	2.57%
October 1997	6.05%	
October 2003	5.67%	
October 2005	6.42%	
April 2006	8.59%	
October 2006	-3.90%	
July 2007		4.00%

Please see the discussion above concerning TVA's announcement of a seven percent (7.0%) rate increase effective April 1, 2008.

Current Retail Electric Rates

Presently, the retail rates charged by EPB to its retail customers are in effect under a single residential rate schedule; a general power rate schedule for commercial customers with four further rate classifications with varying schedules for those customers according to demand; a manufacturing rate schedule for manufacturing customers with three further classifications with varying schedules for those customers according to demand, time of day general power rate schedules for commercial customers of four classifications, and time of day manufacturing schedules for manufacturing customers with three further classifications according to the customer's demand. In addition EPB has in effect rate schedules for an outdoor lighting rate and a drainage pumping station rate, and an option for its residential customers to elect to be charged a fixed bill rate under which the customer pays a fixed monthly amount for a period of one year, irrespective of the customer's actual consumption of electrical service during the one-year period.

SUMMARY OF PRIMARY
EPB RATE SCHEDULES
As of January 1, 2008

RESIDENTIAL RATE – SCHEDULE RS

CUSTOMER CHARGE	$8.96 per month less $1.71 Hydro allocation credit
ENERGY CHARGE	All kWh per month at 7.190¢ per kWh
FCA	All kWh per month at 0.282¢ per kWh

NOTE: The residential rate schedule does not include the residential rates for the fixed bill option, discussed below.

GENERAL POWER RATE – SCHEDULE GSA

PART 1.

CUSTOMER CHARGE	$9.90 per delivery point per month
ENERGY CHARGE	All kWh per month at 8.100¢ per kWh
FCA	All kWh per month at 0.278¢ per kWh

PART 2.

CUSTOMER CHARGE	$9.90 per delivery point per month
DEMAND CHARGE	First 50 kW of billing demand per month, no charge
	Excess of 50 kW of billing demand per month, at $12.14 per kW
ENERGY CHARGE	All 15,000 kWh per month at 8.100¢ per kWh
	Additional kWh per month at 4.191¢ per kWh
FCA	First 15,000 kWh per month at 0.278¢ per kWh
	Additional kWh per month at 0.274¢ per kWh

PART 3.

CUSTOMER CHARGE	$160.63 per delivery point per month
DEMAND CHARGE	First 1,000 kW of billing demand per month, at $11.82 per kW Excess over 1,000 kW of billing demand per month, at $13.57 per kW, plus an additional $13.57 per kW per month for each, if any, of the amount by which the customer's billing demand exceeds the higher of 2,500 kW or its contract demand
ENERGY CHARGE	All kWh per month at 4.191¢ per kWh
FCA	All kWh per month at 0.274¢ per kWh

GENERAL POWER RATE – SCHEDULE GSB

CUSTOMER CHARGE	$1,560.00 per delivery point per month
DEMAND CHARGE	$ 13.20 per kW of billing demand per month, plus an additional $13.20 per kW per month for each kW, if any, of the amount by which the customer's billing demand exceeds its contract demand
ENERGY CHARGE	3.564¢ per kWh for up to 620 hours use of metered demand per month 2.908¢ per kWh for all additional kWh per month
FCA	0.275¢ per kWh for up to 620 hours use of metered demand per month 0.275¢ per kWh for all additional kWh per month

GENERAL POWER RATE – SCHEDULE GSC

CUSTOMER CHARGE	$ 1,560.00 per delivery point per month
DEMAND CHARGE	$ 12.87 per kW of billing demand per month, plus an additional $12.87 per kW per month for each kW, if any, of the amount by which the customer's billing demand exceeds its contract demand
ENERGY CHARGE	3.564¢ per kWh for up to 620 hours use of metered demand per month 2.908¢ per kWh for all additional kWh per month
FCA	0.275¢ per kWh for up to 620 hours use of metered demand per month 0.275¢ per kWh for all additional kWh per month

GENERAL POWER RATE – SCHEDULE GSD

CUSTOMER CHARGE	$1,560.00 per delivery point per month
DEMAND CHARGE	$ 15.84 per kW of billing demand per month, plus an additional $15.84 per kW per month for each kW, if any, of the amount by which the customer's billing demand exceeds its contract demand
ENERGY CHARGE	2.857¢ per kWh per month
FCA	0.275¢ per kWh per month

MANUFACTURING SERVICE RATE – SCHEDULE MSB

PART 1 (demand not more than 5,000 kW)

CUSTOMER CHARGE	$1,560.00 per delivery point per month
DEMAND CHARGE	$11.36 per kW of billing demand per month, plus an additional $11.36 per kW per month for each kW, if any, of the amount by which the customer's billing demand exceeds its contract demand
ENERGY CHARGE	3.035¢ per kWh for up to 620 hours use of metered demand per month 2.474¢ per kWh for all additional kWh per month
FCA	0.275¢ per kWh for up to 620 hours use of metered demand per month 0.275¢ per kWh for all additional kWh per month

PART 2 (demand greater than 5,000 kW)

CUSTOMER CHARGE	$1,560.00 per delivery point per month
DEMAND CHARGE	$10.76 per kW of billing demand per month, plus an additional $10.76 per kW per month for each kW, if any, of the amount by which the customer's billing demand exceeds its contract demand
ENERGY CHARGE	2.882¢ per kWh for up to 620 hours use of metered demand per month 2.352¢ per kWh for all additional kWh per month
FCA	0.275¢ per kWh for up to 620 hours use of metered demand per month 0.275¢ per kWh for all additional kWh per month

MANUFACTURING SERVICE RATE – SCHEDULE MSC

(Demand greater than 15,000 kW but not more than 25,000 kW)

CUSTOMER CHARGE	$1,560.00 per delivery point per month
DEMAND CHARGE	$10.44 per kW of billing demand per month, plus an additional $10.44 per kW per month for each kW, if any, of the amount by which the customer's billing demand exceeds its contract demand
ENERGY CHARGE	2.882¢ per kWh for up to 620 hours use of metered demand per month 2.352¢ per kWh for all additional kWh per month
FCA	0.275¢ per kWh for up to 620 hours use of metered demand per month 0.275¢ per kWh for all additional kWh per month

MANUFACTURING SERVICE RATE – SCHEDULE MSD

(Demand greater than 25,000 kW)

CUSTOMER CHARGE	$1,560.00 per delivery point per month
DEMAND CHARGE	$12.87 per kW of billing demand per month, plus an additional $12.87 per kW per month for each kW, if any, of the amount by which the customer's billing demand exceeds its contract demand
ENERGY CHARGE	2.310¢ per kWh per month
FCA	0.275¢ per kWh per month

EPB maintains rate schedules for outdoor lighting, (Schedule LS) and drainage pumping rate (Schedule DPS), and EPB offers certain time-of-day rates for general (Schedules TGSA, TGSB, TGSC, and TGSD) and manufacturing (Schedules TMSB, TMSC, and TMSD) customers. EPB also offers certain interruptible products to GSB, GSC, MSB and MSC customers.

In addition, EPB's rate schedules provide for varying additional requirements, according to the customers' demand and energy usage, for additional charges for additional service through additional delivery points, or differing voltages; facilities rental charges; reactive demand charges, and seasonal service, as well as requirements for a minimum bill. For certain rate schedules, particularly the general power rate schedules and the manufacturing service schedules, EPB requires contracts with customers for varying periods of time ranging from one to five years, with requirements that renewals or extensions ranging from one to five years. All electrical service to EPB customers is subject to EPB's Rules and Regulations.

Residential customer electrical service rate schedules do not require a contract for a periodic term, but may be terminated by the customer at any time upon reasonable notice to EPB. Residential service is subject to the Residential Rate Schedules. EPB has also developed a fixed-bill option for residential customers, under which EPB examines the customer's historic usage or expected usage, and establishes a fixed monthly bill by which the customer pays EPB for electrical service. At the end of each year of electric service by EPB under the residential fixed-bill option, a newly established fixed sum is developed for the customer to pay in the next succeeding year. EPB management believes that the fixed-bill option will be essentially the same amount of aggregate revenue received for EPB over a period of time, compared to the revenue that would have been received from those customers had they been billed under Residential Rate Schedule RS. Approximately 12,350 residential customers, representing approximately eight and one-half percent (8.5%) of EPB's residential customers, have elected to choose the fixed bill option.

