



MLGW

2027 BUDGET

October 7, 2026
PRELIMINARY



Leadership



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Board of Commissioners



Office of the President

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PRESIDENT/CEO

STACEY FOSTER

Administrative Assistant

Senior Leadership Council

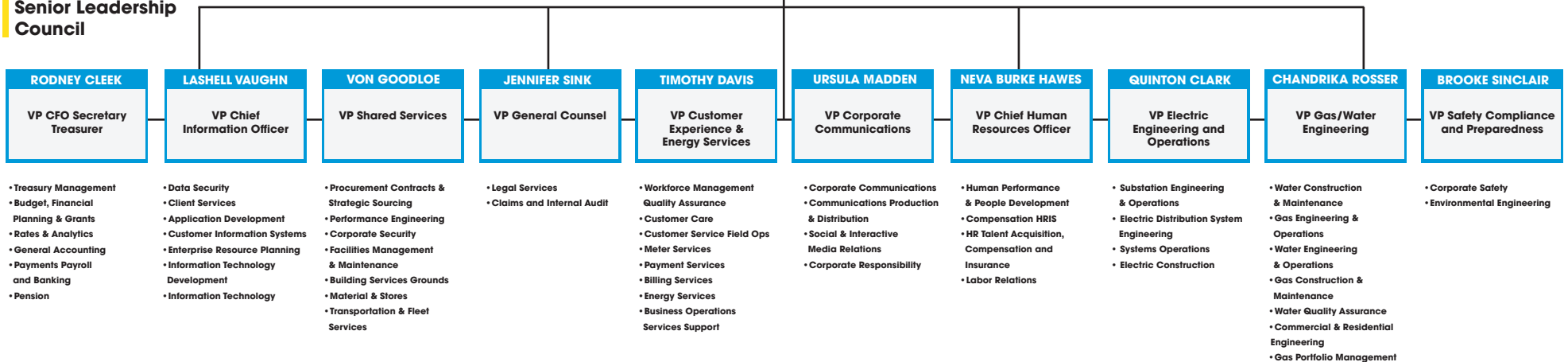


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PRESIDENT'S LETTER

As Memphis and Shelby County continue to grow, Memphis Light, Gas and Water remain focused on one essential responsibility: delivering reliable, resilient and affordable utility services while preparing our systems for the future. The proposed 2027 budget advances that commitment through disciplined investment in infrastructure, technology, employees and customer service.

This budget builds on the progress MLGW has made through preventive maintenance, infrastructure renewal and replacement, grid modernization and system expansion. Continued investment in our electric, gas and water systems is necessary to strengthen reliability, reduce service disruptions and ensure that our infrastructure can support both current needs and future economic development.

Our employees remain central to every improvement we make. The 2027 budget supports the workforce, tools and training required to operate increasingly complex utility systems and serve customers with professionalism and care. It also strengthens our ability to engage with customers, businesses, elected officials and community partners through transparent communication and meaningful collaboration.

The proposed 2027 operating and capital budget totals \$2.6 billion. Of that amount, \$1.4 billion is allocated to purchased power and gas costs. Operations and maintenance expenses total \$622 million, and our capital program is budgeted at \$371 million. These investments reflect our responsibility to manage public resources carefully while addressing the infrastructure and operational needs that affect customers every day.

MLGW has made meaningful progress, but our work continues. Through responsible stewardship, strategic planning and sustained investment, we will strengthen the systems our community depends on and position MLGW to serve future generations.



A handwritten signature in black ink, appearing to read 'Doug McGowen', with a long horizontal line extending to the right.

Doug McGowen

President and CEO

Memphis Light, Gas and Water Division





MLGW OVERVIEW

Memphis Light, Gas and Water is the nation's largest three-service public utility, providing electric, natural gas and water services throughout Memphis and Shelby County. Established in 1939, MLGW supports the region's quality of life and economic vitality by delivering essential utility services to hundreds of thousands of residential, commercial and industrial customers.

MLGW receives electricity from the Tennessee Valley Authority and operates three utility systems through one customer-facing organization. This integrated structure gives customers one bill, one service provider and one organization responsible for supporting the infrastructure that powers homes, businesses and community growth.

A Legacy of Public Service

MLGW's roots extend to 1852 with the formation of the Memphis Gas Light Company. Memphis established municipal ownership of its water system in 1902, and the modern Memphis Light, Gas and Water Division was formed in 1939 by bringing electric, gas and water services together under one public utility. That legacy continues through MLGW's commitment to reliable service, affordability and responsible stewardship.

Municipal Ownership and Expansion

In 1902, the city of Memphis purchased The Artesian Water Company, establishing the Memphis Artesian Water Department, the first city-owned utility. This move marked the beginning of municipal ownership and control over essential services. The city's commitment to providing reliable utilities continued to grow, culminating in the formation of MLGW in 1939. This was achieved through the acquisition of the privately-owned Memphis Power and Light, consolidating electricity, gas and water services under one entity.

Community Impact

MLGW's role extends beyond providing essential utility services. Through community partnerships, employee volunteerism, customer assistance programs and energy education, MLGW works to strengthen the quality of life throughout Memphis and Shelby County.

Modernizing the Grid

MLGW is modernizing the electric grid through investments in advanced communications, automation and technologies that improve system visibility. These improvements will strengthen resiliency, support faster restoration and prepare the grid for the community's changing energy needs.



COMMUNITY ENGAGEMENT

MLGW's commitment to Memphis and Shelby County extends beyond the delivery of essential utility services. Throughout the year, employees volunteer their time, support local organizations and strengthen partnerships that improve the communities we serve. These efforts reflect a culture of public service and a shared commitment to making a meaningful local impact.



MLGW expanded the **Fast Charge TN** network with two new electric vehicle charging sites in Shelby County, bringing the countywide total to seven. The new locations increased access to convenient, high-speed charging while supporting cleaner transportation throughout the community.

The **MLGW IT NextGen Career Academy** is a workforce development partnership between Memphis Light, Gas and Water (MLGW), Southwest Tennessee Community College, and Memphis-Shelby County Schools designed to train local high school students for careers in technology.



MLGW brought services directly to the community through its **Emergency Preparedness Information Center (EPIC)**. During the August 2026 Bow Echo storm, EPIC was deployed to provide customers with in-person support, timely restoration information and access to mobile charging stations. EPIC also supported Workforce Wednesdays at the Benjamin L. Hooks Central Library, where MLGW representatives interviewed job applicants and connected residents with career opportunities. Together, these deployments showed how EPIC can serve the community during emergencies and in everyday outreach.

MLGW and the **Tennessee Valley Authority (TVA)** frequently coordinate joint community volunteer and service efforts throughout Memphis and Shelby County. Most recently, MLGW and TVA employees teamed up to volunteer at the Habitat for Humanity ReStore, where they assembled furniture, unboxed merchandise and organized inventory to support affordable housing initiatives.





