



2023 ANNUAL REPORT

Memphis Light, Gas and Water Division

POWERING PROGRESS



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About MLGW



The responsibility to provide excellent service to Memphis and Shelby County's citizens inspires us daily, informing us of our purpose, principles and direction. Founded in 1939, Memphis Light, Gas and Water Division is the nation's largest full-service municipal utility company; our Electric, Gas and Water services are the foundation of the quality of life that more than 437,000 customers enjoy. We strive to exceed expectations daily and earn our customers' business and trust.

Our Suppliers

The Tennessee Valley Authority provides MLGW with wholesale electricity. MLGW is TVA's largest customer, representing about 9 percent of TVA's sales to local power companies. MLGW buys its natural gas from a variety of suppliers. It is transported by three pipeline companies—Texas Gas Transmission Corp., Trunkline Gas Co., and ANR Pipeline Co. Memphis and Shelby County receive water from the Memphis Sand and Fort Pillow aquifers, one of the world's largest artesian water systems.

2023 Leaders

The President and a five-member Board of Commissioners lead MLGW. Board members serve staggered terms. The Memphis Mayor appoints the President and the Board members with the approval of the Memphis City Council.

MLGW Board of Commissioners



Leon Dickson Sr.,
Chairman



Michael E. Pohlman,
Vice Chairman



Mitch Graves



Cheryl Pesce



Carl Person

Advisory Board Members



John Butler



James Lewellen

Senior Leadership Council

Doug McGowen, *President and CEO*

Dana Jeanes, *SR VP, CFO and CAO*
Secretary – Treasurer

Alonzo Weaver, *SR VP and COO*

Timothy Davis, *VP of Customer Experience and Energy*

Tamara Nolen, *Acting -VP of Corporate Communications*

Cliff DeBerry Jr., *VP of Design, Construction and Delivery*

Von Goodloe, *VP of Shared Services*

Nick Newman, *VP of Engineering and Operations*

Jacqueline Jones, *VP and Chief People Officer*

Jennifer Sink, *VP and General Counsel*

Lashell Vaughn, *VP and CIO*

Rodney Cleek, *Acting -VP of Accounting*

Lesa Walton, *Chief Internal Auditing Officer*

President's Letter

December 2023 marked my first full year as President and CEO of MLGW. It has been a year of definitive challenges, but also notable progress. Since day one, I have been steadfast in addressing five critical areas: customer service, electric reliability, staffing, safety, and relationships with elected officials.

Throughout 2023, our team tackled customer experience challenges head-on, making strategic changes and setting the stage for our future endeavors. For example, we substantially improved customer service, achieving our targeted five-minute average answer speed and abandoned-call rate by February 2023, and maintained the target for nearly the full year.

Electric reliability was a central focus in 2023. After identifying falling tree branches as the primary cause of power outages, we took decisive action and engaged three firms to clear approximately 4,500 miles of our overhead distribution system on a three-year trim cycle. The new contractors started work in the second week of September 2023, and by the end of the year were slightly ahead of pace to complete the required 1,400 miles of clearance in 12 months. The task of trimming tree limbs away from power lines was overdue, but I am confident that maintaining this scheduled service will prevent outages and help us restore power quickly to residents following storms.

The attrition of lineworkers and the lack of available, qualified mechanics were identified as critical to delivering services, and the focus of our recruitment efforts in 2023. Informed with market data, we implemented several programs to retain and recruit critical positions. In 2022 we filled 511 positions compared to 299 in 2021, to meet the needs of our customers.

On the safety front, our aggressive approach to operationalizing safety and changing the culture around safety conversations is proving to be effective. We are ending 2023 having exceeded performance goals in all areas of safety. Lost time and medical recordable incidents were both down more than 30% over 2022, and light duty days were reduced by 29%. The installation of cameras with in-cab audio safety alert technology in our fleet has garnered intended results: vehicular accidents were down 9% overall, and preventable accidents down by 7% over last year, and equipment incidents were down by 24%.

Municipalities and unincorporated areas outside of Memphis proper constitute 33% of MLGW's customer base. Yet, elected officials in those areas felt underappreciated by MLGW. I worked to foster a close, working relationship with mayors of the municipalities and their city managers. In addition to attending their quarterly mayor's group meetings, I have met one on one with the mayors and have engaged them on everything from the LED streetlight conversion, storm restoration, and MLGW's budget to improve communications and build relationships.



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Transparency is paramount. Through our MLGW Monthly Metrics Meetings, also known as the 4M Forum, we initiated a public, web-based dashboard in 2023 with specific insights across sectors like customer service, operations, reliability, infrastructure, financials, and safety. Through our 4M dashboard at mlgw.com/4M, monthly data can be reviewed. These metrics drive internal improvements and are shared publicly to build trust.

As we move into 2024, MLGW will remain focused on reliability. In addition to tree trimming and modernizing our distribution system we will build on our neighborhood-by-neighborhood approach to improving infrastructure. Like the Orange Mound Initiative, where we zero in on communities where the power goes out too frequently due to a lack of investment to upgrade infrastructure such as transformers and poles. And MLGW will build more wells to pump water to ensure that we are less likely to lose water pressure during a winter weather event to avoid boil-water advisories. We'll do this while working to improve our brand through quality service and helping our customers remain informed and empowered through increased, strategic communications.

In closing, I want our customers to know the MLGW team is working incredibly hard to add value to their lives by providing reliable energy services, and safe, fantastic tasting drinking water—all for rates that remain among the lowest in the country. We will endeavor to exceed these goals and our customer's expectations.



Doug McGowen

President and CEO

Memphis Light, Gas and Water Division



Letter of Transmittal

MEMPHIS LIGHT, GAS AND WATER DIVISION

To the Board of Commissioners and Valued Stakeholders:

We are pleased to submit the Annual Report of Memphis Light, Gas and Water Division (MLGW) for the fiscal year ending on December 31, 2023, as required by the Charter Provisions of the City of Memphis (City) creating Memphis Light, Gas and Water Division. This report has been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for proprietary funds of governmental entities.

Responsibility for the accuracy and presentation of the information provided is the full responsibility of the management of MLGW. Disclosures necessary to assist the reader in understanding of the financial statements have been included.

MLGW's financial statements have been audited by Clifton Larson Allen LLP, licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of MLGW, for the fiscal year ending on December 31, 2023, are free from material misstatement. The audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements; evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management; and evaluating the overall financial statement presentation.

The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that MLGW's financial statements for the fiscal year ending on December 31, 2023, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of the report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. MLGW's MD&A can be found immediately following the auditors' report.

Profile of the Government—MLGW was created by an amendment to the City Charter by Chapter 381 of the Private Acts of the General Assembly of Tennessee, adopted March 9, 1939, as amended (the "Private Act"). MLGW operates three separate utilities, as divisions, providing electricity and gas in the City and Shelby County. Water service is provided by MLGW in the City, and together with other municipal systems, in Shelby County.

Each division operates as a separate entity for accounting and financial purposes in accordance with the Private Act. For economic reasons, activities common to all three divisions are administered jointly and costs are prorated monthly among the divisions. A 1981 amendment to the City Charter permits forming additional divisions to provide other energy services.

MLGW controls the administration of its activities and business affairs. It operates independently, manages its own finances and is responsible for obligations incurred in such operations, including indebtedness payable from operations of the Division.

MLGW must have the City Council's approval for its annual budget and before incurring certain obligations, including purchasing real estate and exercising the right of eminent domain.

MLGW is managed by a Board of Commissioners, which consists of five voting members nominated by the Mayor and approved by the City Council and two advisory, non-voting members. The Board is responsible for supplying the Division's service areas with electricity, gas, and water. Board members serve staggered terms of three years each.

Every two years, the Board elects a Chairman and a Vice Chair, whose terms begin January 1. Board members continue to serve until a new Board member is appointed by the Mayor and confirmed by the City Council.

The daily operations of MLGW are managed by the President and Chief Executive Officer, who is nominated for a five-year term by the Mayor and approved by the City Council. Under the Private Act, the President generally supervises MLGW's operations and its officers and employees.

Local Economy—Memphis and Shelby County are located on the banks of the Mississippi River in the southwestern corner of Tennessee. The Bluff City ranks as the second largest city in the state and the 28th largest in the nation with a population of 621,056 according to the most recent Census data (July 2022). Shelby County has a population of 916,371. The Chairman's Circle expanded, welcoming 22 new investors and exceeding 150 member companies. Additionally, efforts put forth by the Greater Memphis Chamber led to the creation of 1,078 new jobs and \$238.4 million secured in capital investments. The City of Memphis unemployment rate went from 4.1% in January to 4.2% in December.

Three Fortune 500 World Headquarters—FedEx, International Paper and AutoZone – call Memphis home. In addition, Nike, Hilton, Coca-Cola, Medtronic, and Amazon have major offices or distribution facilities in Memphis.

MLGW has a major impact on the local economy. In 2023, MLGW contracted and purchased nearly \$114 million dollars with minority-owned, women-owned and locally-owned small businesses (MWBE/LSBs), accounting for 34% of MLGW total procurement spend of over \$334 million.

For over 30 years, Memphis customers have spent less for their winter utility bills than their counterparts in many metro areas, capturing the top ranking 19 times since 1991. MLGW has had the lowest total combined residential bill in seven of the past eleven years and has never ranked worse than fourth during those years.

National Economy—According to the Bureau of Economic Analysis (BEA), a division of the U.S. Department of Commerce, real gross domestic product (GDP), a key indicator of economic growth, increased 6.3% for all of 2023.

Per the BEA: “The increase in real GDP in 2023 primarily reflected increases in consumer spending, nonresidential fixed investment, state and local government spending, exports, and federal government spending that were partly offset by decreases in residential fixed investment and inventory investment.”

Financial Policies and Major Initiatives—MLGW maintains a comprehensive cash flow model which assesses the growth of the separate divisions and determines future rate increase and debt issuance requirements. MLGW also incorporates a five-year capital plan in its budgeting process. MLGW’s Electric, Gas and Water Engineering Departments develop detail technical master plans for their respective systems which are then correlated with the financial plan.

MLGW has significant investments planned in utility infrastructure. MLGW continued the Way Forward initiative which includes a five-year, \$1 billion service improvement plan across the three divisions.

Within the Electric Division, areas of focus include replacement of defective underground cable, wood pole management, tree trimming, aging substation equipment, automation of the distribution system, and the hardening of the overhead electric system.

MLGW has applied for the Grid Resilience and Innovation Partnerships (GRIP) grant funding. The project proposed could provide grant funding up to \$100 million to be used to modernize the electric grid and reduce impacts due to extreme weather and natural disasters.

Within the Water Division, MLGW received notification of \$39.5 million in American Rescue Plan grant funding for various water projects. MLGW also received the HDR final report regarding improvements at the Allen and Shaw pumping stations. Engineering Services contracts related to the new Allen Pumping Station Design and Filter Media upgrades have been approved.

Acknowledgments—The preparation of this report was made possible by the overall dedication of MLGW’s Finance Division. We would like to express our appreciation to all Finance Division members who helped prepare this report. Special thanks must also be given to Clifton Larson Allen LLP for their efficient and timely completion of this year’s audit.

Respectfully submitted,



Doug McGowen
President and CEO

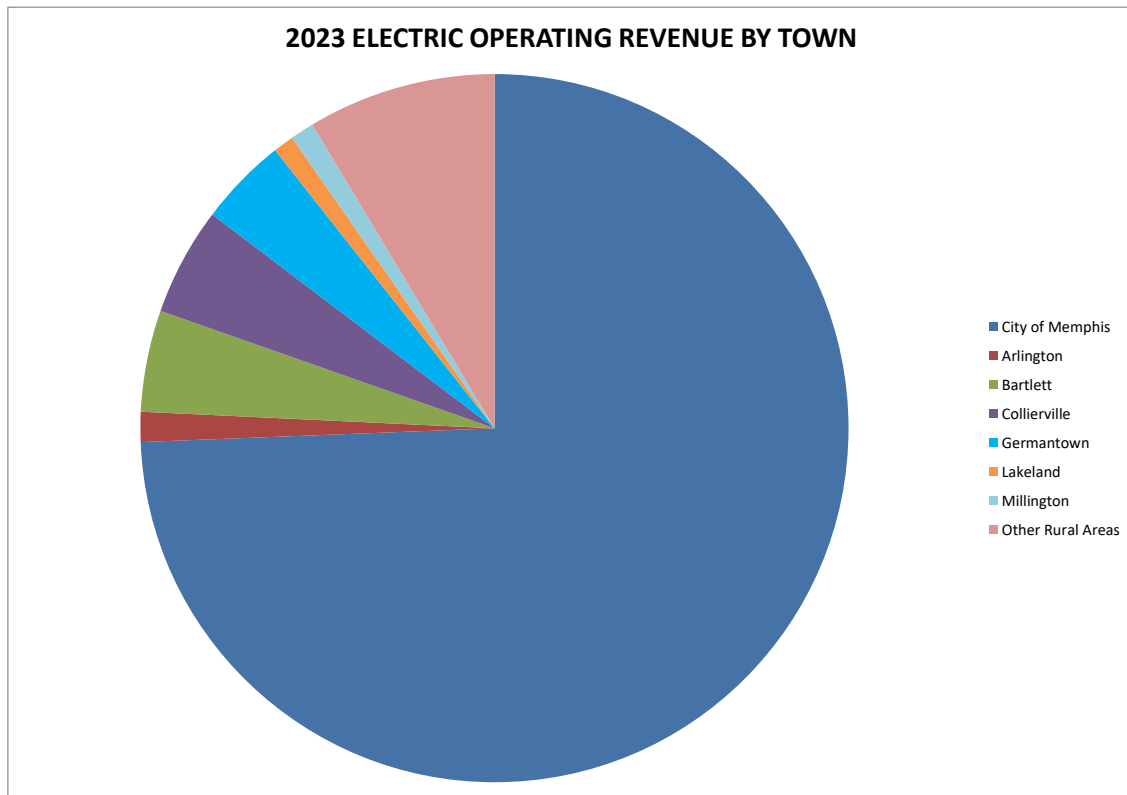


Dana J. Jeanes
SVP, CFO & CAO (Secretary - Treasurer)

**FINANCIAL HIGHLIGHTS
FOR THE YEARS ENDED
DECEMBER 31, 2023, 2022 AND 2021
(dollars and consumption in thousands)**

Operating Statistics by Towns:

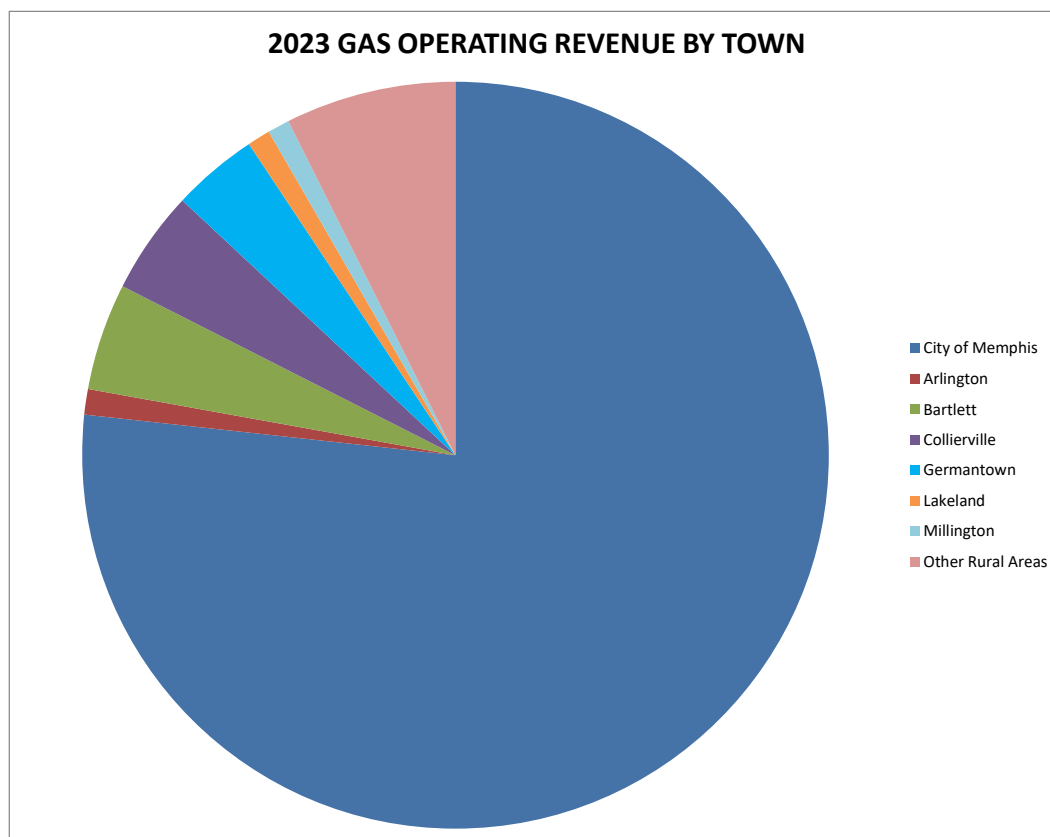
	ELECTRIC AMOUNT			ELECTRIC KWH		
	2023	2022	2021	2023	2022	2021
City of Memphis	\$ 1,027,507	\$ 1,114,271	\$ 983,937	9,396,502	9,768,296	9,800,375
Arlington	18,972	19,881	17,181	171,849	174,840	170,579
Bartlett	63,871	68,280	60,236	549,464	565,771	563,861
Collierville	68,286	72,407	62,226	609,978	626,163	608,983
Germantown	55,982	60,369	52,838	491,072	510,710	505,246
Lakeland	13,013	13,615	11,505	113,256	113,746	109,124
Millington	15,017	15,264	13,712	127,179	125,187	127,041
Other Rural Areas	118,883	127,493	111,185	1,152,334	1,180,088	1,185,918
Total	\$ 1,381,531	\$ 1,491,580	\$ 1,312,820	12,611,634	13,064,801	13,071,127



**FINANCIAL HIGHLIGHTS
FOR THE YEARS ENDED
DECEMBER 31, 2023, 2022 AND 2021**
(dollars and consumption in thousands)

Operating Statistics by Towns:

	GAS AMOUNT			GAS MCF		
	2023	2022	2021*	2023	2022	2021
City of Memphis	\$ 197,246	\$ 257,983	\$ 219,840	21,407	23,370	24,409
Arlington	2,821	4,516	3,469	388	479	451
Bartlett	11,919	16,904	14,361	1,638	1,729	1,805
Collierville	11,537	17,467	14,483	1,678	1,866	1,912
Germantown	9,548	14,516	12,760	1,436	1,545	1,687
Lakeland	2,578	3,694	3,103	370	382	395
Millington	2,430	3,768	3,031	354	390	381
Other Rural Areas	18,980	27,416	24,062	2,661	2,771	2,992
Total	\$ 257,059	\$ 346,264	\$ 295,109	29,932	32,532	34,032

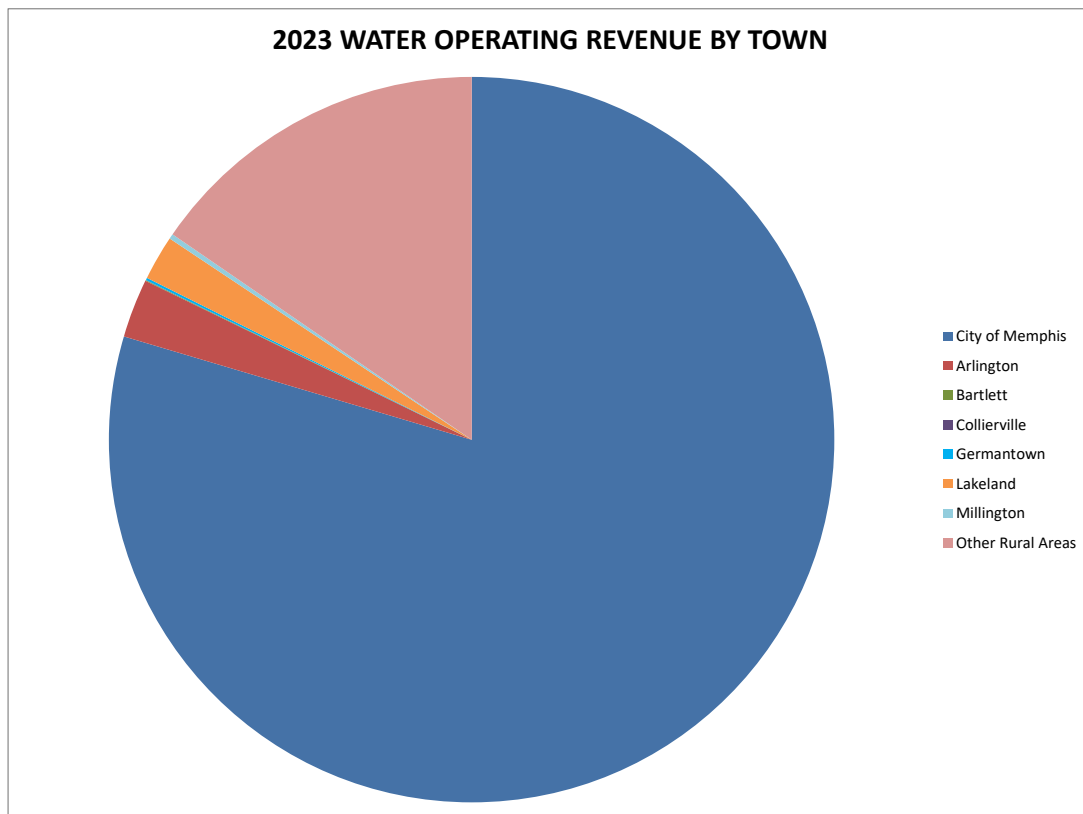


* Total Operating Revenue restated as a result of implementation of GASB Statement No. 87, *Leases* .

**FINANCIAL HIGHLIGHTS
FOR THE YEARS ENDED
DECEMBER 31, 2023, 2022 AND 2021
(dollars and consumption in thousands)**

Operating Statistics by Towns:

	WATER AMOUNT			WATER CCF		
	2023	2022	2021	2023	2022	2021
City of Memphis	\$ 103,975	\$ 109,483	\$ 102,606	41,601	42,553	42,362
Resale to Other Municipalities:						
Arlington	3,422	3,013	2,768	924	707	673
Bartlett	51	53	46	3	4	4
Collierville	5	5	5	-	-	-
Germantown	143	148	130	24	29	25
Lakeland	2,608	2,583	2,354	610	608	590
Millington	281	272	256	59	58	55
Other Rural Areas	20,151	19,297	17,980	4,862	4,656	4,493
Total	\$ 130,636	\$ 134,854	\$ 126,145	48,083	48,615	48,202





Financial Section





INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners and Management
Memphis Light, Gas and Water Division
Memphis, Tennessee

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of each enterprise fund and the aggregate remaining fund information of Memphis Light, Gas and Water Division ("MLGW"), a division of the City of Memphis, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise MLGW's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the enterprise funds and the aggregate remaining fund information of MLGW, as of December 31, 2023 and 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Memphis Light, Gas and Water Division Retirement and Pension System and the Memphis Light, Gas and Water Division Other Post Employment Benefits Trust, which represent 100% of the assets and revenues of the aggregate remaining fund information as of December 31, 2023 and 2022, and the respective changes in financial position for the years then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for Memphis Light, Gas and Water Division Retirement and Pension System and the Memphis Light, Gas and Water Division Other Post Employment Benefits Trust, are based solely on the reports of the other auditors.

Basis for Opinions

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

Emphasis of Matters

As discussed in Note 1, the financial statements of MLGW are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of each major fund and the aggregate remaining fund information of only that portion of each major fund and the aggregate remaining fund information of the City of Memphis that is attributable to the transactions of MLGW. They do not purport to, and do not, present fairly the financial position of the City of Memphis, as of December 31, 2023 and 2022, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

As disclosed in Note 1, MLGW implemented the provisions of Governmental Accounting Standards Board Statement No. 96 – Subscription-Based Information Technology Arrangements. The Standard establishes that a subscription-based information technology arrangement results in a right-to-use subscription asset and a corresponding subscription liability. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MLGW's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis; schedules of changes in net pension liability (asset); schedule of employer contributions - pension; schedule of changes in net OPEB liability; and the schedule of employer contributions - OPEB, as listed in the table contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the MLGW's basic financial statements. The supplementary information shown as the schedule of bonds, principal and interest requirements, and schedule of expenditures of federal awards, schedule of changes in long-term debt by individual issue, and schedule of additions and retirements to utility plant (collectively the "Supplementary Information") are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of bonds, principal and interest requirements, , schedule of changes in long-term debt by individual issue and schedule of additions and retirements to utility plant are required by the State of Tennessee Comptroller of the Treasury's Audit Manual. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section (comprised of pages 2 – 12, L-1, and H-1), and schedule of current utility rates, but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. The schedule of current utility rates is required by the State of Tennessee Comptroller of the Treasury's Audit Manual.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2024, on our consideration of MLGW's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MLGW's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MLGW's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Nashville, Tennessee
June 26, 2024

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Dollars in Thousands)**



The following management discussion and analysis (“MD&A”) for the Electric, Gas, and Water Divisions of Memphis Light, Gas and Water Division (“MLGW”) is intended as an introduction and should be read in conjunction with the financial statements and the notes that follow this section.

Highlights

- ❖ During 2023 MLGW reached all-time highs in capital expenditures(\$264 million).
- ❖ On March 20, 2023, MLGW launched the conversion of City of Memphis streetlights to LED (light-emitting diode) streetlights. As of December 13, 2023, 70,091 LED streetlights have been installed.
- ❖ On Earth Day, April 22, 2023, MLGW launched the MLGW Recycles pilot program to encourage employees to recycle their plastic and paper.
- ❖ MLGW observed a significant reduction in call wait times in 2023. Average wait times dropped from 48 minutes in October 2022 to 1 minute in June 2023.
- ❖ MLGW formulated an extensive strategy aimed at fortifying our system’s resilience. This strategy will bolster dependability, reduce experienced outage times, and facilitate a smooth progression into the development of the MLGW 2045 initiative. MLGW will establish a strong baseline, create a 5-year reliability and resilience work plan, and embrace the smart grid revolution.
- ❖ MLGW continued to be intentional in its efforts to encourage the growth of minority, women, and locally owned small business enterprises by providing opportunities for minority-owned, women-owned, and locally-owned small businesses (MWBE/LSBs) to furnish goods and services through MLGW’s Supplier Diversity Program. MLGW spent \$113.8.6 million with MWBE/LSBs during fiscal year 2023.
- ❖ In September 2023, MLGW and the City of Memphis awarded the Center for Applied Earth Science and Engineering Research (CAESER) at the University of Memphis with a new 5-year grant to continue the aquifer study.



Overview of the Financial Statements

MLGW's financial statements are comprised of Management's Discussion and Analysis (MD&A); the Statements of Net Position; the Statements of Revenues, Expenses and Changes in Net Position; the Statements of Cash Flows; the accompanying Notes; and required supplementary information. This report also contains supplemental information required by the State in addition to the basic financial statements.

MLGW's basic financial statements were expanded in fiscal year 2020 to meet the requirements of GASB Statement No. 84. Therefore, in addition to the financial statements of the Electric, Gas and Water Divisions discussed above, the financial statements of MLGW's fiduciary activities are also presented in conformity with accounting principles generally accepted in the United States of America. The fiduciary activities of MLGW include the Memphis Light, Gas and Water Retirement and Pension System (the "MLGW Pension Plan") and the Memphis Light, Gas and Water OPEB Trust ("OPEB Trust").

In 2022, MLGW adopted GASB Statement No. 87, *Leases* (GASB 87) using a full retrospective approach. GASB 87 requires a lessee to recognize an intangible right of use asset and a lease liability, and a lessor to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information regarding leasing activities. Accordingly, the accompanying financial statements, as of and for the year ended December 31, 2021, have been restated for the change, which did not have a material impact on the net position.

In 2023, MLGW adopted GASB Statement No. 96, *Subscription-Based Information Technology Agreements (SBITAs)* using a full retrospective approach. GASB 96 requires an intangible right of use asset and a subscription liability, thereby enhancing the relevance and consistency of information regarding SBITA activities. Accordingly, the accompanying financial statements, as of and for the year ended December 31, 2022, have been restated for the change, which did not have a material impact on the net position.

The Statements of Net Position report the assets and deferred outflows of resources less liabilities and deferred inflows of resources, with the difference being the net position. Net position will be displayed in three components: net investment in capital assets, restricted, and unrestricted. Over time, increases or decreases in net position may serve as an indicator of whether the financial position of the organization is improving or declining. The Statements of Revenues, Expenses and Changes in Net Position show how net position changed during each year based on revenues and expenses. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. The Statements of Cash Flows report changes in cash and cash equivalents summarized by net changes from operating, noncapital financing, capital and related financing and investing activities. The Statements of Changes in Fiduciary Net Position show how net position restricted for pensions and other post-employment benefits changed during each year based on revenues and expenses. The Notes provide additional detailed information to support the financial statements. The statements present the current year and preceding year for comparison. The report also includes Statistical Highlights: these highlights convey significant data that afford the reader a better historical perspective and assist in assessing the current financial status and trends of MLGW. The highlights present a three-year comparison encompassing the current year and the preceding two years for the Electric, Gas, and Water Divisions.

MLGW comprises the utility operations of the City of Memphis. Pursuant to the Memphis City Charter, MLGW is required to maintain separate books and accounts of the electric, gas, and water operations, so that said books and accounts reflect the financial condition of each division separately, to the end that each division shall be self-sustaining.

Costs are allocated to the three divisions in a manner that ensures results of operations and changes in financial position are presented fairly and consistently from year to year.

MLGW's financial statements are provided to the City of Memphis and reformatted to conform to the City's format for enterprise funds. The City of Memphis incorporates MLGW's statements ending December 31 into its statements ending June 30.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Continued)**



STATISTICAL HIGHLIGHTS-ELECTRIC DIVISION

Years Ended December 31

CATEGORIES	2023	2022	2021
OPERATING REVENUE			
Residential	\$ 587,340,039	\$ 633,309,772	\$ 557,355,166
Commercial - General Service	641,954,186	673,815,211	599,365,896
Industrial	96,770,069	112,883,410	94,592,383
Outdoor Lighting and Traffic Signals	13,065,130	13,061,983	12,563,818
Street Lighting Billing	13,869,970	13,654,743	13,595,316
Interdepartmental	10,598,877	11,057,869	8,841,129
Green Power	(296,458)	(455,410)	(366,080)
Miscellaneous	29,461,652	32,843,267	22,348,400
Accrued Unbilled Revenue	(4,543,406)	7,317,135	7,580,881
Revenue Adjustment for Uncollectibles	(6,689,269)	(5,907,532)	(3,057,384)
TOTAL OPERATING REVENUE	\$ 1,381,530,790	\$ 1,491,580,448	\$ 1,312,819,525

CUSTOMERS

Residential	372,070	376,067	378,516
Commercial - General Service	42,234	43,825	44,033
Industrial	89	96	100
Outdoor Lighting and Traffic Signals	16,151	16,874	17,141
Interdepartmental	35	35	37
Total Customers	430,579	436,897	439,827

KWH SALES (THOUSANDS)

Residential	5,079,135	5,291,763	5,257,499
Commercial - General Service	5,689,548	5,799,454	5,820,384
Industrial	1,579,045	1,706,538	1,736,565
Outdoor Lighting and Traffic Signals	85,924	87,606	88,059
Street Lighting Billing	78,207	77,974	77,946
Interdepartmental	99,775	101,466	90,674
Total KWH Sales (Thousands)	12,611,634	13,064,801	13,071,127

OPERATING REVENUE/CUSTOMER

Residential	\$ 1,578.57	\$ 1,684.03	\$ 1,472.47
Commercial - General Service	15,199.94	15,375.13	13,611.74
Industrial	1,087,304.14	1,175,868.85	945,923.83
Outdoor Lighting and Traffic Signals	808.94	774.09	732.97
Interdepartmental	302,825.07	315,939.10	238,949.44

OPERATING REVENUE/KWH*

Residential	\$ 0.116	\$ 0.120	\$ 0.106
Commercial - General Service	0.113	0.116	0.103
Industrial	0.061	0.066	0.054
Outdoor Lighting and Traffic Signals	0.152	0.149	0.143
Street Lighting Billing	0.177	0.175	0.174
Interdepartmental	0.106	0.109	0.098

KWH/CUSTOMER

Residential	13,651.02	14,071.33	13,889.77
Commercial - General Service	134,714.87	132,332.09	132,182.32
Industrial	17,742,078.65	17,776,437.50	17,365,650.00
Outdoor Lighting and Traffic Signals	5,320.04	5,191.77	5,137.33
Interdepartmental	2,850,714.29	2,899,028.57	2,450,648.65

*See graph on M-6.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Continued)**



STATISTICAL HIGHLIGHTS-GAS DIVISION

Years Ended December 31

CATEGORIES	2023	2022	2021*
OPERATING REVENUE			
Residential	\$ 131,447,264	\$ 194,154,810	\$ 165,728,647
Commercial - General Service	65,168,706	95,910,627	80,812,880
Industrial	1,111,349	2,634,394	2,176,886
Interdepartmental	157,281	261,091	221,838
Transported Gas	15,144,296	11,277,147	13,016,387
Market Gas	7,254,303	15,335,574	10,408,195
Liquefied Natural Gas (LNG)	4,826,667	5,314,986	4,729,204
Compressed Natural Gas (CNG)	511,120	536,741	259,932
Industrial Gas - Other Revenue	15,269,798	17,954,068	0
Lease Revenue	590,877	654,302	654,302
Miscellaneous	22,793,697	1,042,095	16,632,780
Accrued Unbilled Revenue	(4,806,898)	54,277	1,211,986
Accrued Unbilled Revenue - Other Industrial Gas	(1,238,135)	2,531,858	0
Revenue Adjustment for Uncollectibles	(1,170,862)	(1,397,743)	(743,964)
TOTAL OPERATING REVENUE	\$ 257,059,463	\$ 346,264,227	\$ 295,109,073
CUSTOMERS			
Residential	285,590	290,951	294,231
Commercial - General Service	20,045	21,281	21,543
Industrial	23	29	29
Interdepartmental	13	14	13
Transported Gas	38	38	37
Market Gas	19	21	20
Subtotal	305,728	312,334	315,873
LNG	7	4	5
CNG (Sales Transactions)	707	579	422
Industrial Gas - Other	1	1	0
Total Customers	306,443	312,918	316,300
MCF SALES			
Residential	17,587,416	19,402,399	20,436,715
Commercial - General Service	10,354,573	10,703,255	10,992,745
Industrial	216,608	331,091	374,904
Interdepartmental	29,436	33,296	32,718
Market Gas	1,743,650	2,061,488	2,194,704
Subtotal	29,931,683	32,531,529	34,031,786
LNG	653,032	483,620	584,810
CNG	51,710	37,231	22,082
Industrial Gas - Other	6,370,556	3,626,288	0
Total MCF Sales	37,006,981	36,678,668	34,638,678
OPERATING REVENUE/CUSTOMER			
Residential	\$ 460.27	\$ 667.31	\$ 563.25
Commercial - General Service	3,251.12	4,506.87	3,751.24
Industrial	48,319.51	90,841.17	75,065.04
Interdepartmental	12,098.53	18,649.36	17,064.48
Transported Gas	398,534.11	296,767.04	351,794.26
Market Gas	381,805.43	730,265.42	520,409.75
OPERATING REVENUE/MCF**			
Residential	\$ 7.474	\$ 10.007	\$ 8.109
Commercial - General Service	6.294	8.961	7.351
Industrial	5.131	7.957	5.807
Interdepartmental	5.343	7.842	6.780
Market Gas	4.160	7.439	4.742
MCF/CUSTOMER			
Residential	61.58	66.69	69.46
Commercial - General Service	516.57	502.95	510.27
Industrial	9,417.74	11,416.93	12,927.72
Interdepartmental	2,264.31	2,378.29	2,516.77
Market Gas	91,771.05	98,166.10	109,735.20

*Total Operating Revenue restated as a result of implementation of GASB Statement No. 87, *Leases*.