Transmission Lines and Substations

EPB's Electric System is connected to the TVA system at eleven delivery points with a total infeed capacity of 2,513,000 KVA. This capacity consists of five 161 kilovolt to 46 kilovolt substations, one 161 kilovolt to 46 kilovolt to 12 kilovolt substation, four 161 kilovolt to 12 kilovolt substations, and one substation which EPB purchases from TVA at 12 kilovolts.

EPB's 323-mile, 46-kilovolt sub-transmission system feeds 105 distribution substations, 68 of which are 12-kilovolt distribution and 37 of which are 4-kilovolt distribution substations. Distribution substation capacity is 2,193,479 KVA. This past summer's maximum demand was 1,302,060 kWD.

The 46-kilovolt system is primarily loop with a limited amount of radial and provides alternate feeds to most substations. The capacity is reviewed annually to be able to supply peak loads with at least one contingency (line or infeed station) outage.

Distribution System

This system is made up of approximately 2,900 circuit miles of overhead 4,000- and 12,000-volt distribution lines, and 630 miles of underground conduit carrying 4,000- and 12,000-volt distribution lines, 105 substations, approximately 90,919 poles owned by EPB and 44,932 poles owned by others to which EPB's lines are attached. Approximately 306 distribution circuits operating at 12,000 volts and 4,000 volts originate at the distribution substation busses and are routed throughout Hamilton County and into eight surrounding counties to feed approximately 168,400 customers of EPB.

The concentrated downtown Chattanooga area is served by an underground network system. Outside the downtown area, EPB is installing new electric underground distribution lines where they are physically and economically feasible. The change from overhead to underground has involved advanced engineering technology and new types of material as well as new equipment and trained personnel. EPB adds approximately 40 miles of distribution lines each year.

Engineering, Construction and Maintenance

Most transmission, substation and distribution engineering is performed by EPB personnel. Four engineering departments 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.

Both EPB employees and contract employees perform construction and maintenance work. EPB employees are well equipped and trained to perform any required work. EPB has shops, laboratory equipment, test apparatus and instruments. Two-way radio systems and cellular units provide communications with mobile field units.

Environmental Compliance

EPB is subject to federal, state and local laws and regulations pertaining to the environment. EPB has installed hazardous waste communications procedures under the right-to-know law and has initiated guidelines for the use, handling and storage of polychlorinated biphenyls ("PCBs"). EPB has in place spill prevention and clean-up programs.

System Growth

The period from 1983 to 2007 was one of steady growth for EPB's Electric System. Yearly sales increased from 4.4 billion kWh in FY 1983 to approximately 6.0 billion kWh in FY 2007. This represents a 36 percent increase or 1.3 percent annual compounded increase in kilowatt-hour sales during the period.

Total customers for the same period increased from 127,000 customers in 1983 to 167,424 customers in FY 2007, or an increase of 32 percent or 1.2 percent compounded annually. As of December 31, 2007, EPB's customer count was approximately 168,400.

EPB management believes, and has projected, that kWh sales within its service area will increase over the next five years at a compound rate of 0.9 percent per year.

Future Power Supply Arrangements

EPB (along with a number of other TVA distributors) has expressed interest in further revising the Power Contract (together with related terms and conditions, rules and regulations, supplements and related agreements, the "Basic Power Agreements," as the case may be) to allow it more options respecting the term of the contract and other matters, such as either purchasing only a portion of its power requirements from TVA or participating in distributor-owned generation projects.

TVA management has indicated its willingness to discuss with EPB (and other distributors) to accommodate this desire for more flexibility. Recent discussions have focused principally on ways in which EPB and other distributors can own interests in generating facilities while TVA remains the principal supplier of their power requirements. These discussions, while still in the early stages, may provide the framework for the distributors of TVA power to own interests in some of the future generating facilities for the Valley.

The TVA Board of Directors would have to authorize such amendments, and the TVA Board of Directors has not acted upon or yet authorized any such amendments to the Power Contract with EPB or other distributors of TVA power. EPB has actively participated in those discussions, and EPB may in the future participate in distributor-owned generation projects, either directly or through one or more joint action structures.

FINANCIAL INFORMATION

The Issuer previously issued bonds on behalf of EPB in 2000 and 2006. Prior to 2000, EPB had financed all of its capital expenditures for system expansion and improvements over the quarter century ending FY 2000 from internally generated operating funds. Since 2000, EPB has financed system expansion and improvements totaling $231,694,000. The projects were financed with approximately $151,694,000 of internally generated operating funds and the balance of $80,000,000 with bonds. During the past five fiscal years, EPB's year ending adjusted cash balances averaged approximately $60,371,000. The Electric System has not borrowed funds for cash flow purposes, though EPB presently has, and has had previously, a line of credit available from First Tennessee Bank N.A. that it may renew or extend annually. Management has certified that EPB will not utilize the First Tennessee Bank line of credit unless EPB's obligations under the line of credit are consistent with the Bond Resolution. EPB has no market risk from derivatives; no derivative products have been used.

Total electric sales were approximately 420.0 million for FY 2007, versus approximately $402.3 Million for FY 2006. Megawatt hours sold in FY 2007 were approximately equivalent to megawatt hours sold in FY 2006. Revenues have been affected by TVA's adoption of the FCA clause, discussed above. Total average active year-to-date customers increased by 1.1 percent when compared to 2006.

Purchased power was approximately $352.7 Million for FY 2007, compared to approximately $334.9 Million for FY 2006. Margin on electric sales was 16.0 percent for FY 2007, compared to 16.8 percent for FY 2006. Kilowatt hours purchased were approximately 6.0 billion in both FY 2007 and FY 2006.

Net income for FY 2007 was approximately $2.1 Million, compared to net income of $6.6 Million for FY 2006.

In July 2007, EPB increased rates by four percent (4%) to provide additional margin for EPB's operations.

The following selected financial data of the Electric System for the fiscal years 2003-2007 has been summarized or derived from EPB's audited financial statements. The audited financial statements for fiscal years 2006 and 2007 are in Appendix A. This data should be read in conjunction with the financial statements and notes thereto.

Balance Sheet

(in thousands)	Fiscal Years Ended June 30,						
	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Assets							
Utility Plant (net)	$ 213,243	$ 220,078	$ 225,408	$ 240,352	$ 261,476	$ 282,585	$ 293,249
Investment Funds	28,918	43,309	43,857	28,768	13,892	1,899	-
Current Assets	94,705	81,021	68,558	85,264	81,578	91,232	117,886
Intercompany Notes	-	21,900	23,822	25,163	27,430	28,176	28,066
Other Non-Current Assets	23,530	2,682	6,761	7,360	5,338	4,568	3,742
Total Assets	$ 360,396	$ 368,990	$ 368,406	$ 386,907	$ 389,714	$ 408,460	$ 442,943
Liabilities and Retained Earnings							
Retained Earnings	$ 233,740	$ 239,721	$ 242,792	$ 248,955	$ 255,346	$ 261,910	$ 264,017
Current Liabilities	71,355	77,613	76,579	89,256	87,073	89,654	85,098
Other Non-Current Liabilities	55,301	51,656	49,035	48,696	47,295	56,896	93,828
Total Liabilities and Retained Earnings	$ 360,396	$ 368,990	$ 368,406	$ 386,907	$ 389,714	$ 408,460	$ 442,943