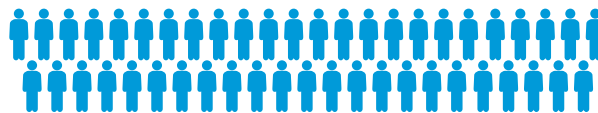
Customers

- 445,754 electric customers
- 316,964 gas customers
- 260,385 water customers



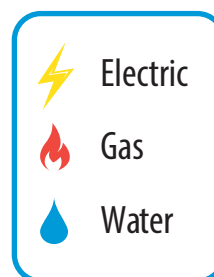
Employees

2,755 total employees



Average Annual Residential Use

- 13,699 kWh of electricity
- 637 ccf of natural gas
- 85 ccf of water



Miles

- 4,511.5 overhead electric distribution circuit miles
- 2,891 underground electric distribution circuit miles
- 4,585 miles of gas mains
- 3,990 miles of water mains



2027 Budget: \$2.6B



 **RELIABLE TODAY.
READY FOR TOMORROW.**

How to Read the Budget

INTRODUCTION

We are pleased to submit the 2027 Budget for Memphis Light, Gas and Water Division (MLGW) as required by Memphis City Ordinance #3509. This Budget has been prepared in compliance with this ordinance, which requires conformity to the Federal Energy Regulatory Commission (FERC), the regulations of any other applicable regulatory body, and in accordance with the provisions of the bond resolutions approved by the Memphis City Council.

Memphis Light, Gas and Water Division's accounting and financial practices conform to Generally Accepted Accounting Principles (GAAP), under the rules and regulations of the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB).

Memphis Light, Gas and Water Division was created by an amendment to the City Charter, adopted March 9, 1939. 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 pursuant to the City Charter. For economic reasons, activities common to all three divisions are administered jointly and costs are prorated among the divisions. The 2027 operating and capital budgets are developed simultaneously and are presented together in a combined budget. In this manner, MLGW can accomplish personnel planning and allocate resources to ensure the achievement of each strategic area of focus.

THE BUDGET PROCESS

Memphis Light, Gas and Water Division develops the operating and capital expenditure budgets annually to coincide with its fiscal year, which extends from January 1 to December 31. The budget process begins early in the year that precedes the fiscal year for which the budget will take effect. The entire process continues for several months until final approval is obtained by the Memphis City Council.

At the onset of the process, a budget schedule is created to establish the critical deadlines for activities necessary in producing the final approved budget document. Some of the budget calendar events include planning meetings, multiple budget training sessions, capital project budget meetings and equipment budget meetings, all of which are completed before the end of June.

During July through August, requests for the upcoming budget year are submitted by organization supervisors and managers. The vice presidents are then responsible for reviewing the proposed budget and making necessary adjustments.

The proposed budget goes through several stages of formal review and approval before being finalized. The initial level of approval occurs during mid-August through early October by the members of MLGW's executive staff. A preliminary budget document is subsequently developed and presented to the MLGW Board of Commissioners for review and approval in October, with the final approval by the Memphis City Council scheduled for November.

How to Read the Budget

CONTENTS OF THE BUDGET DOCUMENT

This Budget document begins with the Budget Highlights which offers a summary of Total Operating Revenue, Total Operating Expense, Operating Income (Loss), Change in Net Position and the Capital Program for each Division. The information provided in the remaining sections of the Budget document is detailed below.

AREA OF RESPONSIBILITY

This section supplies the 2027 Operations & Maintenance Budget for Electric, Gas and Water organized by each area of responsibility.

ALL DIVISIONS

This section supplies a comparison of the Electric, Gas and Water Divisions' Income, Expense & Change in Net Position and Capital Expenditures Budget for the 2027 Budget.

ELECTRIC

The first page of this section (Page 4) is the *Income, Expense, and Changes in Net Position Comparison* for the Electric Division. It provides a side-by-side view of the 2025 Actual Expenditures, 2026 Budget and the 2027 Budget.

The last column contains a Reference Number that can be cross-referenced with the Appendix, which provides a brief explanation or description of that specific line item; for example, Sales Revenue has a reference number of 4-1. The Appendix includes notes for 4-1 on page A2 stating that “this account includes projected revenue from the sale of electricity to the residential, commercial, industrial, outdoor lighting and traffic signal and interdepartmental customer classes.”

The next three pages (4a-4c) provide the detailed account information for each of the line items presented on page 4; for example, the four specific accounts for non-Sales Revenue are Forfeited Discounts, Miscellaneous Service Revenue, Other Operating Revenue and Rent from Gas/Water Property. The sum of these four accounts (Total non-Sales Revenue) is rolled up to page 4. The detail account information provides a comparison of the 2026 Budget, 2027 Budget and the difference between the 2026 Budget and 2027 Budget.

Next is the *Source and Application of Funds*, which includes reference numbers that correlate to the Appendices which provide a description of each line item.

The *Capital Expenditures Comparison* (page 6) gives a comparison of the 2025 Actual, 2026 Budget and the 2027 Budget. Again, the last column is the Reference Number that can be used to look up explanations of each line item. The next four pages (7-10) provide information by project for each of the major line items on page 6. Each project listed has the amount that will be spent in the Budget year. Every project has a reference number that can be used to find a description of the project in the Appendix.

The last page of this section is the *Capital Carryover Summary*. Carryover dollars are funds that were budgeted in the previous year that were not utilized due to delays in projects, shortage of resources or commodities ordered but not received. These dollars are a component of the 2027 Budget figures.

How to Read the Budget

CONTENTS OF THE BUDGET DOCUMENT (continued)

GAS

The Gas Division section is set up in the same format as the Electric Division: *Income, Expense, and Changes in Net Position Comparison for the Gas Division; Sources and Applications of Funds; Capital Expenditures Comparison; and the Capital Carryover Summary*. Please refer to the Electric description above for information on how to read these sections.

WATER

The Water Division section is set up in the same format as the Electric Division: *Income, Expense and Changes in Net Position Comparison for the Water Division; Sources and Applications of Funds; Capital Expenditures Comparison and the Capital Carryover Summary*. Please refer to the Electric description above for information on how to read these sections.

CAPITAL IMPROVEMENT PLAN

This section presents the Division's 5-year capital improvement plan for the Electric, Gas, and Water Divisions' infrastructure by work order type (WOT).

APPENDIX

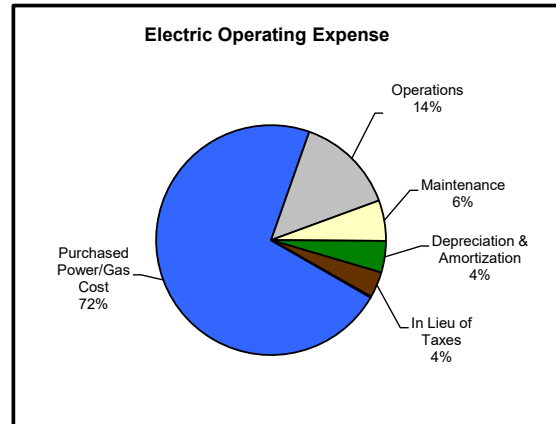
This section presents a definition and/or explanation of specific line items referenced throughout the Budget document. Each page includes a heading stating what page the information is referencing. For example, Page A1 has a heading of "Notes for Page 3 – Capital Expenditures Budget". This means that the notes for Page 3 begin here and each line item on page three is defined.

The Appendix also includes a Glossary that defines acronyms and other terms commonly used throughout this Budget document.