**See graph on M-6.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Continued)**



STATISTICAL HIGHLIGHTS-WATER DIVISION

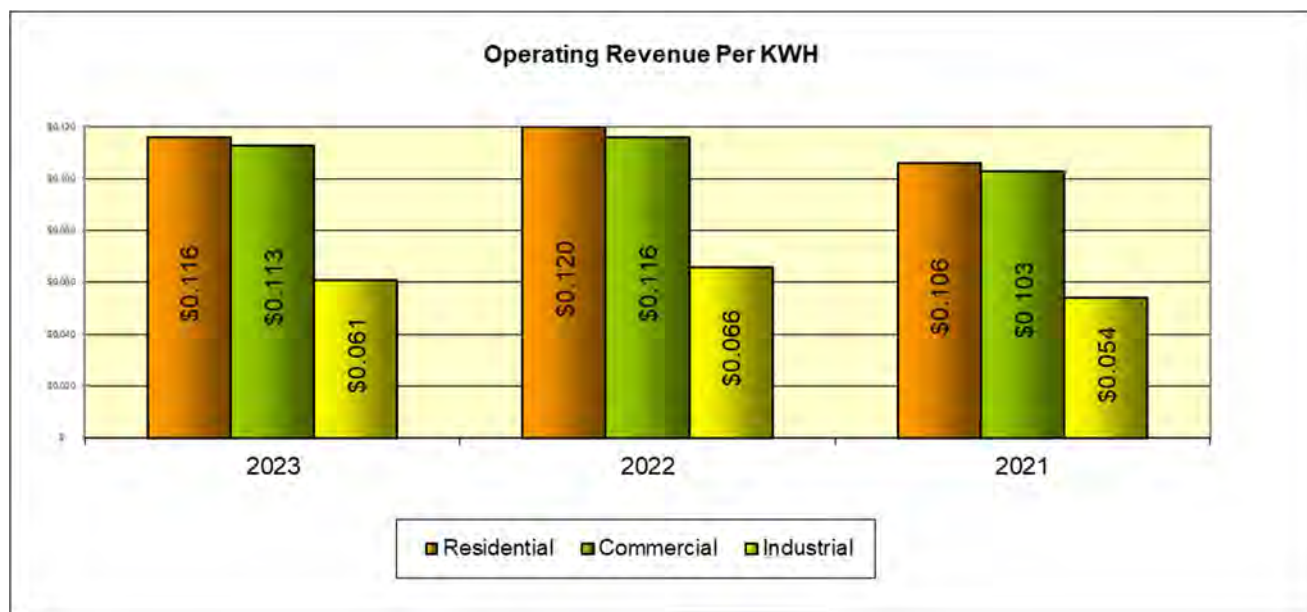
Years Ended December 31

CATEGORIES	2023	2022	2021
OPERATING REVENUE			
Residential	\$ 64,136,738	\$ 64,517,490	\$ 60,858,899
Commercial - General Service	56,546,536	56,511,699	53,388,131
Resale	164,715	271,907	147,969
Fire Protection	7,234,952	7,006,902	6,653,947
Interdepartmental	88,777	85,478	78,057
Miscellaneous	5,976,973	5,681,587	5,425,653
Accrued Unbilled Revenue	(2,114,863)	1,776,806	166,404
Revenue Adjustment for Uncollectibles	(1,397,760)	(998,238)	(573,712)
TOTAL OPERATING REVENUE	\$ 130,636,068	\$ 134,853,631	\$ 126,145,348
CUSTOMERS			
Residential	224,948	229,845	232,419
Commercial - General Service	18,991	20,290	20,592
Resale	9	9	9
Fire Protection	5,200	5,421	5,446
Interdepartmental	56	56	58
Total Customers	249,204	255,621	258,524
METERED WATER (CCF)			
Residential	21,680,083	21,848,436	21,716,461
Commercial - General Service	26,361,651	26,644,388	26,447,175
Resale	12,498	94,996	13,963
Interdepartmental	28,784	26,763	24,515
Total CCF Sales	48,083,016	48,614,583	48,202,114
OPERATING REVENUE/CUSTOMER			
Residential	\$ 285.12	\$ 280.70	\$ 261.85
Commercial - General Service	2,977.54	2,785.20	2,592.66
Resale	18,301.66	30,211.88	16,440.98
Fire Protection	1,391.34	1,292.55	1,221.80
Interdepartmental	1,585.31	1,526.39	1,345.81
OPERATING REVENUE/CCF*			
Residential	\$ 2.958	\$ 2.953	\$ 2.802
Commercial - General Service	2.145	2.121	2.019
Resale	13.179	2.862	10.597
Interdepartmental	3.084	3.194	3.184
CCF/CUSTOMER			
Residential	96.38	95.06	93.44
Commercial - General Service	1,388.11	1,313.18	1,284.34
Resale	1,388.67	10,555.11	1,551.44
Interdepartmental	514.00	477.91	422.67

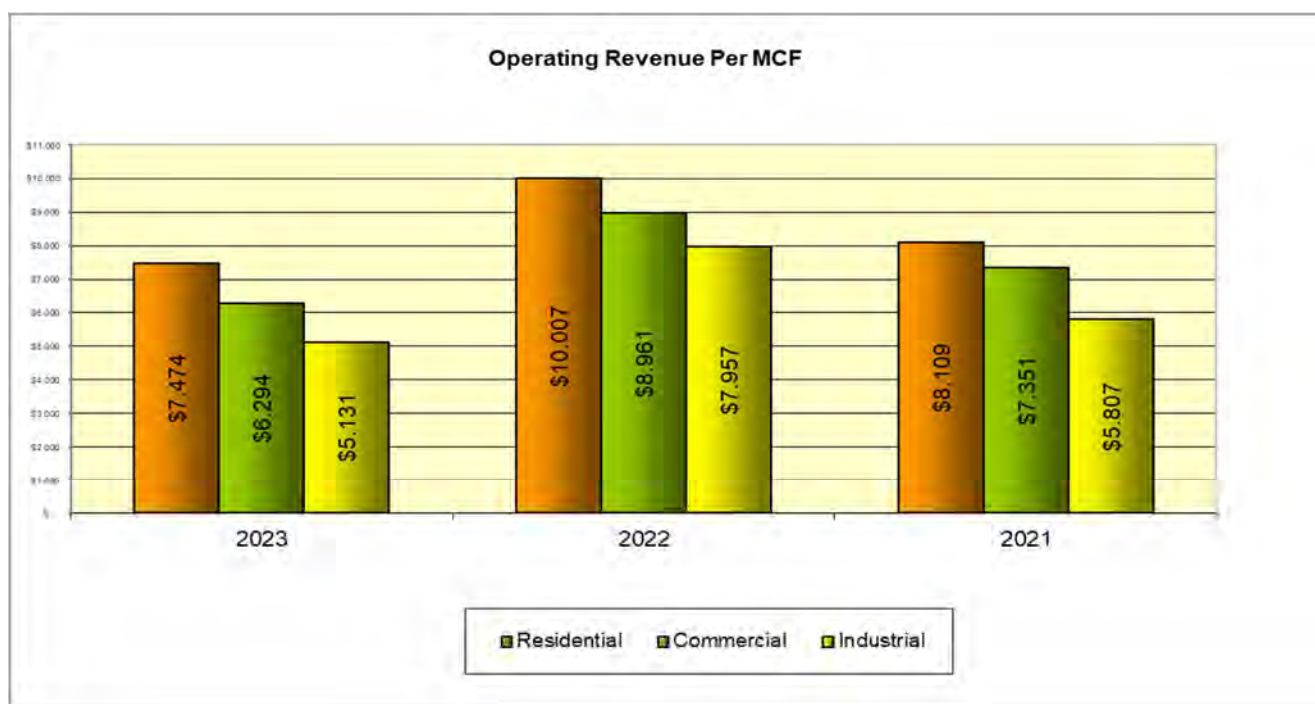
*See graph on M-7.

GRAPHS

Electric Division



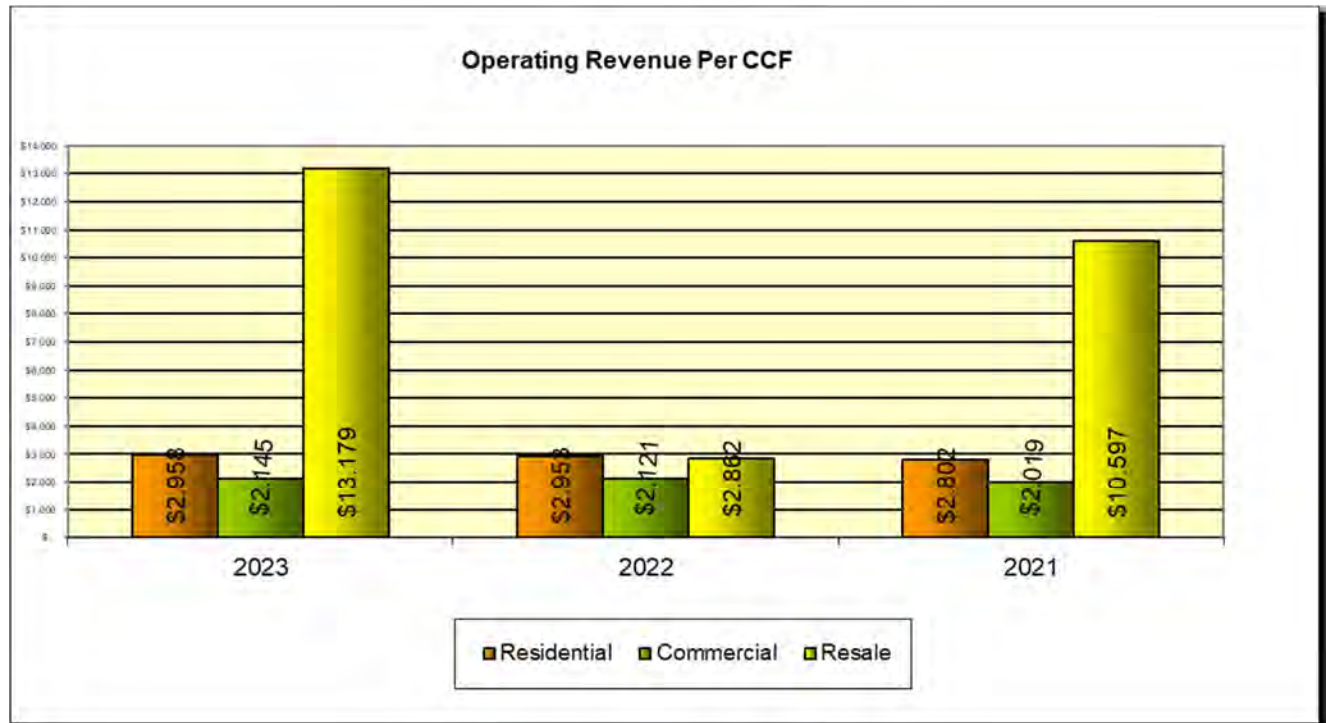
Gas Division



MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Continued)



Water Division





Bond Ratings

MLGW's Electric, Gas, and Water Divisions continue to maintain strong bond ratings. There were no new bond issuances during the year.

The Electric Division has total debt outstanding of \$291,250 as of December 31, 2023. MLGW's debt service coverage is 6.90. This coverage is well above the 1.2 required by the Electric Division bond covenant for the senior lien debt. On October 26, 2023, S&P Global Ratings affirmed its A+ long-term rating for the electric system revenue bonds with a stable outlook.

The Gas Division has total debt outstanding of \$121,305 as of December 31, 2023. The Gas Division's debt service coverage is 6.86. This coverage is well above the 1.2 required by the Gas Division bond covenant.

The Water Division has debt outstanding of \$114,770 as of December 31, 2023. The Water Division's debt service coverage is 5.36. This coverage is well above the 1.2 required by the Water Division bond covenant.

Figure 1: Bond Ratings and Debt Administration for the Electric, Gas and Water Divisions

MLGW Bond Ratings			Debt Administration (In Thousands)		
	S&P	Moody's		Outstanding Balance	Coverage
Electric Series			Electric	\$291,250	6.90
2014	A+	Aa2			
2016	A+	Aa2			
2017	A+	Aa2			
2020A	A+	Aa2			
2020B	A+	Aa2			
Gas Series			Gas	\$121,305	6.86
2016	AA-	Aa1			
2017	AA-	Aa1			
2020	AA-	Aa1			
Water Series			Water	\$114,770	5.36
2014	AAA	Aa1			
2016	AAA	Aa1			
2017	AAA	Aa1			
2020	AAA	Aa1			

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Continued)



Analysis of the Electric Division's Statements of Net Position

Condensed financial information comparing the Electric Division's net position for the past three fiscal years is presented below:

Table 1 Electric Division Condensed Statements of Net Position December 31 <i>(In Thousands)</i>					
	<u>2023</u>	<u>2022</u> As Restated	<u>FY23 - FY22</u> Percentage <u>Change</u>	<u>2021</u>	<u>FY22 - FY21</u> Percentage <u>Change</u>
Current assets (excluding restricted funds)	\$ 452,299	\$ 568,616	-20.5%	\$ 513,995	10.6%
Restricted assets	82,478	85,654	-3.7%	117,779	-27.3%
Other assets	31,188	141,206	-77.9%	86,072	64.1%
Utility plant	1,320,150	1,180,919	11.8%	1,150,027	2.7%
Intangible assets - right of use assets (leases & subscriptions)	4,851	7,009	-30.8%	549	1176.7%
Total assets	1,890,966	1,983,404	-4.7%	1,868,422	6.2%
Deferred outflows of resources					
Employer pension contribution	12,284	12,565	-2.2%	14,520	-13.5%
Employer OPEB contribution	24,082	23,029	4.6%	22,537	2.2%
Pension liability experience	31,613	7,965	296.9%	6,651	19.8%
OPEB liability experience	8,030	11,173	-28.1%	6,875	62.5%
Pension changes of assumptions	16,088	20,110	-20.0%	-	-
OPEB changes of assumptions	12,348	15,435	-20.0%	-	-
Pension investment earnings experience	72,551	-	-	-	-
OPEB investment earnings experience	19,355	-	-	-	-
Unamortized balance of refunded debt	643	861	-25.3%	1,102	-21.9%
Total assets and deferred outflows	2,087,960	2,074,542	0.6%	1,920,107	8.0%
Current liabilities payable from current assets	202,906	207,982	-2.4%	183,311	13.5%
Current liabilities payable from restricted assets	30,264	30,537	-0.9%	27,073	12.8%
Long-term debt	312,326	327,517	-4.6%	342,287	-4.3%
Non-current liabilities	267,856	105,333	154.3%	120,706	-12.7%
Total liabilities	813,352	671,369	21.1%	673,377	-0.3%
Deferred inflows of resources					
Leases	6,972	4,233	64.7%	5,252	-19.4%
Pension liability experience	1,008	1,512	-33.3%	3,146	-51.9%
OPEB liability experience	4,337	2,263	91.6%	2,985	-24.2%
Pension changes of assumptions	35	52	-32.7%	70	-25.7%
OPEB changes of assumptions	9,317	34,012	-72.6%	58,708	-42.1%
Pension investment earnings experience	-	108,482	-	66,158	64.0%
OPEB investment earnings experience	-	52,849	-	31,732	66.5%
Total liabilities and deferred inflows	835,021	874,772	-4.5%	841,428	4.0%
Net position:					
Net investment in capital assets	997,896	844,408	18.2%	836,867	0.9%
Restricted	30,676	34,077	-10.0%	33,452	1.9%
Unrestricted	224,367	321,286	-30.2%	208,360	54.2%
Total Net position	\$ 1,252,939	\$ 1,199,771	4.4%	\$ 1,078,679	11.2%



Assets

2023 Compared to 2022:

As of December 31, 2023, total assets and deferred outflows were \$2.1 billion, an increase of \$13.4 million, or 0.6% compared to December 31, 2022. This increase is primarily due to an increase in utility plant of \$139.2 million.

2022 Compared to 2021:

As of December 31, 2022, total assets and deferred outflows were \$2.1 billion, an increase of \$154.4 million, or 8% compared to December 31, 2021. This increase is primarily due to an increase in other assets of \$55.1 million, an increase in current assets of \$54.6 million, and an increase in utility plant of \$30.9 million.

Capital Assets and Construction Activities

2023 Compared to 2022:

The Electric Division's utility plant assets, net of accumulated depreciation were \$1.32 billion as of December 31, 2023, an increase of 11.8% over fiscal year 2022. During 2023, the Electric Division expended \$210.6 million on construction activities and capital purchases, an increase of \$117.8 million or 127.0% compared to fiscal year 2022. Major Electric Division construction expenditures include streetlights maintenance and installation (\$47.9 million), storm restoration (\$36.7 million), substation and transmission projects (\$36.7 million), routine maintenance of the electric distribution system (\$25.4 million), extensions to serve new customers (\$15.0 million), distribution automation (\$13.1 million), street improvements (\$7.9 million) replacement of feeder and defective cable (\$5.8 million), information technology upgrades (\$5.1 million), additional circuits (\$4.7 million), the purchase of transformers (\$4.1 million), the purchase of transportation equipment (\$4.4 million), distribution pole replacement (\$4.0 million), telecommunication communication and communication tower projects (\$3.2 million), purchase of meters (\$2.5 million), line reconstruction (\$1.9 million), capital security automation upgrades (\$1.5 million), building upgrades (\$1.1 million), and additional general plant purchases (\$0.5 million) in addition to contributions in aid of construction (\$11.5 million).

2022 Compared to 2021:

The Electric Division's utility plant assets, net of accumulated depreciation, were \$1.18 billion as of December 31, 2022, an increase of 2.7% over fiscal year 2021. During 2022, the Electric Division expended \$92.8 million on construction activities and capital purchases, an increase of \$21.0 million or 29.2% compared to fiscal year 2021. Major Electric Division construction expenditures include storm restoration (\$23.6 million), extensions to serve new customers (\$19.7 million), substation and transmission projects (\$13.6 million), routine maintenance of the electric distribution system (\$13.6 million), telecommunication communication and communication tower projects (\$9.9 million), distribution automation upgrades (\$9.7 million), the purchase of transformers (\$6.4 million), replacement of feeder and defective cable (\$5.1 million), streetlight maintenance and installation (\$5.0 million), distribution pole replacement (\$3.0 million), information technology upgrades (\$2.5 million), the purchase of transportation equipment (\$2.3 million), additional general plant purchases (\$1.6 million), the purchase of meters (\$1.3 million), line



reconstruction (\$1.1 million), and capital security automation upgrades (\$1.1 million) in addition to contributions in aid of construction (\$31.3 million).

Liabilities

2023 Compared to 2022:

As of December 31, 2023, total liabilities and deferred inflows were \$835 million, a decrease of \$39.8 million, or 4.5% compared to December 31, 2022. The decrease is due decreases in pension investment earnings experience of \$108.5 million, OPEB investment earnings experience of \$52.8 million, and OPEB changes of assumptions of \$24.7 million, offset by an increase in net pension liability of \$100 million and an increase in net OPEB liability of \$63.3 million.

2022 Compared to 2021:

As of December 31, 2023, total liabilities and deferred inflows were \$874.8 million, an increase of \$33.3 million, or 4.5% compared to December 31, 2022. These increases are due to an increase in pension investment earnings experience of \$42.3 million, an increase in current liabilities payable from current assets of \$25 million, and an increase in OPEB investment earnings experience of \$21.1 million, partially offset by a decrease in OPEB changes of assumptions of \$24.7 million and a decrease in non-current liabilities of \$15.4 million. The decrease in non-current liabilities is due in part to a decrease in net OPEB liability of \$18.4 million.

Net Position

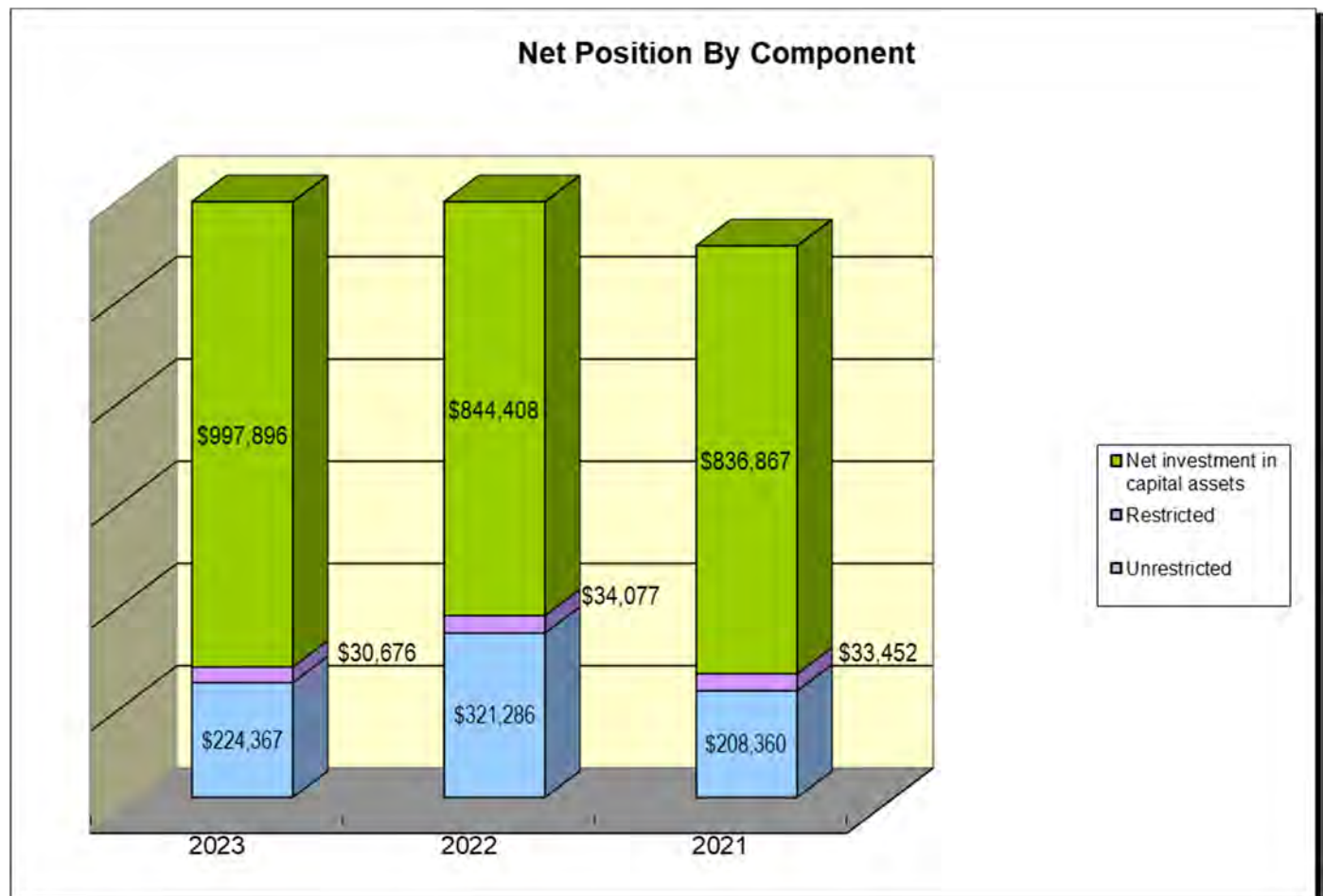
2023 Compared to 2022:

As of December 31, 2023, the Electric Division's total net position (total assets and deferred outflows of resources less total liabilities and deferred inflow of resources) was \$1.3 billion, an increase of \$53.2 million, or 4.4% compared to December 31, 2022. The increase was primarily due to an increase in net investment in capital assets of \$153.5 million, offset by a decrease of \$96.9 million in unrestricted net position. Eighty percent of the net position was related to net investment in capital assets.

2022 Compared to 2021:

As of December 31, 2022, the Electric Division's total net position (total assets and deferred outflows of resources less total liabilities and deferred inflow of resources) was \$1.2 billion, an increase of \$120.8 million, or 11.2% compared to December 31, 2021. The increase was primarily due to an increase in unrestricted net position of \$112.6 million and an increase in net investment in capital assets of \$7.5 million. Seventy percent of the net position was related to net investment in capital assets.

Figure 2: Electric Division's Net Position (in thousands):





Analysis of the Electric Division's Statements of Revenues, Expenses and Changes in Net Position

Condensed financial information comparing the Electric Division's revenues, expenses, and changes in net position for the past three fiscal years is presented below:

Table 2 Electric Division Condensed Statements of Revenues, Expenses and Changes in Net Position Years Ended December 31, 2023, 2022, and 2021 <i>(In Thousands)</i>					
	<u>2023</u>	<u>2022</u> As Restated	<u>FY23 - FY22</u> <u>Percentage</u> <u>Change</u>	<u>2021</u>	<u>FY22 - FY21</u> <u>Percentage</u> <u>Change</u>
Revenues:					
Operating revenues	\$ 1,381,531	\$ 1,491,580	-7.4%	\$ 1,312,820	13.6%
Non-operating revenues	56,356	42,548	32.5%	41,338	2.9%
Total revenues	<u>1,437,887</u>	<u>1,534,128</u>	<u>-6.3%</u>	<u>1,354,158</u>	<u>13.3%</u>
Expenses:					
Depreciation expense	64,222	63,277	1.5%	60,023	5.4%
Purchased power	1,050,251	1,151,829	-8.8%	985,215	16.9%
Other operating expense	225,376	147,503	52.8%	140,414	5.0%
Non-operating expense	9,317	9,664	-3.6%	9,844	-1.8%
Total expenses	<u>1,349,166</u>	<u>1,372,273</u>	<u>-1.7%</u>	<u>1,195,496</u>	<u>14.8%</u>
Income before contributions in aid of construction and transfers	88,721	161,855	-45.2%	158,662	2.0%
Contributions in aid of construction	14,234	31,940	-55.4%	18,218	75.3%
Reduction of plant costs recovered through contributions in aid of construction	(14,234)	(31,940)	55.4%	(18,218)	-75.3%
Transfers to City of Memphis	(35,553)	(40,763)	12.8%	(39,090)	-4.3%
Change in net position	<u>\$ 53,168</u>	<u>\$ 121,092</u>	<u>-56.1%</u>	<u>\$ 119,572</u>	<u>1.3%</u>
Net position, beginning of year	\$ 1,199,771	\$ 1,078,679	11.2%	\$ 959,107	12.5%
Change in net position	53,168	121,092	-56.1%	119,572	1.3%
Net position, end of year	<u>\$ 1,252,939</u>	<u>\$ 1,199,771</u>	<u>4.4%</u>	<u>\$ 1,078,679</u>	<u>11.2%</u>

Change in Net Position

2023 Compared to 2022:

The change in net position is \$53.2 million, down \$67.9 million from \$121.1 million at December 31, 2022. This decrease is primarily due to an increase in pension expense of \$55.4 million and an increase in other post employment benefits of \$16.6 million.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Continued)**



2022 Compared to 2021:

The change in net position is \$121 million, up \$1.5 million from \$119.6 million at December 31, 2021. This increase is primarily due to an increase in operating margin (operating revenue less power cost) of \$12.1 million, offset by an increase in operating expense of \$10.2 million.

Revenues

2023 Compared to 2022:

Total revenues were \$1.4 billion for fiscal year 2023, a decrease of \$96.2 million, or 6.3%, from fiscal year 2022. Operating revenues were \$1.36 billion in 2023, a decrease of \$110 million from 2022. The decrease in operating revenue is due primarily to a 3.5% decrease in sales volume and 16.9% lower TVA Fuel Cost Adjustment (FCA) rates.

2022 Compared to 2021:

Total revenues were \$1.53 billion for fiscal year 2022, an increase of \$180 million, or 13.3%, from fiscal year 2021. Operating revenues were \$1.49 billion in 2022, an increase \$178.8 million from 2021. The increase in operating revenue is due primarily to a 1.5% rate increase, effective January 2022, offset in part by a 0.05% decrease in sales volume. There was an increase in purchased power cost of \$166.6 million due to increased TVA Fuel Cost Adjustment (FCA) rates and an increase in purchases from TVA. Non-operating revenue increased \$1.2 million to \$42.5 million in 2022.

Expenses

2023 Compared to 2022:

For fiscal year 2023, total expenses were \$1.35 billion, a 1.7%, or \$23.1 million decrease from fiscal year 2022 total expenses. This decrease is primarily due to a decrease in purchased power of \$101.6 million, partially offset by an increase in other operating expense of \$77.8 million. Purchase power is down due to a decrease in purchase volume and lower TVA Fuel Cost Adjustment (FCA) rates.

2022 Compared to 2021:

For fiscal year 2022, total expenses were \$1.37 billion, a 14.8%, or \$176.8 million increase from fiscal year 2021 total expenses. This increase is primarily due to an increase in purchase power of \$166.6 million and an increase in other operating expense of \$10.2 million. Purchase power is up due to an increase in purchase volumes of 1.36% and higher fuel cost adjustments.



Contributions in aid of construction

2023 Compared to 2022:

Contributions in aid of construction ("CIAC") were \$14.2 million for fiscal year 2023, a decrease of \$17.7 million (55.4%) from fiscal year 2022. This decrease is mainly the result of a decrease in construction contributions of \$19.8 million, offset by an increase in donated easements of \$2.1 million.

2022 Compared to 2021:

Contributions in aid of construction ("CIAC") were \$31.9 million for fiscal year 2022, an increase of \$13.7 million (75.3%) from fiscal year 2021. This increase was mainly the result of increases in construction contributions of \$14.3 million, offset by decreases in cancelled contracts of \$0.61 million.

Transfers to the City of Memphis

2023 Compared to 2022:

MLGW's transfer to the City of Memphis is based on the formula provided by the May 29, 1987 TVA Power Contract Amendment (Supp. No. 8). The formula includes a maximum property tax equivalency calculation plus 4% of operating revenue less power costs (three-year average). Transfers to the City represent the Electric Division's in lieu of tax payment. The 2023 transfer decreased by \$5.2 million as a result of a reduction in the equalization ratio.

2022 Compared to 2021:

MLGW's transfer to the City of Memphis is based on the formula provided by the May 29, 1987 TVA Power Contract Amendment (Supp. No. 8). The formula includes a maximum property tax equivalency calculation plus 4% of operating revenue less power costs (three-year average). Transfers to the City represent the Electric Division's in lieu of tax payment. The 2022 transfer increased by \$1.7 million as a result of increases in the net plant investment and the three-year average revenues.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Continued)**



Analysis of the Gas Division's Statements of Net Position

Condensed financial information comparing the Gas Division's net position for the past three fiscal years is presented below:

Table 3 Gas Division Condensed Statements of Net Position December 31 <i>(In Thousands)</i>					
	<u>2023</u>	<u>2022</u> As Restated	<u>FY23 - FY22</u> Percentage Change	<u>2021</u>	<u>FY22 - FY21</u> Percentage Change
Current assets (excluding restricted funds)	\$ 280,101	\$ 282,742	-0.9%	\$ 222,204	27.2%
Restricted assets	43,778	62,080	-29.5%	75,040	-17.3%
Other assets	36,682	80,826	-54.6%	60,748	33.1%
Utility plant	391,863	393,636	-0.5%	400,700	-1.8%
Intangible assets - right of use assets (leases & subscriptions)	2,033	2,970	-31.5%	166	1689.2%
Total assets	754,457	822,254	-8.2%	758,858	8.4%
Deferred outflows of resources					
Employer pension contribution	4,709	4,816	-2.2%	5,566	-13.5%
Employer OPEB contribution	9,231	8,828	4.6%	8,639	2.2%
Pension liability experience	12,118	3,053	296.9%	2,549	19.8%
OPEB liability experience	3,078	4,283	-28.1%	2,635	62.5%
Pension changes of assumptions	6,167	7,709	-20.0%	-	-
OPEB changes of assumptions	4,733	5,917	-20.0%	-	-
Pension investment earnings experience	27,811	-	-	-	-
OPEB investment earnings experience	7,419	-	-	-	-
Total assets and deferred outflows	829,723	856,860	-3.2%	778,247	10.1%
Current liabilities payable from current assets	53,862	91,417	-41.1%	44,609	104.9%
Current liabilities payable from restricted assets	12,778	13,067	-2.2%	11,545	13.2%
Long-term debt	133,822	140,035	-4.4%	146,093	-4.1%
Non-current liabilities	99,889	38,726	157.9%	43,377	-10.7%
Total liabilities	300,351	283,245	6.0%	245,624	15.3%
Deferred inflows of resources					
Leases	18,571	15,431	20.3%	16,085	-4.1%
Pension liability experience	386	580	-33.4%	1,206	-51.9%
OPEB liability experience	1,663	867	91.8%	1,144	-24.2%
Pension changes of assumptions	13	20	-35.0%	27	-25.9%
OPEB changes of assumptions	3,571	13,038	-72.6%	22,505	-42.1%
Pension investment earnings experience	-	41,585	-	25,360	64.0%
OPEB investment earnings experience	-	20,259	-	12,164	66.5%
Accumulated decrease in fair value of hedging derivative instruments	29	2,297	-98.7%	9,245	-75.2%
Total liabilities and deferred inflows	324,584	377,322	-14.0%	333,360	13.2%
Net position:					
Net investment in capital assets	265,843	277,444	-4.2%	294,764	-5.9%
Restricted	13,789	15,215	-9.4%	15,151	0.4%
Unrestricted	225,507	186,879	20.7%	134,972	38.5%
Total Net position	\$ 505,139	\$ 479,538	5.3%	\$ 444,887	7.8%



Assets

2023 Compared to 2022:

As of December 31, 2023, total assets and deferred outflows were \$829.7 million, a decrease of \$27.2 million or 3.2%, compared to December 31, 2022. This decrease is due, in part, by decreases in other assets of \$47 million and restricted assets of \$18 million. Other assets decreased due to net pension asset – long term of \$46.2 million. Restricted assets decreased \$18.3 million due, in part, to the depletion of the Bond Series 2020 construction fund of \$15.7 million.

2022 Compared to 2021:

As of December 31, 2022, total assets and deferred outflows were \$856.9 million, an increase of \$78.6 million or 10.1%, compared to December 31, 2021. This increase is due, in part, to increases in current assets (excluding restricted funds) of \$63.3 million and other assets of \$20.1 million, offset, in part, by decreases in restricted assets of \$13 million and net utility plant of \$7.1 million. Current assets (excluding restricted funds) increased due to cash and cash equivalents of \$43.5 million and investments of \$21.7 million. Other assets increased due to net pension asset – long term of \$21.8 million. Restricted assets decreased \$13 million due, in part, to the depletion of the Bond Series 2020 construction fund of \$16 million.

Capital Assets and Construction Activities

2023 Compared to 2022:

The Gas Division's utility plant assets, net of accumulated depreciation were \$391.9 million as of December 31, 2023, a decrease of 0.5% over fiscal year 2022. During 2023, the Gas Division expended \$22.7 million on construction activities and equipment purchases, an increase of \$4.7 million or 25.9% compared to fiscal year 2022. Major Gas Division expenditures include extensions to serve new customers (4.4 million), the purchase of transportation equipment (\$5.0 million), gas main service replacement (\$4.8 million), the purchase of gas meters (\$3.6 million), routine maintenance of the gas distribution system (\$5.0 million), and street improvements (\$1.0 million), LNG facility upgrades (\$0.2 million), building upgrades (\$0.8 million) and additional in general plant purchases (\$0.08 million) in addition to contributions in aid of construction (\$2.2 million).

2022 Compared to 2021:

The Gas Division's utility plant assets, net of accumulated depreciation, were \$393.6 million as of December 31, 2022, a decrease of 1.8% under fiscal year 2021. During 2022, the Gas Division expended \$18.0 million on construction activities and equipment purchases, an increase of \$3.5 million or 24.5% compared to fiscal year 2021. Major Gas Division expenditures include extensions to serve new customers (\$3.8 million), purchase of transportation equipment (\$3.5 million), gas main service replacement (\$4.3 million), building upgrades (\$2.6 million), transmission pipeline improvements (\$1.9 million), routine distribution system maintenance (\$5.5 million), LNG facility upgrades and additional general plant purchases (\$0.4 million) in addition to contributions in aid of construction (\$4.1 million).



Liabilities

2023 Compared to 2022:

At December 31, 2023, total liabilities and deferred inflows were \$324.6 million, representing an decrease of \$52.7 million, or 14%, compared to \$377.3 million at December 31, 2022. This decrease is due, in part, to the decreases current liabilities payable from current assets of \$37.6 million, OPEB changes of assumption of \$9.5 million, pension investment earnings experience of \$9.3 million, long-term debt of \$6.2 million, OPEB investment earnings experience of \$5.0 and accumulated decrease in fair value of hedging derivative instruments of \$2.3 million, offset by increases in non-current liabilities of \$22.8 million.

2022 Compared to 2021:

At December 31, 2022, total liabilities and deferred inflows were \$377.3 million, representing an increase of \$44.1 million, or 13.2%, compared to \$333.4 million at December 31, 2021. This increase is due, in part, to the increases current liabilities payable from current assets of \$46.9 million and pension investment earnings experience of \$16.2 million, offset by decreases in non-current liabilities of \$5.6 million and OPEB changes of assumptions of \$9.5 million.