Source: The Electric Power Board

Statement of Revenue and Expenses

(in thousands)	Fiscal Years Ended June 30,						
	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Electric Sales	$ 350,407	$ 334,788	$ 348,824	$ 360,507	$ 356,153	$ 402,312	$ 419,961
Purchased Power	286,975	272,997	284,700	295,544	291,947	334,867	352,725
Margin	63,432	61,791	64,124	64,963	64,206	67,445	67,236
Other Electric Revenue, net	5,574	5,613	5,888	6,157	6,129	6,738	7,647
Interest Income, Intercompany	1,250	1,218	1,068	988	1,241	1,228	1,300
Other Interest Income	3,824	2,245	1,501	1,081	1,105	1,473	2,466
Other Revenues	10,648	9,076	8,457	8,226	8,475	9,439	11,413
Operating Expenses	43,201	41,291	45,149	43,086	42,434	46,155	47,538
Property Tax Equivalents	7,587	8,261	8,491	8,170	8,330	8,538	8,866
Depreciation, including autos	12,682	13,374	13,990	14,198	14,682	15,410	17,034
Interest Expense on Long-Term Debt	1,550	1,960	1,880	1,810	1,736	1,660	3,104
Interest Expense Capitalized into Plant	-	-	-	(238)	(892)	(1,443)	-
Expenses	65,020	64,886	69,510	67,026	66,290	70,320	76,542
Net Income	$ 9,060	$ 5,981	$ 3,071	$ 6,163	$ 6,391	$ 6,564	$ 2,107

Source: The Electric Power Board

Bonded Debt Service Requirements*

The following table sets forth the Electric System's bonded debt service requirements during each calendar year after the issuance of the Series 2008A Bonds. Other than the Series 2000 Bonds, the Series 2006A Bonds, the Series 2006B Bonds and the Series 2008A Bonds, there is no other bonded debt secured by a lien on the Net Revenues of the Electric System.

	Existing Bonds (Series 2000, 2006A and 2006B)			Proposed Series 2008A			Total Debt Service		
Year	Principal	Interest	Total	Principal	Interest[1]	Total	Principal	Interest[1]	Total
2008	1,600,000	2,982,881	4,582,881						
2009	2,670,000	2,910,881	5,580,881						
2010	2,710,000	2,794,481	5,504,481						
2011	2,750,000	2,676,081	5,426,081						
2012	2,965,000	2,550,081	5,515,081						
2013	3,000,000	2,431,481	5,431,481						
2014	3,040,000	2,299,031	5,339,031						
2015	3,075,000	2,175,813	5,250,813						
2016	3,115,000	2,048,969	5,163,969						
2017	3,165,000	1,920,475	5,085,475						
2018	3,210,000	1,789,919	4,999,919						
2019	3,255,000	1,659,619	4,914,619						
2020	3,310,000	1,525,456	4,835,456						
2021	3,365,000	1,388,919	4,753,919						
2022	3,425,000	1,245,788	4,670,788						
2023	3,485,000	1,097,738	4,582,738						
2024	3,550,000	951,625	4,501,625						
2025	3,620,000	798,288	4,418,288						
2026	2,155,000	641,863	2,796,863						
2027	2,250,000	547,581	2,797,581						
2028	2,355,000	449,144	2,804,144						
2029	2,470,000	346,113	2,816,113						
2030	2,585,000	238,050	2,823,050						
2031	2,705,000	121,725	2,826,725						
2032	0	0	0						
2033	0	0	0						
2034	0	0	0						
Total	69,830,000	37,592,000	107,422,000						

[1] Includes capitalized interest.

Coverage Analysis

The following table details the actual five year history of debt service coverage as well as projected coverage ratios over the next five years:

(in thousands)	Actual					Projected				
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Revenues										
Electric Revenue	$ 354,712	$ 366,664	$ 362,282	$ 409,050	$ 427,608	$ 457,913	$ 461,866	$ 467,361	$ 472,897	$ 477,846
Interest Income from Related Parties	1,068	988	1,241	1,228	1,300	1,300	1,296	1,263	1,269	1,203
Other Interest Income	1,501	1,081	1,105	1,473	2,466	6,443	9,211	6,070	3,627	2,731
Total Revenue	357,281	368,733	364,628	411,751	431,374	465,656	472,373	474,694	477,793	481,780
Expenses										
Purchased Power	284,700	295,544	291,947	334,867	352,725	367,050	367,648	368,385	368,757	370,875
Operating Expenses (1)	45,149	43,086	42,434	46,155	47,538	48,709	50,383	51,256	52,289	54,044
Total Operating Expenses	329,849	338,630	334,381	381,022	400,263	415,759	418,031	419,641	421,046	424,919
Funds Available for Debt Service	$ 27,432	$ 30,103	$ 30,247	$ 30,729	$ 31,111	$ 49,897	$ 54,342	$ 55,053	$ 56,747	$ 56,861
Debt Service										
Interest Paid on Long-Term Debt	$ 1,880	$ 1,810	$ 1,736	$ 1,660	$ 2,348	$ 3,735	$ 13,691	$ 13,597	$ 13,480	$ 13,357
Less Capitalized Interest on Borrowings	-	-	-	-	-	(716)	(10,744)	(10,744)	(5,372)	
Retirement of Principal	1,600	1,600	1,600	1,600	1,600	1,600	1,600	2,670	2,710	2,750
Total Debt Service	$ 3,480	$ 3,410	$ 3,336	$ 3,260	$ 3,948	$ 4,619	$ 4,547	$ 5,523	$ 10,818	$ 16,107
Debt Service Coverage (1)	7.9	8.8	9.1	9.4	7.9	10.8	12.0	10.0	5.2	3.5

(1) Excludes depreciation and tax equivalents

Source: The Electric Power Board

This projected coverage analysis assumes that certain Electric System benefits will be realized from the use of the Fiber Optic System. EPB management expects that the Fiber Optic System will enhance the quality and efficiency of the Electric System's electric service by, among other things, (i) allowing the Electric System to read electric meters remotely, (ii) allowing the Electric System to remotely connect and disconnect meters, (iii) enabling the Electric System to reduce power theft and other thefts involving Electric System assets, such as copper theft; (iv) enable the Electric System to more efficiently utilize capital expenditures by improved sizing of substations, line conductors, and distribution transformers; and (v) enable the Electric System to implement demand side management programs, utilize time of use rates and better manage its peak load. EPB management further expects that the Electric System reliability and customer service will improve from having real-time outage reports which will enable the Electric System to respond more quickly to power outages and restore service more quickly. EPB management expects that the Electric System will benefit from a combination of increased revenues, reduced expenses, increased reliability, operational efficiencies and more general societal benefits.

The majority of the Electric System benefits associated with the projections above relate to the implementation of demand side management programs. If EPB is unsuccessful in implementing these programs, the benefits anticipated in the projections above will be significantly reduced. EPB and TVA have not reached an agreement on the value of any demand side management programs, and therefore EPB's ability to capture the value of the demand side management functionality for the Electric System is uncertain. The monetary value of the other projected benefits and the ability of the Electric System to realize such benefits also cannot be determined with any certainty.

Customer Analysis

As of December 31, 2007, EPB's customers were classified as follows: 145,424 residential, 19,433 commercial, such as stores, schools, churches, offices and shopping centers, and 3,426 industrial, comprised of those businesses and industries whose demand for electricity exceeds 50 kW per month. Of these, there were 13 large industries whose demand for electricity exceeded 5,000 kW in June 2007 and 137 outdoor lighting customers, such as street lighting and lighting systems for parks and athletic fields.

The following table provides historical information concerning EPB's customer mix, annual margins and peak load for FY 2003 - 2007:

	Years Ending June 30,				
	2003	2004	2005	2006	2007
Customers (thousands)					
Residential	138.2	140.3	141.5	143.8	145.4
Small Commercial	19.1	19.7	20.4	20.1	19.5
Large Commercial	3.2	3.2	3.2	3.3	3.4
Outdoor Lighting	0.1	0.1	0.1	0.1	0.1
Total	160.7	163.4	165.3	167.4	168.4
Consumption (mWh)					
Residential	2,227	2,175	2,122	2,278	2,309
Small Commercial	367	368	374	386	379
Large Commercial	3,331	3,287	3,249	3,272	3,269
Outdoor Lighting	58	59	58	56	57
Total	5,983	5,888	5,804	5,993	6,014
Revenues (millions)					
Residential	$ 142	$ 145	$ 145	$ 163	$ 174
Small Commercial	26	27	29	31	32
Large Commercial	176	180	179	199	209
Outdoor Lighting	5	5	5	5	5
Total	349	357	357	399	421
Margin (millions)	$ 64.1	$ 65.0	$ 64.2	$ 67.4	$ 67.2
Margin Percentage	22.5%	22.0%	22.0%	16.8%	16.0%
Peak Load (MW)	1,222	1,141	1,163	1,235	1,302

Source: The Electric Power Board

Margin is the excess of revenues over purchased power costs. The large commercial customers account for over half of the revenues but only one-third of the margin. The following table shows the composition of number of customers, consumption, revenues and margin by customer class for FY 2007:

	Customers	KWH Consumed	Revenues	Margin
Residential	86.3%	38.4%	41.5%	57%
Small Commercial	11.6%	6.3%	7.6%	15%
Large Commercial	2.0%	54.4%	49.6%	25%
Outdoor Lighting	0.1%	0.9%	1.3%	3%
	100.0%	100.0%	100.0%	100.0%

Source: The Electric Power Board

Ten of EPB's twelve largest customers account for 9.8 percent of revenues, but during FY 2007 they accounted for only 4.8 percent of margin.