2027 MLGW BUDGET HIGHLIGHTS

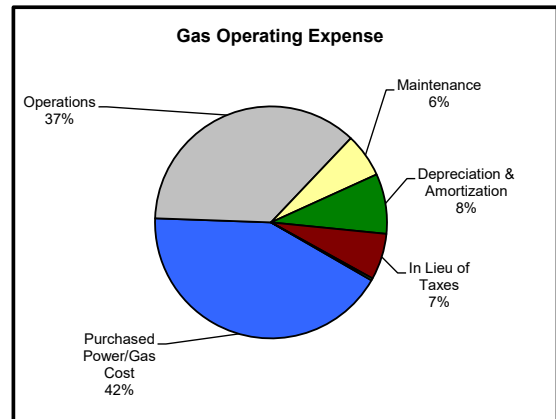
ELECTRIC DIVISION (In Thousands)

Total Operating Revenue	\$ 1,832,527
Purchased Power	\$ 1,285,072
Total O&M Expense	\$ 351,572
Other Operating Expense	\$ 146,581
Total Operating Expense	\$ 1,783,225
Operating Income (Loss)	\$ 49,302
Change in Net Position	\$ 79,083
CAPITAL PROGRAM	\$ 226,868



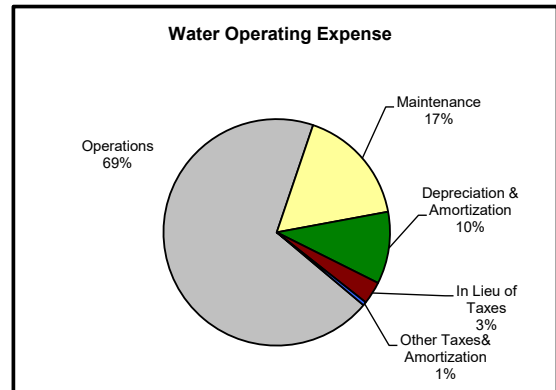
GAS DIVISION (In Thousands)

Total Operating Revenue	\$ 313,931
Purchased Gas	\$ 141,318
Total O&M Expense	\$ 142,734
Other Operating Expense	\$ 50,594
Total Operating Expense	\$ 334,646
Operating Income (Loss)	\$ (20,715)
Change in Net Position	\$ (23,172)
CAPITAL PROGRAM	\$ 58,568



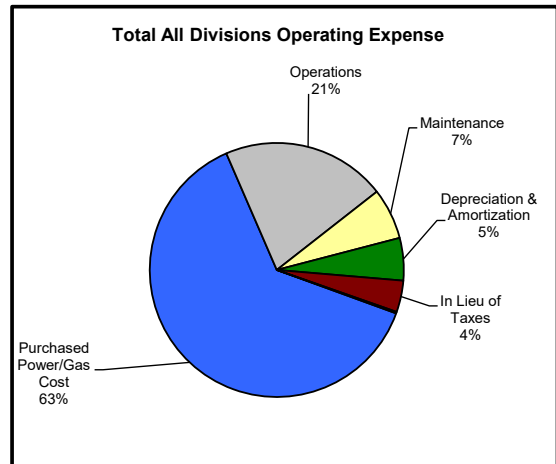
WATER DIVISION (In Thousands)

Total Operating Revenue	\$ 151,688
Total O&M Expense	\$ 127,592
Other Operating Expense	\$ 20,819
Total Operating Expense	\$ 148,411
Operating Income (Loss)	\$ 3,277
Change in Net Position	\$ 749
CAPITAL PROGRAM	\$ 85,575



ALL DIVISIONS (In Thousands)

TOTAL OPERATING REVENUE	\$ 2,298,146
TOTAL PURCHASED POWER & GAS	\$ 1,426,390
TOTAL O&M EXPENSE	\$ 621,898
TOTAL OTHER OPERATING EXPENSE	\$ 217,994
TOTAL OPERATING EXPENSE	\$ 2,266,283
OPERATING INCOME	\$ 31,864
CHANGE IN NET POSITION	\$ 56,660
TOTAL CAPITAL PROGRAM	\$ 371,012



2027 Operations & Maintenance Budget

Area of Responsibility	Category	Electric		Gas		Water		Grand Total
President and Board of Commissioners	Labor	\$	256	\$	98	\$	73	\$ 427
	Material	\$	-	\$	-	\$	-	\$ -
	Equipment	\$	-	\$	-	\$	-	\$ -
	Other	\$	43	\$	16	\$	12	\$ 71
	Total	\$	299	\$	114	\$	85	\$ 498
General Counsel	Labor	\$	2,136	\$	818	\$	605	\$ 3,559
	Material	\$	-	\$	-	\$	-	\$ -
	Equipment	\$	22	\$	8	\$	6	\$ 36
	Other	\$	571	\$	218	\$	162	\$ 951
	Total	\$	2,729	\$	1,044	\$	773	\$ 4,546
Finance and Accounting	Labor	\$	3,796	\$	1,541	\$	1,147	\$ 6,484
	Material	\$	9	\$	4	\$	2	\$ 15
	Equipment	\$	-	\$	-	\$	-	\$ -
	Other	\$	1,233	\$	522	\$	390	\$ 2,145
	Total	\$	5,038	\$	2,067	\$	1,539	\$ 8,644
Information Services and Technology	Labor	\$	10,507	\$	4,387	\$	3,242	\$ 18,136
	Material	\$	5	\$	2	\$	1	\$ 8
	Equipment	\$	10	\$	4	\$	3	\$ 17
	Other	\$	23,489	\$	9,515	\$	7,074	\$ 40,078
	Total	\$	34,011	\$	13,908	\$	10,320	\$ 58,239
Shared Services	Labor	\$	12,934	\$	6,172	\$	6,467	\$ 25,573
	Material	\$	344	\$	134	\$	99	\$ 577
	Equipment	\$	788	\$	302	\$	536	\$ 1,626
	Other	\$	8,791	\$	3,610	\$	3,474	\$ 15,875
	Total	\$	22,857	\$	10,218	\$	10,576	\$ 43,651
People Services	Labor	\$	6,021	\$	2,308	\$	1,706	\$ 10,035
	Material	\$	15	\$	5	\$	4	\$ 24
	Equipment	\$	20	\$	8	\$	6	\$ 34
	Other	\$	2,551	\$	977	\$	722	\$ 4,250
	Total	\$	8,607	\$	3,298	\$	2,438	\$ 14,343
Electric Engineering and Operations	Labor	\$	70,662	\$	2,995	\$	2,255	\$ 75,912
	Material	\$	2,082	\$	44	\$	27	\$ 2,153
	Equipment	\$	6,291	\$	113	\$	85	\$ 6,489
	Other	\$	73,034	\$	1,144	\$	816	\$ 74,994
	Total	\$	152,069	\$	4,296	\$	3,183	\$ 159,548
Gas and Water Engineering and Operations	Labor	\$	4,564	\$	16,399	\$	13,771	\$ 34,734
	Material	\$	76	\$	583	\$	628	\$ 1,287
	Equipment	\$	339	\$	1,935	\$	2,173	\$ 4,447
	Other	\$	2,146	\$	24,684	\$	16,911	\$ 43,741
	Total	\$	7,125	\$	43,601	\$	33,483	\$ 84,209
Customer Experience and Energy Services	Labor	\$	22,815	\$	19,239	\$	13,160	\$ 55,214
	Material	\$	110	\$	107	\$	388	\$ 605
	Equipment	\$	956	\$	1,325	\$	784	\$ 3,065
	Other	\$	12,835	\$	9,492	\$	7,990	\$ 30,317
	Total	\$	36,716	\$	30,163	\$	22,322	\$ 89,201