Net Position

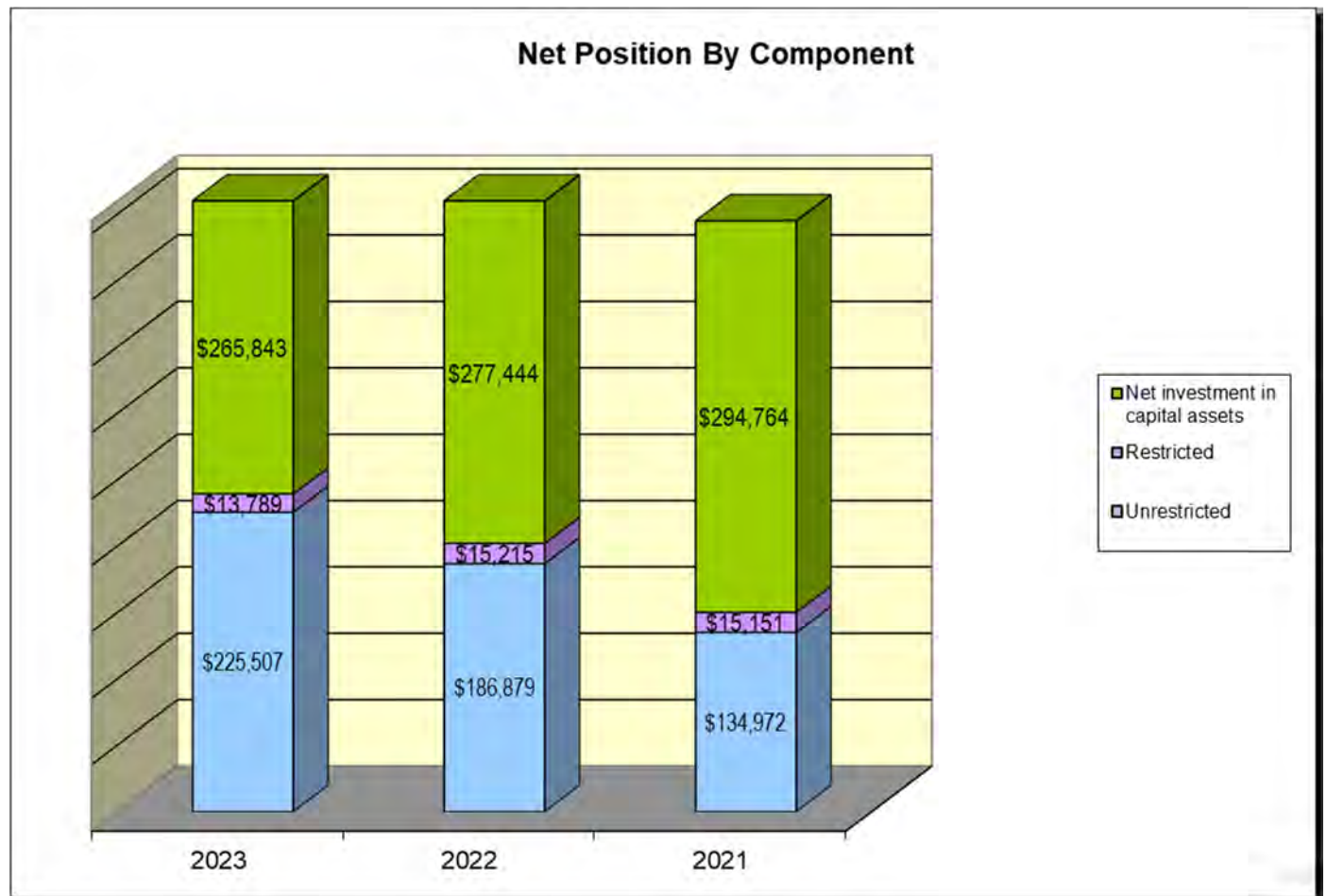
2023 Compared to 2022:

As of December 31, 2023, the Gas Division's total net position (total assets and deferred outflows of resources less total liabilities and deferred inflows of resources) was \$505.1 million, an increase of \$25.6 million, or 5.3%, from December 31, 2022. The increase is due primarily to an increase in unrestricted of \$38.6 million, offset by a decrease in net investments in capital assets of \$23.2 million. Fifty percent of the net position was related to net investment in capital assets.

2022 Compared to 2021:

As of December 31, 2022, the Gas Division's total net position (total assets and deferred outflows of resources less total liabilities and deferred inflows of resources) was \$479.5 million, an increase of \$34.7 million, or 7.8%, from December 31, 2021. The increase is due primarily to an increase in unrestricted of \$51.8 million, offset by a decrease in net investments in capital assets of \$11.6 million. Fifty-eight percent of the net position was related to net investment in capital assets.

Figure 3: Gas Division's Net Position (in thousands):





Analysis of the Gas Division's Statements of Revenues, Expenses and Changes in Net Position

Condensed financial information comparing the Gas Division's revenues, expenses, and changes in net position for the past three fiscal years is presented below:

Table 4 Gas Division Condensed Statements of Revenues, Expenses and Changes in Net Position Years Ended December 31, 2023, 2022, and 2021 <i>(In Thousands)</i>					
	<u>2023</u>	<u>2022</u> As Restated	<u>FY23 - FY22</u> <u>Percentage</u> <u>Change</u>	<u>2021</u>	<u>FY22 - FY21</u> <u>Percentage</u> <u>Change</u>
Revenues:					
Sales, service and other operating revenues	\$ 240,885	\$ 333,373	-27.7%	\$ 281,189	18.6%
Transported gas revenue	16,175	12,891	25.5%	13,920	-7.4%
Non-operating revenues	10,763	(1,292)	933.0%	682	-289.4%
Total revenues	<u>267,823</u>	<u>344,972</u>	<u>-22.4%</u>	<u>295,791</u>	<u>16.6%</u>
Expenses:					
Depreciation expense	25,203	24,775	1.7%	23,327	6.2%
Purchased gas	104,449	197,956	-47.2%	151,669	30.5%
Other operating expense	93,772	65,956	42.2%	67,353	-2.1%
Non-operating expense	3,873	3,954	-2.0%	4,053	-2.4%
Total expenses	<u>227,297</u>	<u>292,641</u>	<u>-22.3%</u>	<u>246,402</u>	<u>18.8%</u>
Income before contributions in aid of construction and transfers	40,526	52,331	-22.6%	49,389	6.0%
Contributions in aid of construction	4,220	5,465	-22.8%	2,025	169.9%
Reduction of plant costs recovered through contributions in aid of construction	(4,220)	(5,465)	22.8%	(2,025)	-169.9%
Transfers to City of Memphis	(14,925)	(17,680)	15.6%	(18,006)	1.8%
Change in net position	<u>\$ 25,601</u>	<u>\$ 34,651</u>	<u>-26.1%</u>	<u>\$ 31,383</u>	<u>10.4%</u>
Net position, beginning of year	\$ 479,538	\$ 444,887	7.8%	\$ 413,504	7.6%
Change in net position	25,601	34,651	-26.1%	31,383	10.4%
Net position, end of year	<u>\$ 505,139</u>	<u>\$ 479,538</u>	<u>5.3%</u>	<u>\$ 444,887</u>	<u>7.8%</u>



Change in Net Position

2023 Compared to 2022:

The change in net position is \$25.6 million, down \$9.1 million from December 31, 2022. This decrease is primarily due to an decrease in total revenue of \$77.1 million, a decrease in total expenses of \$65.3 million, and a decrease of transfers to City of Memphis of \$17.7 million.

2022 Compared to 2021:

The change in net position is \$34.7 million, up \$3.3 million from December 31, 2021. This increase is primarily due to an increase in operating margin (operating revenue less gas cost) of \$4.9 million and a decrease in non-operating revenues of \$2 million.

Revenues

2023 Compared to 2022:

Total revenues were \$267.8 million for fiscal year 2023, a decrease of \$77.1 million or 22.4% from fiscal year 2022. Sales, service, and other operating revenues were \$240.9 million, a decrease of \$92.5 million, or 27.7%, from 2022 due to lower natural gas prices and lower sales volume. Purchased gas cost decreased \$93.5 million, or 47.2% due to a decrease in natural gas purchases and lower gas cost per unit. Transported gas revenues increased \$3.3 million, or 25.5%, and non-operating revenue increased \$12.1 million, compared to fiscal year 2022.

2022 Compared to 2021:

Total revenues were \$345.0 million for fiscal year 2022, an increase of \$49.2 million or 16.6% from fiscal year 2021. Sales, service, and other operating revenues were \$333.4 million, an increase of \$52.2 million, or 18.6%, from 2021 due to higher natural gas prices and a 2% gas rate increase, effective January 2022, partially offset by a 4.41% decrease in sales volume. Purchased gas cost increased \$46.3 million, or 30.5% due to an increase in natural gas purchases and higher gas cost per unit. Transported gas revenues decreased \$1 million, or 7.4%, and non-operating revenue decreased \$2.0 million, compared to fiscal year 2021.

Expenses

2023 Compared to 2022:

For fiscal year 2023, total expenses were \$227.3 million as of December 31, 2023, a decrease of \$65.3 million, 22.3%, from fiscal year 2022 expenses of \$292.6 million. Purchased gas cost was \$104.4 million, down 47.2%, or \$93.5 million December 31, 2022, as a result of lower natural gas purchases and lower gas cost per unit. Other operating expense was \$122.9 million as of December 31, 2023, an increase of \$28.2 million.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Continued)**



2022 Compared to 2021:

For fiscal year 2023, total expenses were \$292.6 million as of December 31, 2023, a decrease of \$46.2 million, 18.7%, from fiscal year 2022 expenses of \$292.6 million. Purchased gas cost was \$104.4 million, down 47.2%, or \$93.5 million December 31, 2022, as a result of lower natural gas purchases and lower gas cost per unit. Other operating expense was \$108.7 million as of December 31, 2023, an increase of \$42.8 million. Depreciation expense was \$25.2 million as of December 31, 2023, up \$0.4 million, or 1.7%, from December 31, 2022. Non-operating expense was \$3.9 million as of December 31, 2023, a decrease of \$0.1 million, or 2.0%, from December 31, 2022.

Contributions in aid of construction

2023 Compared to 2022:

Contributions in aid of construction ("CIAC") were \$4.2 million for fiscal year 2023, a decrease of \$1.2 million (22.8%) from fiscal year 2022. This decrease was mainly the result of a decrease in construction contributions of \$2.7 million, offset by an increase in donated easements of \$1.5 million.

2022 Compared to 2021:

Contributions in aid of construction ("CIAC") were \$5.5 million for fiscal year 2022, an increase of \$3.4 million (169.9%) from fiscal year 2021. This increase was mainly the result of increases in construction contributions of \$3.4 million.

Transfers to the City of Memphis

2023 Compared to 2022:

MLGW's transfer to the City of Memphis is based on the formula provided by the State of Tennessee Municipal Gas System Tax Equivalent Law of 1987. The formula includes a maximum property tax equivalency calculation plus 4% of operating revenue less power costs (three-year average). Transfers to the City represent the Gas Division's in lieu of tax payment. Transfers to the City represent the Gas Division's in lieu of tax payment. The 2023 transfer decreased by \$2.8 million as a result of a decrease in the net plant investment coupled with a reduction in the equalization ratio.

2022 Compared to 2021:

MLGW's transfer to the City of Memphis is based on the formula provided by the State of Tennessee Municipal Gas System Tax Equivalent Law of 1987. The formula includes a maximum property tax equivalency calculation plus 4% of operating revenue less power costs (three-year average). Transfers to the City represent the Gas Division's in lieu of tax payment. Transfers to the City represent the Gas Division's in lieu of tax payment. The 2022 transfer decreased by \$0.3 million as a result of a decrease in the net plant investment.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Continued)**



Analysis of the Water Division's Statements of Net Position

Condensed financial information comparing the Water Division's net position for the past three fiscal years is presented below:

Table 5 Water Division Condensed Statements of Net Position December 31 <i>(In Thousands)</i>					
	<u>2023</u>	<u>2022</u> As Restated	<u>FY23 - FY22</u> <u>Percentage</u> <u>Change</u>	<u>2021</u>	<u>FY22 - FY21</u> <u>Percentage</u> <u>Change</u>
Current assets (excluding restricted assets)	\$ 171,464	\$ 143,736	19.3%	\$ 109,199	31.6%
Restricted assets	20,354	39,391	-48.3%	63,696	-38.2%
Other assets	7,667	41,701	-81.6%	26,465	57.6%
Utility plant	396,142	377,761	4.9%	362,206	4.3%
Intangible assets - right of use assets (leases & subscriptions)	1,535	2,218	-30.8%	123	1703.3%
Total assets	597,162	604,807	-1.3%	561,689	7.7%
Deferred outflows of resources					
Employer pension contribution	3,481	3,560	-2.2%	4,114	-13.5%
Employer OPEB contribution	6,823	6,525	4.6%	6,386	2.2%
Pension liability experience	8,957	2,257	296.9%	1,884	19.8%
OPEB liability experience	2,275	3,166	-28.1%	1,948	62.5%
Pension changes of assumptions	4,558	5,698	-20.0%	-	
OPEB changes of assumptions	3,498	4,373	-20.0%	-	
Pension investment earnings experience	20,556	-		-	
OPEB investment earnings experience	5,484	-		-	
Total assets and deferred outflows	652,794	630,386	3.6%	576,021	9.4%
Current liabilities payable from current assets	30,436	24,494	24.3%	23,178	5.7%
Current liabilities payable from restricted assets	5,927	6,785	-12.6%	6,292	7.8%
Long-term debt	123,453	128,982	-4.3%	134,369	-4.0%
Non-current liabilities	72,110	25,825	179.2%	30,154	-14.4%
Total liabilities	231,926	186,086	24.6%	193,993	-4.1%
Deferred inflows of resources					
Leases	1,804	1,032	74.8%	1,274	-19.0%
Pension liability experience	286	428	-33.2%	891	-52.0%
OPEB liability experience	1,229	641	91.7%	846	-24.2%
Pension changes of assumptions	10	15	-33.3%	20	-25.0%
OPEB changes of assumptions	2,640	9,637	-72.6%	16,634	-42.1%
Pension investment earnings experience	-	30,737		18,745	64.0%
OPEB investment earnings experience	-	14,974		8,991	66.5%
Total liabilities and deferred inflows	237,895	243,550	-2.3%	241,394	0.9%
Net position:					
Net investment in capital assets	269,068	263,392	2.2%	267,863	-1.7%
Restricted	12,529	12,651	-1.0%	12,461	1.5%
Unrestricted	133,302	110,793	20.3%	54,303	104.0%
Total Net position	\$ 414,899	\$ 386,836	7.3%	\$ 334,627	15.6%



Assets

2023 Compared to 2022:

As of December 31, 2023, total assets and deferred outflows were \$652.8 million, an increase of \$22.4 million compared to December 31, 2022. The increase is due to increases in pension investment earnings experience of \$20.6 million, and net utility plant of \$18.4 million. The increases were offset by a decrease net pension assets – long term of \$34 million and a decrease in restricted assets of \$19 million due to the drawdown of proceeds related to the Series 2020 Bonds

2022 Compared to 2021:

As of December 31, 2022, total assets and deferred outflows were \$630.4 million, an increase of \$54.4 million compared to December 31, 2021. The increase is due, in part, to an increase in current assets of \$34.5 million, an increase in net utility plant of \$15.6 million, and an increase in other assets of \$15.2 million, offset in part by a decrease in restricted assets of \$24.3 million due to the drawdown of proceeds related to the Series 2020 Bonds.

Capital Assets and Construction Activities

2023 Compared to 2022:

The Water Division's utility plant assets, net of accumulated depreciation were \$396.1 million as of December 31, 2023, an increase of 4.9% over fiscal year 2022. During 2023, the Water Division expended \$30.5 million on construction activities and equipment purchases, an increase of \$3.2 million or 11.8 % compared to fiscal year 2022. Major Water Division construction expenditures include routine maintenance of the water distribution system (\$9.0 million), extensions to serve new customers (\$5.0 million), rehabilitation of pumping station (\$7.7 million), new water main and lead replacement (\$3.2 million), production wells rehabilitation (\$2.9 million), street improvements (\$2.6 million), the purchase of water meters (\$1.4 million), maintenance of the production system (\$0.8 million), purchase of transportation equipment (\$0.6 million), underground reservoir upgrades (\$0.4 million), additional general plant upgrades (\$0.05), in addition to contributions in aid of construction (\$3.3 million).

2022 Compared to 2021:

The Water Division's utility plant assets, net of accumulated depreciation, were \$377.8 million as of December 31, 2022, an increase of 4.3% over fiscal year 2021. During 2022, the Water Division expended \$27.2 million on construction activities and equipment purchases, an increase of \$7.9 million or 41.1% compared to fiscal year 2021. Major Water Division construction expenditures include extensions to serve new customers (\$5.8 million), routine maintenance of the distribution system (\$9.4 million), rehabilitation of pumping stations (\$5.2 million), new water main and lead pipe replacement (\$2.8 million), underground storage reservoir upgrades (\$2.6 million), street improvements (\$1.6 million), production well rehabilitation (\$1.4 million), building upgrades (\$1.1 million), and maintenance of production system and general plant purchases (\$1.3 million) in addition to contributions in aid of construction (\$4.0 million).



Liabilities

2023 Compared to 2022:

As of December 31, 2023, total liabilities and deferred inflows were \$237.9 million, representing a decrease of \$5.7 million, or 2.3%, compared to December 31, 2022. This decrease is primarily due decreases in OPEB changes of assumptions of \$7 million, OPEB investment earnings experience of \$15 million, and pension investment earnings experience of \$30.7 million, offset by increases in subscription liability – long term of \$28.4 million and net pension liability of \$18 million.

2022 Compared to 2021:

As of December 31, 2022, total liabilities and deferred inflows were \$243.6 million, representing an increase of \$2.2 million, or 0.9%, compared to December 31, 2021. This increase is due primarily due to an increase in pension investment earnings of \$12 million and an increase in OPEB investment earnings of \$6 million, offset in part by a decrease in OPEB changes in assumptions of \$7 million, and a decrease in long-term debt of \$5.4 million due to the principal payments made during the year.

Net Position

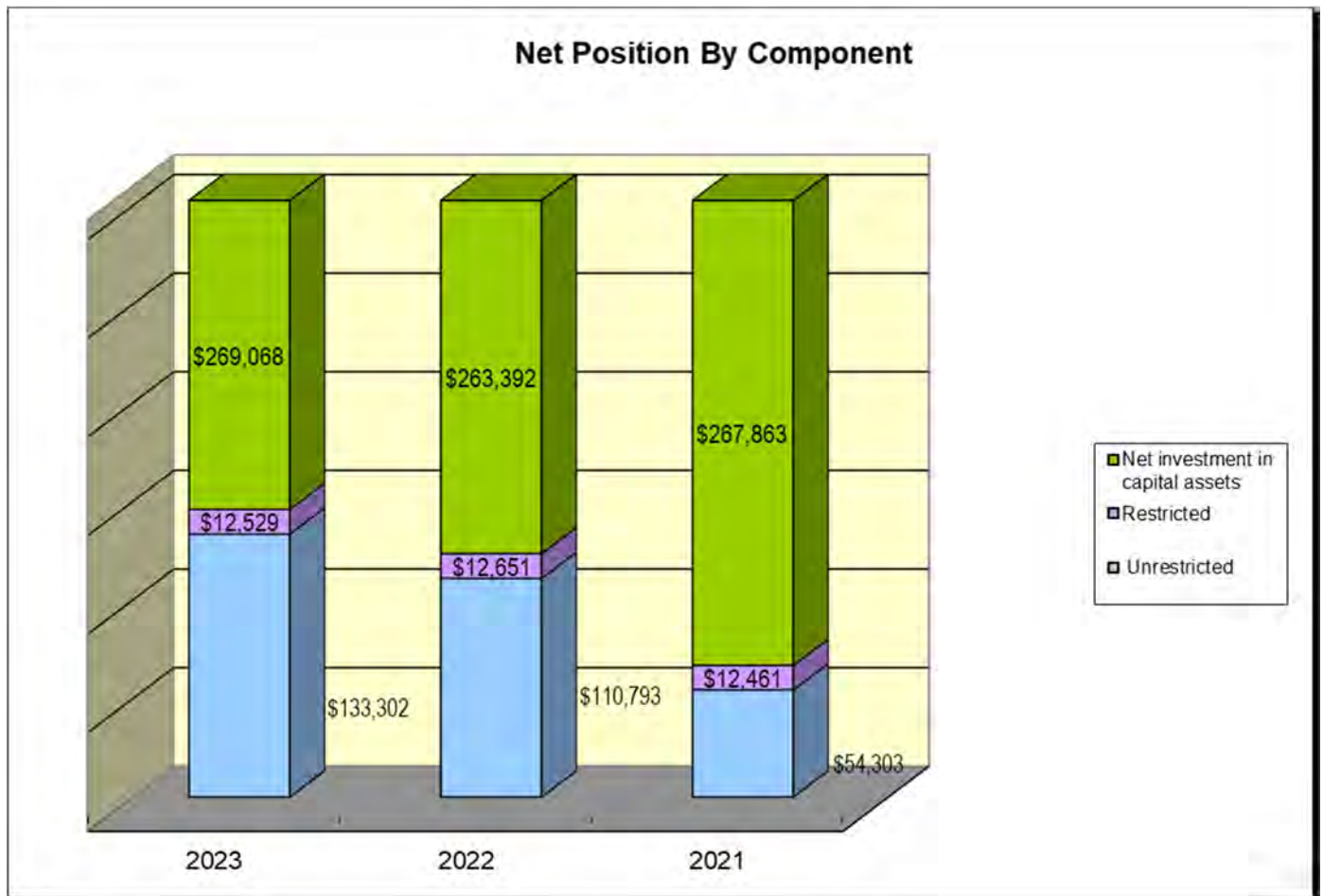
2023 Compared to 2022:

As of December 31, 2023, the Water Division's total net position (total assets and deferred outflows of resources less total liabilities and deferred inflows of resources) was \$414.9 million, an increase of \$28.1 million, or 7.3%, from December 31, 2022. The increase is due primarily to an increase in unrestricted net position of \$22.5 million and an increase in net investment in capital assets of \$5.7 million, partially offset by a decrease in restricted net position of \$0.1 million. Sixty five percent of the net position was related to net investment in capital assets.

2022 Compared to 2021:

As of December 31, 2022, the Water Division's total net position (total assets and deferred outflows of resources less total liabilities and deferred inflows of resources) was \$386.7 million, an increase of \$52.1 million, or 15.6%, from December 31, 2021. The increase is due primarily to an increase in unrestricted net position of \$56.4 million and an increase in restricted net position of \$0.2 million, partially offset by a decrease in net investment in capital assets of \$4.5 million. Sixty eight percent of the net position was related to net investment in capital assets.

Figure 4: Water Division's Net Position (in thousands):





Analysis of the Water Division's Statements of Revenues, Expenses and Changes in Net Position

Condensed financial information comparing the Water Division's revenues, expenses, and changes in net position for the past three fiscal years is presented below:

Table 6 Water Division Condensed Statements of Revenues, Expenses and Changes in Net Position Years Ended December 31, 2023, 2022, and 2021 <i>(In Thousands)</i>					
	<u>2023</u>	<u>2022</u> As Restated	<u>FY23 - FY22</u> Percentage Change	<u>2021</u>	<u>FY22 - FY21</u> Percentage Change
Revenues:					
Operating revenues	\$ 130,636	\$ 134,854	-3.1%	\$ 126,145	6.9%
Non-operating revenues	7,903	1,803	338.3%	1,118	61.3%
Total revenues	<u>138,539</u>	<u>136,657</u>	<u>1.4%</u>	<u>127,263</u>	<u>7.4%</u>
Expenses:					
Depreciation expense	12,911	12,497	3.3%	11,578	7.9%
Other operating expense	89,460	63,871	40.1%	62,431	2.3%
Non-operating expense	3,505	3,580	-2.1%	3,652	-2.0%
Total expenses	<u>105,876</u>	<u>79,948</u>	<u>32.4%</u>	<u>77,661</u>	<u>2.9%</u>
Income before contributions in aid of construction and transfers	32,663	56,709	-42.4%	49,602	14.3%
Contributions in aid of construction	4,638	4,364	6.3%	3,928	11.1%
Reduction of plant costs recovered through contributions in aid of construction	(4,638)	(4,364)	-6.3%	(3,928)	-11.1%
Transfers to City of Memphis	(4,600)	(4,500)	-2.2%	(4,500)	0.0%
Change in net position	<u>\$ 28,063</u>	<u>\$ 52,209</u>	<u>-46.2%</u>	<u>\$ 45,102</u>	<u>15.8%</u>
Net position, beginning of year	\$ 386,836	\$ 334,627	15.6%	\$ 289,525	15.6%
Change in net position	28,063	52,209	-46.2%	45,102	15.8%
Net position, end of year	<u>\$ 414,899</u>	<u>\$ 386,836</u>	<u>7.3%</u>	<u>\$ 334,627</u>	<u>15.6%</u>

Change in Net Position

2023 Compared to 2022:

As of December 31, 2023, the change in net position is \$28.1 million, down \$24.1 million from \$52.2 million at December 31, 2022. This decrease is due to an increase in other operating expenses of \$30.2 million, offset by an decrease in operating revenues of \$4.2 million.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Continued)**



2022 Compared to 2021:

As of December 31, 2022, the change in net position is \$52.2 million, up \$7.1 million from \$45.1 million at December 31, 2021. This increase is due to an increase in operating revenues of \$8.7 million, offset by an increase in other operating expenses of \$1.4 million.

Revenues

2023 Compared to 2022:

Total revenues were \$138.5 million for fiscal year 2023, an increase of \$1.9 million compared to fiscal year 2022. This increase is due to an increase in non-operating income of \$6.1 million due primarily to an increase in investment and other income of \$6.1 million, offset by an decrease in operating revenues of \$4.2 million.

2022 Compared to 2021:

Total revenues were \$136.7 million for fiscal year 2022, an increase of \$9.4 million compared to fiscal year 2021. This increase is due to an increase in sales and service revenues of \$8.7 million due primarily to an overall 5.00% retail rate increase implemented in January 2022 and an increase in non-operating revenues of \$0.7 million.

Expenses

2023 Compared to 2022:

As of December 31, 2023, total expenses for the Water Division were \$105.9 million, an increase of \$25.9 million, or 32.4%, compared to fiscal year 2022. The increase due to an increase in other operating expense of \$25.6 million.

2022 Compared to 2021:

As of December 31, 2022, total expenses for the Water Division were \$79.9 million, an increase of \$2.3 million, or 2.9%, compared to fiscal year 2021. This resulted from an increase in other operating expense of \$1.4 million and an increase in depreciation expense of \$1.9 million, offset by a decrease in non-operating expense of \$0.1 million.



Contributions in aid of construction

2023 Compared to 2022:

Contributions in aid of construction ("CIAC") were \$4.6 million for fiscal year 2023, an increase of \$0.3 million (6.3%) from fiscal year 2022. This increase was mainly the result of an increase in donated easements of \$1.2 million, offset by a decrease in construction contributions of \$0.9 million.

2022 Compared to 2021:

Contributions in aid of construction ("CIAC") were \$4.4 million for fiscal year 2022, an increase of \$0.4 million (11.1%) from fiscal year 2021. This increase was mainly the result of increases in construction contribution of \$0.41 million and donated easements of \$0.03 million.

Transfers to the City of Memphis

2023 Compared to 2022:

The Water Division through an agreement with the City, transfers a payment in the amount of \$2.5 million per year. The agreement is effective through the year 2028. The City directed MLGW's Water Division to pay an additional \$2,000, \$2,100, \$2,200, and \$2,300 to the City's general fund for each of MLGW's fiscal years 2022, 2023, 2024, and 2025, respectively, on or about April 30th of said years. MLGW is to continue to make incremental water payments for fiscal years after 2025 at the same \$2,300 level unless the City directs otherwise.

2022 Compared to 2021:

The Water Division through an agreement with the City, transfers a payment in the amount of \$2.5 million per year. The agreement is effective through the year 2028. During 2021, the Water Division was authorized and directed by City Council, per City Resolution, to make additional transfer payments of \$2.0 million, \$2.0 million, \$2.1 million, \$2.2 million, and \$2.3 million for fiscal years 2021, 2022, 2023, 2024, and 2025, respectively. For fiscal years after 2025, the Water Division shall continue additional transfer payments of \$2.3 million per year unless otherwise directed by the City, per City Resolution.

Economic Factors

MLGW serves the City of Memphis and the Shelby County area that, according to the most recent Census data (July 2023), has a population of 910,042. The unemployment rate within the City of Memphis was 4.0% at December 31, 2023.

Inflationary trends in the region are comparable to national indices.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Continued)**



Additional Financial Information

This discussion is designed to provide MLGW's customers, investors, and other interested parties with a general overview of the financial position and results of operations. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Manager of General Accounting, Memphis Light, Gas and Water Division, P.O. Box 430, Memphis, TN 38101, or call 901-528-4221.



Financial Statements

Required and Supplemental Information

Memphis Light, Gas and Water Division
Years ended December 31, 2023 and 2022
with Independent Auditors' Report

STATEMENTS OF NET POSITION
DECEMBER 31, 2023 AND 2022
(Dollars in Thousands)



	Electric Division		Gas Division		Water Division	
	2023	2022	2023	2022	2023	2022
		As Restated		As Restated		As Restated
Assets						
Current assets:						
Cash and cash equivalents	\$ 91,585	\$ 231,031	\$ 115,082	\$ 131,041	\$ 72,616	\$ 73,866
Investments	64,665	103,335	79,480	56,623	51,510	33,084
Derivative instruments	-	-	29	2,297	-	-
Restricted funds - current	37,211	41,724	27,530	45,491	10,073	29,528
Accrued interest receivable	-	-	216	315	-	-
Accounts receivable - MLGW services (less allowance for doubtful accounts)	121,039	90,760	28,842	31,801	14,420	10,881
Accounts receivable - billing on behalf of other entities	-	-	14,112	11,942	18,839	10,550
Accounts receivable - Other Industrial Gas	-	-	2,461	4,292	-	-
Lease receivable - current	478	648	483	427	169	166
Unbilled revenues	56,008	60,551	13,485	18,291	4,305	6,420
Unbilled revenues - Other Industrial Gas	-	-	1,294	2,532	-	-
Unrecovered purchased power/gas cost	6,916	3,279	-	-	-	-
Gas stored - LNG	-	-	2,424	7,211	-	-
Inventories	103,681	73,948	17,019	12,460	7,793	5,828
Prepayment - insurance	-	-	1,267	1,015	-	-
Prepayment - City of Memphis pavement replacement permits	-	-	25	-	-	-
Unamortized debt expense - current	153	161	76	79	80	84
Meter replacement - current	1,249	1,227	1,477	1,464	481	479
LED Retrofit - current	544	-	-	-	-	-
Other current assets	5,981	3,676	2,329	952	1,251	2,378
Total current assets	489,510	610,340	307,631	328,233	181,537	173,264
Non-current assets:						
Restricted funds:						
Insurance reserves - injuries and damages	6,143	4,933	5,228	4,893	1,475	1,745
Insurance reserves - casualties and general	23,728	22,890	10,645	10,137	8,382	7,882
Medical benefits	15,280	21,348	6,970	9,738	4,557	6,367
Customer deposits	35,310	34,491	8,519	9,163	3,112	3,249
Interest fund - revenue bonds - series 2014	86	98	-	-	31	33
Interest fund - revenue bonds - series 2016	114	120	114	120	59	62
Interest fund - revenue bonds - series 2017	251	264	123	129	66	68
Interest fund - revenue bonds - series 2020A	476	483	202	206	211	214
Interest fund - revenue refunding bonds - series 2020B	41	41	-	-	-	-
Sinking fund - revenue bonds - series 2014	289	271	-	-	62	58
Sinking fund - revenue bonds - series 2016	149	140	149	140	118	113
Sinking fund - revenue bonds - series 2017	324	304	142	133	91	86
Sinking fund - revenue bonds - series 2020A	247	232	105	99	115	108
Sinking fund - revenue refunding bonds - series 2020B	40	39	-	-	-	-
Construction fund - revenue bonds - series 2020A	-	-	11,581	27,322	-	17,973
Groundwater reserve fund	-	-	-	-	2,075	1,433
Total restricted funds	82,478	85,654	43,778	62,080	20,354	39,391
Less restricted funds - current	(37,211)	(41,724)	(27,530)	(45,491)	(10,073)	(29,528)
Restricted funds - non-current	45,267	43,930	16,248	16,589	10,281	9,863

See accompanying notes.

STATEMENTS OF NET POSITION
DECEMBER 31, 2023 AND 2022
(Dollars in Thousands)
(Continued)



	Electric Division		Gas Division		Water Division	
	2023	2022	2023	2022	2023	2022
	As Restated		As Restated		As Restated	
Other assets:						
Prepayment - in lieu of taxes	1,598	1,612	36	37	-	-
Unamortized debt expense	1,320	1,473	700	776	724	805
Notes receivable	-	-	-	-	1,243	1,337
Lease receivable - long term	6,383	3,735	18,914	15,505	1,633	903
Meter replacement - long term	12,951	13,922	17,032	18,330	4,067	4,524
LED Retrofit - long term	8,936	-	-	-	-	-
Net pension asset - long term	-	120,464	-	46,178	-	34,132
Total other assets	31,188	141,206	36,682	80,826	7,667	41,701
Utility plant						
Plant in service	2,318,963	2,141,870	824,818	804,827	645,908	618,929
Plant held for future use	-	-	212	212	-	-
Non-utility plant	15,345	15,345	200	200	-	-
Total utility plant	2,334,308	2,157,215	825,230	805,239	645,908	618,929
Less accumulated depreciation & amortization	(1,014,158)	(976,296)	(433,367)	(411,603)	(249,766)	(241,168)
Utility plant, net	1,320,150	1,180,919	391,863	393,636	396,142	377,761
Intangible assets - leases & subscriptions						
Right of use assets	13,221	12,061	5,496	4,976	4,056	3,671
Less accumulated amortization	(8,370)	(5,052)	(3,463)	(2,006)	(2,521)	(1,453)
Intangible assets, net	4,851	7,009	2,033	2,970	1,535	2,218
Total non-current assets	1,401,456	1,373,064	446,826	494,021	415,625	431,543
Total assets	1,890,966	1,983,404	754,457	822,254	597,162	604,807
Deferred outflows of resources						
Unamortized balance of refunded debt	643	861	-	-	-	-
Employer pension contribution	12,284	12,565	4,709	4,816	3,481	3,560
Employer OPEB contribution	24,082	23,029	9,231	8,828	6,823	6,525
Pension liability experience	31,613	7,965	12,118	3,053	8,957	2,257
OPEB liability experience	8,030	11,173	3,078	4,283	2,275	3,166
Pension changes of assumptions	16,088	20,110	6,167	7,709	4,558	5,698
OPEB changes of assumptions	12,348	15,435	4,733	5,917	3,498	4,373
Pension investment earnings experience	72,551	-	27,811	-	20,556	-
OPEB investment earnings experience	19,355	-	7,419	-	5,484	-
Total deferred outflows of resources	196,994	91,138	75,266	34,606	55,632	25,579
Total assets and deferred outflows of resources	\$ 2,087,960	\$ 2,074,542	\$ 829,723	\$ 856,860	\$ 652,794	\$ 630,386

See accompanying notes.

STATEMENTS OF NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Dollars in Thousands)
(Continued)



	Electric Division		Gas Division		Water Division	
	2023	2022	2023	2022	2023	2022
	As Restated		As Restated		As Restated	
Liabilities						
Current liabilities:						
Accounts payable - purchased power and gas	\$ 135,212	\$ 153,539	\$ 17,838	\$ 41,863	\$ -	\$ -
Accounts payable - other payables and liabilities	44,351	30,136	9,569	7,341	10,002	6,690
Accounts payable - recovered gas cost due to customers	-	-	7,141	22,908	-	-
Accounts payable - billing on behalf of other entities	-	-	10,405	9,879	12,900	9,945
Accrued vacation	10,960	10,650	4,142	4,093	3,013	2,955
Bonds payable	10,996	10,505	4,158	3,963	4,039	3,886
Lease liability - current	75	229	29	74	21	55
Subscription liability - current	1,312	2,923	580	1,296	461	963
Total current liabilities payable from current assets	202,906	207,982	53,862	91,417	30,436	24,494
Current liabilities payable from restricted assets:						
Insurance reserves - injuries and damages	6,143	4,933	5,228	4,893	1,475	1,745
Medical benefits	8,333	10,161	3,801	4,635	2,485	3,030
Customer deposits	13,771	13,451	2,914	2,712	1,214	1,267
Bonds payable - accrued interest	968	1,006	439	455	367	378
Bonds payable - principal	1,049	986	396	372	386	365
Total current liabilities payable from restricted assets	30,264	30,537	12,778	13,067	5,927	6,785
Total current liabilities	233,170	238,519	66,640	104,484	36,363	31,279
Non-current liabilities:						
Customer advances for construction	-	13	-	-	-	-
Customer deposits	21,539	21,040	5,605	6,451	1,898	1,982
LNG deposits	-	-	25	25	-	-
Reserve for unused sick leave	7,375	7,655	3,018	3,154	2,049	2,024
Revenue bonds - series 2014	19,130	22,445	-	-	8,785	9,500
Revenue bonds - series 2016	28,235	29,950	28,235	29,950	20,135	21,490
Revenue bonds - series 2017	67,285	71,005	30,045	31,675	18,360	19,400
Revenue bonds - series 2020A	137,355	140,195	58,470	59,680	63,065	64,380
Revenue refunding bonds - series 2020B	27,200	27,655	-	-	-	-
Unamortized debt premium	33,121	36,267	17,072	18,730	13,108	14,212
Lease liability - long term	-	50	-	19	-	14
Subscription liability - long term	1,225	2,339	470	972	347	749
Net pension liability	100,132	-	38,384	-	28,371	-
Net OPEB liability	136,011	72,662	52,137	27,854	38,536	20,588
Other	1,574	1,573	250	250	909	468
Total non-current liabilities	580,182	432,849	233,711	178,761	195,563	154,807
Total liabilities	813,352	671,368	300,351	283,245	231,926	186,086
Deferred inflows of resources						
Leases	6,972	4,233	18,571	15,431	1,804	1,032
Pension liability experience	1,008	1,512	386	580	286	428
OPEB liability experience	4,337	2,263	1,663	867	1,229	641
Pension changes of assumptions	35	52	13	20	10	15
OPEB changes of assumptions	9,317	34,012	3,571	13,038	2,640	9,637
Pension investment earnings experience	-	108,482	-	41,585	-	30,737
OPEB investment earnings experience	-	52,849	-	20,259	-	14,974
Accumulated increase in fair value of hedging derivative instruments	-	-	29	2,297	-	-
Total deferred inflows of resources	21,669	203,403	24,233	94,077	5,969	57,464
Net position						
Net investment in capital assets	997,896	844,408	265,843	277,444	269,068	263,392
Restricted	30,676	34,077	13,789	15,215	12,529	12,651
Unrestricted	224,367	321,286	225,507	186,879	133,302	110,793
Total net position	1,252,939	1,199,771	505,139	479,538	414,899	386,836
Total liabilities, deferred inflows of resources and net position						
	\$ 2,087,960	\$ 2,074,542	\$ 829,723	\$ 856,860	\$ 652,794	\$ 630,386

See accompanying notes.

**STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Dollars in Thousands)**



	Electric Division		Gas Division		Water Division	
	2023	2022	2023	2022	2023	2022
	As Restated		As Restated		As Restated	
Operating revenues:						
Sales and service revenues	\$ 1,355,706	\$ 1,461,424	\$ 209,026	\$ 291,809	\$ 124,659	\$ 129,172
Transported gas revenues	-	-	16,175	12,891	-	-
Other revenues	25,825	30,156	31,859	41,564	5,977	5,682
Total operating revenues	1,381,531	1,491,580	257,060	346,264	130,636	134,854
Operating expenses:						
Purchased power and gas for resale	1,050,251	1,151,829	104,449	197,956	-	-
Production	-	-	-	-	21,266	19,343
Operation	151,611	77,616	82,413	54,047	51,724	31,909
Maintenance	67,889	63,574	10,595	10,905	16,470	12,619
Depreciation & amortization	64,222	63,277	25,203	24,775	12,911	12,497
Payment in lieu of taxes	5,876	6,313	764	1,004	-	-
	1,339,849	1,362,609	223,424	288,687	102,371	76,368
Operating income	41,682	128,971	33,636	57,577	28,265	58,486
Non-operating revenues (expenses):						
Contributions in aid of construction	14,234	31,940	4,220	5,465	4,638	4,364
Reduction of plant costs recovered through contributions in aid of construction	(14,234)	(31,940)	(4,220)	(5,465)	(4,638)	(4,364)
Transmission credits	38,889	37,948	-	-	-	-
Investment and other income	17,467	4,600	10,763	(1,292)	7,903	1,803
Interest expense	(9,317)	(9,664)	(3,873)	(3,954)	(3,505)	(3,580)
Total non-operating revenues (expenses)	47,039	32,884	6,890	(5,246)	4,398	(1,777)
Income before transfers	88,721	161,855	40,526	52,331	32,663	56,709
Transfers out - City of Memphis	(35,553)	(40,763)	(14,925)	(17,680)	(4,600)	(4,500)
Change in net position	\$ 53,168	\$ 121,092	\$ 25,601	\$ 34,651	\$ 28,063	\$ 52,209
Net position, beginning of year	\$ 1,199,771	\$ 1,078,679	\$ 479,538	\$ 444,887	\$ 386,836	\$ 334,627
Change in net position	53,168	121,092	25,601	34,651	28,063	52,209
Net position, end of year	\$ 1,252,939	\$ 1,199,771	\$ 505,139	\$ 479,538	\$ 414,899	\$ 386,836

See accompanying notes.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Dollars in Thousands)



	Electric Division		Gas Division		Water Division	
	2023	2022	2023	2022	2023	2022
		As Restated		As Restated		As Restated
Cash flows from operating activities:						
Receipts from customers and users	\$ 1,355,492	\$ 1,477,968	\$ 263,983	\$ 349,173	\$ 123,510	\$ 132,886
Payments to suppliers	(1,142,416)	(1,196,600)	(173,274)	(187,841)	(42,136)	(37,447)
Payments to/on behalf of employees	(122,381)	(131,232)	(63,534)	(61,095)	(44,077)	(43,270)
Payments from (to) other Division funds	(5,183)	(5,986)	(611)	(2,698)	(2,641)	(4,411)
Payments for taxes	(5,528)	(6,494)	(766)	(1,001)	-	-
Net cash provided by operating activities	79,984	137,656	25,798	96,538	34,656	47,758
Cash flows from noncapital financing activities:						
Transfers to City of Memphis	(35,553)	(40,763)	(14,925)	(17,680)	(4,600)	(4,500)
Net cash used in noncapital financing activities	(35,553)	(40,763)	(14,925)	(17,680)	(4,600)	(4,500)
Cash flows from capital and related financing activities:						
Purchase and construction of utility plant	(226,731)	(123,395)	(26,611)	(21,950)	(33,680)	(31,346)
Contributions in aid of construction	14,234	31,940	4,220	5,465	4,638	4,364
Principal payments on long-term debt	(11,490)	(11,020)	(4,335)	(4,140)	(4,250)	(4,105)
Interest payments on debt	(11,896)	(12,371)	(5,376)	(5,572)	(4,470)	(4,612)
Principal paid on lease liabilities	(204)	(281)	(65)	(75)	(48)	(56)
Principal paid on subscription liabilities	(4,073)	(2,924)	(1,734)	(1,295)	(1,285)	(960)
Interest paid on lease liabilities	(8)	(15)	(4)	(5)	(3)	(4)
Interest paid on subscription liabilities	(226)	(188)	(89)	(32)	(66)	(25)
Net cash provided by (used in) capital and related financing activities	(240,394)	(118,254)	(33,994)	(27,604)	(39,164)	(36,744)
Cash flows from investing activities:						
Sales and maturities of investments	63,662	69,198	7,349	21,328	1,131	14,574
Purchases of investments	(28,781)	(79,120)	(32,144)	(43,307)	(21,087)	(25,802)
Payments received on notes receivable	-	-	-	-	93	177
Investment income earned on investments	14,673	1,526	11,719	1,041	7,152	852
Net cash provided by (used in) investing activities	49,554	(8,396)	(13,076)	(20,938)	(12,711)	(10,199)
Increase in cash and cash equivalents	(146,409)	(29,757)	(36,197)	30,316	(21,819)	(3,685)
Cash and cash equivalents, beginning of year	308,076	337,833	188,471	158,155	109,836	113,521
Cash and cash equivalents, end of year	\$ 161,667	\$ 308,076	\$ 152,274	\$ 188,471	\$ 88,017	\$ 109,836

See accompanying notes.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Dollars in Thousands)
(Continued)



	Electric Division		Gas Division		Water Division	
	2023	2022	2023	2022	2023	2022
		As Restated		As Restated		As Restated
Reconciliation of operating income to net cash provided by operating activities:						
Operating income	\$ 41,682	\$ 128,971	\$ 33,636	\$ 57,577	\$ 28,265	\$ 58,486
Adjustments to reconcile net operating income to net cash provided by operating activities:						
Depreciation and amortization expense	66,132	63,595	26,810	26,018	13,305	12,530
Transmission credits	38,889	37,948	-	-	-	-
Other income (loss)	2,794	3,073	(863)	(2,644)	753	952
(Increase) decrease in assets and deferred outflows:						
Accounts receivable - MLGW services	(30,279)	(8,509)	(1,380)	2,206	(3,539)	(1,460)
Accounts receivable - billing on behalf of other entities	-	-	2,170	(45)	(8,289)	79
Accounts receivable - Other Industrial Gas	-	-	1,831	(4,292)	-	-
Lease receivable	(2,477)	963	(3,465)	411	(733)	228
Deferred outflows - Pension	(19,345)	(19,469)	(7,416)	(7,463)	(5,481)	(5,517)
Deferred outflows - Pension investment earnings experience	(138,799)	18,055	(53,206)	6,921	(39,326)	5,116
Net pension asset	120,464	(56,877)	46,178	(21,803)	34,132	(16,116)
Deferred outflows - OPEB	5,176	(20,223)	1,984	(7,753)	1,467	(5,729)
Deferred outflows - OPEB investment earnings experience	(53,478)	5,582	(20,500)	2,140	(15,152)	1,581
Unbilled revenues	4,543	(7,317)	4,807	(54)	2,115	(1,777)
Unbilled revenues - Other Industrial Gas	-	-	1,238	(2,532)	-	-
Prepayments - in lieu of taxes	14	19	-	-	-	-
Unrecovered purchased power and gas costs	(3,637)	(2,685)	-	5,970	-	-
Inventories	(29,733)	(24,445)	(4,559)	(238)	(1,966)	327
Other assets	(196)	(89)	5,218	3,531	-	-
Increase (decrease) in liabilities and deferred inflows:						
Accounts payable - purchased power and gas	(18,327)	20,531	(24,025)	18,749	-	-
Accounts payable - other payables and liabilities	14,223	729	2,510	4,033	3,315	661
Accounts payable - recovered gas cost due to customers	-	-	(15,767)	22,908	-	-
Accounts payable - billing on behalf of other entities	-	-	526	(387)	2,955	(492)
Customer deposits	819	1,685	(644)	2,222	(137)	314
Insurance reserves	1,210	993	335	(37)	(270)	(174)
Medical benefit accrual	(1,828)	1,773	(834)	809	(545)	528
Deferred inflows - Leases	2,739	(1,019)	3,140	(654)	773	(243)
Deferred inflows - Pension	(521)	(1,652)	(200)	(633)	(148)	(468)
Deferred inflows - Pension investment earnings experience	(42,234)	24,269	(16,190)	9,303	(11,966)	6,876
Net pension liability	100,132	-	38,384	-	28,371	-
Deferred inflows - OPEB	(22,621)	(25,418)	(8,671)	(9,744)	(6,409)	(7,202)
Deferred inflows - OPEB investment earnings experience	(18,726)	15,536	(7,178)	5,955	(5,306)	4,402
Net OPEB liability	63,349	(18,415)	24,284	(7,059)	17,949	(5,217)
Other liabilities	19	52	(2,355)	(6,877)	523	73
Total adjustments	38,302	8,685	(7,838)	38,961	6,391	(10,728)
Net cash provided by operating activities	<u>\$ 79,984</u>	<u>\$ 137,656</u>	<u>\$ 25,798</u>	<u>\$ 96,538</u>	<u>\$ 34,656</u>	<u>\$ 47,758</u>
Reconciliation of cash and cash equivalents per statements of cash flows to the statements of net position:						
Restricted funds	\$ 82,478	\$ 85,654	\$ 43,778	\$ 62,079	\$ 20,354	\$ 39,392
Less investments included in restricted funds	(12,396)	(8,609)	(6,586)	(4,649)	(4,953)	(3,422)
Cash and cash equivalents included in restricted funds	<u>70,082</u>	<u>77,045</u>	<u>37,192</u>	<u>57,430</u>	<u>15,401</u>	<u>35,970</u>
Current assets - cash and cash equivalents	91,585	231,031	115,082	131,041	72,616	73,866
Total cash and cash equivalents	<u>\$ 161,667</u>	<u>\$ 308,076</u>	<u>\$ 152,274</u>	<u>\$ 188,471</u>	<u>\$ 88,017</u>	<u>\$ 109,836</u>

See accompanying notes.

**STATEMENTS OF FIDUCIARY NET POSITION – PENSION TRUST PLAN AND OPEB TRUST
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Dollars in Thousands)**



	2023			2022		
	Retirement And Pension System	Other Post Employment Benefits Trust	Total Fiduciary Funds	Retirement And Pension System	Other Post Employment Benefits Trust	Total Fiduciary Funds
ASSETS						
Cash and cash equivalents	\$ 38,150	\$ 17,238	55,388	\$ 22,933	\$ 11,288	\$ 34,221
Receivables:						
Interest, dividends and real estate receivable	1,939	1,049	2,988	3,194	1,129	4,324
Securities sold and accrued income	540	372	912	3,602	5,354	8,955
Miscellaneous receivable	3	-	3	-	-	-
Employer and employee contributions receivable	895	954	1,849	842	831	1,673
Collateral held in trust for securities on loan	39,312	655	39,967	35,968	245	36,213
Total receivables	42,689	3,030	45,719	43,607	7,559	51,166
Investments at fair value:						
Equity Funds:						
Common stock - domestic	126,423	132,707	259,130	128,092	111,592	239,684
Common stock & mutual funds - international	141,757	70,713	212,470	123,890	60,570	184,460
Common stock index mutual funds - domestic	421,311	141,983	563,294	406,587	127,415	534,002
Fixed Income Funds:						
Corporate bond mutual funds - domestic	33,447	54,878	88,325	42,655	43,464	86,119
Corporate bonds - domestic	-	1,472	1,472	-	-	-
Corporate bonds - international	3,904	278	4,182	28,527	-	28,527
Convertible bond mutual funds - domestic	-	10,621	10,621	-	13,745	13,745
Corporate convertible bond - international	-	-	-	328	-	328
Government bonds - domestic	23,907	4,344	28,251	10,820	-	10,820
Government bonds - international	-	-	-	22,267	-	22,267
Global bond fund - international	42,307	23,706	66,013	39,390	22,071	61,461
Government agencies - domestic	2,159	719	2,878	8,461	-	8,461
Government agencies - international	-	-	-	6,806	-	6,806
Municipal/Provincial bonds - domestic	-	60	60	-	-	-
Commercial mortgage backed - domestic	-	389	389	-	-	-
Collateralized mortgage backed securities - domestic	-	285	285	-	-	-
Asset backed securities - domestic	1,411	454	1,865	4,134	-	4,134
Asset backed securities - international	303	101	404	1,037	-	1,037
Mortgage backed securities - domestic	12,472	2,158	14,630	18,522	-	18,522
Fixed income ETF - domestic	-	-	-	34,909	-	34,909
Core fixed income CIT - domestic	53,400	-	53,400	-	-	-
Corporate bond CIT - international	59,527	-	59,527	-	-	-
Securitized asset fund	-	-	-	15,500	-	15,500
Special Strategies Funds:						
Private equity funds - domestic*	113,604	72,733	186,337	105,165	71,857	177,022
Private equity funds - international	20,229	10,334	30,563	18,451	9,885	28,336
Distressed debt funds - domestic	43,515	11,752	55,267	49,924	15,959	65,883
Distressed debt funds - international	25,589	15,217	40,806	39,084	17,102	56,186
Private debt fund - domestic	21,490	10,750	32,240	13,318	7,556	20,874
Multi-asset - domestic	13,984	-	13,984	19,396	-	19,396
Life settlement funds - domestic	74,627	16,059	90,686	77,171	16,768	93,939
Equity hedge fund - domestic	20,393	10,375	30,768	18,437	9,380	27,817
Real Estate Funds	268,721	87,970	356,691	290,290	94,745	385,035
Short-Term Investment	-	-	-	796	-	796
Total investments	1,524,480	680,058	2,204,538	1,523,957	622,109	2,146,066
Total assets	1,605,319	700,326	2,305,645	1,590,497	640,956	2,231,453
LIABILITIES						
Collateral subject to return to borrowers	39,312	655	39,967	35,968	245	36,213
Securities purchased and accrued expenses	-	649	649	870	4,990	5,860
Accrued liabilities	1,663	954	2,617	1,567	831	2,398
Total liabilities	40,974	2,258	43,232	38,405	6,066	44,471
FIDUCIARY NET POSITION RESTRICTED FOR PENSIONS AND OPEB	\$ 1,564,345	\$ 698,069	\$ 2,262,414	\$ 1,552,092	\$ 634,890	\$ 2,186,981

* The OPEB Trust's Private equity-domestic includes a private equity firm, GPB Holdings II, LP, valued at \$11.9 million and \$12.2.0 million as of December 31, 2023 and 2022, respectively.

The 2023 and 2022 investment value is based on the December 31, 2022 and December 31, 2021 statements, respectively. These values represent the most recent FMV statement provided by the general partner.

See accompanying notes.

**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION – PENSION TRUST PLAN AND OPEB TRUST
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

(Dollars in Thousands)



	2023			2022		
	Retirement And Pension System	Other Post Employment Benefits Trust	Total Fiduciary Funds	Retirement And Pension System	Other Post Employment Benefits Trust	Total Fiduciary Funds
ADDITIONS						
Contributions						
Employer	\$ 20,474	\$ 40,136	\$ 60,610	\$ 20,941	\$ 38,381	\$ 59,322
Member	15,216	-	15,216	14,657	-	14,657
Total contributions	35,690	40,136	75,826	35,598	38,381	73,979
Investment Activities Income						
Net appreciation in fair value of investments	84,891	52,364	137,255	(219,603)	(82,848)	(302,451)
Interest income	8,725	6,519	15,244	10,030	6,990	17,020
Dividend income	15,063	3,882	18,945	7,308	3,342	10,649
Real estate income	4,367	1,358	5,725	4,922	1,107	6,029
Other income	27	64	91	53	117	170
Total investment activities income (loss)	113,073	64,187	177,260	(197,290)	(71,291)	(268,583)
Less investment activities expenses	3,153	2,157	5,310	3,784	2,307	6,091
Net investment activities income (loss)	109,920	62,030	171,950	(201,074)	(73,598)	(274,674)
Securities Lending Activities:						
Securities lending income	1,973	26	1,999	1,000	12	1,011
Securities lending expenses:						
Borrower rebates	(1,825)	(10)	(1,835)	(767)	(4)	(771)
Management fees	(30)	(3)	(33)	(47)	(2)	(49)
Total securities lending expenses	(1,855)	(13)	(1,868)	(814)	(6)	(820)
Net securities lending activities income	118	13	131	186	6	193
Total investment activities income (loss)	110,038	62,043	172,081	(200,888)	(73,592)	(274,480)
Total additions (reductions)	145,729	102,179	247,908	(165,290)	(35,211)	(200,500)
DEDUCTIONS						
Benefit payments	124,480	38,406	162,886	118,654	33,805	152,459
Contributions refund	8,037	-	8,037	6,978	-	6,978
Administrative expenses	958	594	1,552	886	442	1,328
Total deductions	133,475	39,000	172,475	126,518	34,247	160,765
Change in net position	12,253	63,179	75,432	(291,808)	(69,458)	(361,266)
FIDUCIARY NET POSITION RESTRICTED FOR PENSIONS AND OPEB						
Beginning of year	1,552,092	634,890	2,186,982	1,843,900	704,348	2,548,248
End of year	\$ 1,564,345	\$ 698,069	2,262,414	\$ 1,552,092	\$ 634,890	2,186,981

See accompanying notes.



1. Summary of Significant Accounting Policies

Organization

Memphis Light, Gas and Water Division (“MLGW”), a division of the City of Memphis, Tennessee (the “City”), was created by an amendment to the City Charter by Chapter 381 of the Private Acts of the General Assembly of Tennessee (the “Charter”), adopted March 9, 1939, as amended. MLGW is managed by its President, a five-member Board of Commissioners, and two non-voting countywide Advisory Board members that are nominated by the City Mayor and approved by the Memphis City Council (the “Council”). MLGW, through its three divisions, provides electricity, gas and water to customers in Shelby County, Tennessee, which includes the City. MLGW’s annual budget and electric, gas and water rates require the approval of the Council. MLGW must also obtain the approval of the Council before incurring certain obligations.

Basis of Presentation

The financial statements present the Electric, Gas and Water Divisions of MLGW in conformity with accounting principles generally accepted in the United States of America that are applicable to a proprietary fund of a government unit. The accompanying financial statements present the separate financial positions, results of operations, and cash flows of each of the three divisions--Electric, Gas and Water--(the “Divisions”) of MLGW, but do not present the financial position, results of operations, or cash flows of MLGW, a division of the City of Memphis. Accordingly, the accompanying disclosures relate separately to the Divisions, as applicable, and not collectively to MLGW. Unless expressly stated, each disclosure, including references to “MLGW” herein, applies solely to each of the separate divisions on an individual basis. The Divisions collectively pool resources for investing purposes and collectively participate in a pension plan and OPEB trust. Accordingly, certain disclosures for investments, the employee retirement system and other post-employment benefits are presented on a combined basis. These statements are not intended to present the financial position of the City, the results of the City’s operations or the cash flows of the City’s funds, nor do they represent the financial position, results of operations, or cash flows of MLGW’s Retirement and Pension System discussed in Note 10 or the Other Postemployment Benefits (“OPEB”) Trust discussed in Note 11.

MLGW’s basic financial statements were expanded in fiscal year 2020 to meet the requirements of GASB Statement No. 84. Therefore, in addition to the financial statements of the Electric, Gas and Water Divisions discussed above, the financial statements of MLGW’s fiduciary activities are also presented in conformity with accounting principles generally accepted in the United States of America. The fiduciary activities of MLGW include the Memphis Light, Gas and Water Retirement and Pension System (the “MLGW Pension Plan”) and the Memphis Light, Gas and Water OPEB Trust (“OPEB Trust”). The financial statements, note disclosures, and required supplementary information for these fiduciary activities are presented herein and can also be found in separately issued reports.



1. Summary of Significant Accounting Policies (continued)

Basis of Accounting

MLGW is required by state statute and the Charter to maintain separate accounting for each division and to allocate among the Divisions, on an equitable basis, joint expenses, including those related to common facilities. MLGW utilizes direct cost methods where applicable. For expenses not directly charged to a specific division, internally developed cost allocation methods are used based on the function performed. Each division is separately financed, and its indebtedness is repayable from its net revenues.

Where applicable, the Federal Energy Regulatory Commission's ("FERC") (Electric and Gas Divisions) and the National Association of Regulatory Utility Commissioners' ("NARUC") (Water Division) Uniform Systems of Accounts are used.

MLGW prepares its financial statements in accordance with the provisions of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, paragraphs 476-500, for regulated operations. These paragraphs recognize that accounting for rate regulated enterprises should reflect the relationship of costs and revenues introduced by rate regulation.

Regulatory Accounting

Regulatory accounting allows a regulated utility to defer a cost (a regulatory asset) or recognize an obligation (a regulatory liability) if it is probable that through the rate making process, there will be a corresponding increase or decrease in future revenues. Accordingly, MLGW has recognized certain regulatory assets and regulatory liabilities in the accompanying Statements of Net Position.

In the event MLGW no longer meets the criteria for regulated operations under GASB 62, MLGW would be required to recognize the effects of any regulatory change in assets or liabilities in its Statements of Revenues, Expenses and Changes in Net Position.



1. Summary of Significant Accounting Policies (continued)

Regulatory Accounting (continued)

The following are the regulatory assets and liabilities included in the Statement of Net Position:

	Electric Division		Gas Division		Water Division	
	2023	2022	2023	2022	2023	2022
Regulatory Assets:						
Current:						
Unrecovered purchased power/gas cost	\$ 6,916	\$ 3,279	\$ -	\$ -	\$ -	\$ -
Meter replacement	1,249	1,227	1,477	1,464	481	479
LED Retrofit	544	-	-	-	-	-
Unamortized debt expense	153	161	76	79	80	84
Total current	<u>8,862</u>	<u>4,667</u>	<u>1,553</u>	<u>1,543</u>	<u>561</u>	<u>563</u>
Non-Current:						
Meter replacement	12,951	13,922	17,032	18,330	4,067	4,524
LED Retrofit	8,936	-	-	-	-	-
Unamortized debt expense	1,320	1,473	700	776	724	805
Total non-current	<u>23,207</u>	<u>15,395</u>	<u>17,732</u>	<u>19,106</u>	<u>4,791</u>	<u>5,329</u>
Total Regulatory Assets	<u>\$ 32,069</u>	<u>\$ 20,062</u>	<u>\$ 19,285</u>	<u>\$ 20,649</u>	<u>\$ 5,352</u>	<u>\$ 5,892</u>
Regulatory Liabilities:						
Current:						
Purchased gas adjustment	\$ -	\$ -	\$ 3,241	\$ 3,390	\$ -	\$ -
Total Regulatory Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,241</u>	<u>\$ 3,390</u>	<u>\$ -</u>	<u>\$ -</u>

Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The carrying amounts of cash and cash equivalents, investments, restricted fund investments, accounts receivable and accounts payable are a



1. Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments (continued)

reasonable estimate of their fair values. The estimated fair values of MLGW's other financial instruments have been determined by MLGW using available market information. All investments are carried at fair value and changes in the fair values of investments are included in investment income in the accompanying Statements of Revenues, Expenses and Changes in Net Position.

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

MLGW had the following recurring fair value measurements as of December 31, 2023:

- U.S. Treasury Securities of \$341,931 (Level 1 inputs)
- Commercial Paper of \$61,495; Government Mortgage-backed Securities of \$16,027; and U.S. Government Agencies of \$46,836 (Level 2 inputs)

MLGW had the following recurring fair value measurements as of December 31, 2022:

- U.S. Treasury Securities of \$208,866 (Level 1 inputs)
- Commercial Paper of \$210,257; Government Mortgage-backed Securities of \$18,620; and U.S. Government Agencies of \$209,876 (Level 2 inputs)
- Government Mortgage-backed Securities of \$243 (Level 3 inputs)

Cash and cash equivalents

MLGW considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Accounts Receivable

Accounts receivables result from charges for both utilities and other ancillary services provided by MLGW, and include wholesale, commercial, industrial and government customers in the Shelby County, Tennessee, geographic area. Accounts receivable are potentially exposed to concentrations of credit risk. As a general policy, customer deposits are required for receivables unless or until the customer has established a good credit history. Accounts receivable are stated at the amount management expects to collect from outstanding balances.



1. Summary of Significant Accounting Policies (continued)

Accounts Receivable (continued)

As of December 31, 2023 and 2022, accounts receivable and allowances for doubtful accounts were as follows:

	Electric Division		Gas Division		Water Division	
	2023	2022	2023	2022	2023	2022
Accounts Receivable	\$ 139,740	\$ 106,522	\$ 46,898	\$ 49,213	\$ 36,429	\$ 23,084
Allowance for doubtful accounts	(18,700)	(15,762)	(1,484)	(1,178)	(3,169)	(1,653)
Total A/R, net of allowance	<u>\$ 121,039</u>	<u>\$ 90,760</u>	<u>\$ 45,415</u>	<u>\$ 48,035</u>	<u>\$ 33,259</u>	<u>\$ 21,431</u>

MLGW performs a monthly analysis of outstanding trade receivables to assess the likelihood of collection. For aged receivable balances, MLGW records an allowance to adjust the trade receivable to MLGW's best estimate of the amount it will ultimately collect. Such allowances are netted against operating revenues.

MLGW's policy is to write off trade receivables after 150 days of non-payment. The bad debt amounts netted against operating revenues are as follows:

	2023	2022
Electric	\$ 6,689	\$ 5,908
Gas	1,171	1,398
Water	1,398	998

Unbilled Revenues

MLGW customers are spread across twenty-one different billing cycles. Each cycle can range from twenty-five to thirty-five days. The summation of these twenty-one cycles represents a revenue month. Billing cycles do not correspond to a calendar month and, thus, have days that fall into two or more calendar months. Revenue is reported on a calendar month basis. Unbilled revenue represents management's estimate of the revenue earned for days of service that have not been billed as of year-end.

Inventories and Stored Natural Gas

Inventories, consisting primarily of materials and supplies inventory, and stored natural gas are valued at cost or net realizable value using the average cost method.



1. Summary of Significant Accounting Policies (continued)

Restricted Funds and Related Reserves

Certain MLGW assets are restricted for specific purposes. Legal and contractual agreements restrict amounts for debt service, refund of customer deposits, futures margin requirements, and capital improvements.

The Gas Division maintains a cash margin account with its futures clearing member. The clearing member requires that a minimum cash margin be maintained based on the value of the Division's outstanding derivative positions. The minimum cash margin requirements are considered restricted and are reflected in restricted assets in the accompanying Statements of Net Position. The amounts of cash in excess of the minimum cash margin requirement are included in cash and cash equivalents.

Construction funds are generally maintained for the purpose of paying for certain repairs and capital additions and improvements. The respective bond resolutions of the Electric, Gas and Water Divisions allow for funding for future construction.

The insurance reserves for injuries and damages are maintained for estimated liabilities incurred and risks assumed on claims for injuries and damages. The insurance reserves for casualties are maintained at discretionary amounts to partially cover losses of a catastrophic nature which are not ordinarily insurable or which are not insurable on an economical basis.

Medical benefit reserves are maintained for MLGW's medical insurance program, which serves employees and retirees. The medical benefit reserves represent the estimated costs incurred but not yet paid in providing medical benefits to employees and retirees which are not insured by third party providers.

Since MLGW is self-insured for injuries and damages and medical benefit costs, MLGW's charter requires each division to restrict funds to cover the future cost of injuries and damage and medical benefit claims.

Customer deposit funds are maintained for the future repayment of deposits collected from customers without adequate credit history, in accordance with MLGW's policy and the respective customer service agreement.

Bond reserve and debt service funds are restricted under the terms of the respective bond indentures to pay current bond principal and interest as they become due.

The Water Division maintains a ground water reserve fund in accordance with a five year Agreement entered on July 1, 2018 into by and between MLGW and the University of Memphis (University) on behalf of the Herff College of Engineering's Center for Applied Earth Science and Engineering Research (CAESER). The Agreement was amended on July 1, 2023 and shall continue through June 30, 2028. MLGW will fund \$5,000 to CAESER over the period of the contract for Aquifer Management and Protection Research.



1. Summary of Significant Accounting Policies (continued)

Restricted Funds and Related Reserves (continued)

A resolution was approved by the City Council on January 9, 2018 to increase Water annual sales revenue by 1.05% to be effective with meters read on Cycle 1 of the January 2018 revenue month to fund the aquifer research. The funds will be used to cover the deliverables in accordance with the Agreement for the groundwater study.

The following table presents restricted net position by each major category at December 31, 2023 and 2022:

	Electric Division		Gas Division		Water Division	
	2023	2022	2023	2022	2023	2022
Casualty Insurance	\$ 23,728	\$ 22,890	\$ 10,645	\$ 10,137	\$ 8,382	\$ 7,882
Medical Benefits and other	6,948	11,187	3,144	5,078	4,147	4,769
Total	<u>\$ 30,676</u>	<u>\$ 34,077</u>	<u>\$ 13,789</u>	<u>\$ 15,215</u>	<u>\$ 12,529</u>	<u>\$ 12,651</u>

Customer Deposits

Customers that do not have adequate credit history are required to make utility deposits before services are provided. Deposits are refunded or applied toward a customer's bill after a 24-month good pay status. Deposits are allocated to the Electric, Gas and Water Divisions based upon each division's percentage of total sales revenue of the previous year-end.

Utility Plant

The costs of additions and replacements of units of property are capitalized. Costs include contracted work, direct labor and materials, allocable overhead and where applicable, allowances for borrowed funds used during construction. Donated assets are valued at acquisition value at the acquisition date. Costs are reduced by contributions in aid of construction. Upon retirement of property units, the original cost, plus removal cost, minus salvage is charged to either accumulated depreciation or accumulated amortization. The units of property adopted are related to those suggested by FERC for the Electric and Gas Divisions and NARUC for the Water Division, which allow for the reduction of plant cost recovered through contributions in aid of construction as opposed to recovery of costs through future regulatory rates.

Interest on debt is not capitalized, as it is recovered through current revenues. The amount of interest cost incurred and charged to electric expense in 2023 and 2022 totaled \$9,083 and \$9,461, respectively. The amount of interest cost incurred and charged to gas expense in 2023 and 2022 totaled \$3,780 and \$3,916, respectively. The amount of interest cost incurred and charged to water expense in 2023 and 2022 totaled \$3,436 and \$3,551, respectively.

Depreciation and amortization are computed using the composite method based on estimated service lives of various classes of depreciable property at rates equivalent to annual rates of approximately 2.6% for the



1. Summary of Significant Accounting Policies (continued)

Utility Plant (continued)

electric division, 2.7% for the gas division and 1.8% for the water division. Computations of the estimated service lives are the result of various depreciation studies and comparisons with industry standards.

For assets owned by one division, but jointly used by more than one division, the other divisions share the costs by paying rent to the owning division to cover depreciation, interest, in lieu of taxes, and transfers.

Leases

Lease contracts convey control of the right to use another entity's nonfinancial asset for a period of time in an exchange or exchange-like transaction without transfer of ownership of the asset. The lease term is the period of time when there is a noncancelable right to use the underlying asset. MLGW is both a lessor and lessee with regards to leases.

For lessor contracts, lease revenue is recognized in Other Revenues on a straight-line basis over the lease term, and lease receivables and deferred inflows of resources are reported at present value using MLGW's incremental borrowing rate. Lease receivables are reported as Short-Term Lease Receivables in Current Assets for the current portion and Long-Term Lease Receivables in Other Assets for the long-term portion on the Statements of Net Position.

For lessee contracts, lease expense is recognized as amortization on a straight-line basis over the shorter of the lease term or useful life of the underlying asset, and lease assets and liabilities are reported at present value using MLGW's incremental borrowing rate. Lease assets are recognized as intangible right of use assets, and lease liabilities are reported in Current Liabilities for the current portion and Non-current Liabilities for the long-term portion on the Statements of Net Position.

Subscription Based Information Technology Agreements

The Subscription Based Information Technology Agreements (SBITAs) are contracts that define the right to use another party's information technology (IT) software, as specified in the contract, for a period of time in an exchange or exchange-like transactions. The subscription term includes the period during which MLGW has a noncancellable right to use the underlying IT assets, and includes periods covered by the option to extend (if it is reasonably certain that MLGW or the SBITA vendor will exercise that option) or terminate the contract.



1. Summary of Significant Accounting Policies (continued)

Subscription Based Information Technology Agreements (continued)

For the SBITA contracts, MLGW recognizes an intangible subscription asset and a subscription liability, measured at present value of subscription payments over the subscription term on commencement date using MLGW's incremental borrowing rate. The subscription assets are amortized over the subscription term. The liabilities are reported in Current Liabilities for the current portion and Non-current Liabilities for the long-term portion on the Statements of Net Position.

Futures, Options and Swap Contracts

The Gas Division enters into futures contracts, swaps and options on futures contracts as cash flow hedges to manage the risk of volatility in the market price of natural gas on anticipated purchase transactions. The Electric Division periodically enters into futures contracts, swaps and options on futures contracts as cash flow hedges to manage the risk of volatility in the market price of unleaded gasoline and diesel fuel on anticipated purchase transactions. The market values of the open derivative positions are reported on the Statement of Net Position as derivative instruments. The changes in fair market value are recognized as deferred inflows (gains) or deferred outflows (losses) until the related gas purchases are recognized in the Statement of Revenues, Expenses and Changes in Net Position.

Bond Premiums, Discounts, and Issuance Costs

Bond premiums and discounts, as well as issuance costs, are deferred and amortized using the interest method over the lives of the applicable bond issues. Long-term debt is reported net of the applicable bond premium or discount. Unamortized bond issuance costs are accounted for as a regulatory asset. As such, bond issue costs are capitalized and amortized over the term of the related debt.

Net Position

Net position is classified into three components – net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

- Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- Restricted net position – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
- Unrestricted net position – This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.



1. Summary of Significant Accounting Policies (continued)

Revenues and Expenses

Revenues are recognized when earned which generally occurs when electricity, gas, or water is delivered to the customer. Customer meters are read and bills are rendered monthly. MLGW records an estimate for unbilled revenues earned from the dates its customers were last billed to the end of each month.

MLGW distinguishes between operating and non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal operations. The principal operating revenues of MLGW consist of electric, gas and water sales and related activities. Non-operating revenues consist of transmission credits, investment income and other ancillary activities. Transmission credits are fees paid by the Tennessee Valley Authority for its use of the Electric Division's transmission facilities in supplying power to MLGW.

Operating expenses include the cost of purchased power and gas, water production costs, operation and maintenance expenses, depreciation on capital assets and payments in lieu of taxes. Expenses not meeting this definition are reported as non-operating expenses.

Deferred Outflows and Inflows of Resources

MLGW adheres to generally accepted accounting principles as it relates to the recognition of deferred outflows of resources and deferred inflows of resources. A deferred outflow of resources is defined as a consumption of net assets that is applicable to a future reporting period and a deferred inflow of resources is defined as an acquisition of net assets that is applicable to a future reporting period.

In accordance with GASB Statement No. 87, *Leases* (GASB 87), MLGW recognizes deferred inflows of resources associated with reporting the commencement of the lease term and recognition of revenue over the course of the lease.

In accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, MLGW recognizes deferred outflows and inflows of resources associated with the biennial measurement and recognition of MLGW's net OPEB liability (asset) and OPEB expense.

In accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pension – an Amendment of GASB Statement No. 27*, MLGW recognizes deferred outflows and inflows of resources associated with the annual measurement and recognition of MLGW's net pension liability (asset) and pension expense.

Also, in accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, MLGW recognizes deferred outflows and inflows of resources associated with reporting the fair value change in derivative instruments purchased as a hedge against commodity price risk.



1. Summary of Significant Accounting Policies (continued)

Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Memphis Light, Gas and Water Retirement and Pension System (the “MLGW Pension Plan”) and additions to and deductions from the MLGW Pension Plan’s fiduciary net position have been determined on the same basis as they are reported by the Pension Plan. For that purpose, benefits payments (including refunds of employee contribution) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefits

For purposes of measuring the Net OPEB liability (NOL), deferred outflows of resources and deferred inflows of resources related to OPEB benefits, OPEB expense, information about the fiduciary net position of the Memphis Light, Gas and Water OPEB Trust (“OPEB Trust”) and additions to and deductions from the MLGW OPEB Trust fiduciary net position have been determined on the same basis as they are reported by the MLGW OPEB Trust. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Related Parties

MLGW conducts business with related parties as “arm’s length” transactions: generally, MLGW provides utility and related services to and receives payments from these parties in the same manner as other non-related customers. Major related party entities include the City of Memphis government. For the years ending December 31, 2023 and 2022, receivables from related parties for utility construction, pole rentals and utility related services excluding utility bills were \$3,033 and \$3,017, respectively.

As of December 31, 2023, the only free service provided to the City is water for firefighting. Free water service provided to the City for public purposes is estimated to be \$114 for 2023 and \$116 for 2022.

The Electric, Gas and Water Divisions make transfers to the City. See Note 17 (Transfers to City).

Use of Estimates

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



1. Summary of Significant Accounting Policies (continued)

Prior Period Restatements

In 2023, MLGW implemented GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs). GASB 96 requires that the intangible right of use asset and a SBITA liability, thereby enhancing the relevance and consistency of information regarding SBITA activities. Accordingly, the accompanying financial statements, as of and for year ended December 31, 2022, have been restated for the change, which did have an immaterial impact on the net position. As a result of the implementation of this provision, MLGW increased Electric, Gas, and Water Divisions net position for 2022 by \$1,137, \$482, \$346, respectively.