NAME	INDUSTRY	Years as EPB Customer	KWH Used	REVENUE	% of Total REVENUE	% of Total MARGIN
INVISTA S. A R. L.	Polymers, resins, etc.	60	187,237,913	$ 7,856,587	2.20%	1.01%
CITY OF CHATTANOOGA	Municipal Government	72	59,021,878	$ 6,019,113	1.69%	0.38%
MCKEE FOODS CORP.	Food Industry (Little Debbie)	63	79,230,255	$ 4,412,908	1.24%	0.62%
SIGNAL MTN. CEMENT	Construction	62	103,354,417	$ 4,054,607	1.14%	0.42%
ERLANGER MEDICAL CTR.	Healthcare	65	61,487,630	$ 3,949,201	1.11%	0.39%
MUELLER CO.	Iron casting foundry	50	68,685,388	$ 3,816,477	1.07%	0.53%
R. L. STOWE MILLS	Textiles	62	42,921,541	$ 3,096,637	0.87%	0.34%
SOUTHERN CELLULOSE	Cotton paper pulp	47	55,837,182	$ 2,798,871	0.78%	0.47%
UNIVERSITY OF TENNESSEE - CHATTANOOGA	University	61	39,986,169	$ 2,671,653	0.75%	0.26%
AIR LIQUIDE INDUSTRIAL	Industrial and Medical Gases	11	69,874,472	$ 2,566,159	0.72%	0.38%
Largest Customers				$ 41,242,213	9.82%	4.80%
All Others				$ 379,299,049	90.18%	95.20%
TOTAL				$ 420,541,262	100.00%	100.00%

Source: The Electric Power Board

The other two of EPB's twelve largest customers for FY 2007 were Hamilton County, Tennessee and BI-LO Supermarkets. These two accounts provided FY 2007 revenues of $5,630,739 and $2,722,746, respectively. Because of the number of metered locations and the diversity of those locations, the margin associated with each of these accounts is not presented.

The following table outlines large governmental customers/agencies and the associated revenues for FY 2007.

Name	Industry	Revenue
CITY OF CHATTANOOGA	Municipal Government	$6,019,113
UNIVERSITY OF TENNESSEE - CHATTANOOGA	University	$2,671,653
HAMILTON COUNTY & DEPT OF EDUCATION	Government / Education	$5,630,739
ERLANGER HOSPITAL	Health Care	$3,949,201
TENNESSEE VALLEY AUTHORITY (TVA)	Federal	$2,442,535
Total		$20,713,241

Source: The Electric Power Board

Additional Capital Requirements

The Electric System's current five year capital improvement program, as shown in the table below, requires a total of approximately $362,300,000 in capital expenditures between fiscal year 2008 and fiscal year 2012, inclusive. Such amount is expected to be funded in part from the proceeds of the Series 2008A Bonds, construction fund interest earnings, and Revenues. The following table identifies the ongoing and planned projects included in the capital improvement program:

(in thousands)	Years Ended June 30,				
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Electric System Improvements and New Services	$ 18,860	$ 21,420	$ 21,232	$ 21,042	$ 21,189
Fiber Infrastructure	28,200	56,333	56,333	28,134	
Construction of Substations	6,692	4,450	-	-	4,000
Strategic Software Initiatives	1,400	4,000			
Automatic Metering	-	3,453	8,560	8,017	
Other Capital Expenditures	15,452	7,950	13,199	6,846	5,559
	$ 70,604	$ 97,606	$ 99,324	$ 64,039	$ 30,748
Series 2008A Bonds (1)	$ 38,200	$ 71,333	$ 70,303	$ 21,733	$ -
Pay-As-You-Go Financing	32,404	26,273	29,021	42,306	30,748
	$ 70,604	$ 97,606	$ 99,324	$ 64,039	$ 30,748

(1) Includes amounts estimated for interest earned during construction

Source: Electric Power Board

ADDITIONAL FINANCIAL AND OPERATIONAL INFORMATION

Employee Relations, Benefit Plans and Health Care

As of December 31, 2007, EPB had 398 full-time employees, 355 electric and 43 communications employees, compared to 348 electric and 44 communications employees as of December 31, 2006. Approximately one-third of EPB's electric employees are represented by an agreement between EPB and EPB Employees Group of Local Union 175 of the International Brotherhood of Electrical Workers. EPB's Board has exclusive authority for the management, control and operation of the Electric System. EPB has voluntarily accorded its employees the right to organize, to join a union, to bargain collectively and to be heard on matters pertaining to wages and benefits. EPB's Board has ultimate authority to resolve differences. The current agreement expires March 1, 2010.

EPB's Retirement Plan (the "Plan") is a single-employer defined benefit pension plan administered by an individual designated by the Plan's trustee, who is appointed by EPB. The Plan provides retirement benefits to Plan members. Article VIII of the Electric Power Board of Chattanooga Retirement Plan assigns the authority to establish and amend benefit provisions to EPB. The contribution requirements of Plan members and EPB are established and may be amended by EPB. Plan members are not required to contribute to the Plan. EPB makes contributions at an actuarially determined rate in order to remain fully funded for current service. The actuarially determined rate is currently 8.45% of annual covered payroll. EPB's annual pension cost of the Plan for the current year was $2,132,000. Determined in accordance with GASB No. 27, there is no net pension obligation as EPB has contributed the annual required contribution, adjusted with interest, as calculated by actuarial valuation. The annual required contribution was determined as part of an actuarial valuation performed as of August 1, 2007, using the aggregate cost method. Significant actuarial assumptions used in the valuation included (a) a rate of return on the investment of present and future assets of 8.5% per year compounded annually, (b) projected salary increases of 4.0% per year compounded annually, and (c) no postretirement benefit increases.

Effective August 1, 1984, EPB implemented a 401(k) defined contribution plan. The plan currently permits employees to invest up to 15.0% of salary in a tax-deferred savings plan. EPB matches up to 4.0% of an employee's salary. All employees who have completed three months of employment and have attained age 18 are eligible to participate in the plan. Participating employees are immediately fully vested in EPB contributions, which amounted to approximately $660,000 in 2007 and 662,000 in 2006. Employee contributions were $1,729,000 and $1,757,000 in FY 2007 and FY 2006, respectively.

Substantially all employees retiring from EPB are entitled to receive certain postretirement health and life insurance benefits. These benefits are subject to deductibles, co-payment provisions and other limitations. Presently, EPB has the option of prefunding a Voluntary Employees' Beneficiary Association Trust ("VEBA") to pay postretirement benefit claims. During FY 2007 and FY 2006, EPB funded approximately $1,925,000 and $1,743,000, respectively, to the VEBA for postretirement benefit claims. EPB accounts for postretirement health benefits in accordance with Statement of Financial Accounting Standards ("SFAS") No. 106, which requires that the expected cost of the benefits be charged to expense during the years the employees render service. SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits," amends SFAS No. 106 for certain disclosure requirements for postretirement plans. EPB implemented SFAS No. 132 in 1999.

EPB provides healthcare benefits under a self-funded program administered by a third party payor under an administrative services only arrangement. EPB has secured specific stop loss coverage with a $150,000 attachment point per covered life. Effective April 1, 2007, the specific stop loss coverage was modified to provide a $150,000 attachment point per covered life with a $50,000 aggregating specific attachment point. EPB does not maintain excess aggregate coverage.