2027 Operations & Maintenance Budget

Area of Responsibility	Category	Electric	Gas	Water	Grand Total
Corporate Communications	Labor	\$ 2,695	\$ 1,032	\$ 764	\$ 4,491
	Material	\$ 1	\$ -	\$ -	\$ 1
	Equipment	\$ 135	\$ 52	\$ 38	\$ 225
	Other	\$ 6,050	\$ 2,319	\$ 1,714	\$ 10,083
	Total	\$ 8,881	\$ 3,403	\$ 2,516	\$ 14,800
Safety, Compliance & Preparedness	Labor	\$ 3,859	\$ 1,479	\$ 1,093	\$ 6,431
	Material	\$ 10	\$ 4	\$ 3	\$ 17
	Equipment	\$ 212	\$ 81	\$ 60	\$ 353
	Other	\$ 12,635	\$ 5,584	\$ 7,153	\$ 25,372
	Total	\$ 16,716	\$ 7,148	\$ 8,309	\$ 32,173
Common	Labor	\$ (10,241)	\$ (4,242)	\$ (3,436)	\$ (17,919)
	Material	\$ 436	\$ 118	\$ 212	\$ 766
	Equipment	\$ 675	\$ 338	\$ 275	\$ 1,288
	Other	\$ 94,485	\$ 35,448	\$ 43,653	\$ 173,586
	Total	\$ 85,355	\$ 31,662	\$ 40,704	\$ 157,721
Transfers to Capital	Labor				\$ -
	Material				\$ -
	Equipment				\$ -
	Other	\$ (28,831)	\$ (8,188)	\$ (8,656)	\$ (45,675)
	Total	\$ (28,831)	\$ (8,188)	\$ (8,656)	\$ (45,675)
Grand Total	Labor	\$ 130,004	\$ 52,226	\$ 40,847	\$ 223,077
	Material	\$ 3,088	\$ 1,001	\$ 1,364	\$ 5,453
	Equipment	\$ 9,448	\$ 4,166	\$ 3,966	\$ 17,580
	Other	\$ 209,032	\$ 85,341	\$ 81,415	\$ 375,788
	Total	\$ 351,572	\$ 142,734	\$ 127,592	\$ 621,898

President & Board of Commissioners

The President is responsible for setting the overall vision and strategy, managing day-to-day operations, and ensuring financial health. The president is the main communicator between the Board, employees, customers, and other stakeholders, while also representing the company in public forums and maintaining its image. The president also ensures compliance with all relevant laws and regulations, working closely with regulatory bodies to keep the company aligned with legal standards.

The Board of Commissioners ensures that MLGW operates effectively and in the best interests of the customers. It is a seven-member board whose members are nominated by the Mayor of the City of Memphis and confirmed by the Memphis City Council.

2027 Operations & Maintenance Budget (O&M)		
Category (Thousands of Dollars)	Total	
Labor	\$ 427	
Material	\$ -	
Equipment	\$ -	
Outside Purchases	\$ 15	
Outside Services	\$ 40	
Other Expenditures	\$ 16	
Grand Total	\$ 498	

General Counsel

The General Counsel department plays a vital role in safeguarding MLGW's legal and ethical integrity. It comprises three key areas:

Legal Services is responsible for providing legal assistance to all Departments to facilitate operational needs including prosecuting and defending lawsuits, regulatory matters, and drafting/negotiating contracts.

Claims is responsible for investigating, evaluating, resolving, and pursuing claims by and against third parties for damages and casualty to property and personal injury.

Internal Audit is responsible for providing audit expertise for financial, operational systems, special projects, and other organizational and business-related audits, and safeguarding company assets in compliance with policies, procedures and practices established by certifying, regulatory, municipal or official guidelines.

2027 Operations & Maintenance Budget (O&M)		
Category (Thousands of Dollars)	Total	
Labor	\$ 3,559	
Material	\$ -	
Equipment	\$ 36	
Outside Purchases	\$ 190	
Outside Services	\$ 693	
Other Expenditures	\$ 68	
Grand Total	\$ 4,546	

Finance & Accounting

The Finance and Accounting department is essential for managing the financial health and stability of MLGW. It consists of six key areas:

General Accounting is responsible for monthly and year-end closing of accounting records and preparing this information for reporting to the President & CEO, MLGW Board of Commissioners, Memphis City Council, and the Citizens of Shelby County.

Budget, Financial Planning & Grants is responsible for compiling annual operating and capital budgets, forecasting short-term and long-term operating expenses, revenues, cash balances and funding requirements, maintaining and developing rate schedules and obtaining federal/state funding through grants.

Rates & Analytics is responsible for the analysis and projection of revenues and expenses, and development of rates to support financial stability. Rates and Analytics is also responsible for the maintenance of the rate and billing structure segments of CIS and responsible for billing MLGW's largest electric accounts on complex, time-of-use rate programs. The team also prepares regulatory filings, operational statistics, and forecasts for budgeting and financial reporting.

Treasury Management is responsible for investing short-term cash portfolio and debt service funds in accordance with investment guidelines, overseeing the investments of MLGW's pension fund assets and other post-employment benefits assets, and managing the issuance of debt to cover capital improvement expenditures for the electric, gas, and water systems.

Payments, Payroll and Banking is responsible for maintaining payroll records, overseeing employee paychecks, ensuring timely submission of payroll, participating in payroll audits, processing payroll, deducting payroll taxes, and calculating allowances.

Pension is responsible for helping MLGW employees save for retirement. Pension manages employee retirement plans, ensuring their financial stability and compliance with regulations.

Finance & Accounting

2027 Operations & Maintenance Budget (O&M)		
Category (Thousands of Dollars)	Total	
Labor	\$ 6,484	
Material	\$ 15	
Equipment	\$ -	
Outside Purchases	\$ 493	
Outside Services	\$ 1,306	
Other Expenditures	\$ 346	
Grand Total	\$ 8,644	

Information Services & Technology

The Information Services & Technology department is crucial for managing and advancing the technological infrastructure of MLGW. It comprises five key areas:

Application Development is responsible for the Core Billing, SmartMeter, System Integrations, Financial and Mobile Network, the development and support of web and mobile applications for MLGW's external and internal customers, and the maintenance of MLGW's intranet site, IVR and 50+ third party software solutions.

Information Technology is responsible for scheduling, assigning, and coordinating the operation of computer/auxiliary equipment, processing/handling of input and output data and managing the daily operations of the data center and data processing activities, providing direct support for personal computers, handheld computers and enterprise-wide desktop applications, and specifying, acquiring, installing, and supporting physical servers, virtual servers, Storage Area Networks (SAN), tape Library hardware, Windows server OS, Netware, SUSE Linux, and enterprise backup system.

Data Security is responsible for developing plans for increased security across systems, implementing various protections, testing and re-testing systems for known vulnerabilities, monitoring systems for security breaches, and investigating breaches and any other anomalies.

Client Services is responsible for managing relationships with key business areas, serving as an advocate for key business areas, and supporting the Information Technology Oversight Committee.

Enterprise Resource Planning is responsible for the development and maintenance of critical centralized applications that support areas throughout the Division.

2027 Operations & Maintenance Budget (O&M)		
Category (Thousands of Dollars)	Total	
Labor	\$ 18,136	
Material	\$ 8	
Equipment	\$ 17	
Outside Purchases	\$ 4,511	
Outside Services	\$ 16,210	
Other Expenditures	\$ 19,357	
Grand Total	\$ 58,239	

Shared Services

The Shared Services department is a centralized unit designed to streamline operations and enhance efficiency across the organization. It comprises five key areas:

Procurement Contracts & Strategic Sourcing is responsible for overseeing the procurement of goods and materials, facilitating contracts for services from contractors and consultants, and seeking to provide locally-owned small businesses equal access to participate in procurement opportunities—either in a contractor or sub-contractor arrangement with MLGW.