As a result of adopting GASB 96, as of December 31, 2022, MLGW's Electric Division recorded total intangible right of use assets of \$11,230 with accumulated amortization of \$4,489 and recognized total SBITA liabilities of \$5,264, (\$2,924 current). Electric Division also reclassified \$3,172 from operating expenses to \$2,984 as amortization expense and \$188 as interest expense.

As a result of adopting GASB 96, as of December 31, 2022, MLGW's Gas Division recorded total intangible right of use assets of \$4,733 with accumulated amortization of \$1,854 and recognized total SBITA liabilities of \$2,268, (\$1,295 current). Gas Division also reclassified \$1,295 from operating expenses to \$1,264 as amortization expense and \$31 as interest expense.

As a result of adopting GASB 96, as of December 31, 2022, MLGW's Water Division recorded total intangible right of use assets of \$3,492 with accumulated amortization of \$1,341 and recognized total SBITA liabilities of \$1,709, (\$960 current). Water Division also reclassified \$939 from operating expenses to \$914 as amortization expense and \$25 as interest expense.

Additional disclosures, as well as other reclassifications in the statement of cash flows, also resulted from the adoption of GASB 96.

Events occurring after reporting date

Management has evaluated events and transactions that have occurred between December 31, 2023 and June 5, 2024, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.



1. Summary of Significant Accounting Policies (continued)

Recent Accounting Standards

Effective for fiscal year 2023, MLGW adopted the provisions of GASB issued Statement No. 96, *Subscription-Based Information Technology Agreements (SBITAs)*. GASB 96's objectives are to better meet the information needs of financial statement users by improving how governments report SBITAs, enhancing the comparability of financial statements between governments, and enhancing the relevance, reliability, and consistency of information about governments' subscription-based activities. Statement No. 96 is effective for fiscal years beginning after June 15, 2022. Adoption of this Statement is reflected in the Division's financial statements.

In December 2023, the GASB issued GASB Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to better meet the information needs of financial statement users by providing information related to risks not required to be disclosed. This Statement requires an assessment of a concentration or constraint vulnerable to a substantial impact. The disclosure will be required to include (1) the concentration or constraint; (2) event associated with the concentration or constraint that could cause a substantial impact; and (3) actions taken to mitigate the risk. Statement No. 102 is effective for fiscal years beginning after June 15, 2024. MLGW has not completed the process of evaluating the impact of this statement on its financial statements and has not elected early implementation.

In June 2022, the GASB issued GASB Statement No. 101, *Compressed Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement of guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. Statement No. 101 is effective for fiscal years beginning after December 15, 2023. MLGW has not completed the process of evaluating the impact of this statement on its financial statements and has not elected early implementation.

In June 2022, the GASB issued GASB Statement No. 100, *Accounting Changes and Error Corrections—An Amendment of GASB Statement No. 62*. The objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. Statement No. 100 is effective for fiscal years beginning after June 15, 2023. MLGW has not completed the process of evaluating the impact of this statement on its financial statements and has not elected early implementation.

In April 2022, the GASB issued GASB Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements and accounting and financial reporting for financial guarantees. Certain provisions of this standard are effective for fiscal years beginning after June 15, 2023. MLGW has not completed the process of evaluating the impact of this statement on its financial statements and has not elected early implementation.



2. Deposits and Investments

The MLGW Statement of Investment Policy has been adopted and approved by the MLGW Board of Commissioners. This policy sets forth the investment and operational policies for the management of the public funds of MLGW. The Board of Commissioners has the power to invest MLGW funds in accordance with the prudent investor rule. The Board members exercise authority and control over MLGW's investment portfolio by setting policies which MLGW's investment staff execute either internally, or through the use of external prudent experts.

Custodial Credit Risk

Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, MLGW will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name.

MLGW deposits consist of bank deposits. The bank deposits are insured up to \$250 by the Federal Deposit Insurance Corporation ("FDIC") and the remainder is covered by the State of Tennessee Collateral Pool; certificates of deposit must be placed directly with depository institutions.

The depository bank shall provide collateral for MLGW deposits in accordance with requirements for public funds deposits in Tennessee. The market value of the pledged securities in the collateral pool must equal at least 105% of the value of the deposit secured, less the amount protected by federal deposit insurance. As of December 31, 2023 and December 31, 2022, MLGW deposits with financial institutions were \$50,755 and \$89,115, respectively. For 2023 and 2022, all bank deposits were maintained in collateralized accounts or covered by federal depository insurance and were not exposed to custodial credit risk.

Investments

The investment policy governs the overall administration and investment management of the funds held in the MLGW investment portfolio. MLGW is authorized by the Board of Commissioners to invest in the following investments as authorized by state law and as it deems proper: U.S. Treasuries; U.S. government obligations; repurchase agreements; commercial paper with specified ratings; bankers' acceptances with specified ratings; bank deposits; certificates of deposit; state pool; and proceeds of bonds, notes and other obligations issued by MLGW.



2. Deposits and Investments (continued)

Investments (continued)

MLGW is prohibited from investing in the following securities: purchases on margin or short sales; investments in reverse repurchase agreements; collateralized mortgage obligations; and “exotic” derivatives such as range notes, dual index notes, inverse floating rate notes and deleveraged notes, or notes linked to lagging indices or to long-term indices.

The following table presents the investments and maturities of MLGW’s investment portfolio as of December 31, 2023:

Investment Type	Fair Value	Remaining Maturities (in Years)		
		Maturities < 1 year	Maturities 1 to 4 years	Maturities > 4 years
Tennessee Local Government Investment Pool	\$ 94,600	\$ 94,600	\$ -	\$ -
U.S. Treasuries	342,430	225,390	117,040	-
Federal Agency (Fixed Rate)	27,609	17,491	10,118	-
Federal Agency (Callable)	35,252 ¹	25,605 ²	9,647 ³	-
Commercial Paper (Rated AA or higher)	61,495	61,495	-	-
Total Investments	\$ 561,386	\$ 424,581	\$ 136,805	\$ -

¹ Bonds are guaranteed by the United States Government

² \$12,131 of these bonds mature in 2024*

\$11,556 of these bonds mature in 2024; Callable quarterly until maturity

\$1,918 of these bonds mature in 2024; Callable daily until maturity

³ \$7,325 of these bonds mature in 2025; Callable quarterly until maturity

\$1,349 of these bonds mature in 2026; Callable quarterly until maturity

\$973 of these bonds mature in 2026*



2. Deposits and Investments (continued)

Investments (continued)

The following table presents the investments and maturities of MLGW's investment portfolio as of December 31, 2022:

Investment Type	Fair Value	Remaining Maturities (in Years)		
		Maturities < 1 year	Maturities 1 to 4 years	Maturities > 4 years
Tennessee Local Government Investment Pool	\$ 68,700	\$ 68,700	\$ -	\$ -
U.S. Treasuries	208,866	122,010	86,856	-
Federal Agency (Fixed Rate)	189,422	163,464	25,958	-
Federal Agency (Callable)	39,074 ¹	8,662 ²	30,412 ³	-
Commercial Paper (Rated AA or higher)	210,257	210,257	-	-
Total Investments	\$ 716,319	\$ 573,093	\$ 143,226	\$ -

¹ \$28,979 of these bonds are guaranteed by the United States Government
\$10,095 of the Federal Agency is guaranteed by the Federal Home Loan Bank

² \$4,880 of the Federal Agency matures in 2023; Callable quarterly until maturity
\$2,336 of these bonds mature in 2023*
\$1,446 of these bonds mature in 2023; Callable quarterly until maturity

³ \$10,662 of these bonds mature in 2024*
\$7,717 of these bonds mature in 2024; Callable quarterly until maturity
\$3,372 of the Federal Agency matures in 2024; Callable quarterly until maturity
\$1,843 of the Federal Agency matures in 2024; Callable daily until maturity
\$3,645 of these bonds mature in 2025; Callable quarterly until maturity
\$2,215 of these bonds mature in 2025*
\$ 958 of these bonds mature in 2026*

* Callable agency only allows for principal cashflows to be received in a ~6 month window just before the final maturity date.

Custodial credit risk for investments is the risk that, in the event of failure of the counterparty to a transaction, MLGW will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty, or the counterparty's trust department or agent but not in the name of MLGW. Investments in external investment pools and in money market funds are not exposed to custodial credit risks because their existence is not evidenced by securities that exist in physical or book entry form. To limit its exposure, MLGW's investment policy requires that all securities purchased by MLGW shall be held in safekeeping by a third-party custodial bank or financial institution. None of MLGW's investments at December 31, 2023 and 2022 were exposed to custodial credit risk.



2. Deposits and Investments (continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment in debt securities. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. MLGW's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, the investment policy states no investment will have a maturity of greater than four years from date of purchase. MLGW had purchased no investments in debt securities that were outside of the policy as of December 31, 2023 and 2022. MLGW uses the segmented time distribution method of disclosure, as shown above, to identify this risk. Some investments can be highly sensitive to changes in interest rates due to their terms or characteristics. In MLGW's investment portfolio, asset-backed and government mortgage-backed securities are most sensitive to changes in interest rates as their repayments can vary significantly with interest rate changes. As of December 31, 2023, these securities represent 3.1% of the total investment portfolio with a fair market value of \$16,027. As of December 31, 2022, these securities represent 2.6% of the total investment portfolio with a fair market value of \$18,863.

Credit Risk

Credit risk is the risk that an issuer of a debt security will not fulfill its obligation. This credit risk is measured by the credit quality of investments in debt securities as described by nationally recognized statistical rating organizations. Investments in obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk. As of December 31, 2023, MLGW debt securities that were subject to credit risk were \$61,495, or 11.9% of total investments. These debt securities have a remaining maturity of less than one year. The Tennessee Local Government Investment Pool is a non-rated, SEC 2a-7-like fund and the amount stated is based on the pool price per share. The pool is reported at its amortized cost. The LGIP is a TN Treasury Department program that manages state and local governments' short-term investments. The LGIP is commingled with the SPIF. The SPIF Investment Policy states, "For investment purposes, pursuant to T.C.A. §9-4-704, funds in the Local Government Investment Pool ("LGIP") have been commingled with state funds held in the SPIF".



2. Deposits and Investments (continued)

Credit Risk (continued)

All cash, cash equivalents, and investments are reported at fair value except for the position in the LGIP. The LGIP operates in conformity with GASB statement No. 79, Certain External Investment Pools and Pool Participants, as amended. Accordingly, the LGIP is reported at the net asset value per share which is calculated using the amortized cost method.

MLGW's ratings and policy limits as of December 31, 2023 are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>S&P Rating</u>	<u>Moody's Rating</u>
Tennessee Local Government Investment Pool	\$ 94,600	N/A	N/A
Commercial Paper	18,362	AA	Aa3
Commercial Paper	23,817	AA-	Aa3
Commercial Paper	6,434	AA+	Aaa
Commercial Paper	12,882	AAA	Aaa
Total credit risk debt securities	61,495		
U.S. Treasuries	342,430	AA+u	Aaa
Federal Agency (Fixed Rate)	27,609	Aaa	AA+
Federal Agency (Callable)	35,252	Aaa	AA+
U.S. Government and Agencies	<u>405,291</u>		
Total debt securities investments	<u><u>\$ 561,386</u></u>		



2. Deposits and Investments (continued)

Credit Risk (continued)

As of December 31, 2022, MLGW debt securities that were subject to credit risk were \$210,257, or 37.4% of total investments. These debt securities have a remaining maturity of less than one year.

MLGW's ratings and policy limits as of December 31, 2022 are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>S&P Rating</u>	<u>Moody's Rating</u>
Tennessee Local Government Investment Pool	\$ 68,700	N/A	N/A
Commercial Paper	86,778	AAA	Aaa
Commercial Paper	22,305	AA+	Aaa
Commercial Paper	8,531	AA	Aa2
Commercial Paper	45,613	AA-	Aa1
Commercial Paper	47,030	AA-	Aa3
Total credit risk debt securities	210,257		
U.S. Treasuries	208,866	AA+u	Aaa
Federal Agency (Fixed Rate)	189,422	AA+	Aaa
Federal Agency (Callable)	39,074 ¹	AA+	Aaa
U.S. Government and Agencies	437,362		
Total debt securities investments	\$ 716,319		

¹ Primarily consists of U.S. Government/Agencies securities.

Non-Rating Description

NA Not Available



2. Deposits and Investments (continued)

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Investments in any one issuer that represent five percent or more of total investments must be disclosed by amount and issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in bank deposits, external investment pools, and other pooled investments are excluded from this requirement. In accordance with the investment policy, no more than 10% of MLGW's portfolio will be invested in the securities of any single issuer with the following exceptions: U.S. Government Obligations up to 100% of the portfolio book value for any single issuer at the date of acquisition.

In addition, MLGW's investment policy seeks to diversify its portfolio by limiting the percentage of the portfolio that may be invested in any one type of instrument as follows:

U.S. Treasuries	100%	maximum
US Government Obligations	100%	maximum
Federal Agency (Fixed Rate)	100%	maximum
Federal Agency (Callable)	50%	maximum
Repurchase Agreements	50%	maximum
Commercial Paper (Rated AA or higher)	90%	maximum
Banker's Acceptance (Rated AA or higher)	60%	maximum
Certificates of Deposit	20%	maximum
Municipal Obligations	20%	maximum
Tennessee LGIP	40%	maximum

In accordance with GASB Statement No. 40, governments should provide information about investments in any one issuer that represent 5 percent or more of total investments. As of December 31, 2023, there are no investments in any one issuer of commercial paper that represents 5% or more of MLGW's investments.



2. Deposits and Investments (continued)

Concentration of Credit Risk (continued)

As of December 31, 2022, the investments in any one issuer of commercial paper that represents 5% of more of MLGW's investments are as follows:

Issuer	Reported Amount	Percentage of Portfolio
Canada Government	\$ 39,656	5.54%
Proctor & Gamble	47,030	6.57%
Toronto Dominion	45,613	6.37%
Total	\$ 132,299	

Restricted and Unrestricted Funds

Restricted funds, cash and cash equivalents, and investments considered of the following as of December 31, 2023 and 2022:

	Electric Division		Gas Division		Water Division	
	2023	2022	2023	2022	2023	2022
Restricted fund:						
Cash and cash equivalents	\$ 70,082	\$ 77,045	\$ 37,192	\$ 57,430	\$ 15,401	\$ 35,970
Investments	12,396	8,609	6,586	4,649	4,953	3,422
Total restricted funds	<u>\$ 82,478</u>	<u>\$ 85,654</u>	<u>\$ 43,778</u>	<u>\$ 62,079</u>	<u>\$ 20,354</u>	<u>\$ 39,392</u>
Unrestricted fund:						
Cash and cash equivalents	\$ 91,585	\$ 231,031	\$ 115,082	\$ 131,041	\$ 72,616	\$ 73,866
Investments	64,665	103,335	79,480	56,623	51,510	33,084
Total unrestricted funds	<u>\$ 156,250</u>	<u>\$ 334,366</u>	<u>\$ 194,562</u>	<u>\$ 187,664</u>	<u>\$ 124,126</u>	<u>\$ 106,950</u>



3. Notes Receivable

In 1997, MLGW and the Town of Arlington (“Arlington”) entered into an agreement, whereby Arlington conveyed ownership, operation, maintenance, construction, and improvement and expansion of the Arlington water facilities and system to MLGW. The agreement provided Arlington to bill and collect water development fees to remit payment to MLGW for water facilities and system improvement costs incurred plus 6% annual accrued interest. The agreement provided for Arlington to remit to MLGW on the 15th day of each succeeding month the fees collected during the month less its service fee until MLGW is paid in full.

The Arlington note receivable is included in notes receivable in the accompanying 2023 Water Division’s Statements of Net Position.

4. Lease Receivables

MLGW leases land, pole space, and other assets to third parties. As of December 31, 2023, remaining lease terms range from two to 30 years, and several leases have an option to extend the lease term after the completion of the contracted term.

The Electric Division had a lease receivable balance as of December 31, 2023 was \$6,861, of which \$478 is current and \$6,383 is long-term on the Statements of Net Position. The lease receivable balance as of December 31, 2022 was \$4,384, of which \$648 was current and \$3,735 is long-term on the Statements of Net Position. The Electric Division recognized revenue of \$937 for the year ended December 31, 2023 and \$1,639 for the year ended December 31, 2022. Interest income was not material in either period. Revenue is reported in investment and other income on the Statements of Revenues, Expenses, and Changes in Net Position. There were no material variable lease payments paid or received nor impairment losses in fiscal year 2023 or 2022.

The Gas Division had a lease receivable balance as of December 31, 2023 was \$19,397, of which \$483 is current and \$18,914 is long-term on the Statements of Net Position. The lease receivable balance as of December 31, 2022 was \$15,932, of which \$427 was current and \$15,505 is long-term on the Statements of Net Position. The Gas Division recognized revenue of \$362 for the year ended December 31, 2023 and \$654 for the year ended December 31, 2022. Interest income was not material in either period. Revenue is reported as other operating revenue on the Statements of Revenues, Expenses, and Changes in Net Position. There were no material variable lease payments paid or received nor impairment losses in fiscal year 2023 or 2022.

The Water Division had a lease receivable balance as of December 31, 2023 was \$1,802, of which \$169 is current and \$1,633 is long-term on the Statements of Net Position. The lease receivable balance as of December 31, 2022 was \$1,069, of which \$166 was current and \$903 is long-term on the Statements of Net Position. The Water Division recognized revenue of \$231 for the year ended December 31, 2023 and \$242 for the year ended December 31, 2022. Interest income was not material in either period. Revenue is reported in investment and other income on the Statements of Revenues, Expenses, and Changes in Net Position. There were no material variable lease payments paid or received nor impairment losses in fiscal year 2023 or 2022.



4. Lease Receivables (continued)

MLGW leases pole space to third party telecommunication companies through agreements which classify as regulated leases. The lease rates for these agreements are prescribed by TVA based on TVA's cost recovery model. These regulated lease assets are not subject to exclusive use by any counterparty. MLGW recognized revenue of \$2.9 million for the year ended December 31, 2023 and \$2.9 million for the year ended December 31, 2022.

The following table summarizes the expected future minimum payments for regulated leases as of December 31, 2023:

<u>Year</u>	<u>Expected Future Minimum Payment</u>
2024	\$ 2,116
2025	2,112
2026	2,111
2027	2,104
2028	2,104
2029-2033	9,493
	<u>\$ 20,041</u>



5. Lease Liabilities

MLGW leases certain equipment, and other assets under non-cancelable lease arrangements. Terms of the leases range from one to 3 years and contain fixed payment terms. Certain office space leases contain the option for renewal, which has been considered in the lease liability when MLGW is reasonably certain to exercise the renewal option.

Changes in lease liabilities are summarized as of December 31, 2023:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Year ended December 31, 2023				
Electric Division				
Total lease liabilities	\$ 279	\$ -	\$ (204)	\$ 75
Less current portion	(229)			(75)
Long-term portion	<u>\$ 50</u>			<u>\$ -</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Year ended December 31, 2023				
Gas Division				
Total lease liabilities	\$ 94	\$ -	\$ (65)	\$ 29
Less current portion	(74)			(29)
Long-term portion	<u>\$ 20</u>			<u>\$ -</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Year ended December 31, 2023				
Water Division				
Total lease liabilities	\$ 69	\$ -	\$ (48)	\$ 21
Less current portion	(55)			(21)
Long-term portion	<u>\$ 14</u>			<u>\$ -</u>



5. Lease Liabilities (continued)

Changes in lease liabilities are summarized as of December 31, 2022:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Year ended December 31, 2022				
Electric Division				
Total lease liabilities	\$ 560	\$ -	\$ (281)	\$ 279
Less current portion	(281)			(229)
Long-term portion	<u>\$ 279</u>			<u>\$ 50</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Year ended December 31, 2022				
Gas Division				
Total lease liabilities	\$ 169	\$ -	\$ (75)	\$ 94
Less current portion	(75)			(74)
Long-term portion	<u>\$ 94</u>			<u>\$ 20</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Year ended December 31, 2022				
Water Division				
Total lease liabilities	\$ 125	\$ -	\$ (56)	\$ 69
Less current portion	(56)			(55)
Long-term portion	<u>\$ 69</u>			<u>\$ 14</u>



5. Lease Liabilities (continued)

Maturities and future interest requirements related to the balances of lease liabilities outstanding as of December 31, 2023, are summarized as follows:

	<u>Electric Division</u>	
	<u>Lease</u> <u>Maturities</u>	<u>Interest</u> <u>Requirements</u>
2024	75	1
2025	-	-
Total	<u>\$ 75</u>	<u>\$ 1</u>

	<u>Gas Division</u>	
	<u>Lease</u> <u>Maturities</u>	<u>Interest</u> <u>Requirements</u>
2024	29	-
2025	-	-
Total	<u>\$ 29</u>	<u>\$ -</u>

	<u>Water Division</u>	
	<u>Lease</u> <u>Maturities</u>	<u>Interest</u> <u>Requirements</u>
2024	21	-
2025	-	-
Total	<u>\$ 21</u>	<u>\$ -</u>



6. Subscription Based Information Technology Agreements

MLGW has Subscription Based Information Technology Agreements (SBITAs), which are contracts that convey control of the right to use another party's information technology software, as specified in the contract for a period of time in an exchange or exchange-like transaction. The subscription term includes the period during which MLGW has a noncancellable right to use the underlying IT assets, and includes periods covered by the option to extend (if it is reasonably certain that MLGW or the SBITA vendor will exercise that option). As of December 31, 2023, the remaining subscription terms range from two to seven years.

Changes in SBITA liabilities are summarized as of December 31, 2023:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Year ended December 31, 2023				
Electric Division				
Total SBITA liabilities	\$ 5,264	\$ 1,347	\$ (4,073)	\$ 2,538
Less current portion	(2,924)			(1,313)
Long-term portion	<u>\$ 2,340</u>			<u>\$ 1,225</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Year ended December 31, 2023				
Gas Division				
Total SBITA liabilities	\$ 2,268	\$ 516	\$ (1,734)	\$ 1,050
Less current portion	(1,295)			(580)
Long-term portion	<u>\$ 973</u>			<u>\$ 470</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Year ended December 31, 2023				
Water Division				
Total SBITA liabilities	\$ 1,709	\$ 381	\$ (1,281)	\$ 809
Less current portion	(960)			(462)
Long-term portion	<u>\$ 749</u>			<u>\$ 347</u>



6. Subscription Based Information Technology Agreements (continued)

Changes in SBITA liabilities are summarized as of December 31, 2022:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Year ended December 31, 2022				
Electric Division				
Total SBITA liabilities	\$ 7,885	<u>\$ 1,069</u>	<u>\$ (3,690)</u>	\$ 5,264
Less current portion	<u>(1,934)</u>			<u>(2,924)</u>
Long-term portion	<u>\$ 5,951</u>			<u>\$ 2,340</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Year ended December 31, 2022				
Gas Division				
Total SBITA liabilities	\$ 3,091	<u>\$ 739</u>	<u>\$ (1,562)</u>	\$ 2,268
Less current portion	<u>(773)</u>			<u>(1,295)</u>
Long-term portion	<u>\$ 2,318</u>			<u>\$ 973</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Year ended December 31, 2022				
Water Division				
Total SBITA liabilities	\$ 2,234	<u>\$ 611</u>	<u>\$ (1,136)</u>	\$ 1,709
Less current portion	<u>(551)</u>			<u>(960)</u>
Long-term portion	<u>\$ 1,683</u>			<u>\$ 749</u>



6. Subscription Based Information Technology Agreements (continued)

Maturities and future interest requirements related to the balances of SBITA liabilities outstanding as of December 31, 2023, are summarized as follows:

	<u>Electric Division</u>	
	<u>SBITA</u>	<u>Interest</u>
	<u>Maturities</u>	<u>Requirements</u>
2024	\$ 1,313	\$ 54
2025	578	26
2026	601	3
2027	46	1
Total	<u>\$ 2,538</u>	<u>\$ 84</u>

	<u>Gas Division</u>	
	<u>SBITA</u>	<u>Interest</u>
	<u>Maturities</u>	<u>Requirements</u>
2024	\$ 580	\$ 21
2025	222	10
2026	231	1
2027	17	-
Total	<u>\$ 1,050</u>	<u>\$ 32</u>

	<u>Water Division</u>	
	<u>SBITA</u>	<u>Interest</u>
	<u>Maturities</u>	<u>Requirements</u>
2024	\$ 462	\$ 16
2025	164	7
2026	170	1
2027	13	-
Total	<u>\$ 809</u>	<u>\$ 24</u>



7. Utility Plant and Intangible Right of Use Assets

Utility plant and intangible right of use assets activity for the years ended December 31, 2023 and 2022 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
As Restated				
Year ended December 31, 2023				
Electric Division				
Capital assets not being depreciated:				
Land	\$ 38,586	\$ 1	\$ -	\$ 38,587
Land - Non-utility	15,345	-	-	15,345
Construction in progress	102,598	198,760	(127,724)	173,634
Total capital assets not being depreciated	156,529	198,761	(127,724)	227,566
Capital assets being depreciated or amortized:				
Structures and improvements	77,799	525	-	78,324
Transmission and distribution plant equipment	1,715,662	115,906	(21,456)	1,810,112
General plant equipment	193,850	9,940	(422)	203,368
Intangibles: Software	13,375	1,564	(1)	14,938
Total capital assets being depreciated or amortized	2,000,686	127,935	(21,879)	2,106,742
Less accumulated depreciation and amortization	(976,296)	(91,297)	53,435	(1,014,158)
Total capital assets being depreciated or amortized, net	1,024,390	36,638	31,556	1,092,584
Total capital assets, net	\$ 1,180,919	\$ 235,399	\$ (96,168)	\$ 1,320,150
Intangible Right of Use Assets				
SBITA	\$ 11,230	\$ 1,347	\$ -	\$ 12,577
Office Equipment	630	13	-	643
Other	200	(200)	-	-
Total Intangible Right of Use Assets	12,060	1,160	-	13,220
Less accumulated amortization-SBITA	(4,489)	(3,303)	-	(7,792)
Less accumulated amortization-Office Equipment	(562)	(16)	-	(578)
Total Intangible Right of Use Assets, net	\$ 7,009	\$ (2,159)	\$ -	\$ 4,850



7. Utility Plant and Intangible Right of Use Assets (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Year ended December 31, 2023	As Restated			
Gas Division				
Capital assets not being depreciated:				
Land	\$ 7,456	\$ -	\$ -	\$ 7,456
Construction in progress	22,838	22,050	(17,242)	27,646
Plant held for future use	212	-	-	212
Total capital assets not being depreciated	30,506	22,050	(17,242)	35,314
Capital assets being depreciated or amortized:				
Structures and improvements	71,901	711	(4)	72,608
Processing and distribution plant equipment	574,717	9,718	(422)	584,013
General plant equipment	70,730	6,813	(1,633)	75,910
Intangibles: Software	57,185	-	-	57,185
Non-utility plant equipment	200	-	-	200
Total capital assets being depreciated or amortized	774,733	17,242	(2,059)	789,916
Less accumulated depreciation and amortization	(411,603)	(24,351)	2,587	(433,367)
Total capital assets being depreciated or amortized, net	363,130	(7,109)	528	356,549
Total capital assets, net	\$ 393,636	\$ 14,941	\$ (16,714)	\$ 391,863
 Intangible Right of Use Assets				
SBITA	\$ 4,733	\$ 516	\$ -	\$ 5,249
Office Equipment	242	5	-	247
Total Intangible Right of Use Assets	4,975	521	-	5,496
Less accumulated amortization-SBITA	(1,854)	(1,388)	-	(3,242)
Less accumulated amortization-Office Equipment	(152)	(70)	-	(222)
Total Intangible Right of Use Assets, net	\$ 2,969	\$ (937)	\$ -	\$ 2,032



7. Utility Plant and Intangible Right of Use Assets (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
As Restated				
Year ended December 31, 2023				
Water Division				
Capital assets not being depreciated:				
Land	\$ 2,656	\$ 5	\$ (7)	\$ 2,654
Construction in progress	69,660	27,767	(19,852)	77,575
Total capital assets not being depreciated	72,316	27,772	(19,859)	80,229
Capital assets being depreciated or amortized:				
Structures and improvements	55,541	156	(2)	55,695
Pumping, transmission and distribution plant equipment	452,256	18,588	(616)	470,228
General plant equipment	36,639	1,105	(166)	37,578
Intangibles: Software	2,177	-	-	2,177
Total capital assets being depreciated or amortized	546,613	19,849	(784)	565,678
Less accumulated depreciation and amortization	(241,168)	(11,835)	3,237	(249,766)
Less acquisition adjustment	-	-	-	-
Total capital assets being depreciated or amortized, net	305,445	8,014	2,453	315,912
Total capital assets, net	\$ 377,761	\$ 35,786	\$ (17,406)	\$ 396,141
Intangible Right of Use Assets				
SBITA	\$ 3,492	\$ 382	\$ -	\$ 3,874
Office Equipment	179	3	-	182
Total Intangible Right of Use Assets	3,671	385	-	4,056
Less accumulated amortization-SBITA	(1,341)	(1,016)	-	(2,357)
Less accumulated amortization-Office Equipment	(112)	-	(52)	(164)
Total Intangible Right of Use Assets, net	\$ 2,218	\$ (631)	\$ (52)	\$ 1,535



7. Utility Plant and Intangible Right of Use Assets (continued)

	Beginning Balance	Increases	Decreases	Ending Balance As Restated
Year ended December 31, 2022				
Electric Division				
Capital assets not being depreciated:				
Land	\$ 38,586	\$ -	\$ -	\$ 38,586
Land - Non-utility	15,345	-	-	15,345
Construction in progress	92,239	80,195	(69,836)	102,598
Total capital assets not being depreciated	146,170	80,195	(69,836)	156,529
Capital assets being depreciated or amortized:				
Structures and improvements	72,978	4,821	-	77,799
Transmission and distribution plant equipment	1,666,742	61,115	(12,195)	1,715,662
General plant equipment	193,753	3,802	(3,705)	193,850
Intangibles: Software	13,276	99	-	13,375
Total capital assets being depreciated or amortized	1,946,749	69,837	(15,900)	2,000,686
Less accumulated depreciation and amortization	(942,892)	(63,172)	29,768	(976,296)
Total capital assets being depreciated or amortized, net	1,003,857	6,665	13,868	1,024,390
Total capital assets, net	\$ 1,150,027	\$ 86,860	\$ (55,968)	\$ 1,180,919
Intangible Right of Use Assets				
SBITA	\$ -	\$ 11,230	\$ -	\$ 11,230
Office Equipment	630	-	-	630
Other	200	-	-	200
Total Intangible Right of Use Assets	830	11,230	-	12,060
Less accumulated amortization-SBITA	-	(4,489)	-	(4,489)
Less accumulated amortization-Office Equipment	(281)	(281)	-	(562)
Total Intangible Right of Use Assets, net	\$ 549	\$ 6,460	\$ -	\$ 7,009



7. Utility Plant and Intangible Right of Use Assets (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance As Restated</u>
Year ended December 31, 2022				
Gas Division				
Capital assets not being depreciated:				
Land	\$ 7,456	\$ -	\$ -	\$ 7,456
Construction in progress	26,165	16,926	(20,253)	22,838
Plant held for future use	212	-	-	212
Total capital assets not being depreciated	<u>33,833</u>	<u>16,926</u>	<u>(20,253)</u>	<u>30,506</u>
Capital assets being depreciated or amortized:				
Structures and improvements	69,818	2,083	-	71,901
Processing and distribution plant equipment	559,644	15,679	(606)	574,717
General plant equipment	74,660	2,489	(6,419)	70,730
Intangibles: Software	57,185	-	-	57,185
Non-utility plant equipment	200	-	-	200
Total capital assets being depreciated or amortized	<u>761,507</u>	<u>20,251</u>	<u>(7,025)</u>	<u>774,733</u>
Less accumulated depreciation and amortization	<u>(394,640)</u>	<u>(26,063)</u>	<u>9,100</u>	<u>(411,603)</u>
Total capital assets being depreciated or amortized, net	<u>366,867</u>	<u>(5,812)</u>	<u>2,075</u>	<u>363,130</u>
Total capital assets, net	<u>\$ 400,700</u>	<u>\$ 11,114</u>	<u>\$ (18,178)</u>	<u>\$ 393,636</u>
Intangible Right of Use Assets				
SBITA	\$ -	\$ 4,733	\$ -	\$ 4,733
Office Equipment	242	-	-	242
Total Intangible Right of Use Assets	<u>242</u>	<u>4,733</u>	<u>-</u>	<u>4,975</u>
Less accumulated amortization-SBITA	<u>-</u>	<u>(1,854)</u>	<u>-</u>	<u>(1,854)</u>
Less accumulated amortization-Office Equipment	<u>(76)</u>	<u>(76)</u>	<u>-</u>	<u>(152)</u>
Total Intangible Right of Use Assets, net	<u>\$ 166</u>	<u>\$ 2,803</u>	<u>\$ -</u>	<u>\$ 2,969</u>



7. Utility Plant and Intangible Right of Use Assets (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance As Restated</u>
Year ended December 31, 2022				
Water Division				
Capital assets not being depreciated:				
Land	\$ 2,649	\$ 7	\$ -	\$ 2,656
Construction in progress	56,880	24,720	(11,940)	69,660
Total capital assets not being depreciated	59,529	24,727	(11,940)	72,316
Capital assets being depreciated or amortized:				
Structures and improvements	54,548	993	-	55,541
Pumping, transmission and distribution plant equipment	441,806	11,131	(681)	452,256
General plant equipment	37,711	231	(1,303)	36,639
Intangibles: Software	2,177	-	-	2,177
Total capital assets being depreciated or amortized	536,242	12,355	(1,984)	546,613
Less accumulated depreciation and amortization	(233,565)	(12,086)	4,483	(241,168)
Less acquisition adjustment	-	-	-	-
Total capital assets being depreciated or amortized, net	302,677	269	2,499	305,445
Total capital assets, net	<u>\$ 362,206</u>	<u>\$ 24,996</u>	<u>\$ (9,441)</u>	<u>\$ 377,761</u>
Intangible Right of Use Assets				
SBITA	\$ -	\$ 3,492	\$ -	\$ 3,492
Office Equipment	179	-	-	179
Total Intangible Right of Use Assets	179	3,492	-	3,671
Less accumulated amortization-SBITA	-	(1,341)	-	(1,341)
Less accumulated amortization-Office Equipment	(56)	(56)	-	(112)
Total Intangible Right of Use Assets, net	<u>\$ 123</u>	<u>\$ 2,095</u>	<u>\$ -</u>	<u>\$ 2,218</u>



7. Utility Plant and Intangible Right of Use Assets (continued)

Total net capital asset changes include additions to construction in progress, transfers to or from other accounts, depreciation and amortization and the effects of sales, retirements, and contribution in aid of construction.

MLGW's planned construction program expenditures for 2024 are estimated as follows (unaudited):

Electric Division	272,762
Gas Division	35,994
Water Division	27,463

8. Futures, Options and Swap Contracts

MLGW uses a range of derivative instruments to hedge commodity risk including futures contracts, options on futures contracts and swap contracts. The purchase and sale of futures contracts, options on futures contracts and swap contracts involve highly leveraged and rapidly fluctuating markets that can lead to significant losses for market participants. As such, market participants are required to maintain margin deposits with a Futures Commission Merchant (FCM) in order to trade in the commodity futures market. These margin deposits are required by the FCM as a condition of its contract to provide execution, clearing and bookkeeping services relative to the purchase and sale of commodity futures.

The FCM is not subject to state laws which govern financial institutions serving as depositories for municipal funds, but instead is governed by rules and regulations promulgated by the Federal Commodity Futures Trading Commission. The Commodity Exchange Act requires the FCM to segregate all customer transactions and assets from the FCM's proprietary activities.

Futures contracts, options on futures contracts and swap contracts are marked-to-market daily and valued at closing market prices on the valuation date. The fluctuations in the value of the futures contracts and the options on futures contracts are recorded for financial statement purposes as deferred gains or losses.

MLGW's derivative instruments could be potentially exposed to concentrations of counterparty credit. MLGW's derivatives transactions are conducted directly or indirectly with the New York Mercantile Exchange ("NYMEX"). By clearing all trades through NYMEX, MLGW's exposure to counterparty credit risk for such transactions are largely minimized. The fair market value of the futures and options are Level 3 inputs.



8. Futures, Options and Swap Contracts (continued)

Gas Division:

The Gas Division enters into futures contracts, options on futures contracts and swap contracts as cash flow hedges to manage the risk of volatility in the market price of natural gas on anticipated purchase transactions. The market values of the open derivative positions are reported on the Statements of Net Position as derivative financial instruments. MLGW maintained a margin deposit balance of \$3,036 and \$4,623 with its FCM at December 31, 2023 and 2022, respectively.

The schedule below shows the market values and notional amounts of the open futures contracts and options on futures contracts as of December 31, 2023 and 2022.

Type	<u>December 31, 2023</u>		<u>December 31, 2022</u>	
	<u>Market Value</u>	<u>Notional Amount</u>	<u>Market Value</u>	<u>Notional Amount</u>
Futures	\$ -	\$ -	\$ -	\$ -
Options	29	82,380	2,297	42,450
Total	<u>\$ 29</u>	<u>\$ 82,380</u>	<u>\$ 2,297</u>	<u>\$ 42,450</u>

The schedule below reflects the deferred gains (losses) at year end associated with recording open derivative positions.

Type	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	<u>Deferred Gains (Losses)</u>	<u>Deferred Gains (Losses)</u>
Futures	\$ -	\$ -
Options	(579)	2,122
Total	<u>\$ (579)</u>	<u>\$ 2,122</u>



8. Futures, Options and Swap Contracts (continued)

Deferred costs at year end associated with gains (losses) on closed derivative positions are shown below.