Insurance, Self Insurance and Job Injury Claims

EPB is exposed to various risks of loss related to: torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. With respect to operations within the state of Tennessee, EPB is a governmental entity and, to the extent that a tort claim is asserted, operates pursuant to the Tennessee Governmental Tort Liability Act (TNGTLA), T.C.A. § 29-20-101 et seq., including T.C.A. § 29-20-403 which provides for maximum limits of Three Hundred Thousand Dollars ($300,000) for bodily injury or death of any one person in any one accident, occurrence or act and Seven Hundred Thousand Dollars ($700,000) for bodily injury or death of all persons in any one accident, occurrence or act and to a limit of One Hundred Thousand Dollars ($100,000) for injury to or destruction of property of others in any one accident, occurrence or act.

EPB is immune under Tennessee State law for state law tort claims from any award or judgment for death, bodily injury and/or property damage in excess of the limits set out in the Act. EPB does not have any such immunity for any federally based claims or in the State of Georgia where it sells approximately 4.08 percent of its total kilowatt hours of electric power and energy sold to all customers and derives approximately 4.35 percent of its revenues generated from the sale of electricity. EPB does not have any such immunity for its Internet Division and, to the extent that EPB provides cable television services in the future, the immunities and limitations of liability under the TNGTLA would not be available for its cable operations.

EPB is self-insured for the first $500,000 of any liability claim but maintains a general liability policy with aggregate limits of $14,000,000. Effective August 18, 2005, EPB elected to become self-insured for automobile and vehicle liability claims that might be asserted against it, its officers, employees and agents. EPB maintains separate insurance policies for its Telecommunications Division and for its Internet Division.

Under the TNGTLA, governmental entities like EPB are authorized to voluntarily waive immunities and limitations of liabilities under the TNGTLA. EPB has not waived any such immunities or limitations of liability on behalf of the Electric System. EPB has, at the request of a vendor, waived the limits of liability under the TNGTLA as applied to its Telecommunications Division on one occasion to the extent of its insurance policy and limits secured for purposes of that waiver.

During the past ten years, EPB has neither settled nor been required to pay any claim in excess of the maximum limits established by the Tennessee Governmental Tort Liability Act for any claim asserted under Tennessee, Georgia, or federal law. However, there can be no assurance that one or more claims in excess of those limits will not be asserted in the future or that the limitation on liability will not be increased or totally eliminated by the General Assembly of the State of Tennessee. Legislative proposals have recently been advanced, but not enacted, to increase the limit of liability, or to remove the limits completely. During the past ten years, EPB has been able to routinely satisfy the expense of liability claims as part of its ordinary operating expenses. EPB pays the expense and costs of claims and losses for which there is no insurance coverage from its operations on an ongoing basis. EPB does establish claims reserve and expense funds from which to reserve for and pay the costs or estimated costs of claims as they are incurred and for which there is no insurance to indemnify EPB or pay such claims and claims expenses. These reserve funds are reviewed and adjusted quarterly. EPB does maintain a $5,000,000 contingency fund that is available for payment toward any unforeseen and extraordinary losses or damages, including an extraordinary liability claim.

For several years until July 31, 2005, EPB was subject to the workers compensation laws of the State of Tennessee. During this period, EPB participated in Distributors Self-Insurance Fund ("DSIF"), a workers' compensation pool, with several other Tennessee distributors of power. DSIF is administered by Distributors Insurance Company ("DIC"), which is a captive insurance company owned by the Tennessee Valley Public Power Association and licensed by the Tennessee Department of Commerce and Insurance. DSIF assumes the first $100,000 of any loss and procures insurance for liability exposure above that amount. EPB's annual assessment for payment into the pool is based upon an annual determination of the pool's expected losses. While EPB is liable for its proportional share of any losses greater than the pool's aggregate annual assessment, it has never received a special assessment by DSIF to cover such a contingency during EPB's participation in DSIF since it was organized and operational in October 1996.

As of August 1, 2005, EPB rescinded its election to be subject to the workers' compensation laws of the State of Tennessee and elected to instead establish a self-insured job injury program. The job injury program provides certain benefits that management believes are comparable to workers' compensation benefits under Tennessee law that may become due and payable to employees who are injured on the job. The job injury program benefits are not the employees' exclusive remedy, and certain employees may from time to time have and assert claims in negligence against EPB. Such tort claims as may arise under Tennessee law would be subject to the limitations of liability and immunities available to EPB under the Governmental Tort Liability Act for on-the-job injuries that occur in Tennessee, but the Tennessee limitations or procedures may not be applicable or of comparable amounts, benefit and duration as those workers compensation benefits that would be available under the laws of Georgia or any other state where an EPB employee might have received, or in the future may receive, an on the job injury while EPB's job injury program is in effect.

Financial Derivatives

EPB has not requested the Issuer, and the Issuer has not engaged in, interest rate swaps or forward purchase agreements on behalf of EPB. Governmental entities in Tennessee, such as the Issuer and EPB, are permitted to engage in certain interest rate swaps and forward purchase agreements, subject to (i) satisfaction of statutory requirements imposed by Tennessee law, (ii) the approval of the Office of the Tennessee Comptroller of the Treasury, and (iii) compliance with guidelines (the "Guidelines") as established by the State of Tennessee State Funding Board. The Guidelines currently provide that any Tennessee governmental entity that plans to enter into interest rate swaps or forward purchase agreements is responsible for understanding the risks associated with such agreements. Under the current Guidelines, the Chief Executive Officer or Chief Finance Officer of any governmental entity intending to enter into such transactions is required to have first completed certain educational requirements before seeking approval of the Office of the Tennessee Comptroller of the Treasury to enter into one or more transactions. In addition, there are other requirements imposed by the Guidelines upon governmental entities as a condition for entering into interest rate swaps and forward purchase agreements.

The City Finance Officer is the Chief Finance Officer of the Issuer, and she has satisfied the Tennessee statutory requirements. The Issuer has entered into financial derivative transactions in compliance with the Guidelines on its own behalf. EPB has not requested the Issuer to engage in any such financial derivative transactions on EPB's behalf, and neither the chief executive officer nor the chief financial officer of EPB has qualified to enter into such transactions under the Guidelines. In the future, the governing board of EPB may decide that it prudent and advisable to request that the Issuer enter into such transactions on EPB's behalf. In such a case, EPB will be subject to the requirements of applicable state law and regulations, including the Guidelines, as amended, replaced or eliminated from time to time. EPB cannot predict whether the Tennessee statutory and regulatory requirements for such financial derivatives (including the Guidelines) will be amended and, if so, whether such amendments will facilitate or restrict EPB's participation in such financial derivative transactions in the future.

Miscellaneous Revenues

For fiscal year ended June 30, 2007, EPB's total Other Electric Revenues were $7,651,000. The two largest categories of payments were customers' late payment fees of $2,947,000 and rent from electric property of $2,412,000.

MANAGEMENT'S DISCUSSION AND ANALYSIS

EPB's audited financial statements for its fiscal year ended June 30, 2007, attached as Appendix A, include a Management's Discussion and Analysis, which provides an overview of EPB's financial activities for the fiscal year ended June 30, 2007. The Management's Discussion and Analysis should be read in conjunction with EPB's financial statements.

EPB has provided unaudited financial statements for the Electric System for the six month periods ending December 31, 2007 and December 31, 2007, attached as Appendix B. The first half of fiscal year 2008 has continued the financial performance of 2007. Total electric operating revenues were $236.1 million, an increase of 7.6% over the same period in fiscal 2007. This increase was driven by a 4% rate increase effective July 1, 2007, and additionally a 2.0% increase in KWH used by our customers. Purchased power expense increased by 3.3% to $187.8 million resulting in operating margin of $48.3 million which is an increase of $10.8 million over the same period in fiscal 2007.

Year-to-date operating expenses are tracking 6.2% above prior year to $25.4 million. Several negative variances, primarily attributable to timing, have been experienced in labor, health claims, software costs, and workers compensation.

Depreciation of $9.0 million and property tax equivalents of $4.9 million increased over prior by 15.8% and 10.9%, respectively, as a result of normal capital spending.

Net change in assets for the six months increased from $1.5 million in fiscal 2007 to $8.6 million in 2008 on the strength of increased revenue.