Performance Engineering is responsible for analyzing operations and developing recommendations for improvement using knowledge of quality and statistics, time study, work measurement, finance, ergonomics, simulation, and other industrial engineering-related concepts and skill sets, the development and maintenance of Oracle Work Management processes by researching, analyzing, troubleshooting, monitoring/explaining the work management processes and their interaction with division areas to manage material, people and work activities, the creation and modification of all Asset Groups, Preventive Maintenance schedules, Failure Set forms, and Collection plans for all non-GIS Electric, Gas, Water, Facilities, Central Shops and Environmental assets; as well as GIS assets such as Leased Outdoor Lights, Poles, Single-Phase, 3-Phase, and Pad Mounts.

Corporate Security is responsible for monitoring and overseeing the strategic vision and the implementation of MLGW's physical security and controls management strategies and security programs by protecting and safeguarding the enterprise critical assets.

Facilities is responsible for upgrading the physical environment and infrastructure of the Division's properties in order to create safe, functional and well-maintained facilities.

Transportation, Material and Stores is responsible for supervising primary stores, investment recovery and service center storerooms, processing scrap sales, payment of freight bills and approval of demurrage on freight, cylinders, and railroad spurs and providing quality goods, servicing equipment in a safe, cost-effective manner.

Shared Services

2027 Operations & Maintenance Budget (O&M)		
Category (Thousands of Dollars)	Total	
Labor	\$ 25,573	
Material	\$ 577	
Equipment	\$ 1,626	
Outside Purchases	\$ 5,097	
Outside Services	\$ 9,913	
Other Expenditures	\$ 865	
Grand Total	\$ 43,651	

People Services

The People Services department is dedicated to supporting and enhancing the employee experience. It encompasses several key areas:

Employment Services and Talent Acquisition is responsible for managing employee records, onboarding, and offboarding processes and focuses on recruiting and hiring the best talent to meet the organization's needs.

Labor Relations is responsible for promoting positive employee relations and engagement initiatives.

Insurance Benefits is responsible for administering employee benefits programs, including health, dental, and life insurance.

Human Performance and People Development is responsible for enhancing employee performance through training and development programs and focuses on career growth and development opportunities for employees.

Compensation and HRIS is responsible for managing salary structures, bonuses, and other financial rewards. HRIS (Human Resources Information Systems) maintains and optimizes HR technology systems for efficient data management and reporting.

2027 Operations & Maintenance Budget (O&M)			
Category (Thousands of Dollars)		Total	
Labor		\$ 10,035	
Material		\$ 24	
Equipment		\$ 34	
Outside Purchases		\$ 2,079	
Outside Services		\$ 2,228	
Other Expenditures		\$ (57)	
Grand Total		\$ 14,343	

Electric Engineering & Operations

The Electric Engineering and Operations department is responsible for ensuring the efficient and reliable delivery of electrical services. It includes several specialized areas:

Electric Construction is responsible for overseeing the building and installation of electrical infrastructure.

Electric Distribution Systems Engineering is responsible for designing and maintaining the systems that distribute electricity to consumers.

Environmental Engineering is responsible for ensuring that electrical operations comply with environmental regulations and sustainability practices.

System Operations is responsible for managing the real-time operation of the electrical grid to ensure stability and reliability.

Substation and Telecommunications, Engineering and Operations is responsible for the design, maintenance, and operation of electrical substations, which are critical for transforming and distributing electricity.

2027 Operations & Maintenance Budget (O&M)		
Category (Thousands of Dollars)	Total	
Labor	\$ 75,912	
Material	\$ 2,153	
Equipment	\$ 6,489	
Outside Purchases	\$ 583	
Outside Services	\$ 34,343	
Other Expenditures	\$ 40,068	
Grand Total	\$ 159,548	

Gas & Water Engineering & Operations

The Gas & Water Engineering & Operations department is a comprehensive division responsible for ensuring the efficient and safe delivery of gas and water services. This department plays a crucial role in maintaining the infrastructure and quality of essential gas and water services. It encompasses several key areas:

Gas Engineering & Operations is responsible for the design, maintenance, and operation of the gas distribution system. It ensures that gas is delivered safely and reliably to all customers, addressing any technical challenges that arise.

Water Engineering & Operations is responsible for managing the infrastructure and processes required to deliver clean and safe water. This area ensures that the water supply system is efficient and meets the community's needs.

Water Quality Assurance is dedicated to maintaining high standards of water quality. This area conducts rigorous testing and monitoring to ensure that the water supply complies with all regulatory standards and is safe for consumption.

Commercial & Residential Engineering provides engineering support for both commercial and residential projects. This area ensures that all developments adhere to relevant standards and regulations, facilitating smooth project execution.

Gas Construction & Maintenance manages the construction, repair, and upkeep of the gas distribution system. This area works to ensure a reliable and uninterrupted gas supply through effective maintenance practices.

Water Construction & Maintenance is responsible for the construction, repair, and upkeep of the water distribution system, ensuring a reliable water supply.

Gas Portfolio Management is responsible for managing the procurement, allocation, and optimization of gas resources to meet the needs of the community efficiently.

Strategic Planning & Innovations focuses on developing forward-looking strategies and implementing innovative solutions to enhance the efficiency, reliability, and sustainability of gas and water operations. It identifies emerging opportunities, drives continuous improvement, and supports long-term planning to ensure the department adapts to evolving community needs and industry standards.

Gas & Water Engineering & Operations

2027 Operations & Maintenance Budget (O&M)		
Category (Thousands of Dollars)	Total	
Labor	\$ 34,734	
Material	\$ 1,287	
Equipment	\$ 4,447	
Outside Purchases	\$ 7,946	
Outside Services	\$ 27,590	
Other Expenditures	\$ 8,205	
Grand Total	\$ 84,209	

Customer Experience & Energy Services

The Customer Experience & Energy Services department is a multifaceted team dedicated to enhancing customer satisfaction and optimizing energy services. This department plays a crucial role in ensuring customers receive high-quality service and innovative energy solutions, contributing to overall customer satisfaction and operational excellence. It is composed of several key areas:

Customer Care is the frontline of customer interaction, handling inquiries, resolving issues, and ensuring customer satisfaction. They provide personalized assistance and support to address customer needs promptly and effectively.

Revenue & Metering Services is responsible for accurate billing and metering; this division ensures that customers are billed correctly and on time. They manage meter readings, billing cycles, and address any discrepancies in billing to maintain transparency and trust.

Economic & Business Development is tasked with fostering economic growth and business development within the community. They collaborate with local businesses and stakeholders to create opportunities for economic advancement and support sustainable development initiatives. This area also focuses on maintaining strong relationships with major clients. This division provides tailored services and support to key accounts. They work closely with large customers to understand their unique needs and deliver customized solutions that drive mutual success.

Customer Programs & Services provides valuable conservation and energy-efficiency opportunities to help customers understand and reduce their energy consumption. These opportunities include in-person walk-through audits and various public speaking engagements for both small and large audiences. The department is responsible for planning, marketing and analysis for the weatherization and energy-efficiency programs to best serve our customers. As a key partner, the department also provides technical assistance and support for other programs within the community.