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Type	<u>Deferred Gains (Losses)</u>	<u>Deferred Gains (Losses)</u>
Futures	\$ (630)	\$ -
Options	7,748	23,074
Total	<u>\$ 7,118</u>	<u>\$ 23,074</u>

The deferred gains (losses) at year end for the open derivative positions are reported on the Statement of Net Position as deferred inflows of resources and deferred outflows of resources, respectively. The deferred gains and losses derived from closed derivative positions are reported as other current assets and liabilities, respectively.

Electric Division:

The Electric Division periodically enters into futures contracts, options on futures contracts and swap contracts to manage the risk of volatility in the market price of unleaded and diesel fuel on anticipated purchase transactions. The balance in MLGW's FCM fuel margin at December 31, 2023 and 2022 was (\$0) and (\$0), respectively.

9. Deferred Compensation Plan

MLGW offers its employees a voluntary compensation plan under Internal Revenue Code Section 457. The plan, available to all full-time MLGW employees, permits them to defer a portion of their salaries until future years. The deferred compensation paid through payroll deduction is not available to employees until termination, retirement, death, or unforeseeable emergency.

The plan provides that assets or income of the plan shall be used for the exclusive purpose of providing benefits for participants and their beneficiaries or defraying reasonable expenses of administration of the plan. Since the assets of the amended plan are held in custodial and annuity accounts for the exclusive benefit of plan participants, the related assets of the plan are not reflected in MLGW's Statements of Net Position.



10. Employee Retirement System

Plan Description

Memphis Light, Gas and Water Retirement and Pension System (the “MLGW Pension Plan”) is a single employer defined benefit pension plan administered by the MLGW Pension Board. The plan covers permanent, full-time employees and appointed commissioners who opt to participate. MLGW issues a separate audited financial report for the MLGW Pension Plan that includes financial statements and required supplementary information. That report may be obtained at www.mlgw.com.

Benefits Provided

The MLGW Pension Plan provides death and disability benefits as well as retirement benefits. MLGW Pension Plan members hired prior to January 1, 2014 who attain the age of fifty-five and retire on or after ten years of creditable service, or attain the age of seventy and retire on or after five years of creditable service, or attain twenty-five years of creditable service regardless of age are entitled to an annual retirement allowance computed by multiplying the applicable percentage for the age of retirement times the number of years of creditable service, which equals the benefit percentage, times the final average compensation.

MLGW Pension Plan members hired on or after January 1, 2014 who attain the age of sixty and retire on or after ten years of creditable service, or attain the age of seventy and retire on or after five years of creditable service, or attain the age of fifty-five with twenty-five years of creditable service are entitled to an annual retirement allowance computed by multiplying the applicable percentage for the age of retirement times the number of years of creditable service, which equals the benefit percentage, times the final average compensation.

Effective January 1, 2001, the following table is the applicable benefit percentage for each year of creditable service at the applicable retirement age under the MLGW Pension Plan:

Retirement Age	Benefit Percentage For Each Year of Creditable Service
59 1/2 and less	2.25%
60	2.30%
61	2.40%
62 and older	2.50%



10. Employee Retirement System (continued)

Final average compensation is the member's basic earnings (which includes member contributions pursuant to Section 414(h) and Section 457 of the Internal Revenue Code (the "Code") for the three consecutive years of creditable service if less than 30 years, two consecutive years if more than 30 years and one year if 35 or more years of creditable service during which the compensation was the highest) plus work out of classification pay, shift differential pay, and automobile allowance for such employees designated by Resolution of the Board of Commissioners.

The annual retirement allowance shall not exceed 85% of the member's final average compensation. The 2023 and 2022 minimum monthly retirement benefit for all members is the greater of \$60 times the full years of service, or \$600.

Cost of Living Adjustments

As of July 1, of each plan year, each retired participant who (1) has attained age 56 on such date and (2) has been terminated from the employment of the Division for at least one year, shall be entitled to an increase in the amount of his monthly benefit under the MLGW Pension Plan equal to the cost of living adjustment.

A surviving spouse or handicapped child receiving death benefits shall be entitled to a cost of living adjustment if the surviving spouse or handicapped child has attained age 56 and the deceased participant has separated from service at least one year prior to July 1.

The cost-of-living adjustment shall be equal to the product of the monthly benefit payable to the participant, the surviving spouse, or handicapped child under the MLGW Pension Plan for the immediately preceding plan year multiplied by the applicable percentage increase in the Consumer Price Index (CPI) for the immediately preceding calendar year.

The applicable percentage increase shall be determined based on the age of the participant, surviving spouse, or handicapped child as of the first day of July of the plan year in which the adjustment is made as follows:

<u>Age</u>	<u>Percentage of CPI Increase</u>
56-58	30%
59-61	60%
62 and older, and all Disabled Participants	75%



10. Employee Retirement System (continued)

Cost of Living Adjustments (continued)

The cost-of-living adjustment for any retired participant, surviving spouse, or handicapped child in any plan year shall not exceed 5% of the retired participant's, surviving spouses or handicapped child's benefit under the MLGW Pension Plan for the immediately preceding plan year. Under no circumstances shall the cost-of-living adjustment result in a decrease in the benefit of a retired participant, surviving spouse, or handicapped child.

Net Pension Liability (Asset)

The net pension liability (asset) is the difference between the actuarial present value of projected pension benefit payments attributable to employees' past service and the Plan's fiduciary net position. For 2023, MLGW's net pension liability was measured as of December 31, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2023.

For 2022, MLGW's net pension liability (asset) was measured as of December 31, 2021 and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of January 1, 2022.

Employees Covered

Plan membership consisted of the following participants as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Retirees and beneficiaries receiving benefits	2,717	2,700
Participants inactive during year ended		
December 31 with vested rights	31	34
Active members fully vested	1,021	1,023
Active members not vested	1,395	1,403
Total	<u>5,164</u>	<u>5,160</u>



10. Employee Retirement System (continued)

Contributions

The contribution requirements of pension plan members and MLGW are established and may be amended and approved by the MLGW Pension Board, the MLGW Board of Commissioners and the Memphis City Council. Pension plan members are required to contribute 8% of their annual covered salary. Under Article III, Section 3.2 of the pension plan, MLGW shall contribute to the pension fund such amounts as from time to time are estimated by the actuary. MLGW also funds the 8% pension plan member's contributions on behalf of the president and vice presidents. For 2022, MLGW contributed 11.34% of the annual covered payroll. Employer contributions recognized by the MLGW Pension Plan during 2022 totaled \$20,941. For 2021, MLGW contributed 13.77% of the annual covered payroll. Employer contributions recognized by the MLGW Pension Plan during 2021 totaled \$24,199.

Actuarial Assumptions

The actuarially determined contribution (ADC) is calculated using a January 1 valuation date as of the beginning of the fiscal year prior to the year in which contributions are reported. Therefore, the ADC for the year ended December 31, 2022 is based on the January 1, 2021 actuarial valuation.

The actuarial assumptions used in the valuation as of January 1, 2023 are based on the results of an experience study for the period January 1, 2014 to December 31, 2018.

Inflation	2.50%
Salary increases	Inflation plus merit increases that vary by age and service, ranging from 0.00% to 8.50%
Investment rate of return	7.00% including inflation, net of pension plan investment expenses
Cost-of-living adjustments	0.75% for ages 56-58 1.50% for ages 59-61 1.875% for ages 62 and older, and all disabled participants



10. Employee Retirement System (continued)

Actuarial Assumptions (continued)

The ADC for the year ended December 31, 2021 is based on the January 1, 2020 actuarial valuation. The actuarial assumptions used in the valuation as of January 1, 2022 are based on the results of an experience study for the period January 1, 2014 to December 31, 2018.

Inflation	2.50%
Salary increases	Inflation plus merit increases that vary by age and service, ranging from 0.00% to 8.50%
Investment rate of return	7.00% including inflation, net of pension plan investment expenses, previously 7.25%
Cost-of-living adjustments	0.75% for ages 56-58 1.50% for ages 59-61 1.875% for ages 62 and older, and all disabled participants

Pre-retirement mortality rates are based on the PRI-2012 Employee Mortality Table. Healthy annuitant mortality rates are based on 120% of PRI-2012 Healthy Annuitant Mortality Table. Disabled annuitant mortality rates are based on 120% of PRI-2012 Disabled Retiree Mortality Table. Beneficiaries are based on 120% of PRI-2012 Contingent Survivor Mortality Table. All mortality tables above are projected generationally with Scale SSA-2019.

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



10. Employee Retirement System (continued)

Actuarial Assumptions (continued)

The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table as of December 31, 2022:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	35%	6.91%
International Equity	9%	7.21%
Fixed Income	24%	1.61%
Alternatives	15%	7.71%
Real Estate	15%	3.61%
Short Term Investments	2%	0.71%
Total	100%	

The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table as of December 31, 2021:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	35%	6.40%
International Equity	9%	7.37%
Fixed Income	24%	0.77%
Alternatives	15%	7.85%
Real Estate	15%	3.90%
Short Term Investments	2%	-0.10%
Total	100%	



10. Employee Retirement System (continued)

Discount Rate

The discount rate used to measure the total pension liability is 7.00% as of December 31, 2022 and 2021. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current 8.00% of pay contribution rate and that MLGW contributions will equal the actuarially determined contribution. For this purpose, only employee and employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, the MLGW Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of December 31, 2022 and 2021.

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following table presents the net pension liability (asset) of MLGW as of December 31, 2022, calculated using the discount rate of 7.00%, as well as what MLGW's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage-point lower (6.00%) or one percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Net pension liability (asset) as of December 31, 2022	\$ 353,780	\$ 166,887	\$ 9,877

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate (continued)

The following table presents the net pension liability (asset) of MLGW as of December 31, 2021, calculated using the discount rate of 7.00%, as well as what MLGW's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage-point lower (6.00%) or one percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Net pension liability (asset) as of December 31, 2021	\$ (20,294)	\$ (200,773)	\$ (352,142)



10. Employee Retirement System (continued)

Pension Plan's Fiduciary Net Position

Detailed information about the MLGW Pension Plan's fiduciary net position is available in the separately issued plan financial statements. For purposes of measuring the net pension liability, all information about the pension plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position have been determined on the same basis as they are reported by the MLGW Pension Plan.

The MLGW Pension Plan's financial statements are prepared using the accrual basis of accounting in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board. Investments are stated at fair value. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the terms of the plan.

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10. Employee Retirement System (continued)

Net Pension Liability (Asset)

The following table presents the Changes in Net Pension Liability (Asset) for the year-ended December 31, 2022.

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a)-(b)
Balance at December 31, 2021	\$ 1,643,128	\$ 1,843,901	\$ (200,773)
Changes for the Year:			
Service Costs	34,220		34,220
Interest	113,017		113,017
Differences Between Expected and Actual Experience	54,247		54,247
Changes of Assumptions	-		-
Contributions – Employer		20,941	(20,941)
Contributions – Employee		14,657	(14,657)
Net Investment Income		(200,888)	200,888
Benefit Payments / Refunds	(125,633)	(125,633)	
Administrative Expenses		(886)	886
Net Change	\$ 75,851	\$ (291,809)	\$ 367,660
Balance at December 31, 2022	\$ 1,718,979	\$ 1,552,092	\$ 166,887



10. Employee Retirement System (continued)

Net Pension Liability (Asset)

The following table presents the Changes in Net Pension Liability (Asset) for the year-ended December 31, 2021.

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at December 31, 2020	\$ 1,569,558	\$ 1,675,537	\$ (105,979)
Changes for the Year:			
Service Costs	32,463		32,463
Interest	111,732		111,732
Changes of Benefit Terms	4,760		4,760
Differences Between Expected and Actual Experience	6,177		6,177
Changes of Assumptions	40,219		40,219
Contributions – Employer		24,199	(24,199)
Contributions – Employee		14,216	(14,216)
Net Investment Income		252,598	(252,598)
Benefit Payments / Refunds	(121,781)	(121,781)	
Administrative Expenses		(868)	868
Net Change	\$ 73,570	\$ 168,364	\$ (94,794)
Balance at December 31, 2021	\$ 1,643,128	\$ 1,843,901	\$ (200,773)



10. Employee Retirement System (continued)

Pension Expense

The following table presents the pension expense for the year-ended December 31, 2023 and 2022.

	<u>2023</u>	<u>2022</u>
Service cost	\$ 34,220	\$ 32,463
Interest on Total Pension Liability	113,017	111,732
Employee contributions	(14,657)	(14,216)
Administrative Expenses	886	868
Expected return on assets	(125,891)	(118,423)
Expensed portion of current year period differences between expected and actual experience in Total Pension Liability	10,849	1,029
Expensed portion of current year period assumptions changes	-	6,703
Changes of Benefit Terms	-	4,760
Expensed portion of current year period differences between projected and actual investment earnings	65,356	(26,835)
Current year recognition of deferred inflows and outflows established in prior years	(30,479)	(36,595)
Total expense	<u>\$ 53,301</u>	<u>\$ (38,514)</u>



10. Employee Retirement System (continued)

Projected Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

The following table presents the projected deferred outflows of resources and deferred inflows of resources related to pension for the year-ended December 31, 2023.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	\$ 20,474	\$ -
Net difference between projected and actual earnings on pension plan investments	120,919	-
Net difference between projected and actual experience in Total Pension Liability	52,688	(1,680)
Assumption changes	26,813	(58)
Total	\$ 220,894	\$ (1,738)

Note: The \$20,474 contribution made subsequent to the measurement date will be recognized as a reduction of the net pension liability in 2024.

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

Year Ended December 31:	
2023	\$ 14,817
2024	41,307
2025	58,620
2026	83,938
Thereafter	-



10. Employee Retirement System (continued)

Projected Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (continued)

The following table presents the projected deferred outflows of resources and deferred inflows of resources related to pension for the year-ended December 31, 2022.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	\$ 20,941	\$ -
Net difference between projected and actual earnings on pension plan investments	-	(180,803)
Net difference between projected and actual experience in Total Pension Liability	13,275	(2,520)
Assumption changes	33,516	(87)
Total	\$ 67,732	\$ (183,410)

Note: The \$20,941 contribution made subsequent to the measurement date will be recognized as a reduction of the net pension liability in 2023.

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

Year Ended December 31:	
2022	\$ (30,479)
2023	(61,389)
2024	(34,898)
2025	(17,585)
2026	7,733
Thereafter	-



11. Other Postemployment Benefits

The Memphis Light, Gas and Water Division OPEB Trust (“OPEB Trust”) was established for the exclusive benefit of MLGW’s retired employees and their dependents (who meet the eligibility requirements) to fund the postemployment benefits provided through the health and welfare benefit plan. Amounts contributed to the OPEB Trust by MLGW are held in trust and are irrevocable and are for the sole and exclusive purpose of funding health and welfare benefits of the eligible participants, and the cost of operating and administering the OPEB Trust. The OPEB Trust is administered by the MLGW OPEB Trust Investment Committee.

MLGW issues a separate audited financial report for the OPEB Trust that includes financial statements and required supplementary information. That report may be obtained at www.mlgw.com.

Plan Description

Memphis Light, Gas and Water Division, by resolution of its Board of Commissioners, has established, adopted, and maintains a medical benefits (health and welfare) plan (the “Plan”) for its retired employees and their eligible dependents. The Plan is a single employer defined benefit healthcare plan administered by MLGW.

The Board of Commissioners of Memphis Light, Gas and Water Division serves as the “Trustee” and establishes the policies of the MLGW OPEB Trust. The Trustee shall fulfill the duties of the fiduciary responsible for MLGW OPEB Trust’s administration and shall have overall control of the administration of the OPEB Trust, with all powers and discretion necessary to enable it to properly carry out its duties. The Trustee delegated the responsibility and authority to administer the assets of the OPEB Trust to the OPEB Trust Investment Committee.

The OPEB Trust Investment Committee is comprised of one member of the Board of Commissioners of the Division (who serves as Chairman), the President and CEO of the Division, the Sr. Vice President, CFO, CAO and Secretary-Treasurer of the Division, two Employee Members, one Retiree Member, and one Citizen Member.

The Plan provides postemployment coverage for health care, life insurance, accident/death and dismemberment (AD&D), medical, and prescription drugs to eligible retirees and their dependents. Benefits are payable to retirees and their spouses for their lifetime. Qualified dependents continue to receive benefits as long as they are qualified under the Plan. Dental, dependent life insurance, cancer, accident, and long-term care benefits are available, but are 100% paid by the retiree.

Employees retired under the MLGW Retirement and Pension Plan or disabled with five years of service at any age or disabled in the line of duty at any age with no years of service restriction, are eligible for OPEB benefits. Health care benefits are also offered to qualifying survivors of active employees who are eligible to retire at the time of death.



11. Other Postemployment Benefits (continued)

Plan Description (continued)

Members of the Plan consisted of the following at December 31, 2021 (valuation date):

	Medical	Life
Retired members currently receiving benefits	2,040	2,040
Beneficiaries currently receiving benefits	1,682	-
Vested terminated members entitled to, but not yet receiving benefits	-	-
Active members	2,416	2,416
Total	<u>6,138</u>	<u>4,456</u>

Funding Policy and Contributions

The contribution requirements of plan members and MLGW are established and may be amended by the MLGW Board of Commissioners. Contribution rates for retired plan members and beneficiaries currently receiving benefits are periodically reset and are currently at 25% of costs for medical and drug benefits. For life insurance and AD&D, retirees contribute 40% of the cost.

The Board of Commissioners has set the employer contribution rate based on the Actuarially Determined Contribution ("ADC"). The ADC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years. The ADC is based on the prior year's valuation, then adjusted forward at an assumed payroll growth rate.

MLGW contributed \$40,136 and \$38,381 for the years ended December 31, 2023 and 2022, respectively to the OPEB Trust.

Actuarial Assumptions

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018. The plan's measurement date is December 31, 2022.



11. Other Postemployment Benefits (continued)

Actuarial Assumptions (continued)

Inflation	2.50%
Salary increases	Inflation plus merit increases based on age and service
Discount Rate	7.00%
Healthcare costs trend rates	
Medical	7.00% grading to 4.50% over 10 years
Prescription drug	8.00% grading to 4.50% over 14 years
Administrative costs	3.00%
Mortality rates	PRI-2012 Healthy Annuitant Mortality Table, Headcount-Weighted, for males and females, as appropriate, with adjustments for mortality improvement using Scale SSA-2019.

Pre-retirement mortality rates are based on PRI-2012 Employee Mortality Table with sex-distinct rates. Healthy annuitant mortality rates are based on the PRI-2012 Healthy Annuitant Mortality Table with sex-distinct rates, plus a 20% load. Disabled annuitant mortality rates are based on PRI-2012 Disabled Retiree Mortality Table with sex-distinct rates, plus a 20% load. Beneficiaries' mortality rates are based on PRI-2012 Contingent Survivor Mortality Table with sex-distinct rates, plus 20% load. All mortality tables above are Headcount-Weighted and projected generationally with Scale SSA-2019.

Investment Rates of Return

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

The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table as of December 31, 2022:



11. Other Postemployment Benefits (continued)

Investment Rates of Return (continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	35.00%	6.91%
International Equity	12.00%	7.21%
Fixed Income	21.50%	1.61%
Alternatives	15.50%	7.71%
Real Estate	15.00%	3.61%
Short Term Investments	1.00%	0.71%
Total	100.00%	

The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table as of December 31, 2021:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	35.00%	6.40%
International Equity	9.00%	7.37%
Fixed Income	24.00%	0.77%
Alternatives	15.00%	7.85%
Real Estate	15.00%	3.90%
Short Term Investments	2.00%	-0.10%
Total	100.00%	

Discount Rate

The discount rate used to measure the Total OPEB Liability (TOL) was 7.00% as of December 31, 2022 and December 31, 2021. The projection of cash flows used to determine the discount rate assumed that MLGW contributions would be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on these assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the TOL as of both December 31, 2022 and December 31, 2021 using the discount rate.



11. Other Postemployment Benefits (continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Cost Trend

The following presents the Net OPEB Liability (NOL) of MLGW as of December 31, 2022, calculated using the discount rate of 7.00%, as well as what the Division's NOL would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage point higher (8.00%) than the current rate. Also, shown is the NOL as if it were calculated using healthcare cost trend rates that were 1-percentage point lower or 1-percentage point higher than the current healthcare trend rates:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB Liability (Asset)	\$ 341,939	\$ 226,685	\$ 131,784
	1% Decrease in Health Care Cost Trend Rates	Current Health Care Cost Trend Rates	1% Increase in Health Care Cost Trend Rates
Net OPEB Liability (Asset)	\$ 127,381	\$ 226,685	\$ 348,993

The following presents the Net OPEB Liability (NOL) of MLGW as of December 31, 2021, calculated using the discount rate of 7.00%, as well as what the Division's NOL would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage point higher (8.00%) than the current rate. Also, shown is the NOL as if it were calculated using healthcare cost trend rates that were 1-percentage point lower or 1-percentage point higher than the current healthcare trend rates:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB Liability (Asset)	\$ 232,613	\$ 121,104	\$ 29,377
	1% Decrease in Health Care Cost Trend Rates	Current Health Care Cost Trend Rates	1% Increase in Health Care Cost Trend Rates
Net OPEB Liability (Asset)	\$ 31,470	\$ 121,104	\$ 231,215



11. Other Postemployment Benefits (continued)

OPEB Plan's Fiduciary Net Position

Detailed information about the MLGW OPEB Trust's fiduciary net position is available in the separately issued plan financial statements. For purposes of measuring the NOL, all information about the OPEB plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position have been determined on the same basis as they are reported by the MLGW OPEB Trust.

The MLGW OPEB Trust's financial statements are prepared using the accrual basis of accounting in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board. Investments are stated at fair value. Benefit payments are recognized when due and payable in accordance with the terms of the plan.

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11. Other Postemployment Benefits (continued)

Net OPEB Liability

The following table presents the Changes in Net OPEB Liability for the year-ended December 31, 2022.

	Total OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balance at December 31, 2021	\$ 825,452	\$ 704,348	\$ 121,104
Changes for the Year:			
Service Costs	18,094	-	18,094
Interest	57,870	-	57,870
Differences Between Expected and Actual Experience	(5,593)	-	(5,593)
Contributions – Employer	-	38,381	(38,381)
Net Investment Income	-	(73,591)	73,591
Changes of Assumptions	-	-	-
Benefit Payments / Refunds	(34,248)	(34,248)	-
Administrative Expenses	-	-	-
Net Change	\$ 36,123	\$ (69,458)	\$ 105,581
Balance at December 31, 2022	<u>\$ 861,575</u>	<u>\$ 634,890</u>	<u>\$ 226,685</u>



11. Other Postemployment Benefits (continued)

Net OPEB Liability (continued)

Plan Changes Since Prior Valuation

Benefit Changes:

- There were no material changes in benefit provisions.

Assumption changes:

- There were no material changes in assumptions.

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11. Other Postemployment Benefits (continued)

Net OPEB Liability (continued)

The following table presents the Changes in Net OPEB Liability for the year-ended December 31, 2021.

	Total OPEB Liability As Restated (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balance at December 31, 2020	\$ 745,339	\$ 593,543	\$ 151,796
Changes for the Year:			
Service Costs	16,093	-	16,093
Interest	54,019	-	54,019
Differences Between Expected and Actual Experience	12,400	-	12,400
Contributions – Employer	-	37,561	(37,561)
Net Investment Income	-	106,512	(106,512)
Changes of Assumptions	30,869	-	30,869
Benefit Payments / Refunds	(32,445)	(32,445)	-
Administrative Expenses	(823)	(823)	-
Net Change	<u>\$ 80,113</u>	<u>\$ 110,805</u>	<u>\$ (30,692)</u>
Balance at December 31, 2021	<u>\$ 825,452</u>	<u>\$ 704,348</u>	<u>\$ 121,104</u>



11. Other Postemployment Benefits (continued)

Net OPEB Liability (continued)

Plan Changes Since Prior Valuation

Benefit Changes:

- There were no material changes in benefit provisions.

Assumption changes:

- Healthcare claims cost and trend rates were updated to reflect the most recent experience.
- The investment return assumption was lowered from 7.25% to 7.00%.

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11. Other Postemployment Benefits (continued)

OPEB Expense

The following table presents the OPEB expense for the year-ended December 31, 2023 and 2022.

	<u>2023</u>	<u>2022</u>
Service cost	\$ 18,094	\$ 16,093
Interest on the Total OPEB Liability	57,870	54,019
Expensed portion of current-period difference between expected and actual experience in the Total OPEB Liability	(932)	2,067
Expensed portion of current-period changes of assumptions or other inputs	-	5,145
Projected earnings on plan investments	(49,449)	(43,188)
Expensed portion of current-period differences between actual and projected earnings on plan investments	24,608	(12,665)
Recognition of beginning of year deferred outflows of resources as OPEB expense	19,685	12,473
Recognition of beginning of year deferred inflows of resources as OPEB expense	(73,573)	(67,130)
Total OPEB expense	<u>\$ (3,697)</u>	<u>\$ (33,186)</u>

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11. Other Postemployment Benefits (continued)

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

The following table presents the projected deferred outflows of resources and deferred inflows of resources related to OPEB for the year-ended December 31, 2023.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	\$ 40,136	\$ -
Changes of assumptions or other inputs	20,579	(15,528)
Net difference between projected and actual earnings on OPEB plan investments	32,258	-
Difference between expected and actual experience in the Total OPEB Liability	13,384	(7,229)
Total	\$ 106,357	\$ (22,757)

NOTE: \$40,136 contribution made subsequent to the measurement date will be recognized as a reduction of net OPEB liability in 2024.

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

Year Ended December 31:

2024	\$ (6,732)
2025	2,701
2026	17,541
2027	30,887
2028	(932)
Thereafter	-



11. Other Postemployment Benefits (continued)

Projected Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

The following table presents the projected deferred outflows of resources and deferred inflows of resources related to OPEB for the year-ended December 31, 2022.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	\$ 38,381	\$ -
Changes of assumptions or other inputs	25,724	(56,687)
Net difference between projected and actual earnings on OPEB plan investments	-	(88,081)
Difference between expected and actual experience in the Total OPEB Liability	18,621	(3,771)
Total	\$ 82,726	\$ (148,539)

NOTE: \$38,381 contribution made subsequent to the measurement date will be recognized as a reduction of net OPEB liability in 2023.

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

Year Ended December 31:

2023	\$(53,888)
2024	(30,408)
2025	(20,975)
2026	(6,135)
2027	7,212
Thereafter	-



12. Pollution Remediation Obligation

MLGW has contracts with state licensed environmental remediation companies. The liabilities to remove asbestos, mold and lead from various substations and equipment because of imminent danger were derived from the environmental remediation contractor's estimate. These estimates assume no expected change orders.

MLGW annually evaluates current conditions, remediation plan updates and changes in legal or regulatory requirements to revise MLGW's estimated liability. Regulatory accounts are used to capture the net effect of the changes in estimates for each Division. See Note 1 (Regulatory Accounting).

The schedule below shows the balances as of December 31, 2023 and 2022 for the lead pollution liability from various substations and equipment by Division:

	<u>2023</u>	<u>2022</u>
Electric		
<u>Lead</u>	<u>\$ 653</u>	<u>\$ 653</u>
Total Electric	<u>653</u>	<u>653</u>
Gas		
Soil	945	
<u>Lead</u>	<u>250</u>	<u>250</u>
Total Gas	<u>1,195</u>	<u>250</u>
Water		
<u>Lead</u>	<u>909</u>	<u>1,816</u>
Total Water	<u>909</u>	<u>1,816</u>
Total Liability	<u>\$ 2,757</u>	<u>\$ 2,719</u>



13. Risk Management

MLGW is exposed to various risks of loss related to active and retiree medical claims; injuries to workers; torts; theft of, damage to, and destruction of assets; errors and omissions; environmental damages; and natural disasters. There were no settlements in excess of the insurance coverage in any of the last three prior fiscal years.

MLGW is self-insured for health and medical benefits and for injuries and damages including workers compensation and general liability claims. The Tennessee Governmental Tort Liability Act, TCA 29-20-101, et al, (the “Act”) applies to all tort actions against MLGW arising in the state of Tennessee. The Act establishes statutory limits of liability and MLGW is immune from any award or judgment for death, bodily injury or property damage in excess of the limits as set forth in the Act.

Pursuant to the Act, the current limits of liability for personal injuries are \$300 per person and \$700 for two or more persons per occurrence. The liability for property damage is limited to \$100 per occurrence.

MLGW purchases insurance to address the risks of loss associated with the following: property damage; employee travel; out-of-state automobile travel; employee dishonesty; forgery; computer fraud; counterfeiting; damage to leased or rented equipment; and worker injuries exceeding MLGW’s retained risk of loss.

MLGW has established insurance reserves for the estimated liabilities, including an accrual for incurred but not reported claims, resulting from medical benefits and injuries and damages claims as established by a third-party administrator and MLGW’s Legal Department. The medical benefits reserve and the costs and charges to the reserve are allocated to each division based on a standard administrative and general cost allocation.

MLGW is party to various lawsuits filed against it in the normal course of business (see Note 18).

The changes in the self-insurance reserves for medical benefits and injuries and damages for the years ended December 31, 2023 and 2022 are as follows:

	<u>Medical Benefits</u>			<u>Injuries and Damages</u>		
	<u>Electric Division</u>	<u>Gas Division</u>	<u>Water Division</u>	<u>Electric Division</u>	<u>Gas Division</u>	<u>Water Division</u>
Balance -- December 31, 2021	\$ 8,388	\$ 3,826	\$ 2,502	\$ 3,940	\$ 4,931	\$ 1,919
Payments	(39,964)	(18,229)	(11,919)	(1,529)	(2,017)	(744)
Incurred claims expense	41,737	19,038	12,447	2,522	1,979	570
Balance -- December 31, 2022	10,161	4,635	3,030	\$ 4,933	\$ 4,893	\$ 1,745
Payments	(44,984)	(20,519)	(13,416)	(1,827)	(754)	(488)
Incurred claims expense	43,156	19,685	12,871	3,037	1,089	218
Balance -- December 31, 2023	<u>\$ 8,333</u>	<u>\$ 3,801</u>	<u>\$ 2,485</u>	<u>\$ 6,143</u>	<u>\$ 5,228</u>	<u>\$ 1,475</u>



14. Bonds

Bonds as of December 31, 2023 and 2022 consist of the following:

	Interest Rates	2023	2022
Electric Division:			
Electric System Revenue Bonds:			
Series 2014, due serially 2022-2029	4.00 - 5.00%	\$ 22,445	\$ 25,605
Series 2016, due serially 2022-2036	4.00 - 5.00%	29,950	31,580
Series 2017, due serially 2022-2037	3.50 - 5.00%	71,005	74,550
Series 2020A, due serially 2022-2050	3.00 - 5.00%	140,195	142,900
Series 2020B, due serially 2022-2034	0.48 - 1.97%	27,655	28,105
Premium on revenue bonds		33,121	36,267
Total		324,371	339,007
Less: current portion of bonds payable		(12,045)	(11,490)
		<u>\$ 312,326</u>	<u>\$ 327,517</u>
Gas Division:			
Gas System Revenue Bonds:			
Series 2016, due serially 2022-2036	4.00 - 5.00%	\$ 29,950	\$ 31,580
Series 2017, due serially 2022-2037	4.00 - 5.00%	31,675	33,230
Series 2020, due serially 2022-2050	3.00 - 5.00%	59,680	60,830
Premium on revenue bonds		17,072	18,730
Total		138,377	144,370
Less: current portion of bonds payable		(4,555)	(4,335)
		<u>\$ 133,822</u>	<u>\$ 140,035</u>
Water Division:			
Water System Revenue Bonds:			
Series 2014, due serially 2022-2034	3.00 - 4.00%	\$ 9,500	\$ 10,180
Series 2016, due serially 2022-2036	2.00 - 4.00%	21,490	22,805
Series 2017, due serially 2022-2037	3.00 - 5.00%	19,400	20,400
Series 2020, due serially 2022-2050	3.00 - 5.00%	64,380	65,635
Premium on revenue bonds		13,108	14,212
Total		127,878	133,232
Less: current portion of bonds payable		(4,425)	(4,250)
		<u>\$ 123,453</u>	<u>\$ 128,982</u>



14. Bonds (continued)

Principal payments on bonds are due annually on December 1. Debt service requirements as of December 31, 2023 are as follows:

		<u>Electric Division</u>	
		<u>Principal</u>	<u>Interest</u>
2024		\$ 12,045	\$ 11,342
2025		12,625	10,759
2026 - 2030		72,720	44,204
2031 - 2035		83,270	28,404
2036 - 2040		42,135	16,325
2041 - 2045		30,975	11,121
2046 - 2050		37,480	4,615
Total		<u>\$ 291,250</u>	<u>\$ 126,770</u>

		<u>Gas Division</u>	
		<u>Principal</u>	<u>Interest</u>
2024		\$ 4,555	\$ 5,159
2025		4,780	4,932
2026 - 2030		27,730	20,825
2031 - 2035		35,055	13,505
2036 - 2040		20,045	7,083
2041 - 2045		13,185	4,734
2046 - 2050		15,955	1,965
Total		<u>\$ 121,305</u>	<u>\$ 58,203</u>



14. Bonds (continued)

	<u>Water Division</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 4,425	\$ 4,294
2025	4,595	4,125
2026 - 2030	26,025	17,568
2031 - 2035	30,845	11,673
2036 - 2040	17,745	6,859
2041 - 2045	14,260	4,684
2046 - 2050	16,875	2,078
Total	<u>\$ 114,770</u>	<u>\$ 51,281</u>

MLGW, at its option, may redeem bonds prior to maturity at premiums and prices specified in the indentures.

Bonds are secured by the pledge of the respective division's revenues, by funds established by the bond resolutions and, in certain circumstances, proceeds from the sale of certain division assets.

Upon the occurrence of an Event of Default and upon the request of the holders of not less than twenty-five percent (25%) of then Outstanding Senior Lien Revenue Obligations, the Paying Agent shall, in addition to all other remedies and rights upon or under the Resolution, have the right, by appropriate proceedings in any court of competent jurisdiction, to obtain the appointment of a receiver for the System, which receiver may enter upon and take possession of the System, operate and maintain the System, fix rates and collect all revenue arising therefrom in as full a manner and to the same extent as MLGW itself might do.



14. Bonds (continued)

The estimated fair value of long-term debt for the Electric, Gas, and Water Divisions based on quoted market prices (including accrued interest) are as follows as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Electric Division	\$ 317,025	\$ 321,255
	<u>2023</u>	<u>2022</u>
Gas Division	\$ 126,891	\$ 128,098
	<u>2023</u>	<u>2022</u>
Water Division	\$ 114,952	\$ 131,613

During 2020, the Electric Division issued \$148,000 of Series 2020A revenue bonds to finance the costs of acquiring, expanding and/or improving the Electric Division and to pay certain costs of issuance with respect to the Series 2020A Electric Division Bonds. The first principal payment was made December 1, 2021, and thereafter will be made annually with a final maturity date of December 1, 2050. The Series 2020A revenue bonds bear interest at annual fixed rates ranging from 3.00% to 5.00%.

During 2020, the Electric Division issued \$29,000 of Series 2020B revenue refunding bonds to advance refund on a federally taxable basis, a portion of the outstanding Electric System Revenue Bonds, Series 2014 (the "Refundable Bonds") and to pay certain costs of issuance with respect to the Series 2020B Electric System Refunding Bonds. The refunding was undertaken to reduce total future debt service payments. The principal amount of the Refundable Bonds outstanding at December 31, 2020 was \$23,865. The 2020 Series Bonds have a net present value benefit of \$3,362, with a cash savings of \$3,799 over the life of the bonds. The first principal payment was made December 1, 2021, and thereafter will be made annually with a final maturity date of December 1, 2034. The Series 2020B revenue bonds bear interest at annual fixed rates ranging from 0.48% to 1.97%.

During 2020, the Gas Division issued \$63,000 of Series 2020 revenue bonds to finance the costs of acquiring, expanding and/or improving the Gas Division and to pay certain costs of issuance with respect to the Series 2020 Gas Division Bonds. The first principal payment was made December 1, 2021, and thereafter will be made annually with a final maturity date of December 1, 2050. The Series 2020 revenue bonds bear interest at annual fixed rates ranging from 3.00% to 5.00%.



14. Bonds (continued)

During 2020, the Water Division issued \$68,000 of Series 2020 revenue bonds to finance the costs of acquiring, expanding and/or improving the Water Division and to pay certain costs of issuance with respect to the Series 2020 Water Division Bonds. The first principal payment was made December 1, 2021, and thereafter will be made annually with a final maturity date of December 1, 2050. The Series 2020 revenue bonds bear interest at annual fixed rates ranging from 3.00% to 5.00%.

During 2017, the Electric Division issued \$90,000 of Series 2017 revenue bonds to finance the costs of acquiring, expanding and/or improving the Electric Division and to pay certain costs of issuance with respect to the Series 2017 Electric Division Bonds. The first principal payment was made December 1, 2018, and thereafter will be made annually with a final maturity date of December 1, 2037. The Series 2017 revenue bonds bear interest at annual fixed rates ranging from 3.50% to 5.00%.

During 2017, the Gas Division issued \$40,000 of Series 2017 revenue bonds to finance the costs of acquiring, expanding and/or improving the Gas Division and to pay certain costs of issuance with respect to the Series 2017 Gas Division Bonds. The first principal payment was made December 1, 2018, and thereafter will be made annually with a final maturity date of December 1, 2037. The Series 2017 revenue bonds bear interest at annual fixed rates ranging from 4.00% to 5.00%.