Net plant value increased from $288.8 million in December 2006 to $298.5 million as of December 2007.

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 EPB.

One of the most significant of these factors is 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 can be no assurance that this arrangement will continue for EPB, and EPB 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. EPB'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 EPB 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 EPB 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 EPB'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 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 EPB 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, EPB's facilities would be considered subject to these requirements. EPB is unable to predict at this time the impact of these requirements on EPB'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 EPB. It is currently unclear whether these or other provisions of the Energy Policy Act of 2005 will fundamentally change EPB's power supply arrangements with TVA or EPB'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 EPB 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: (1) Net Metering; (2) Fuel Source Diversity; (3) Fossil Fuel Generation Efficiency; (4) Smart Metering (time-based metering and communications); and (5) Interconnection Standards for Independent Power Producers. Under the revised PURPA standards, the TVA Board is EPB's regulatory authority for purposes of PURPA, and the TVA Board will ultimately make a determination as to the application of those five standards to distributors of TVA power like EPB.

The potential financial implications for some of the standards is currently unknown. EPB management believes that the Fiber Optic System will enable EPB to address such smart metering and time based rate requirements as may result from the PURPA proceeding. EPB cannot predict the outcome of these PURPA proceedings.

General Industry Risk Factors. In addition to risks relating to the cost and availability of power to EPB under its long-term contract with TVA, 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 EPB. In addition to the factors discussed above, such factors include, among others, (a) effects of compliance with rapidly changing environmental, safety, licensing, regulatory and legislative other than those described elsewhere in this Official Statement; (b) changes resulting from conservation and load management programs on the timing and use of electric energy; (c) changes in national, regional or state energy policy; (d) competition from other utilities, independent power producers, marketers and brokers; (e) competition with customer-owned generation, such as "self-generation" or "distributed generation," which might include microturbines, fuel cells, and other generation resources; (f) 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; (g) other federal, state or local legislative or regulatory changes; (h) loss of large industrial or commercial customers; and (i) 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.

EPB 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 Series 2008A Bonds should obtain and review such information.

THE EPB COMMUNICATIONS SERVICES DIVISION

In 1997 and 1999, the Tennessee Legislature passed laws that permitted municipal electric systems to offer telecommunication services. The State of Tennessee also gave municipal electric systems the authority to loan electric system funds to their telecommunication projects.

EPB initially created a Telecommunications Division to separate its competitive telecommunications operations from the Electric System from an accounting standpoint. Upon EPB's entry into the competitive broadband Internet business, EPB created a separate Internet Division to separate those operations from the Electric System and from the Telecommunications Division from an accounting standpoint. Effective December 21, 2007, in anticipation of providing competitive broadband services over the Fiber Optic System, EPB management created a Communications Services Division as an umbrella Division for management purposes. EPB's existing Telecommunications Division and Internet Division are included within the Communications Services Division. Upon commencement of EPB's provision of cable and expanded Internet services as described below, EPB management anticipates that the existing Internet Division will be expanded to include cable television services. The Telecommunications Division and the Internet Division provide for accounting separation between each of these Divisions and the Electric System.

As is described below, EPB currently provides competitive telephone services and competitive broadband Internet services. In August of 2007, the Board of EPB approved a business plan for the provision of cable and Internet services over the Fiber Optic System. EPB management is currently exploring financing options to enable EPB to integrate these services with the Fiber Optic System. EPB's expansion into future cable and Internet services is subject to pending litigation, as described more fully below.

A description of EPB's various broadband business operations and business plans follows:

Telecommunications Division. In March 1999 EPB received a Certificate of Convenience and Necessity to operate a telephone system from the Tennessee Regulatory Authority. EPB began hiring telecommunication employees and started building a telephone system in April 1999. In March 2000 the first telecommunication customers were connected to EPB's Competitive Local Exchange Carrier system. EPB is presently providing competitive telephone services to small and medium sized businesses. On July 28, 2006, EPB filed an application with the TRA to expand its Certificate of Convenience and Necessity to permit EPB to provide telecommunications on a statewide basis, as business conditions warrant and as funding is available, but subject to certain limitations under state law concerning provision of such services in the service areas of rural telephone cooperatives.

There is a note payable from the Telecommunications Division to the Electric System, payable with interest, in the principal amount of $28,000,000 as of December 31, 2007. The note evidences an inter-division loan pursuant to T.C.A. § 7-52-402. EPB has fully utilized the principal available under this inter-division loan, and increases in the maximum principal amount of the loan are subject to the approval of the EPB Board and the State Director of Local Finance. While there is no statutorily defined repayment period, the State Director of Local Finance has indicated that advances should be repaid within nine (9) years of the draw. EPB's first inter-division loan was approved in 2000. Because inter-division loans involve the use of Electric System funds, TVA's consent to any additional inter-division loans is also required. TVA's consent to the current inter-division loan has been obtained, and TVA's consent would be required for any increase in the maximum principal amount of this loan. The Telecommunications Division has not yet made any payments to reduce principal on respective inter-division loans. The note currently matures November 1, 2010. EPB management anticipates a continuing need to extend the maturity of or to replace a substantial portion of the existing internal debt financing for its Telecommunications Division. EPB management is currently considering its internal and commercial options. Increases in the maximum principal amount of the inter-division loan and extensions of its maturity are subject to the approval of the EPB Board, TVA and the State Director of Local Finance. EPB may seek the necessary approvals of additional inter-division loans in the future.

The Telecommunications Division also has additional outstanding debt and other obligations. The total authorized indebtedness for EPB's Telecommunications Division is $34,000,000, and within that authorization, no more than $9,000,000 is authorized for private, third-party financing. As of December 31, 2007, the maximum authorized borrowing from private, third party sources was $6,000,000, after taking into consideration the principal balance of the inter-division loan, discussed above.

On July 28, 2005, EPB, for the benefit of its Telecommunications Division, obtained a loan in an amount of up to $5,000,000 secured by a pledge of certain assets of its Telecommunications Division. The term of the current loan expires June 15, 2008. The primary loan documents state that no lien has been granted in any assets of EPB's electric division and that the obligations of EPB are subject to payment priorities established under the Bond Resolution. The primary loan documents also provide that any recourse against EPB is limited to the extent permitted by applicable law and regulatory requirements. The outstanding principal balance under this loan agreement as of December 31, 2007, was $1,716,000.

In February of 2005, EPB, through its Telecommunications Division, also entered into a master installment purchase agreement covering various telecommunications system equipment, subject to a security interest in the financed property. Through December 31, 2007, EPB had entered into five purchase agreements under the master agreement, and the total balance of such obligations as of December 31, 2007, was $1,632,000.

The telecommunications industry is a highly competitive industry. There is also no assurance that the Telecommunications Division will generate sufficient cash flow to repay the current or future principal balances of its inter-division loans. EPB's Electric System is prohibited from subsidizing its Telecommunications Division.

Internet Division. In July of 2002, EPB obtained authorization to provide Internet services and approximately one year later began providing retail Internet services over its communications network. There is a note payable from the Internet Division to the Electric System, payable with interest, in the maximum principal amount of $500,000. As of December 31, 2007, the principal balance of this note was $113,000. This note evidences an inter-division loan pursuant to T.C.A. § 7-52-603. Increases in the maximum principal amount of the loan and extensions of its maturity are subject to the approval of the EPB Board and TVA. EPB may seek the necessary approvals of additional inter-division loans in the future.

The Internet industry is a highly competitive industry. There is also no assurance that the Internet Division will generate sufficient cash flow to repay the current or future principal balances of its inter-division loans. EPB's Electric System is prohibited from subsidizing its Internet Division.

Future Expansion of Competitive Broadband Services. Tennessee law estblishes a multi-step process that a municipal utility like EPB must follow in order to obtain authorization to provide competitive cable and Internet services. The key components of that approval process for EPB are (i) the preparation and submission of a business plan to the office of the Comptroller of the State of Tennessee, (ii) the EPB Board's review of the Comptroller's comments on the business plan; (iii) a public hearing before the EPB Board; (iv) final approval of the EPB Board, and (v) approval of the provision of broadband services by the City Council of the City of Chattanooga by either a 2/3 super-majority vote or approval at a referendum called by a majority of the City Council.