Customer Experience & Energy Services

2027 Operations & Maintenance Budget (O&M)		
Category (Thousands of Dollars)	Total	
Labor	\$ 55,214	
Material	\$ 605	
Equipment	\$ 3,065	
Outside Purchases	\$ 5,704	
Outside Services	\$ 25,519	
Other Expenditures	\$ (906)	
Grand Total	\$ 89,201	

Corporate Communications

The Corporate Communications department is integral to maintaining and enhancing MLGW's public image and internal communication. It comprises three key areas:

Communications and Public Relations distributes proactive, accurate and timely information to MLGW stakeholders (residential and commercial customers, appointed and elected officials, our employees) through a variety of digital and traditional platforms. This team also works closely with local and national media outlets, in addition to handling all MLGW social media platforms.

Corporate Social Responsibility (CSR) primary objective is to engage and educate the community about the positive impact that MLGW has on customers' lives through in-person meetings, curriculum, sponsorship and financial assistance programs. Working with the Finance department, CSR also oversees the handling of The MLGW Power of Giving Fund and actively raises private dollars and seeks grants for those philanthropic accounts.

Communications Production and Distribution mails out 5 million utility bill statements to residential and commercial customers annually. Providing high-quality prints and binding marketing material for internal and external use is also a priority. Our internal switchboard operators utilize their skills to assign incoming calls to the most suitable MLGW departments for customer service. This area also provides oversight of all incoming and outgoing mail and packaging through overnight carrier services, internal interoffice mail, and courier services.

2027 Operations & Maintenance Budget (O&M)		
Category (Thousands of Dollars)	Total	
Labor	\$ 4,491	
Material	\$ 1	
Equipment	\$ 225	
Outside Purchases	\$ 1,786	
Outside Services	\$ 2,629	
Other Expenditures	\$ 5,668	
Grand Total	\$ 14,800	

Safety, Compliance & Preparedness

The Safety, Compliance & Preparedness department supports MLGW's commitment to maintaining a safe, compliant, and resilient working environment through the development, implementation, and oversight of programs designed to protect employees, operations, and the organization. This area provides leadership and support across key functions including occupational safety, environmental compliance and engineering, regulatory compliance, emergency preparedness, training, and organizational risk reduction.

It consists of four key areas:

Corporate Safety is responsible for developing, implementing, and overseeing MLGW's corporate safety programs, standards, training, and risk-reduction efforts to protect employees, contractors, and the public across electric, gas, and water operations. The area promotes consistent safe-work practices through hazard identification, field oversight, incident management, employee training, accountability, and continuous improvement.

Environmental Compliance is responsible for environmental requirements while promoting responsible environmental stewardship. The area also provides environmental engineering and technical support and manages environmental assessments, remediation, abatement, corrective actions, waste management, and other projects necessary to address environmental conditions and reduce organizational risk.

Utility Compliance is responsible for developing, coordinating, and overseeing compliance programs associated with MLGW's regulated electric, gas, and drinking water operations, including pipeline safety and security, electric transmission and reliability, and drinking water requirements. The area works with operational groups to understand regulatory obligations, monitor compliance, identify and reduce regulatory risk, and ensure deficiencies and corrective actions are appropriately addressed.

Preparedness is responsible for developing and maintaining the plans, programs, training, exercises, and response structures necessary to prepare MLGW for emergencies and significant disruptions affecting its electric, gas, and water systems. The area strengthens organizational resilience by supporting risk assessment, incident command, continuity of critical operations, coordinated response, restoration and recovery, and continuous improvement following actual events and exercises.

Safety, Compliance & Preparedness

2027 Operations & Maintenance Budget (O&M)		
Category (Thousands of Dollars)	Total	
Labor	\$ 6,431	
Material	\$ 17	
Equipment	\$ 353	
Outside Purchases	\$ 1,431	
Outside Services	\$ 22,672	
Other Expenditures	\$ 1,269	
Grand Total	\$ 32,173	



ALL DIVISIONS

MEMPHIS LIGHT, GAS AND WATER DIVISION
INCOME, EXPENSE, AND CHANGES IN NET POSITION COMPARISON
FOR CALENDAR YEAR OF 2027

ALL DIVISIONS

PAGE 2

DESCRIPTION	THOUSANDS OF DOLLARS			
	ELECTRIC DIVISION	GAS DIVISION	WATER DIVISION	TOTAL
<u>OPERATING REVENUE</u>				
Sales Revenue	1,810,026	265,726	147,174	2,222,926
Revenue Adjustment for Uncollectibles	(9,298)	(2,126)	(1,263)	(12,687)
Non-Sales Revenue	31,799	50,331	5,777	87,907
OPERATING REVENUE	1,832,527	313,931	151,688	2,298,146
<u>OPERATING EXPENSE</u>				
Purchased Power	1,285,072	-	-	1,285,072
Purchased Gas	-	120,211	-	120,211
Compressed Natural Gas (CNG)	-	24	-	24
Liquefied Natural Gas (LNG)	-	744	-	744
Industrial Gas	-	20,339	-	20,339
Production Expense	-	1,852	22,753	24,605
Transmission Expense	8,524	-	-	8,524
Distribution Expense	76,200	44,040	23,609	143,849
Customer Accounts Expense	20,508	14,195	9,972	44,675
Customer Service & Information Expense	2,729	2,277	1,380	6,386
Sales Expense	2,500	421	286	3,207
Administrative & General Expense	139,263	59,417	44,540	243,220
OPERATING EXPENSE	1,534,796	263,520	102,540	1,900,856
<u>MAINTENANCE EXPENSE</u>				
Transmission Expense	4,111	-	-	4,111
Production Expense	-	5,772	4,513	10,285
Distribution Expense	90,655	12,500	15,452	118,607
Administrative & General Expense	7,082	2,260	5,087	14,429
MAINTENANCE EXPENSE	101,848	20,532	25,052	147,432
<u>OTHER OPERATING EXPENSE</u>				
Depreciation Expense	71,893	20,734	13,130	105,757
Payment in Lieu of Taxes	64,613	21,590	4,800	91,003
F.I.C.A. Taxes	2,614	1,002	740	4,356
Amortization of Legacy Meters	1,282	1,505	487	3,274
Amortization - Right of Use Leases & Subscriptions	5,536	5,763	1,662	12,961
Amortization - Street Lighting Retrofit	643	-	-	643
OTHER OPERATING EXPENSE	146,581	50,594	20,819	217,994
TOTAL OPERATING EXPENSE	1,783,225	334,646	148,411	2,266,283
<u>INCOME</u>				
Operating Income	49,302	(20,715)	3,277	31,863
Other Income	55,059	1,946	3,056	60,061
Reduction of Plant Cost Recovered through CIAC	(15,266)	(3,120)	(1,066)	(19,452)
NET INCOME BEFORE DEBT EXPENSE	89,095	(21,890)	5,266	72,472
<u>DEBT EXPENSE</u>				
Interest Expense - Long Term Debt	29,612	5,692	6,449	41,753
Amortization of Debt Discount & Expense	(4,334)	(1,290)	(866)	(6,490)
TOTAL DEBT EXPENSE	25,278	4,403	5,583	35,263
NET INCOME AFTER DEBT EXPENSE	63,817	(26,292)	(317)	37,209
Contributions in Aid of Construction	15,266	3,120	1,066	19,452
CHANGE IN NET POSITION	79,083	(23,172)	749	56,660