During 2017, the Water Division issued \$25,000 of Series 2017 revenue bonds to finance the costs of acquiring, expanding and/or improving the Water Division and to pay certain costs of issuance with respect to the Series 2017 Water Division Bonds. The first principal payment was made December 1, 2018, and thereafter will be made annually with a final maturity date of December 1, 2037. The Series 2017 revenue bonds bear interest at annual fixed rates ranging from 3.00% to 5.00%.

During 2016, the Electric Division issued \$40,000 of Series 2016 revenue bonds to finance the costs of acquiring, expanding and/or improving the Electric Division and to pay certain costs of issuance with respect to the Series 2016 Electric Division Bonds. The first principal payment was made December 1, 2017, and thereafter will be made annually with a final maturity date of December 1, 2036. The Series 2016 revenue bonds bear interest at annual fixed rates ranging from 4.00% to 5.00%.

During 2016, the Gas Division issued \$40,000 of Series 2016 revenue bonds to finance the costs of acquiring, expanding and/or improving the Gas Division and to pay certain costs of issuance with respect to the Series 2016 Gas Division Bonds. The first principal payment was made December 1, 2017, and thereafter will be made annually with a final maturity date of December 1, 2036. The Series 2016 revenue bonds bear interest at annual fixed rates ranging from 4.00% to 5.00%.

During 2016, the Water Division issued \$30,000 of Series 2016 revenue bonds to finance the costs of acquiring, expanding and/or improving the Water Division and to pay certain costs of issuance with respect to the Series 2016 Water Division Bonds. The first principal payment was made December 1, 2017, and thereafter will be made annually with a final maturity date of December 1, 2036. The Series 2016 revenue bonds bear interest at annual fixed rates ranging from 2.00% to 4.00%.



14. Bonds (continued)

During 2014, the Electric Division issued \$71,000 of Series 2014 revenue bonds to finance the costs of acquiring, expanding and/or improving the Electric Division and to pay certain costs of issuance with respect to the Series 2014 Electric Division Bonds. The first principal payment was made December 1, 2015, and thereafter will be made annually with a final maturity date of December 1, 2029. The Series 2014 revenue bonds bear interest at annual fixed rates ranging from 4.00% to 5.00%.

During 2014, the Water Division issued \$15,000 of Series 2014 revenue bonds to finance the costs of acquiring, expanding and/or improving the Water Division and to pay certain costs of issuance with respect to the Series 2014 Water Division Bonds. The first principal payment was made December 1, 2015, and thereafter will be made annually with a final maturity date of December 1, 2034. The Series 2014 revenue bonds bear interest at annual fixed rates ranging from 3.00% to 5.00%.

MLGW's Electric Division bond covenants require that for Series 2014, 2016, 2017 and 2020 Bonds the ratio of net revenues to principal and interest for any fiscal year will equal at least 120%. The composite electric bonds debt service coverage as of December 31, 2023 was 7.07.

MLGW's Gas Division bond covenants require that for Series 2016, 2017 and 2020 Bonds the ratio of net revenues to principal and interest for any fiscal year will equal at least 120%. The composite gas bonds debt service coverage as of December 31, 2023 was 6.76.

MLGW's Water Division bond covenants require that for Series 2014, 2016, 2017 and 2020 Bonds the ratio of net revenues to principal and interest for any fiscal year will equal at least 120%. The composite water bonds debt service coverage as of December 31, 2023 was 5.76.

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14. Bonds (continued)

Long-term debt activity for the years ended December 31, 2023 and 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Year ended December 31, 2023:				
Electric Division				
Bonds payable:				
Revenue bonds	\$ 302,740	\$ -	\$ (11,490)	\$ 291,250
Premium on revenue bonds	36,267	-	(3,146)	33,121
Total bonds payable	<u>\$ 339,007</u>	<u>\$ -</u>	<u>\$ (14,636)</u>	<u>\$ 324,371</u>
Gas Division				
Bonds payable:				
Revenue bonds	\$ 125,640	\$ -	\$ (4,335)	\$ 121,305
Premium on revenue bonds	18,730	-	(1,658)	17,072
Total bonds payable	<u>\$ 144,370</u>	<u>\$ -</u>	<u>\$ (5,993)</u>	<u>\$ 138,377</u>
Water Division				
Bonds payable:				
Revenue bonds	\$ 119,020	\$ -	\$ (4,250)	\$ 114,770
Premium on revenue bonds	14,212	-	(1,104)	13,108
Total bonds payable	<u>\$ 133,232</u>	<u>\$ -</u>	<u>\$ (5,354)</u>	<u>\$ 127,878</u>
Year ended December 31, 2022:				
Electric Division				
Bonds payable:				
Revenue bonds	\$ 313,760	\$ -	\$ (11,020)	\$ 302,740
Premium on revenue bonds	39,547	-	(3,280)	36,267
Total bonds payable	<u>\$ 353,307</u>	<u>\$ -</u>	<u>\$ (14,300)</u>	<u>\$ 339,007</u>
Gas Division				
Bonds payable:				
Revenue bonds	\$ 129,780	\$ -	\$ (4,140)	\$ 125,640
Premium on revenue bonds	20,453	-	(1,723)	18,730
Total bonds payable	<u>\$ 150,233</u>	<u>\$ -</u>	<u>\$ (5,863)</u>	<u>\$ 144,370</u>
Water Division				
Bonds payable:				
Revenue bonds	\$ 123,125	\$ -	\$ (4,105)	\$ 119,020
Premium on revenue bonds	15,349	-	(1,137)	14,212
Total bonds payable	<u>\$ 138,474</u>	<u>\$ -</u>	<u>\$ (5,242)</u>	<u>\$ 133,232</u>



15. Rates and Energy Supplies

Rates

Electric, gas and water rates are established by MLGW and rate changes are subject to approval by the City Council. The City Council has approved mechanisms for pass-through of wholesale electric rate changes from TVA and natural gas price changes from suppliers without requiring additional specific approval.

TVA eliminated the TVA Pandemic Relief Credit in October 2023, effectively increasing the cost of wholesale power (excluding fuel and purchased power) purchased by MLGW by approximately 2.5%. MLGW implemented changes to retail rate schedules effective with meters read on or after October 31, 2023 to pass along increased costs of wholesale power to its retail customers. The retail effect across all customer classes was an increase of approximately 1.6%.

TVA implemented a wholesale rate increase effective with the October 2023 revenue month, increasing the cost of wholesale power (excluding fuel and purchased power) purchased by MLGW by approximately 4.5%. MLGW implemented changes to retail rate schedules effective with meters read on or after October 2, 2023 to pass along increased costs of wholesale power to its retail customers. The retail effect across all customer classes was an increase of approximately 2.6%.

As part of the MLGW Five-Year Service Improvement Plan proposed with the 2020 Budget, MLGW's Electric Division was granted approval for multi-year rate actions. The increases will be used primarily to fund the infrastructure improvements as part of the plan. MLGW implemented new electric rate schedules for meters read on or after January 4, 2022. The impact was a 1.5% increase for all customer classes.

As part of the MLGW Five-Year Service Improvement Plan proposed with the 2020 Budget, MLGW's Electric Division was granted approval for multi-year rate actions. The increases will be used primarily to fund the infrastructure improvements as part of the plan. MLGW implemented new electric rate schedules for meters read on or after January 4, 2021. The impact was a 2.7% increase for all customer classes.

TVA implemented a temporary wholesale rate adjustment effective with the November 2020 revenue month, decreasing the cost of wholesale power (excluding fuel and purchased power) purchased by MLGW by approximately 2.5% in response to the COVID-19 pandemic. The TVA Pandemic Relief Credit expired October 2023 revenue month. MLGW implemented changes to retail rate schedules effective with meters read on or after October 29, 2020 to pass along reduced costs of wholesale power to its retail customers. The retail effect across all customer classes was a decrease of approximately 1.6%.

As part of the MLGW Five-Year Service Improvement Plan proposed with the 2020 Budget, MLGW's Electric Division was granted approval for multi-year rate actions. The increases will be used primarily to fund the infrastructure improvements as part of the plan. MLGW implemented new electric rate schedules for meters read on or after July 2, 2020. The impact was a 3.0% increase for all customer classes.



15. Rates and Energy Supplies (continued)

Rates (continued)

MLGW retail electric rates are adjusted for TVA's Fuel Cost Adjustor ("FCA"). The FCA is a variable wholesale energy rate that can fluctuate each month with TVA's cost of fuel for electricity generation and purchased power costs. The FCA affects energy (per kilowatt-hour) charges for all retail customers.

MLGW retail electric rates are also adjusted by a Power Cost Adjustment ("PCA"). The PCA is a component added to the monthly FCA that recovers the shortfall in power cost due to changes in load factor. The PCA is a quarterly fixed rate adjustment applied to energy charges for retail customers with demands less than 5,000 kilowatts. The PCA was approved on November 19, 2013, by the City Council as part of the 2014 MLGW Budget. MLGW implemented the PCA for meters read on or after January 2, 2014.

MLGW gas rate schedules are developed using a projected price of natural gas and related gas storage and transportation charges. Retail natural gas rates are adjusted monthly for the Purchased Gas Adjustment ("PGA") rider. A PGA is applied to customer bills to reflect the difference between the actual cost of gas, storage and transportation in a given month and the projected levels built into the base rate schedule.

As part of the MLGW Five-Year Service Improvement Plan proposed with the 2020 Budget, MLGW's Gas Division was granted approval for multi-year rate actions. The increases will be used primarily to fund the infrastructure improvements as part of the plan. MLGW implemented new gas rate schedules for meters read on or after January 4, 2022. The impact was a 2.0% increase for all customer classes.

In response to price increases in the natural gas market, MLGW restructured gas rate schedules by increasing the projected base price used for rate development. New retail rate schedules were effective with meters read on or after August 31, 2022. The action was revenue neutral, neither decreasing nor increasing customer bills.

As part of the MLGW Five-Year Service Improvement Plan proposed with the 2020 Budget, MLGW's Water Division was granted approval for multi-year rate actions. The increases will be used primarily to fund the infrastructure improvements as part of the plan. MLGW implemented new water rate schedules for meters read on or after January 4, 2022. The impact was a 5.0% increase for all customer classes. In fiscal year 2021, MLGW implemented new water rate schedules for meters read on or after January 4, 2021. The impact was a 7.0% increase for all customer classes. In fiscal year 2020, MLGW implemented new water rate schedules for meters read on or after July 2, 2020. The impact was a 15.0% increase for all customer classes.

Energy Supplies

TVA currently supplies all of MLGW's electric power requirements pursuant to a power contract. Under the terms of the TVA power contract, MLGW may terminate its supply arrangement with TVA upon five years' prior written notice. TVA may terminate on not less than ten years' prior written notice.



15. Rates and Energy Supplies (continued)

Energy Supplies (continued)

MLGW purchases natural gas from multiple suppliers on multiple pipelines in order to minimize operational and performance risk. MLGW has short-term natural gas purchase commitments which are normally for one year or less.

MLGW has long-term natural gas purchase commitments as listed below:

MLGW entered into a natural gas purchase contract with the Tennessee Energy Acquisition Corporation (TEAC) on December 1, 2006 in order to participate in a prepay natural gas opportunity. Natural gas began flowing to MLGW effective January 1, 2007. Effective January 1, 2007 through June 30, 2016, purchase volume for MLGW was 15,000 MMBtu/day for the November through March periods and 16,500 MMBtu/day for the April through October periods. Gas volumes were offered to MLGW for this period at Panhandle Eastern Pipeline Field Zone Index pricing minus \$0.530. Effective July 1, 2016 through December 31, 2026, purchase volume for MLGW increased to 35,000 MMBtu/day for the November through March periods and 26,500 MMBtu/day for the April through October periods. Gas volumes are offered to MLGW at Panhandle Eastern Pipeline Field Zone and Texas Gas Zone 1 Index pricing minus \$0.530. This contract will expire December 31, 2026.

MLGW entered into a natural gas purchase contract with the Municipal Gas Authority of Georgia (MGAG) on July 24, 2018 in order to participate in a prepay natural gas opportunity. During the period of October 1, 2018 through December 31, 2023, gas volumes were offered to MLGW at Texas Gas Zone 1 Index minus \$0.4235. Natural gas began flowing to MLGW effective October 1, 2018 at a volume of 3,000 MMBtu/day. The gas volume increased to 6,000 MMBtu/day effective January 1, 2024. An amendment to this contract dated November 7, 2023 changed the discount amount and the contract expiration date. As a result, starting January 1, 2024, gas volumes are offered to MLGW at Texas Gas Zone 1 Index minus \$0.54 and the contract will expire December 31, 2053.

MLGW entered into a natural gas purchase contract with the Public Energy Authority of Kentucky (PEAK) on December 4, 2018 in order to participate in a prepay natural gas opportunity. Gas volumes are offered to MLGW at Texas Gas Zone 1 Index minus \$0.3350. Natural gas began flowing to MLGW effective July 1, 2019. Purchase volume for MLGW is 7,800 MMBtu/day for the November through March periods and 3,900 MMBtu/day for the April through October periods of the contract. This contract will expire October 31, 2049.

MLGW entered into a natural gas purchase contract with the Tennergy Energy Acquisition Corporation (Tennergy) on February 1, 2019 in order to participate in a prepay natural gas opportunity. Gas volumes are offered to MLGW at Texas Gas Zone 1 Index minus \$0.27. Natural gas began flowing to MLGW effective January 1, 2020. Purchase volume for MLGW is 10,000 MMBtu/day for the November through



15. Rates and Energy Supplies (continued)

Energy Supplies (continued)

March periods and 5,000 MMBtu/day for the April through October periods of the contract. This contract will expire December 31, 2049.

MLGW entered into a natural gas purchase contract with the Public Energy Authority of Kentucky (PEAK) on February 14, 2019 in order to participate in a prepay natural gas opportunity. Gas volumes are offered to MLGW at Texas Gas Zone 1 Index minus \$0.32. Natural gas began flowing to MLGW effective July 1, 2019. Purchase volume for MLGW is 2,200 MMBtu/day for the November through March periods and 1,100 MMBtu/day for the April through October periods of the contract. This contract will expire October 31, 2049.

MLGW entered into a natural gas purchase contract with the Public Energy Authority of Kentucky (PEAK) on December 1, 2019 in order to participate in a prepay natural gas opportunity. Gas volumes are offered to MLGW at Texas Gas Zone 1 and Trunkline Z1A Index pricing minus \$0.2750. Natural gas began flowing to MLGW effective November 1, 2020. Effective November 1, 2020, purchase volume for MLGW is approximately 39,300 MMBtu/day for the November through March periods. Effective November 1, 2027, the November through March purchase volume will increase to approximately 47,000 MMBtu/day. Effective April 1, 2027, the purchase volume is 850 MMBtu/day for the April through October periods of the contract. This contract will expire December 31, 2049.

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16. Federal Grant Contributions

In April 2020, MLGW applied for a Port Security Grant for Security Automation. In September 2020, on behalf of the Department of Homeland Security, FEMA awarded grant contract #EMW-2020-PU-00507 for the Electric Division Security Automation System project under the Port Security Grant Program. The award amount is \$1,000 of which MLGW must contribute a cost match of \$333 of non-Federal funds or 25 percent of the total approved project costs of \$1,333. In 2020, MLGW incurred eligible costs of \$201 and submitted those costs for reimbursement of which the payment of \$201 was received in February 2021. In 2021, MLGW incurred eligible costs of \$374 and submitted those costs for reimbursement of which, \$358 was received in 2021 and \$16 was received January 2022. No additional costs were incurred during 2022. In 2023, MLGW incurred eligible costs of \$418 and submitted those costs for reimbursement of which \$418 was received in 2023. The grant is now closed.

Electric	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Total Expenditures	\$ 418	\$ -	\$ 374	\$ 201
Eligible Reimbursement	\$ 418	\$ 16	\$ 374	\$ 201
Reimbursement Received	\$ 418	\$ 16	\$ 559	\$ -
Receivable Balance	\$ -	\$ -	\$ (16)	\$ (201)

In May 2020, MLGW applied for a COVID-19 Response Grant. In April 2022, on behalf of Department of Homeland Security FEMA awarded grant contract 4514DR-TN for the Division. The award amount is \$236 of which is 100% reimbursable. In 2022, MLGW submitted eligible costs of \$236 for reimbursement of \$236. There were no additional costs submitted. MLGW received and signed the contract April 2024 and is awaiting reimbursement.

All Divisions	<u>2023</u>	<u>2022</u>
Total Expenditures	\$ -	\$ 236
Eligible Reimbursement	\$ -	\$ 236
Reimbursement Received	\$ -	\$ -
Receivable Balance	\$ (236)	\$ (236)



16. Federal Grant Contributions (continued)

In March 2021, MLGW applied for a Public Assistance Grant 4594DR-TN for the restoration work performed after the February 2021 storm. In September 2022, on behalf of the Department of Homeland Security, FEMA awarded grant contract #34101-00123. The award amount is \$2,636, of which \$1,234 was reimbursement for the Electric Division and \$1,402 to the Water Division. In 2021, total eligible expenditures submitted were \$2,929, of which \$1,371 was for the Electric Division and \$1,558 for the Water Division. In September 2022, MLGW received \$1,234 for the Electric Division and \$129 for the Water Division. In December 2022, however, MLGW decreased the Water Division receivable by \$128 representing hazard mitigation under runs that are currently being processed and pending de-obligation by FEMA. In October 2023, the grant contract was amended to include \$38 de minimis indirect costs for the Water Division.

Electric	<u>2022</u>
Total Expenditures	\$ -
Eligible Reimbursement	\$ 1,234
Reimbursement Received	\$ 1,234
Receivable Balance	\$ -

Water	<u>2023</u>	<u>2022</u>
Total Expenditures	\$ -	\$ -
Eligible Reimbursement	\$ 38	\$ 1,402
Eligible Reimbursement	\$ -	\$ (128)
Reimbursement Received	\$ -	\$ 129
Receivable Balance	\$ (1,183)	\$ (1,145)



17. Transfers to City

The Electric, Gas and Water Divisions make transfers to the City.

The Electric Division transfer is based on the formula provided by the May 29, 1987, TVA Power Contract Amendment (Supp. No. 8). The formula includes a property tax equivalency calculation plus 4% of operating revenue less power costs (three-year average). The Division pays the amount requested by the City not exceeding this formula.

The Gas Division transfer is based on the formula provided by the Municipal Gas System Tax Equivalent Law of 1987. The formula includes a property tax equivalency calculation plus 4% of operating revenue less gas costs (three-year average). The Division pays the amount requested by the City not exceeding this formula.

The Water Division through an agreement with the City, transfers a payment in the amount of \$2,500 per year. This agreement is effective through the year 2028. The City directed MLGW's Water Division to pay an additional \$2,000, \$2,100, \$2,200, and \$2,300 to the City's general fund for each of MLGW's fiscal years 2022, 2023, 2024, and 2025, respectively, on or about April 30th of said years. MLGW is to continue to make incremental water payments for fiscal years after 2025 at the same \$2,300 level unless the City directs otherwise.

18. Commitments and Contingencies

The Electric and Gas Divisions have derivative contracts and agreements that are exchange traded exclusively on public exchanges thereby eliminating counterparty credit risk. The counterparty to any derivative transaction on an exchange is either the Chicago Mercantile Exchange ("CME"), which is the parent of the NYMEX, or the Intercontinental Exchange ("ICE"). The exposure to credit loss in the event of nonperformance by the other party is represented by the fair values of the open derivative contracts. However, there is no counterparty financial risk for contracts transacted through the NYMEX or the ICE.

MLGW pays a Transfer to the City and in lieu of taxes to Shelby County Government and the incorporated towns of Shelby County for the Electric and Gas Divisions based on the Tennessee Municipal Electric and Gas System Tax Equivalent Laws of 1987. MLGW pays a Transfer to the City for the Water Division based upon an agreement with the City, which calls for a payment of \$2,500 for each of the fiscal years through 2028. The City directed MLGW's Water Division to pay an additional \$2,000, \$2,100, \$2,200, and \$2,300 to the City's general fund for each of MLGW's fiscal years 2022, 2023, 2024, and 2025, respectively, on or about April 30th of said years. MLGW is to continue to make incremental water payments for fiscal years after 2025 at the same \$2,300 level unless the City directs otherwise.

MLGW is party to various legal proceedings incidental to its business. In the opinion of management, MLGW's liability, if any, in all pending litigation or other proceedings, taken as a whole after consideration of amounts accrued, insurance coverage, or other indemnification arrangements, will not have a material adverse effect on its financial position or results of operations.



18. Commitments and Contingencies (continued)

See Note 15 for discussions of MLGW's power contract with TVA and gas purchase commitments.

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REQUIRED SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)
DECEMBER 31, 2023
(Dollars in Thousands)



	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Total pension liability										
Service cost	\$ 34,220	\$ 32,463	\$ 32,142	\$ 31,636	\$ 31,185	\$ 31,977	\$ 32,591	\$ 30,139	\$ 31,786	\$ 33,122
Interest	113,017	111,732	109,265	110,927	108,432	103,731	102,248	99,940	100,436	98,818
Change of benefit terms	-	4,760	-	-	-	-	-	-	-	-
Differences between expected and actual experience	54,247	6,177	9,102	(5,040)	3,726	4,908	(11,298)	2,275	(16,338)	(14,280)
Changes in assumptions	-	40,219	-	(174)	-	-	-	-	(22,112)	-
Benefit payments, including refunds of employee contributions	(125,633)	(121,781)	(111,826)	(107,731)	(113,316)	(104,919)	(102,628)	(100,528)	(100,249)	(91,931)
Net change in total pension liability	75,851	73,570	38,683	29,618	30,027	35,697	20,913	31,825	(6,477)	25,730
Total pension liability – beginning	1,643,128	1,569,558	1,530,875	1,501,257	1,471,230	1,435,533	1,414,620	1,382,794	1,389,271	1,363,542
Total pension liability – ending (a)	\$1,718,979	\$1,643,128	\$1,569,558	\$1,530,875	\$1,501,257	\$1,471,230	\$1,435,533	\$1,414,620	\$1,382,794	\$1,389,271
Plan fiduciary net position										
Contributions – employer	\$ 20,941	\$ 24,199	\$ 24,504	\$ 21,813	\$ 22,174	\$ 22,390	\$ 21,390	\$ 21,390	\$ 26,804	\$ 30,706
Contributions – employee	14,657	14,216	13,828	13,462	13,217	12,959	12,513	12,310	11,729	12,000
Net investment income (loss)	(200,888)	252,598	192,438	237,314	(39,996)	216,498	108,008	15,231	98,931	185,707
Benefit payments including refunds of employee contributions	(125,632)	(121,781)	(111,826)	(107,731)	(113,316)	(104,919)	(102,628)	(100,528)	(100,249)	(91,931)
Administrative expense	(886)	(868)	(779)	(931)	(871)	(860)	(730)	(759)	(714)	(657)
Net change in plan fiduciary net position	\$ (291,808)	\$ 168,364	\$ 118,165	\$ 163,927	\$ (118,792)	\$ 146,068	\$ 38,553	\$ (52,356)	\$ 36,501	\$ 135,825
Other Adjustments	-	-	-	-	-	-	-	788	-	-
Plan fiduciary net position – beginning	\$ 1,843,900	\$ 1,675,537	\$ 1,557,372	\$ 1,393,445	\$ 1,512,237	\$ 1,366,169	\$ 1,327,616	\$ 1,379,184	\$ 1,342,683	\$ 1,206,858
Plan fiduciary net position – ending (b)	\$ 1,552,092	\$ 1,843,901	\$ 1,675,537	\$ 1,557,372	\$ 1,393,445	\$ 1,512,237	\$ 1,366,169	\$ 1,327,616	\$ 1,379,184	\$ 1,342,683
System's net pension liability (asset) – ending (a) – (b)	\$ 166,887	\$ (200,773)	\$ (105,979)	\$ (26,497)	\$ 107,812	\$ (41,007)	\$ 69,364	\$ 87,004	\$ 3,610	\$ 46,588
Plan fiduciary net position as a percentage of the total pension liability	90.29%	112.22%	106.75%	101.73%	92.82%	102.79%	95.17%	93.85%	99.74%	96.65%
Covered employee payroll	\$ 184,709	\$ 175,790	\$ 173,425	\$ 170,946	\$ 169,605	\$ 167,221	\$ 161,926	\$ 160,641	\$ 152,368	\$ 154,759
System's net pension liability (asset) as a percentage of covered payroll	90.35%	-114.21%	-61.11%	-15.50%	63.57%	-24.52%	42.84%	54.16%	2.37%	30.10%

Notes to schedule:

Benefit changes: Effective January 1, 2022, the minimum benefit increased from \$50 per month per year of service or \$500 total to \$60 per month per year of service or \$600 total.

Change of assumptions: The discount rate was lowered from 7.25% to 7.00% with the December 31, 2021 measurement.

REQUIRED SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION
DECEMBER 31, 2023
(Dollars in Thousands)



Year Ended December 31	Actuarially Determined Contribution (ADC)	Actual Contribution in Relation to ADC	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2014	\$ 26,812	\$ 26,804	\$ 8	\$ 152,368	17.59%
2015	21,390	21,390	-	160,641	13.32%
2016	21,390	21,390	-	161,926	13.21%
2017	22,390	22,390	-	167,221	13.39%
2018	22,174	22,174	-	169,605	13.07%
2019	21,813	21,813	-	170,946	12.76%
2020	24,504	24,504	-	173,425	14.13%
2021	24,199	24,199	-	175,790	13.77%
2022	20,941	20,941	-	184,710	11.34%
2023	20,474	20,474	-	191,237	10.71%

**SCHEDULE OF NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION
DECEMBER 31, 2023**



Valuation date	January 1, 2023
Actuarial cost method	Entry Age Actuarial Cost Method
Amortization method	Level percent of payroll, using 0.50% annual increases
Remaining amortization period	20 years remaining as of January 1, 2021

Asset valuation method	Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value basis, and is recognized over a five-year period. The deferred return is further adjusted, if necessary, so that the actuarial value of assets will stay within 30% of the market value of assets.
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Actuarial Assumptions:

Inflation	2.50%
Salary increases	Inflation plus merit increases that vary by age and service, ranging from 0.00% to 8.50%
Investment rate of return	7.00%, including inflation, net of pension plan investment expense
Cost-of-living adjustments	0.75% for ages 56-58 1.50% for ages 59-61 1.875% for ages 62 and older, and all disabled participants

Other Information:

The actuarially determined contribution (ADC) is calculated using January 1 valuation date as of the beginning of the fiscal year prior to the year in which contributions are reported. Therefore, the ADC for the year ended December 31, 2022 is based on the January 1, 2021 actuarial valuation.

Please see the January 1, 2023 actuarial valuation report for a full listing of assumptions.

REQUIRED SCHEDULE OF CHANGES IN NET OPEB LIABILITY
DECEMBER 31, 2023
(Dollars in Thousands)



	2022	2021	2020	2019	2018	2017
Total OPEB Liability						
Service cost	\$ 18,094	\$ 16,093	\$ 15,401	\$ 15,804	\$ 15,381	\$ 19,520
Interest	57,870	54,019	51,713	53,030	50,559	64,666
Change of benefit terms	-	-	-	-	-	(61,896)
Differences between expected and actual experience	(5,593)	12,400	(4,090)	15,351	(3,134)	3,674
Changes of assumptions	-	30,869	-	(46,584)	-	(200,370)
Benefit payments, including refunds of member contributions	(34,248)	(33,268)	(30,588)	(31,916)	(28,676)	(29,457)
Net change in Total OPEB Liability	\$ 36,123	\$ 80,113	\$ 32,436	\$ 5,685	\$ 34,130	\$(203,863)
Total OPEB Liability - beginning	825,452	745,339	712,903	707,218	673,088	876,951
(a) Total OPEB Liability - ending	\$ 861,575	\$ 825,452	\$ 745,339	\$ 712,903	\$ 707,218	\$ 673,088
Plan Fiduciary Net Position						
Contributions - employer	38,381	37,561	34,895	33,949	48,972	45,184
Net investment income	(73,591)	106,511	84,891	76,564	(14,273)	57,671
Benefit payments, including refunds of member contributions	(33,805)	(32,445)	(29,775)	(31,146)	(27,876)	(28,765)
Administrative expense	(443)	(823)	(812)	(770)	(801)	(692)
Net change in Plan Fiduciary Net Position	\$ (69,458)	\$ 110,804	\$ 89,199	\$ 78,597	\$ 6,022	\$ 73,398
Plan Fiduciary Net Position - beginning	704,348	593,544	504,345	425,748	419,726	346,328
(b) Plan Fiduciary Net Position - ending	\$ 634,890	\$ 704,348	\$ 593,544	\$ 504,345	\$ 425,748	\$ 419,726
(c) Net OPEB Liability - ending (a) - (b)	\$ 226,685	\$ 121,104	\$ 151,795	\$ 208,558	\$ 281,470	\$ 253,362
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	73.69%	85.33%	79.63%	70.75%	60.20%	62.36%
Covered employee payroll ¹	\$ 184,710	\$ 175,790	\$ 173,425	\$ 170,946	\$ 169,605	\$ 167,221
Plan Net OPEB Liability as percentage of covered payroll	122.72%	68.89%	87.53%	122.00%	165.96%	151.51%

¹ Covered payroll represents compensation earnable and pensionable compensation. Only compensation earnable and pensionable compensation that would possibly go into the determination of the retirement benefits are included.

Notes to schedule:

Benefit Changes: There have been no material changes in plan provisions.

Changes of assumptions:

- Effective with the December 31, 2022 measurement, there have been no material changes in assumptions.
- Effective with the December 31, 2021 measurement, the following assumption changes were made:
 - Healthcare claims cost and trends were updated to reflect the most recent experience.
 - The discount rate approved for the December 31, 2021 measurement date was 7.00%.

The discount rate for the December 31, 2020 measurement date was 7.25%.

Historical data: This schedule will be expanded to reflect ten years of data, as the information becomes available.

REQUIRED SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB
DECEMBER 31, 2023
(Dollars in Thousands)



Year Ended December 31	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions*	Contribution Deficiency / (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2014	\$ 38,386	\$ 42,100	\$ (3,713)	\$ 152,368	27.63%
2015	38,187	38,438	(251)	160,641	23.93%
2016	45,289	42,496	2,793	161,926	26.24%
2017	46,978	45,184	1,794	167,221	27.02%
2018	48,270	48,972	(702)	169,605	28.87%
2019	31,701	33,949	(2,248)	170,946	19.86%
2020	32,111	34,895	(2,784)	173,425	20.12%
2021	32,403	37,561	(5,158)	175,790	21.37%
2022	31,406	38,381	(6,975)	184,710	20.78%
2023	34,131	40,136	(6,005)	191,237	20.99%

*Starting with 2016, contributions are shown on an accrual basis.

**SCHEDULE OF NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB
DECEMBER 31, 2023**



Valuation date	January 1, 2023
Actuarial cost method	Entry Age Actuarial Cost Method
Amortization method	30-year closed, level salary
Remaining amortization period	22 years remaining as of December 31, 2022 (22 amortization period used for 2023)

Asset valuation method	The market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between actual and expected returns on a market value basis and is recognized over a five-year period. The deferred return is further adjusted, if necessary, so that the actuarial value of assets will stay within 20% of the market value of assets.
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Actuarial Assumptions:

Inflation	2.50%
Salary increases	Inflation plus merit increases that vary by age and service
Investment rate of return	7.00%
Healthcare cost trend rates	
Medical	7% grading to 4.50% over 10 years
Prescription drug	8% grading to 4.50% over 14 years
Dental, administrative costs	3.00%
Mortality rates	PRI-2012 Healthy Annuitant mortality Table, Headcount-Weighted, for males and females, as appropriate, with adjustments for mortality improvement using Scale SSA-2019.

Other Information:

The actuarially determined contribution (ADC) is calculated as of January 1, one year prior to the end of the fiscal year in which contributions are reported.

Please see the January 1, 2023 actuarial valuation report for a full list of assumptions.



Supplemental Information



**SCHEDULE OF BONDS,
PRINCIPAL AND INTEREST REQUIREMENTS
DECEMBER 31, 2023
(Dollars in Thousands)**



		Series 2014		Series 2016		Series 2017	
		Principal	Interest	Principal	Interest	Principal	Interest
Electric Division:							
2024	\$	3,315	\$ 1,002	\$ 1,715	\$ 1,337	\$ 3,720	\$ 2,938
2025		3,485	837	1,800	1,252	3,905	2,753
2026		3,655	662	1,890	1,162	4,100	2,558
2027		3,840	480	1,985	1,067	4,305	2,353
2028		3,995	326	2,085	968	4,520	2,138
2029		4,155	166	2,185	864	4,750	1,912
2030		-	-	2,295	755	4,985	1,674
2031		-	-	2,410	640	5,235	1,425
2032		-	-	2,510	543	5,420	1,242
2033		-	-	2,610	443	5,605	1,052
2034		-	-	2,710	339	5,805	858
2035		-	-	2,820	230	6,005	653
2036		-	-	2,935	117	6,215	443
2037		-	-	-	-	6,435	226
Total		<u>\$ 22,445</u>	<u>\$ 3,473</u>	<u>\$ 29,950</u>	<u>\$ 9,717</u>	<u>\$ 71,005</u>	<u>\$ 22,225</u>

**SCHEDULE OF BONDS,
PRINCIPAL AND INTEREST REQUIREMENTS
DECEMBER 31, 2023
(Dollars in Thousands)
(Continued)**



	Series 2020A		Series 2020B	
	Principal	Interest	Principal	Interest
Electric Division:				
2024	\$ 2,840	\$ 5,579	\$ 455	\$ 483
2025	2,980	5,437	455	480
2026	3,130	5,288	460	476
2027	3,285	5,132	465	471
2028	3,450	4,968	470	465
2029	3,625	4,795	480	458
2030	3,805	4,614	4,805	451
2031	3,995	4,424	4,885	373
2032	4,195	4,224	4,965	289
2033	4,405	4,014	5,060	199
2034	4,625	3,794	5,155	102
2035	4,855	3,563	-	-
2036	5,000	3,417	-	-
2037	5,150	3,267	-	-
2038	5,305	3,113	-	-
2039	5,465	2,953	-	-
2040	5,630	2,789	-	-
2041	5,800	2,621	-	-
2042	5,970	2,447	-	-
2043	6,150	2,267	-	-
2044	6,400	2,021	-	-
2045	6,655	1,765	-	-
2046	6,920	1,499	-	-
2047	7,195	1,222	-	-
2048	7,485	935	-	-
2049	7,785	635	-	-
2050	8,095	324	-	-
Total	<u>\$ 140,195</u>	<u>\$ 87,107</u>	<u>\$ 27,655</u>	<u>\$ 4,247</u>

**SCHEDULE OF BONDS,
PRINCIPAL AND INTEREST REQUIREMENTS
DECEMBER 31, 2023
(Dollars in Thousands)
(Continued)**



		Series 2016		Series 2017		Series 2020	
		Principal	Interest	Principal	Interest	Principal	Interest
Gas							
Division:							
2024	\$	1,715	\$ 1,337	\$ 1,630	\$ 1,446	\$ 1,210	\$ 2,375
2025		1,800	1,252	1,710	1,365	1,270	2,315
2026		1,890	1,162	1,800	1,280	1,330	2,251
2027		1,985	1,067	1,885	1,190	1,400	2,185
2028		2,085	968	1,980	1,096	1,470	2,115
2029		2,185	864	2,080	996	1,540	2,041
2030		2,295	755	2,185	892	1,620	1,964
2031		2,410	640	2,295	783	1,700	1,883
2032		2,510	543	2,410	669	1,785	1,798
2033		2,610	443	2,530	548	1,875	1,709
2034		2,710	339	2,630	447	1,970	1,615
2035		2,820	230	2,735	342	2,065	1,517
2036		2,935	117	2,845	233	2,130	1,455
2037		-	-	2,960	118	2,195	1,391
2038		-	-	-	-	2,260	1,325
2039		-	-	-	-	2,325	1,257
2040		-	-	-	-	2,395	1,187
2041		-	-	-	-	2,470	1,116
2042		-	-	-	-	2,540	1,041
2043		-	-	-	-	2,620	965
2044		-	-	-	-	2,725	860
2045		-	-	-	-	2,830	751
2046		-	-	-	-	2,945	638
2047		-	-	-	-	3,065	520
2048		-	-	-	-	3,185	398
2049		-	-	-	-	3,315	270
2050		-	-	-	-	3,445	138
Total	\$	<u>29,950</u>	<u>\$ 9,717</u>	<u>\$ 31,675</u>	<u>\$ 11,405</u>	<u>\$ 59,680</u>	<u>\$ 37,080</u>

**SCHEDULE OF BONDS,
PRINCIPAL AND INTEREST REQUIREMENTS
DECEMBER 31, 2023
(Dollars in Thousands)
(Continued)**



	Series 2014		Series 2016		Series 2017	
	Principal	Interest	Principal	Interest	Principal	Interest
Water Division:						
2024	\$ 715	\$ 359	\$ 1,355	\$ 693	\$ 1,040	\$ 768
2025	740	338	1,395	652	1,080	727
2026	765	308	1,435	610	1,135	673
2027	790	285	1,465	581	1,190	616
2028	820	253	1,525	523	1,250	557
2029	855	221	1,585	462	1,300	506
2030	890	186	1,645	398	1,355	455
2031	925	151	1,715	333	1,405	400
2032	960	114	1,765	281	1,455	351
2033	1,000	75	1,820	228	1,515	294
2034	1,040	35	1,870	174	1,575	232
2035	-	-	1,930	117	1,640	169
2036	-	-	1,985	60	1,705	103
2037	-	-	-	-	1,755	53
Total	<u>\$ 9,500</u>	<u>\$ 2,325</u>	<u>\$ 21,490</u>	<u>\$ 5,112</u>	<u>\$ 19,400</u>	<u>\$ 5,904</u>

**SCHEDULE OF BONDS,
PRINCIPAL AND INTEREST REQUIREMENTS
DECEMBER 31, 2023
(Dollars in Thousands)
(Continued)**



	Series 2020	
	Principal	Interest
Water Division:		
2024	\$ 1,315	\$ 2,474
2025	1,380	2,408
2026	1,450	2,339
2027	1,525	2,267
2028	1,600	2,191
2029	1,680	2,111
2030	1,765	2,027
2031	1,850	1,938
2032	1,945	1,846
2033	2,040	1,749
2034	2,145	1,647
2035	2,250	1,539
2036	2,315	1,472
2037	2,385	1,402
2038	2,460	1,331
2039	2,530	1,257
2040	2,610	1,181
2041	2,685	1,103
2042	2,765	1,022
2043	2,850	939
2044	2,935	854
2045	3,025	766
2046	3,115	675
2047	3,240	550
2048	3,370	421
2049	3,505	286
2050	3,645	145
Total	<u>\$ 64,380</u>	<u>\$ 37,940</u>

SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
DECEMBER 31, 2023
(Dollars in Thousands)



Description	Original Amount of Issue	Interest Rate	Date of Issue	Final Maturity Date	Outstanding 2022	Issued 2023	Payments/ Matured 2023	Refunded 2023	Outstanding 2023
Electric System Revenue Bonds - Series 2014	\$ 71,000	2.0 to 5.0%	6/3/2014	12/1/2029	\$ 25,605	\$ -	\$ 3,160	\$ -	\$ 22,445
Electric System Revenue Bonds - Series 2016	\$ 40,000	3.0 to 5.0%	9/1/2016	12/1/2036	\$ 31,580	\$ -	\$ 1,630	\$ -	\$ 29,950
Electric System Revenue Bonds - Series 2017	\$ 90,000	3.0 to 5.0%	9/28/2017	12/1/2037	\$ 74,550	\$ -	\$ 3,545	\$ -	\$ 71,005
Electric System Revenue Bonds - Series 2020A	\$ 148,000	3.0 to 5.0%	9/22/2020	12/1/2050	\$ 142,900	\$ -	\$ 2,705	\$ -	\$ 140,195
Electric System Revenue Refunding Bonds - Series 2020B	\$ 29,000	.43 to 1.97%	9/22/2020	12/1/2034	\$ 28,105	\$ -	\$ 450	\$ -	\$ 27,655
Total Electric System Bonds					\$ 302,740	\$ -	\$ 11,490	\$ -	\$ 291,250

Description	Original Amount of Issue	Interest Rate	Date of Issue	Final Maturity Date	Outstanding 2022	Issued 2023	Payments/ Matured 2023	Refunded 2023	Outstanding 2023
Gas System Revenue Bonds - Series 2016	\$ 40,000	3.0 to 5.0%	9/1/2016	12/1/2036	\$ 31,580	\$ -	\$ 1,630	\$ -	\$ 29,950
Gas System Revenue Bonds - Series 2017	\$ 40,000	3.0 to 5.0%	9/28/2017	12/1/2037	\$ 33,230	\$ -	\$ 1,555	\$ -	\$ 31,675
Gas System Revenue Bonds - Series 2020	\$ 63,000	3.0 to 5.0%	9/22/2020	12/1/2050	\$ 60,830	\$ -	\$ 1,150	\$ -	\$ 59,680
Total Gas System Bonds					\$ 125,640	\$ -	\$ 4,335	\$ -	\$ 121,305

Description	Original Amount of Issue	Interest Rate	Date of Issue	Final Maturity Date	Outstanding 2022	Issued 2023	Payments/ Matured 2023	Refunded 2023	Outstanding 2023
Water System Revenue Bonds - Series 2014	\$ 15,000	2.0 to 5.0%	6/3/2014	12/1/2034	\$ 10,180	\$ -	\$ 680	\$ -	\$ 9,500
Water System Revenue Bonds - Series 2016	\$ 30,000	2.0 to 4.0%	9/1/2016	12/1/2036	\$ 22,805	\$ -	\$ 1,315	\$ -	\$ 21,490
Water System Revenue Bonds - Series 2017	\$ 25,000	2.0 to 5.0%	9/28/2017	12/1/2037	\$ 20,400	\$ -	\$ 1,000	\$ -	\$ 19,400
Water System Revenue Bonds - Series 2020	\$ 68,000	3.0 to 5.0%	9/22/2020	12/1/2050	\$ 65,635	\$ -	\$ 1,255	\$ -	\$ 64,380
Total Water System Bonds					\$ 119,020	\$ -	\$ 4,250	\$ -	\$ 114,770

**SCHEDULE OF CURRENT UTILITY RATES
DECEMBER 31, 2023**



Electric Division Rate Class	Base Charge	Customers
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All Electric Rate Schedules Are Subject To Adjustment Under The Provisions of the TVA Fuel Cost and Purchased Power Adjustment Rider.