In August of 2007, EPB filed a business plan (the "Business Plan") with the Comptroller of the State of Tennessee and initiated this process. That same month, the Comptroller's office released its report on the Business Plan. In September of 2007, EPB completed the approval process for the filed Business plan, when it received unanimous approval from the City Council of the City to provide these services.

EPB anticipates that capacity on the Fiber Optic System will also be used by the Cable and Internet Division and the Telecommunications Division of EPB to provide competitive broadband services. The Cable and Internet Division of EPB may utilize capacity on the Fiber Optic System to offer cable television and high-speed Internet services that are unrelated to the distribution of electricity. The Telecommunications Division may utilize capacity on the Fiber Optic System to offer telephone and similar telecommunications services that are unrelated to the distribution of electricity.

These Divisions would only be permitted to use the Fiber Optic System (and certain other assets of the Electric System) upon the payment to the Electric System of a periodic use charge equal to the portion of the cost of the Fiber Optic System (and other assets) allocable to each Division for its use of the Fiber Optic System. EPB expects that this allocation will be based upon an allocation methodology that will allocate uses of the Fiber Optic System among the Electric System and the various broadband Divisions in proportion to the actual number of services utilizing the Fiber Optic System. To assure proper allocation of costs, EPB anticipates using a forward looking three year estimate of the highest number of cable, Internet and telephone services being provided over the Fiber Optic System. EPB will then allocate common costs of the Fiber Optic System on a pro rata basis among the Cable and Internet Division, the Telecommunications Division and the Electric System based upon the respective numbers of electric, cable, Internet and telephone services provided. EPB is currently seeking TVA's approval of this cost allocation methodology.

While the Electric System would benefit from costs allocated to and paid by the Divisions within the Communications Services Division, revenues derived from sales within the Divisions of the Communications Services Division will not constitute revenues of the Electric System and will not be available for the payment of the Series 2008A Bonds and are not the security for such Bonds. EPB is unable to accurately predict the operational success of these Divisions' use of the Fiber Optic System, and therefore cannot predict the amount of any use charges that would be payable to the Electric System. EPB has all necessary approvals to provide telephone services over the Fiber Optic System. EPB's use of the Fiber Optic System for cable and Internet services under the Business Plan is subject to litigation as discussed below, and the outcome of this litigation cannot be predicted with any certainty.

EPB management anticipates seeking approval from the EPB Board to make an inter-division loan between the Electric System and the Cable and Internet Division of up to $60,000,000 to finance the purchase of equipment related solely to the Cable and Internet Division and to fund working capital requirements of the Cable and Internet Division. The loans will not be made from proceeds of the Series 2008A Bonds. The loans will bear interest, as required by Tennessee law, at a minimum rate that is not less than the highest rate then being earned by the Electric System on its investments. Currently, that rate is approximately 4.63%. The loans will be payable from the revenues of the Cable and Internet Division, subject to the payment of operating expenses of the Cable and Internet Division. EPB anticipates that additional excess revenues may be available from the Cable and Internet Division and from the Telecommunications Division to further reduce the principal amount of the inter-division loan. The loans are subject to approval of the EPB Board. Because inter-division loans involve the use of Electric System funds, TVA's consent to any additional inter-division loans is also required. EPB is currently seeking TVA's approval of this inter-division loan. EPB may seek the necessary approvals of additional inter-division loans in the future.

The cable and Internet industry is a highly competitive industry. There is also no assurance that the expanded Cable and Internet Division will generate sufficient cash flow to repay the present or future principal balances of its inter-division loans. EPB's Electric System is prohibited from subsidizing its cable and Internet operations.

TCTA Lawsuit. On September 21, 2007, the Tennessee Cable Telecommunications Association ("TCTA") filed a Complaint for Declaratory Judgment in the Chancery Court of Davidson County, Tennessee (the "TCTA Lawsuit") asserting that the EPB Business Plan for cable services and expanded Internet services as discussed above violates Tenn. Code Ann. § 7-52-603. TCTA seeks a declaratory judgment that the Business Plan violates Tenn. Code Ann. § 7-52-603 and asks that the Chancery Court enter an order prohibiting EPB from implementing the Business Plan. The TCTA Lawsuit, among other things, includes the following allegations:

- "As submitted to the Comptroller, the EPB's Plan states that the Electric System will fund 'its portion of the common network with Electric System Revenue bonds." (Complaint ¶ 14).
- "The EPB estimates that the capital expenditures for the Electric System's portion of the jointly used network will be $169 million, or 83% of the total, anticipated capital expenditures of $203 million, which includes the [fiber] Network and related equipment." (Complaint ¶ 15).
- "Additionally, the EPB Plan has arbitrarily allocated 100% of the entire cost of the [fiber] Network to the Electric System, with the exception of the core cable/video plant which represents a small percentage of the total cost of the [fiber] Network." (Complaint ¶ 16).
- "According to the Plan, the EPB will pledge Electric System revenues to finance the construction and use of the [fiber] Network, including the repayment of the [fiber] Network revenue bond." (Complaint ¶ 17).

In local press reports, a TCTA representative has been quoted asserting that EPB is not authorized to utilize Electric System revenue bonds to construct a cable television system.

On October 26, 2007, EPB filed a Motion to Dismiss the TCTA Lawsuit based upon assertions that venue in Davidson County, Tennessee was improper and that TCTA had failed to join the City of Chattanooga as a necessary and indispensible party. On January 8, 2008, the Chancery Court filed its Memorandum and Order denying EPB's motion to dismiss, concluding that the involvement of the Comptroller of the State of Tennessee in reviewing EPB's business plan was sufficient to provide jurisdiction and venue in Davidson County and further concluding that, as an arm of the City of Chattanooga, the City is adequately represented by EPB's participation in the case. On February 7, 2008, EPB filed a Motion asking that the Court reconsider its January 8, 2008 Memorandum and Order or, in the alternative, an grant EPB permission to take an interlocutory appeal of the Memorandum and Order to the Tennessee Court of Appeals.

The ultimate outcome of the TCTA Litigation cannot be predicted with any certainty. An unfavorable outcome of the TCTA Lawsuit could impair the ability of the Communications Services Division to use the Fiber Optic System.

Risk Factors. In recent sessions of the Tennessee Legislature, opponents of municipal broadband projects have sought the introduction and passage of legislation to restrict or eliminate the ability of municipal electric systems to provide cable, Internet and telephone services.

In 2005, the Tennessee Legislature enacted a temporary moratorium on certain new municipal cable and Internet projects pending the receipt of a report from the Comptroller of the State of Tennessee concerning the feasibility and advisability of municipal cable and Internet projects. The Comptroller released his Report on Tennessee Municipal Electric Systems Authorized to Provide Cable and Internet Services as of June 30, 2005 (available at http://www.comptroller.state.tn.us/lf/lfreport_June05.pdf). The temporary moratorium on certain municipal cable and Internet project sunset on February 1, 2006, and the Tennessee Legislature did not extend the moratorium further. Further attempts to restrict the authorization of municipal electric systems to provide competitive broadband services such as cable, telephone and Internet services are anticipated, but EPB cannot predict the outcome of such efforts with any certainty.

The EPB Communications Services Division is also subject to a wide range of general industry risk factors. Broadband services are highly competitive, and there is no assurance that EPB's various current and future broadband Divisions will achieve their respective business plans. As in other industries, technical obsolescence remains a concern in the broadband industry. The equipment and architecture of the Fiber Optic System utilizes advanced technology, and the life span of the fiber optic cables is in excess of 20 years. However, it is possible that technological advances could render all or a portion of the Fiber Optic System obsolete for these competitive services. As new broadband network enhancements are developed, the Fiber Optic System will likely require upgrading to keep pace with changes in technology and to take advantage of new business opportunities for these competitive broadband services.

Other important factors may cause actual results of the broadband Divisions to differ materially from those projected. These factors include (i) higher costs of construction or construction delays; (ii) higher operating costs; (iii) inability of the Divisions to reach or maintain market penetration in the service area; (iv) inability to charge service rates consistent with the EPB business plans and budgets; (v) inability of EPB to compete effectively with other competitors in the market, such as AT&T and Comcast; and (iv) inability of the Divisions to generate sufficient cash flow to meet its financial obligations.