MEMPHIS LIGHT, GAS AND WATER DIVISION
INCOME, EXPENSE, AND CHANGES IN NET POSITION COMPARISON
FOR CALENDAR YEAR OF 2027

ALL DIVISIONS

PAGE 2a

DESCRIPTION	THOUSANDS OF DOLLARS			
	ELECTRIC DIVISION	GAS DIVISION	WATER DIVISION	TOTAL
<u>OPERATING REVENUE</u>				
Sales Revenue	1,810,026	265,726	147,174	2,222,926
Revenue Adjustment for Uncollectibles	(9,298)	(2,126)	(1,263)	(12,687)
Non-Sales Revenue				
Forfeited Discounts	15,237	3,305	1,704	20,246
Miscellaneous Service Revenue	11,622	2,167	1,989	15,778
Cross Connection Revenue	-	-	1,408	1,408
Other Operating Revenue	1,824	696	516	3,036
Compressed Natural Gas (CNG)	-	96	-	96
Liquefied Natural Gas (LNG)	-	1,656	-	1,656
Industrial Gas Revenue	-	21,212	-	21,212
Rent from Electric/Gas/Water Property	3,116	6,980	160	10,256
Transported Gas	-	14,219	-	14,219
Total Non-Sales Revenue	31,799	50,331	5,777	87,907
OPERATING REVENUE	1,832,527	313,931	151,688	2,298,146
<u>OPERATING EXPENSE</u>				
Purchased Power	1,285,072	-	-	1,285,072
Purchased Gas	-	120,211	-	120,211
Compressed Natural Gas (CNG)	-	24	-	24
Liquified Natural Gas (LNG)	-	744	-	744
Industrial Gas	-	20,339	-	20,339
Production Expense				
Chemicals	-	-	2,605	2,605
Fuel or Power Purchased for Pumping	-	-	11,068	11,068
Miscellaneous Expense	-	-	4,412	4,412
Operations Production Water Treatment	-	-	78	78
Operation Labor and Expenses	-	1,683	3,890	5,573
Operation Supervision and Engineering	-	169	318	487
Pumping Labor and Expenses	-	-	382	382
Total Production Expense	-	1,852	22,753	24,605
Transmission Expense				
Load Dispatching	943	-	-	943
Miscellaneous Transmission Expenses	1,673	-	-	1,673
Operation Supervision and Engineering	5,435	-	-	5,435
Station Expenses	473	-	-	473
Total Transmission Expense	8,524	-	-	8,524
Distribution Expense				
Customer Installation Expenses	-	6,421	3,224	9,645
Distribution Load Dispatching Expense	1,816	942	-	2,758
Mains and Services	-	10,685	-	10,685
Measuring and Regulating Expenses	-	160	-	160
Meter and House Regulator Expenses	(299)	3,637	2,029	5,367
Miscellaneous Distribution Expenses ⁽¹⁾	51,208	19,732	16,482	87,422
Operation Supervision and Engineering	6,523	2,463	1,173	10,159
Overhead Distribution Line Expense	7,371	-	-	7,371
Rents	-	-	-	-
Services on Customers' Premises	6,004	-	-	6,004
Station Expenses	1,891	-	-	1,891
Storage Facilities	-	-	174	174
Street Lighting and Signal System Expenses	123	-	-	123
Transmission and Distribution Lines	-	-	527	527
UG Distribution	1,563	-	-	1,563
Total Distribution Expense	76,200	44,040	23,609	143,849
⁽¹⁾ Includes, but not limited to, the following items: Accrued vacation, absences such as holiday and sick leave, lost time due to bad weather, stand-by pay, and contract services.				

MEMPHIS LIGHT, GAS AND WATER DIVISION
INCOME, EXPENSE, AND CHANGES IN NET POSITION COMPARISON
FOR CALENDAR YEAR OF 2027

ALL DIVISIONS

PAGE 2b

DESCRIPTION	THOUSANDS OF DOLLARS			
	ELECTRIC DIVISION	GAS DIVISION	WATER DIVISION	TOTAL
<u>OPERATING EXPENSE (Continued)</u>				
Customer Accounts Expense				
Customer Order, Records and Collection Expenses	18,895	11,899	8,293	39,087
Meter Reading Expenses	1,469	2,172	1,558	5,199
Supervision-Customer Accounting and Collection	144	124	121	389
Total Customer Accounts Expense	20,508	14,195	9,972	44,675
Customer Service & Information Expense				
Customer Assistance Expenses	1,110	837	632	2,579
Informational and Instructional Advertising Expenses	401	137	437	975
Miscellaneous Customer Service & Informational Expenses	797	965	-	1,762
Supervision-Customer Service and Information	421	338	311	1,070
Total Customer Service & Information Expense	2,729	2,277	1,380	6,386
Sales Expense				
Sales Supervision	93	-	-	93
Miscellaneous Sales Expenses	2,407	421	286	3,114
Total Sales Expense	2,500	421	286	3,207
Administrative & General Expense				
Administrative and General Salaries	24,459	9,907	6,943	41,309
Administration Expenses Transferred to Capital	(14,279)	(4,616)	(5,134)	(24,029)
Pension Expense	27,481	11,492	8,494	47,467
Other Active & Retiree Benefits	13,799	8,916	5,099	27,814
Other Post Employment Benefits Funding	11,531	4,822	3,564	19,917
Injuries and Damages	4,743	1,568	1,348	7,659
Miscellaneous General Expenses ⁽²⁾	21,616	7,457	8,035	37,108
Office Supplies and Expenses	8,862	3,233	2,474	14,569
Outside Services Employed	32,391	13,299	9,607	55,297
Property Insurance	2,500	1,237	860	4,597
Rents-Miscellaneous	6,160	2,102	3,250	11,512
Total Administrative & General Expense	139,263	59,417	44,540	243,220
OPERATING EXPENSE	1,534,796	263,520	102,540	1,900,856
<u>MAINTENANCE EXPENSE</u>				
Transmission Expense				
Maintenance of Station Equipment	1,634	-	-	1,634
Maintenance of Underground Transmission Lines	665	-	-	665
Maintenance of Structures and Improvements	451	-	-	451
Maintenance Supervision and Engineering	1,361	-	-	1,361
Total Transmission Expense	4,111	-	-	4,111
Production Expense				
Maintenance of Holders	-	333	-	333
Maintenance of Other Equipment	-	5,145	-	5,145
Maintenance of Pumping Equipment	-	-	1,449	1,449
Maintenance of Structures and Improvements	-	29	-	29
Maintenance of Water Treatment Equipment	-	-	1,224	1,224
Maintenance of Wells	-	-	1,687	1,687
Maintenance Supervision and Engineering	-	265	153	418
Total Production Expense	-	5,772	4,513	10,285
⁽²⁾ Includes, but not limited to, the following items: Mail distribution, property appraisals, security and janitorial services, and fuel use by MLGW.				