Residential – Schedule RS Effective meters read on or after October 31, 2023 372,006

Service Charge: \$14.60 per month, less Hydro Allocation Credit: \$1.54

Energy Charge:	Summer	Winter	Transition
First 500 kWh per month:	\$0.08415	\$0.08061	\$0.07850
Additional kWh per month:	\$0.08313	\$0.07960	\$0.07748

The above rates are subject to adjustment under the provisions of the TVA Fuel Cost and Purchase Power Adjustment Rider.

Time-Of-Use Residential Rate Schedule RSTOU Effective November 1, 2023 64

Service Charge: \$14.60 per month, less Hydro Allocation Credit: \$1.54

Energy Charge:	Summer	Winter	Transition
On-Peak kWh per month:	\$0.14912	\$0.10103	\$0.06726
Off-Peak kWh per month:	\$0.06726	\$0.06726	\$0.06726

The above rates are subject to adjustment under the provisions of the TVA Fuel Cost and Purchase Power Adjustment Rider.

General Service – Schedule GSA Effective meters read on or after October 31, 2023 42,316

Part 1) If (a) the higher of (i) the customer's currently effective contract demand, if any, or (ii) its highest billing demand during the latest 12 month period is not more than 50 kW, and (b) customer's monthly energy takings for any month during such period do not exceed 15,000 kWh:

Service Charge: \$28.50 per delivery point per month

Energy Charge:	Summer	Winter	Transition
	\$0.09281	\$0.08932	\$0.08718

Part 2) If (a) the higher of (i) the customer's currently effective contract demand or (ii) its highest billing demand during the latest 12 month period is greater than 50 kW but not more than 1,000 kW, or (b) if the customer's billing demand is less than 50 kW and its energy takings for any month during such period exceed 15,000 kWh:

Service Charge: \$85.00 per delivery point per month

Demand Charge:	Summer	Winter	Transition
First 50 kW of billing demand per month:	\$0.00	\$0.00	\$0.00
Excess over 50 kW of billing demand per month:	\$16.19	\$15.07	\$15.07

Energy Charge:			
First 15,000 kWh per month:	\$0.10709	\$0.10364	\$0.10147
Additional kWh per month:	\$0.04858	\$0.04533	\$0.04410

SCHEDULE OF CURRENT UTILITY RATES
DECEMBER 31, 2023
(Continued)



Electric Division Rate Class (cont.)	Base Charge			Customers
General Service – Schedule GSA				
(cont.)				
Part 3)	If the higher of the customer’s currently effective contract demand or its highest billing demand during the latest 12 month period is greater than 1,000 kW:			
Service Charge:	\$350.00 per delivery point per month			
Demand Charge:	Summer	Winter	Transition	
First 1,000 kW of billing demand per month:	\$15.10	\$13.96	\$13.96	
Excess over 1,000 kW of billing demand per	\$14.92	\$13.77	\$13.77	
Excess of billing demand over the higher of 2,500 kW or the customer’s contract demand per month:	\$14.92	\$13.77	\$13.77	
Energy Charge:				
All kWh per month:	\$0.05439	\$0.05111	\$0.04988	
Manufacturing Power Rate - Part A				
Schedule MSA	Effective October 1, 2023			0
Service Charge:	\$350.00 per delivery point per month			
	Summer	Winter	Transition	
Per kW coincident billing demand charge per	\$8.89	\$7.87	\$7.87	
Per kW maximum billing demand charge per	\$6.31	\$6.19	\$6.19	
	Summer	Winter	Transition	
Excess per kW charge per month by which billing demand exceeds contract demand:	\$15.20	\$14.06	\$14.06	
On-peak per kWh energy charge:	\$0.07165	\$0.06013	\$0.05014	
Off-peak per kWh energy charge:	\$0.04899	\$0.04983	\$0.05014	
Time-of-Use General Service				
Schedule TGS	Effective October 1, 2023			11
Service Charge:	\$1,700.00 per delivery point per month			
TVA Administrative Charge:	\$350.00 per delivery point per month			
Excess Demand:	Demand amount that exceeds the effective contract demand			
Off-Peak Block 1:	First 200 hours use of on-peak metered demand multiplied by the ratio of metered off-peak energy to metered total energy			
Off-Peak Block 2:	Next 200 hours use of on-peak metered demand multiplied by the ratio of metered off-peak energy to metered total energy			
Off-Peak Block 3:	Over 400 hours use of on-peak metered demand multiplied by the ratio of metered off-peak energy to metered total energy			

SCHEDULE OF CURRENT UTILITY RATES
DECEMBER 31, 2023
(Continued)



Electric Division Rate Class (cont.)	Base Charge				Customers
Time-of-Use General Service					
Schedule TGS					
(cont.)					
Rates applicable for delivery at:					
	Transmission Voltage: 115 kV and up				
	TDGSA	TGSB	TGSC	TGSD	
Summer					
On-peak billing demand per kW:	\$12.26	\$12.17	\$12.17	\$12.17	
Maximum billing demand per kW:	\$6.33	\$6.32	\$5.74	\$5.46	
Excess demand per kW:	\$12.26	\$12.17	\$12.17	\$12.17	
On-peak energy per kWh:	\$0.09269	\$0.07582	\$0.07582	\$0.07479	
Off-peak block 1 per kWh:	\$0.05519	\$0.04792	\$0.04792	\$0.04689	
Off-peak block 2 per kWh:	\$0.00764	\$0.00890	\$0.00890	\$0.00660	
Off-peak block 3 per kWh:	\$0.00426	\$0.00507	\$0.00507	\$0.00405	
Winter					
On-peak billing demand per kW:	\$11.20	\$11.08	\$11.08	\$11.08	
Maximum billing demand per kW:	\$6.33	\$6.32	\$5.74	\$5.46	
Excess demand per kW:	\$11.20	\$11.08	\$11.08	\$11.08	
On-peak energy per kWh:	\$0.07557	\$0.06309	\$0.06309	\$0.06206	
Off-peak block 1 per kWh:	\$0.05850	\$0.05041	\$0.05041	\$0.04938	
Off-peak block 2 per kWh:	\$0.00764	\$0.00890	\$0.00890	\$0.00660	
Off-peak block 3 per kWh:	\$0.00426	\$0.00507	\$0.00507	\$0.00405	
Transition					
On-peak billing demand per kW:	\$11.20	\$11.08	\$11.08	\$11.08	
Maximum billing demand per kW:	\$6.33	\$6.32	\$5.74	\$5.46	
Excess demand per kW:	\$11.20	\$11.08	\$11.08	\$11.08	
On-peak energy per kWh:	\$0.05986	\$0.04756	\$0.04756	\$0.04653	
Off-peak block 1 per kWh:	\$0.05986	\$0.04756	\$0.04756	\$0.04653	
Off-peak block 2 per kWh:	\$0.00764	\$0.00890	\$0.00890	\$0.00660	
Off-peak block 3 per kWh:	\$0.00426	\$0.00507	\$0.00507	\$0.00405	
Rates applicable for delivery at:					
	Distribution Voltage: < 115 kV				
	TDGSA	TGSB	TGSC	TGSD	
Summer					
On-peak billing demand per kW:	\$12.78	\$12.66	\$12.66	\$12.66	
Maximum billing demand per kW:	\$6.56	\$6.55	\$5.96	\$5.67	
Excess demand per kW:	\$12.78	\$12.66	\$12.66	\$12.66	
On-peak energy per kWh:	\$0.09651	\$0.07893	\$0.07893	\$0.07788	
Off-peak block 1 per kWh:	\$0.05743	\$0.04986	\$0.04986	\$0.04882	
Off-peak block 2 per kWh:	\$0.00789	\$0.00921	\$0.00921	\$0.00683	
Off-peak block 3 per kWh:	\$0.00435	\$0.00522	\$0.00522	\$0.00418	
Winter					
On-peak billing demand per kW:	\$11.66	\$11.54	\$11.54	\$11.54	
Maximum billing demand per kW:	\$6.56	\$6.55	\$5.96	\$5.67	
Excess demand per kW:	\$11.66	\$11.54	\$11.54	\$11.54	
On-peak energy per kWh:	\$0.07868	\$0.06566	\$0.06566	\$0.06462	
Off-peak block 1 per kWh:	\$0.06088	\$0.05246	\$0.05246	\$0.05141	
Off-peak block 2 per kWh:	\$0.00789	\$0.00921	\$0.00921	\$0.00683	
Off-peak block 3 per kWh:	\$0.00435	\$0.00522	\$0.00522	\$0.00418	
Transition					
On-peak billing demand per kW:	\$11.66	\$11.54	\$11.54	\$11.54	
Maximum billing demand per kW:	\$6.56	\$6.55	\$5.96	\$5.67	
Excess demand per kW:	\$11.66	\$11.54	\$11.54	\$11.54	
On-peak energy per kWh:	\$0.06229	\$0.04947	\$0.04947	\$0.04843	
Off-peak block 1 per kWh:	\$0.06229	\$0.04947	\$0.04947	\$0.04843	
Off-peak block 2 per kWh:	\$0.00789	\$0.00921	\$0.00921	\$0.00683	
Off-peak block 3 per kWh:	\$0.00435	\$0.00522	\$0.00522	\$0.00418	

SCHEDULE OF CURRENT UTILITY RATES
DECEMBER 31, 2023
(Continued)



Electric Division Rate Class (cont.)	Base Charge	Customers																																																																																																								
Time-of-Use Manufacturing Service Schedule TMS	Effective October 1, 2023	25																																																																																																								
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Rates applicable for delivery at:	<table><tr><th colspan="4">Transmission Voltage: 115 kV and up</th></tr><tr><th>TDMSA</th><th>TMSB</th><th>TMSC</th><th>TMSD</th></tr><tr><td colspan="4">Summer</td></tr><tr><td>On-peak billing demand per kW:</td><td>\$11.46</td><td>\$11.46</td><td>\$11.46</td></tr><tr><td>Maximum billing demand per kW:</td><td>\$4.37</td><td>\$2.88</td><td>\$2.29</td></tr><tr><td>Excess demand per kW:</td><td>\$11.46</td><td>\$11.46</td><td>\$11.46</td></tr><tr><td>On-peak energy per kWh:</td><td>\$0.06431</td><td>\$0.06686</td><td>\$0.06561</td></tr><tr><td>Off-peak block 1 per kWh:</td><td>\$0.03635</td><td>\$0.03888</td><td>\$0.03760</td></tr><tr><td>Off-peak block 2 per kWh:</td><td>\$0.00565</td><td>\$0.00565</td><td>\$0.00722</td></tr><tr><td>Off-peak block 3 per kWh:</td><td>\$0.00279</td><td>\$0.00279</td><td>\$0.00722</td></tr><tr><td colspan="4">Winter</td></tr><tr><td>On-peak billing demand per kW:</td><td>\$10.38</td><td>\$10.38</td><td>\$10.38</td></tr><tr><td>Maximum billing demand per kW:</td><td>\$4.37</td><td>\$2.88</td><td>\$2.29</td></tr><tr><td>Excess demand per kW:</td><td>\$10.38</td><td>\$10.38</td><td>\$10.38</td></tr><tr><td>On-peak energy per kWh:</td><td>\$0.05155</td><td>\$0.05410</td><td>\$0.05282</td></tr><tr><td>Off-peak block 1 per kWh:</td><td>\$0.03884</td><td>\$0.04138</td><td>\$0.04008</td></tr><tr><td>Off-peak block 2 per kWh:</td><td>\$0.00565</td><td>\$0.00565</td><td>\$0.00722</td></tr><tr><td>Off-peak block 3 per kWh:</td><td>\$0.00279</td><td>\$0.00279</td><td>\$0.00722</td></tr><tr><td colspan="4">Transition</td></tr><tr><td>On-peak billing demand per kW:</td><td>\$10.38</td><td>\$10.38</td><td>\$10.38</td></tr><tr><td>Maximum billing demand per kW:</td><td>\$4.37</td><td>\$2.88</td><td>\$2.29</td></tr><tr><td>Excess demand per kW:</td><td>\$10.38</td><td>\$10.38</td><td>\$10.38</td></tr><tr><td>On-peak energy per kWh:</td><td>\$0.03982</td><td>\$0.04234</td><td>\$0.04108</td></tr><tr><td>Off-peak block 1 per kWh:</td><td>\$0.03982</td><td>\$0.04234</td><td>\$0.04108</td></tr><tr><td>Off-peak block 2 per kWh:</td><td>\$0.00565</td><td>\$0.00565</td><td>\$0.00722</td></tr><tr><td>Off-peak block 3 per kWh:</td><td>\$0.00279</td><td>\$0.00279</td><td>\$0.00722</td></tr></table>		Transmission Voltage: 115 kV and up				TDMSA	TMSB	TMSC	TMSD	Summer				On-peak billing demand per kW:	\$11.46	\$11.46	\$11.46	Maximum billing demand per kW:	\$4.37	\$2.88	\$2.29	Excess demand per kW:	\$11.46	\$11.46	\$11.46	On-peak energy per kWh:	\$0.06431	\$0.06686	\$0.06561	Off-peak block 1 per kWh:	\$0.03635	\$0.03888	\$0.03760	Off-peak block 2 per kWh:	\$0.00565	\$0.00565	\$0.00722	Off-peak block 3 per kWh:	\$0.00279	\$0.00279	\$0.00722	Winter				On-peak billing demand per kW:	\$10.38	\$10.38	\$10.38	Maximum billing demand per kW:	\$4.37	\$2.88	\$2.29	Excess demand per kW:	\$10.38	\$10.38	\$10.38	On-peak energy per kWh:	\$0.05155	\$0.05410	\$0.05282	Off-peak block 1 per kWh:	\$0.03884	\$0.04138	\$0.04008	Off-peak block 2 per kWh:	\$0.00565	\$0.00565	\$0.00722	Off-peak block 3 per kWh:	\$0.00279	\$0.00279	\$0.00722	Transition				On-peak billing demand per kW:	\$10.38	\$10.38	\$10.38	Maximum billing demand per kW:	\$4.37	\$2.88	\$2.29	Excess demand per kW:	\$10.38	\$10.38	\$10.38	On-peak energy per kWh:	\$0.03982	\$0.04234	\$0.04108	Off-peak block 1 per kWh:	\$0.03982	\$0.04234	\$0.04108	Off-peak block 2 per kWh:	\$0.00565	\$0.00565	\$0.00722	Off-peak block 3 per kWh:	\$0.00279	\$0.00279	\$0.00722
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SCHEDULE OF CURRENT UTILITY RATES
DECEMBER 31, 2023
(Continued)



Electric Division Rate Class (cont.)	Base Charge				Customers
Time Of Use Manufacturing Service					
Schedule TMS					
(cont.)					
Rates applicable for delivery at:					
	Distribution Voltage: < 115 kV				
	TDMSA	TMSB	TMSC	TMSD	
Winter					
On-peak billing demand per kW:	\$10.81	\$10.81	\$10.81	\$10.81	
Maximum billing demand per kW:	\$4.50	\$2.98	\$2.37	\$2.08	
Excess demand per kW:	\$10.81	\$10.81	\$10.81	\$10.81	
On-peak energy per kWh:	\$0.05365	\$0.05631	\$0.05498	\$0.05163	
Off-peak block 1 per kWh:	\$0.04041	\$0.04306	\$0.04172	\$0.03837	
Off-peak block 2 per kWh:	\$0.00583	\$0.00583	\$0.00747	\$0.00479	
Off-peak block 3 per kWh:	\$0.00284	\$0.00284	\$0.00747	\$0.00412	
Transition					
On-peak billing demand per kW:	\$10.81	\$10.81	\$10.81	\$10.81	
Maximum billing demand per kW:	\$4.50	\$2.98	\$2.37	\$2.08	
Excess demand per kW:	\$10.81	\$10.81	\$10.81	\$10.81	
On-peak energy per kWh:	\$0.04144	\$0.04408	\$0.04273	\$0.03939	
Off-peak block 1 per kWh:	\$0.04144	\$0.04408	\$0.04273	\$0.03939	
Off-peak block 2 per kWh:	\$0.00583	\$0.00583	\$0.00747	\$0.00479	
Off-peak block 3 per kWh:	\$0.00284	\$0.00284	\$0.00747	\$0.00412	
Drainage Pumping Station Rate					
Schedule DPS	Effective meters read on or after October 31, 2023				5
Service Charge:	\$28.50 per delivery point per month				
Energy Charge:	Summer	Winter	Transition		
All kWh per month:	\$0.04407	\$0.04191	\$0.03943		
Outdoor Lighting Rate - Schedule LS					
	Effective meters read on or after October 31, 2023				16,152
	Part A – Charges for street and park lighting systems, traffic signal systems, and athletic field lighting installations.				
Energy Charge:	Summer	Winter	Transition		
All kWh per month:	\$0.05509	\$0.05509	\$0.05509		
Outdoor Lighting Facilities Charge:	The annual facility charge shall be 10.41% of the installed cost to the Division’s electric system of the facility devoted to street and park lighting service specified in this Part A. Such installed cost shall be recomputed on July 1 of each year, or more often if substantial changes in the facilities are made. Each month, one-twelfth of the then total annual facility charge shall be billed to the customer. If any part of the facilities has not been provided at the electric system’s expense or if the installed cost of any portion thereof is reflected on the books of another municipality or agency or department, the annual facility charge shall be adjusted to reflect properly the remaining cost to be borne by the electric system.				

SCHEDULE OF CURRENT UTILITY RATES
DECEMBER 31, 2023
(Continued)



Electric Division Rate Class (cont.)	Base Charge	Customers
--------------------------------------	-------------	-----------

Outdoor Lighting Rate - Schedule LS
(cont.)

Traffic signal systems and athletic field lighting installations shall be provided, owned, and maintained by and at the expense of the customer, except as Division may agree otherwise in accordance with the provisions of the paragraph next following in this section. The facilities necessary to provide service to such systems and installations shall be provided by and at the expense of Division's electric system, and the annual facility charge provided for first above in this section shall apply to the installed cost of such facilities.

When so authorized by policy duly adopted by Division's governing board, traffic signal systems and athletic field lighting installations may be provided, owned and maintained by Division's electric system for the customer's benefit. In such cases Division may require reimbursement from the customer for a portion of the initial installed cost of any such system or installation and shall require payment by the customer of facility charges sufficient to cover all of Division's costs (except reimbursed costs), including appropriate overheads, of providing, owning, and maintaining such system or installation; provided that, for athletic field lighting installations, such facility charge shall in no case be less than 12% per year of such costs. Said facility charge shall be in addition to the annual facility charge on the facilities necessary to provide service to such system or installation as provided for in the preceding paragraphs.

Part B – Charges for outdoor lighting for individual customers

Customers may lease outdoor lighting fixtures from the Division, subject to Rules and Regulations of Division. Fixture types and associated monthly costs are available in the Schedule of Charges. The schedule will be reviewed and updated from time-to-time due to changes in costs, fixture availability, etc., at the discretion of the Division.

SCHEDULE OF CURRENT UTILITY RATES
DECEMBER 31, 2023
(Continued)



Gas Division Rate Class	Base Charge	Customers
All Gas Rate Schedules Are Subject To Adjustment Under The Provisions of the Purchased Gas Adjustment Rider.		
Residential - Schedules G-1 & G-3	Effective for meters read on or after August 31, 2022	285,590
	Schedule G-1 is available for domestic use to residential customers in individual private residences or other individual dwelling units situated within the corporate limits of the City of Memphis, Tennessee. Schedule G-3 is available for domestic use to residential customers in individual private residences or other individual dwelling units situated outside the corporate limits of the City of Memphis, Tennessee.	
Service Charge:	\$10.42 per month, plus	
Commodity Charge:	First 100 ccf per month @ \$0.804 per ccf	
	Excess over 100 ccf per month @ \$0.711 per ccf, plus the above rates are subject to adjustment under the provisions of the Purchased Gas Adjustment Rider.	
Minimum Bill:	\$10.42 per meter per month	
Small General Service - Schedule G-7	Effective for meters read on or after August 31, 2022	19,697
	This rate schedule is available for gas service to all gas customers except residential.	
Service Charge:	For 0 to 425 cfh meter, \$31.24 Over 426 to 1,400 cfh meter, \$57.26 Over 1,400 cfh meter, \$104.12 per month plus,	
Commodity Charge:	All gas consumed: \$0.746 per ccf per month, plus	
	The above rates are subject to adjustment under the provisions of the Purchased Gas Adjustment Rider.	
Minimum Bill:	The minimum monthly bill shall be \$0.681 for each ccf of the higher of:	
	(1) The maximum daily demand during the preceding eleven months, or	
	(2) The daily contract demand, but in no case less than the Service charge listed above.	
Large General Service Firm On-peak Schedules G-8 and G-9	Effective for meters read on or after August 31, 2022	373
	This rate schedule is available for gas service to all customers contracting for not less than 100 ccf of maximum daily demand.	
Demand Charge:	\$0.261 ccf per month of contract demand or maximum daily demand during the twelve (12) months ending with the billing month, whichever is higher, plus	

SCHEDULE OF CURRENT UTILITY RATES
DECEMBER 31, 2023
(Continued)



Gas Division Rate Class (cont.)	Base Charge	Customers
Large General Service Firm On-peak Schedules G-8 and G-9 (cont.)	<p>Commodity Charge: First 200,000 ccf per month @ \$0.703 per ccf</p> <p>Excess over 200,000 ccf per month @ \$0.605 per ccf, plus</p> <p>The above rates are subject to adjustment under the provisions of the Purchased Gas Adjustment Rider.</p>	
Minimum Bill:	<p>The minimum bill shall be \$0.942 for each ccf of the higher of: (1) the maximum daily demand during the twelve (12) months ending with the billing month, or (2) the daily contract demand.</p>	
Large General Service Interruptible Off-peak Schedules G-10 and G-12	<p>Effective for meters read on or after August 31, 2022</p> <p>This rate schedule is available for gas service to all customers contracting for not less than 1,500 ccf of maximum daily demand and providing oil or other alternate fuel facilities approved by the Division as being adequate in design and capacity.</p> <p>Service Charge: \$520.59 per month, plus</p> <p>Commodity Charge: First 200,000 Ccf per month @ \$0.671 per ccf</p> <p>Excess over 200,000 ccf per month @ \$0.599 per ccf, plus</p> <p>The above rates are subject to adjustment under the provisions of the Purchased Gas Adjustment Rider.</p> <p>Minimum Bill: The minimum monthly bill shall be \$0.365 for each ccf of the higher of (1) the maximum daily demand during the twelve months ending with the billing month, or (2) the daily contract demand, but in no event less than the service charge.</p>	10

SCHEDULE OF CURRENT UTILITY RATES
DECEMBER 31, 2023
(Continued)



Water Division Rate Class	Base Charge	Customers
Residential – Inside City Rate Schedule W-1	Effective meters read on or after January 4, 2022	179,933
	For water furnished to premises entirely within the corporate limits of the City of Memphis	
Monthly Rate:	All water consumed: \$2.393 per ccf per month	
Minimum Bill:	The minimum monthly bill shall be determined by the size of the meter installed, as follows:	
	5/8" meter \$10.12	
	3/4" meter 14.60	
	1" meter 25.90	
	1-1/2" meter 58.28	
	2" meter 103.61	
Residential – Outside City Rate Schedule W-2	Effective meters read on or after January 4, 2022	27,063
	For water furnished to premises outside the corporate limits of the City of Memphis.	
Monthly Rate:	All water consumed: \$3.726 per ccf per month	
Minimum Bill:	The minimum monthly bill shall be determined by the size of the meter installed, as follows:	
	5/8" meter \$14.09	
	3/4" meter 20.26	
	1" meter 36.06	
	1-1/2" meter 81.09	
	2" meter 144.13	
General Service – Inside City Rate Schedule W-7	Effective meters read on or after January 4, 2022	17,670
	For water service to all customers within the corporate limits of the City of Memphis, except residential customers.	
Monthly Rate:	Water consumed per month:	
	First 30 ccf \$3.051 per ccf	
	Next 70 ccf \$2.595 per ccf	
	Next 100 ccf \$1.974 per ccf	
	Next 400 ccf \$1.644 per ccf	
	Next 5,400 ccf \$1.279 per ccf	
	Excess over 6,000 ccf \$1.332 per ccf	

SCHEDULE OF CURRENT UTILITY RATES
DECEMBER 31, 2023
(Continued)



Water Division Rate Class (cont.)	Base Charge	Customers
General Service – Inside City Rate		
Schedule W-7		
(cont.)		
Minimum Bill:	The minimum monthly bill shall be determined by the size of the meter installed, as follows:	
	5/8" meter	\$19.38
	3/4" meter	22.61
	1" meter	38.73
	1-1/2" meter	77.51
	2" meter	161.55
	3" meter	322.99
	4" meter	483.01
	6" meter	611.01
	8" meter	739.06
	10" meter	1,530.94
	12" meter	2,136.16
	14" meter	2,937.25
	Battery of 2-2" meters	322.99
	Battery of 3-2" meters	483.01
General Service – Outside City Rate		
Schedule W-8		
	Effective meters read on or after January 4, 2022	877
	For water service to all customers outside the corporate limits of the City of Memphis, except residential customers.	
Monthly Rate:	Water consumed per month:	
	First 30 ccf	\$4.585 per ccf
	Next 70 ccf	\$3.855 per ccf
	Next 100 ccf	\$2.942 per ccf
	Next 400 ccf	\$2.467 per ccf
	Next 5,400 ccf	\$1.936 per ccf
	Excess over 6,000 ccf	\$2.009 per ccf
Minimum Bill:	The minimum monthly bill shall be determined by the size of the meter installed, as follows:	
	5/8" meter	\$29.64
	3/4" meter	34.58
	1" meter	59.27
	1-1/2" meter	118.50
	2" meter	246.92
	3" meter	493.87
	4" meter	738.05
	6" meter	933.70
	8" meter	1,129.32
	10" meter	2,339.41
	12" meter	3,264.26
	14" meter	4,485.28
	Battery of 2-2" meters	493.87
	Battery of 3-2" meters	738.05

SCHEDULE OF CURRENT UTILITY RATES
DECEMBER 31, 2023
(Continued)



Water Division Rate Class (cont.)	Base Charge	Customers																								
Residential – Shelby County Water Distribution System - Schedule W-51	Effective meters read on or after January 4, 2022	18,962																								
	For water service within the area served by the Shelby County Water Distribution System at the time of its acquisition on June 30, 1999, for domestic uses to residential customers in individual private residences or other individual dwelling units.																									
Monthly Rate:	All water consumed: \$3.726 per ccf per month																									
Minimum Bill:	The minimum monthly bill shall be determined by the size of the meter installed, as follows:																									
	<table><tr><td>5/8" meter</td><td>\$14.09</td></tr><tr><td>3/4" meter</td><td>20.26</td></tr><tr><td>1" meter</td><td>36.06</td></tr><tr><td>1-1/2" meter</td><td>81.09</td></tr><tr><td>2" meter</td><td>144.13</td></tr></table>	5/8" meter	\$14.09	3/4" meter	20.26	1" meter	36.06	1-1/2" meter	81.09	2" meter	144.13															
5/8" meter	\$14.09																									
3/4" meter	20.26																									
1" meter	36.06																									
1-1/2" meter	81.09																									
2" meter	144.13																									
	Residential customers shall be served through a single meter not larger than 2" in size.																									
General Service – Shelby County Water Distribution System - Schedule W-57	Effective meters read on or after January 4, 2022	671																								
	For water service within the area served by the Shelby County Water Distribution System at the time of its acquisition on June 30, 1999, for all customers except residential customers using service exclusive for domestic use.																									
Monthly Rate:	Water consumed per month:																									
	<table><tr><td>First 30 ccf</td><td>\$4.585 per ccf</td></tr><tr><td>Next 70 ccf</td><td>\$3.855 per ccf</td></tr><tr><td>Next 100 ccf</td><td>\$2.942 per ccf</td></tr><tr><td>Next 400 ccf</td><td>\$2.467 per ccf</td></tr><tr><td>Next 5,400 ccf</td><td>\$1.936 per ccf</td></tr><tr><td>Excess over 6,000 ccf</td><td>\$2.009 per ccf</td></tr></table>	First 30 ccf	\$4.585 per ccf	Next 70 ccf	\$3.855 per ccf	Next 100 ccf	\$2.942 per ccf	Next 400 ccf	\$2.467 per ccf	Next 5,400 ccf	\$1.936 per ccf	Excess over 6,000 ccf	\$2.009 per ccf													
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14" meter	4,485.28																									

**SCHEDULE OF ADDITIONS AND RETIREMENTS TO UTILITY PLANT
FOR THE YEAR ENDED DECEMBER 31, 2023
(Dollars in Thousands)**



	Electric Division	Gas Division	Water Division
Utility plant in service, December 31, 2022	\$ 2,039,271	\$ 781,994	\$ 549,272
Additions - Construction	127,724	17,238	19,850
Retirements	(21,888)	(1,944)	(469)
Transfers	221	(114)	(320)
Utility plant in service, December 31, 2023	\$ 2,145,328	\$ 797,174	\$ 568,333

Note: Utility plant in service balances exclude amounts for construction work in process, non-utility property and land held for future use.



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

To the Board of Commissioners and Management
Memphis Light, Gas and Water Division
Memphis, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Electric, Gas and Water Divisions (the "Divisions") of Memphis Light, Gas and Water Division ("MLGW"), enterprise funds of the City of Memphis, Tennessee, and the aggregate remaining fund information of MLGW, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise MLGW's basic financial statements, and have issued our report thereon dated June 26, 2024. Our report includes a reference to other auditors who audited the financial statements of Memphis Light, Gas and Water Division Retirement and Pension System and the Memphis Light, Gas and Water Division Other Post Employment Benefits Trust, as described in our report on Memphis Light, Gas and Water Division's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control Over Financial Reporting

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

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

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

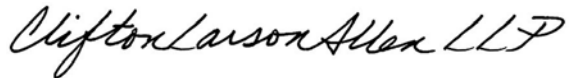
deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of This Report

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

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Nashville, Tennessee
June 26, 2024

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2023**



Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying/Grant Number	Beginning Federal Expenditures	Cash Receipts	Expenditures	Ending Federal Expenditures
U.S. Department of Homeland Security						
Passed through the State of Tennessee Emergency Management Agency:						
Disaster Grants - Public Assistance (Presidentially Declared Disaster)	97.036	4594DR-TN	\$ (2,507)	\$ -	\$ 38	\$ (2,545)
Emergency Management Performance Grants	97.036	4514DR-TN	(236)	-	-	(236)
			<u>\$ (2,743)</u>	<u>\$ -</u>	<u>\$ 38</u>	<u>\$ (2,781)</u>
 U.S. Department of Homeland Security/ Port Security Grant Program	 97.056	 EMW-2020-PU-00507	 \$ -	 \$ 418	 \$ 418	 \$ -
			<u>\$ -</u>	<u>\$ 418</u>	<u>\$ 418</u>	<u>\$ -</u>
 Total Expenditures of Federal Awards			 <u>\$ (2,743)</u>	 <u>\$ 418</u>	 <u>\$ 456</u>	 <u>\$ (2,781)</u>



1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the federal award activity of MLGW under programs of the federal government for the year ended December 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a portion of the operations of the MLGW, it is not intended to and does not present the financial position, changes in net position, or cash flows of MLGW.

2. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting as described in Note 1 of MLGW's financial statements. Such expenditures are recognized consistent with the cost principles contained in the Uniform Guidance for all awards, which follows criteria determined by the Department of Treasury for allowability of costs. Under these principles, certain types of expenditures are not allowable or are limited as to reimbursement.

3. INDIRECT COST RATE

Memphis Light Gas and Water has elected to use the 10% de minimis indirect cost rate as allowed in the Uniform Guidance, Section 414.

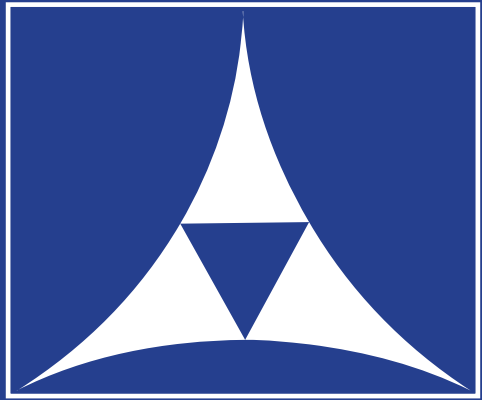
4. DISASTER GRANTS – PRESIDENTIAL DECLARED DISASTERS (97.036)

After a presidentially declared disaster, FEMA provides Disaster Grants – Public Assistance (Presidentially Declared Disaster) (Assistance Listing 97.036) to reimburse for eligible cost associated with disaster recovery. Reimbursements are provided in the form of cost-shared grants. Approximately, \$2,545 were incurred in fiscal year 2021.

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2022**



There were no prior year findings reported.



MLGW