These and other risk factors may require substantial additional capital for capital expenditures and working capital for EPB's broadband Divisions, and EPB's future ability to secure necessary capital for its broadband operations is uncertain. EPB would consider a wide range of financing options, including the possible use of additional inter-division loans. Any such financing arrangements would be subject to state law requirements that prohibit the Electric System from subsidizing the operation of cable, Internet and telephone operations with Electric System revenues. Any such loans would be subject to approval of the EPB Board. Because inter-division loans involve the use of electric system funds, TVA's consent to any additional inter-division loans would also be required.

LITIGATION AND OTHER PROCEEDINGS

There are no pending, nor to the knowledge of the Issuer or EPB are there any threatened legal proceedings restraining, enjoining, or adversely affecting the issuance or delivery of the Series 2008A Bonds, the fixing or collecting of rates and charges for the services of the Electric System, the proceedings and authority under which the Series 2008A Bonds are to be issued or which affect in any way the validity of the Series 2008A Bonds or which in any manner affect or call into question the right of EPB to operate the Electric System.

EPB is party to the lawsuit described above in "THE EPB COMMUNICATIONS SERVICES DIVISION – TCTA Lawsuit". The TCTA lawsuit challenges EPB's implementation of the Business Plan to expand Internet services and provide cable television services. TCTA's challenge centers around EPB's Cable and Internet Division's proposed use of the Fiber Optic System, all as described above. The City and EPB intend to finance, and EPB intends to construct and operate the Fiber Optic System in order to achieve the benefits to the Electric System described herein, without regard to the approval and/or implementation of the Business Plan related to cable and Internet services. The financial projections set forth in this Official Statement do not assume the implementation of the Business Plan related to cable and Internet services.

EPB, like other similar public bodies, is subject to a variety of other 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 litigation counsel, EPB 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 EPB 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 EPB's insurance and self-insurance arrangements.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Katten Muchin Rosenman LLP ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. In the further opinion of Bond Counsel, pursuant to the Act, the Bonds and the income therefrom are exempt from all taxation by the State of Tennessee or by any county or municipality therein, except for inheritance, transfer and estate taxes.

A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix E hereto.

Original Issue Discount*

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each beneficial owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and State of Tennessee tax purposes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of beneficial owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Premium Bonds*

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a beneficial owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such beneficial owner. Beneficial owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Certain Matters Affecting the Opinion of Bond Counsel

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The Issuer and EPB have made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds.

Certain requirements and procedures contained or referred to in the Resolution authorizing the Bonds, the Tax Certificate of the Issuer and EPB relating to the Bonds, and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Katten Muchin Rosenman LLP.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and that the Bonds and the income therefrom are exempt from taxation by the State, county or municipality therein, except inheritance, transfer and estate taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a beneficial owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the beneficial owner or the beneficial owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislation, if enacted into law, or clarification of the Code may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislation or clarification of the Code may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the State, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Issuer covenanted, however, to comply with the requirements of the Code.

Note that the United States Supreme Court has agreed to hear a challenge to the Commonwealth of Kentucky's taxation of obligations issued by other states and their political subdivisions differently than it taxes obligations issued by Kentucky and its political subdivisions pursuant to a writ of certiorari granted on May 21, 2007 (Davis v. Kentucky Department of Revenue, 97 S.W.3d 557). It cannot be predicted how this or any other judicial action will be resolved or whether or how the Series 2008A Bonds or the market value thereof would be impacted thereby. Purchasers of the Series 2008A Bonds should consult their tax advisors regarding this or any other litigation.

Bond Counsel's engagement with respect to the Series 2008A Bonds ends with the issuance of the Series 2008A Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Issuer or the beneficial, owners regarding the tax-exempt status of the Series 2008A Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Issuer and their appointed counsel, including the beneficial owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Issuer legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2008A Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the Issuer or the beneficial owners to incur significant expense.

FORWARD-LOOKING STATEMENTS

This Official Statement contains forward-looking statements relating to future events and future performance. Any statements regarding expectations, beliefs, plans, projections, estimates, objectives, intentions or assumptions or otherwise relating to future events or performance may be forward-looking. Some examples of forward-looking statements include statements regarding EPB's projections of future power and energy requirements; future costs related to the purchase of wholesale power from the Tennessee Valley Authority ("TVA") or other sources, EPB's future competitive position, and the benefits that the Electric System may realize from the use of the Fiber Optic System. Although EPB believes that the assumptions underlying the forward-looking statements in this Official Statement are reasonable, neither the Issuer nor EPB guarantees the accuracy of these statements. Numerous factors could cause actual results to differ materially from those in the forward-looking statements. These factors include, among other things, new laws, regulations and administrative orders, especially those related to the restructuring of the electric power industry, federal legislation affecting TVA or its relationship with distributors, including EPB, and various environmental matters, increased competition among electric utilities, legal and administrative proceedings affecting EPB, the financial environment, performance of TVA's generating facilities, the availability of electric power and energy from sources other than TVA, fuel prices, the demand for electricity, weather conditions, changes in accounting standards and unforeseeable events.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization and issuance of the Series 2008A Bonds are subject to the approval of Katten Muchin Rosenman LLP, New York, New York, Bond Counsel, whose approving opinion in substantially the form attached hereto as Appendix E will be delivered with the Bonds. Certain legal matters will be passed upon for the Issuer by Randall L. Nelson, City Attorney, Chattanooga, Tennessee and for EPB by its counsel, Miller & Martin PLLC, Chattanooga, Tennessee. Certain legal matters will be passed upon for the Underwriters by their counsel, Bass, Berry & Sims PLC, Nashville, Tennessee.

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 of such securities has committed to provide annually certain information, including audited financial information, and notice of various events described in the Rule, if material. EPB has covenanted for the benefit of the holders of the Bonds that, consistent with the Rule, EPB will provide: annual financial information for EPB, including audited financial statements of EPB for each fiscal year ending on and after June 30, 2008, in a timely manner, notices of certain events with respect to the Bonds, if material, and notice of any failure of the City to provide required annual financial information not later than December 31, 2008 or any December 31 thereafter. The proposed form of the Certificate as to Continuing Disclosure is in Appendix F.

CERTIFICATION AS TO OFFICIAL STATEMENT

The Issuer and EPB will represent to the Underwriter in the Bond Purchase Agreement that that (i) the information and statements, including financial statements of or pertaining to the Issuer or EPB, contained in this Official Statement were and are correct in all material respects, and (ii) insofar as the Issuer or EPB 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.

INDEPENDENT AUDITORS

The financial statements of EPB as of the fiscal years ended June 30, 2007 and 2006, included in Appendix A to this Official Statement, have been audited by Hazlett, Lewis & Bieter, PLLC, Chattanooga, Tennessee, independent public accountants, respectively, as stated in their report appearing in Appendix A. Neither EPB's independent auditors, nor any other independent accountants, have complied, 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.

RATINGS

Standard & Poor's Ratings Services has assigned the Series 2008A Bonds a rating of AA, and Fitch Ratings has assigned the Series 2008A Bonds a rating of AA. 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 Bonds.

UNDERWRITING

Pursuant to a Bond Purchase Agreement dated ______________ (the "Bond Purchase Agreement") between the Issuer and Goldman, Sachs & Co., as representative and on behalf of the underwriters (the "Underwriters") and such other securities dealers as it may designate, has agreed to purchase the Series 2008A Bonds at an aggregate purchase price of ________________ (consisting of the par amount of the Series 2008A Bonds [plus/less] an original [premium/discount] of ________________, less an underwriters' discount of ________________). The obligation of the Underwriters to purchase the Series 2008A Bonds is subject to certain conditions contained in the Bond Purchase Agreement.

The 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 Bonds to certain dealers (including dealers depositing the 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.

MISCELLANEOUS

The references herein to and the summaries presented herein, of the Resolution, the Bond Ordinance, the Act and the City 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 EPB has been authorized by the City Council.

THE ELECTRIC POWER BOARD
CHATTANOOGA, TENNESSEE

By /s/ ______________________________
Senior Vice President, Finance and CFO