MEMPHIS LIGHT, GAS AND WATER DIVISION
INCOME, EXPENSE, AND CHANGES IN NET POSITION COMPARISON
FOR CALENDAR YEAR OF 2027

ALL DIVISIONS

PAGE 2c

DESCRIPTION	THOUSANDS OF DOLLARS			
	ELECTRIC DIVISION	GAS DIVISION	WATER DIVISION	TOTAL
<u>MAINTENANCE EXPENSE (Continued)</u>				
Distribution Expense				
Maintenance of Hydrants	-	-	1,078	1,078
Maintenance of Line Transformers	2,220	-	-	2,220
Maintenance of Mains	-	7,027	-	7,027
Maintenance of Meters	2,526	-	5,099	7,625
Maintenance of Miscellaneous Distribution Plant	1,189	-	32	1,221
Maintenance of Overhead Distribution Lines	45,536	-	-	45,536
Maintenance of Services	-	3,191	2,600	5,791
Maintenance of Station Equipment	2,686	-	-	2,686
Maintenance of Street Lighting and Signal System	8,602	-	-	8,602
Maintenance of Transmission and Distribution Mains	-	-	6,643	6,643
Maintenance of Underground Distribution Lines	23,758	-	-	23,758
Maintenance Supervision and Engineering	4,138	112	-	4,250
Measuring and Regulating Equipment Expenses	-	2,170	-	2,170
Total Distribution Expense	90,655	12,500	15,452	118,607
Administrative & General Expense				
Maintenance of General Plant	6,588	2,172	2,338	11,098
Facilities Maintenance Expense	494	88	2,749	3,331
Total Administrative & General Expense	7,082	2,260	5,087	14,429
MAINTENANCE EXPENSE	101,848	20,532	25,052	147,432
<u>OTHER OPERATING EXPENSE</u>				
Depreciation Expense	71,893	20,734	13,130	105,757
Payment in Lieu of Taxes	64,613	21,590	4,800	91,003
F.I.C.A. Taxes	2,614	1,002	740	4,356
Amortization of Legacy Meters	1,282	1,505	487	3,274
Amortization - Right of Use Leases & Subscriptions	5,536	5,763	1,662	12,961
Amortization - Street Lighting Retrofit	643	-	-	643
OTHER OPERATING EXPENSE	146,581	50,594	20,819	217,994
TOTAL OPERATING EXPENSE	1,783,225	334,646	148,411	2,266,283
<u>INCOME</u>				
Operating Income	49,302	(20,715)	3,277	31,863
Other Income				
Expenses of Merchandising, Jobbing & Contracts	-	(3,424)	-	(3,424)
Revenues from Merchandising, Jobbing & Contracts	-	1,302	-	1,302
Revenues from Sinking & Other Funds-Interest Income	11,227	1,583	1,100	13,910
Medicare Part D Refund	1,180	638	1,820	3,638
Non-Operating Income - TVA Transmission Credit	40,832	-	-	40,832
Miscellaneous Non-Operating Income	1,820	1,846	135	3,801
Total Other Income	55,059	1,946	3,056	60,061
Contributions in Aid of Construction	(15,266)	(3,120)	(1,066)	(19,452)
NET INCOME BEFORE DEBT EXPENSE	89,095	(21,890)	5,266	72,472

MEMPHIS LIGHT, GAS AND WATER DIVISION
INCOME, EXPENSE, AND CHANGES IN NET POSITION COMPARISON
FOR CALENDAR YEAR OF 2027

ALL DIVISIONS

PAGE 2d

DESCRIPTION	THOUSANDS OF DOLLARS			
	ELECTRIC DIVISION	GAS DIVISION	WATER DIVISION	TOTAL
DEBT EXPENSE				
Interest Expense - Long-Term Debt				
Interest on Ltd - Series 2014	-	-	285	285
Interest on Ltd - Series 2016	1,067	1,067	581	2,715
Interest on Ltd - Series 2017	2,353	1,190	616	4,159
Interest on Ltd - Series 2020	5,603	2,185	2,267	10,055
Interest on Ltd - Series 2024	9,015	-	-	9,015
Interest on Ltd - Series 2025	11,574	-	-	11,574
Interest on Ltd - Series 2027	-	1,250	2,700	3,950
Total Interest Expense - Long-Term Debt	29,612	5,692	6,449	41,753
Amortization of Debt Discount & Expense				
Amortization of Debt Disc & Exp - Series 2014	-	-	(32)	(32)
Amortization of Debt Disc & Exp - Series 2016	(760)	(380)	(118)	(1,258)
Amortization of Debt Disc & Exp - Series 2017	(589)	(345)	(130)	(1,064)
Amortization of Debt Disc & Exp - Series 2020	(1,280)	(565)	(586)	(2,431)
Amortization of Debt Disc & Exp - Series 2024	(941)	-	-	(941)
Amortization of Debt Disc & Exp - Series 2025	(764)	-	-	(764)
Total Amortization of Debt Discount & Expense	(4,334)	(1,290)	(866)	(6,490)
TOTAL DEBT EXPENSE	25,278	4,403	5,583	35,263
NET INCOME AFTER DEBT EXPENSE	63,817	(26,292)	(317)	37,208
Contributions in Aid of Construction	15,266	3,120	1,066	19,452
CHANGE IN NET POSITION	79,083	(23,172)	749	56,660

MEMPHIS LIGHT, GAS AND WATER DIVISION
CAPITAL EXPENDITURES
FOR CALENDAR YEAR OF 2027

ALL DIVISIONS

PAGE 3

DESCRIPTION	THOUSANDS OF DOLLARS				REF. NO.
	ELECTRIC DIVISION	GAS DIVISION	WATER DIVISION	TOTAL	
TOTAL 2027 CAPITAL EXPENDITURES					3-1
	226,868	58,568	85,575	371,012	



ELECTRIC DIVISION

MEMPHIS LIGHT, GAS AND WATER DIVISION
INCOME, EXPENSE, AND CHANGES IN NET POSITION COMPARISON
2025 THROUGH 2027

ELECTRIC DIVISION

PAGE 4

DESCRIPTION	THOUSANDS OF DOLLARS			REF. NO.
	2025 ACTUAL	2026 BUDGET	2027 BUDGET	
OPERATING REVENUE				
Sales Revenue	1,667,601	1,797,973	1,810,026	4-1
Revenue Adjustment for Uncollectibles	(8,417)	(8,994)	(9,298)	4-2
Non-Sales Revenue	30,275	33,634	31,799	4-3
OPERATING REVENUE	1,689,459	1,822,613	1,832,527	
OPERATING EXPENSE				
Purchased Power	1,218,534	1,282,660	1,285,072	4-4
Transmission Expense	6,400	7,761	8,524	4-5
Distribution Expense	66,873	75,882	76,200	4-6
Customer Accounts Expense	19,604	23,368	20,508	4-7
Customer Service & Information Expense	2,243	2,579	2,729	4-8
Sales Expense	2,432	2,488	2,500	4-9
Administrative & General Expense*	101,253	131,088	139,263	4-10
OPERATING EXPENSE	1,417,339	1,525,826	1,534,796	
MAINTENANCE EXPENSE				
Transmission Expense	3,617	3,816	4,111	4-11
Distribution Expense	82,585	93,103	90,655	4-12
Administrative & General Expense	5,857	5,447	7,082	4-13
MAINTENANCE EXPENSE	92,060	102,366	101,848	
OTHER OPERATING EXPENSE				
Depreciation Expense	67,242	71,672	71,893	4-14
Payment in Lieu of Taxes	53,837	61,559	64,613	4-15
F.I.C.A. Taxes	2,709	2,527	2,614	4-16
Amortization of Legacy Meters	1,269	1,280	1,282	4-17
Amortization - Right of Use Leases & Subscriptions	5,036	1,502	5,536	4-18
Amortization - Street Lighting Retrofit	623	593	643	4-19
OTHER OPERATING EXPENSE	130,716	139,133	146,581	
TOTAL OPERATING EXPENSE	1,640,115	1,767,325	1,783,225	
INCOME				
Operating Income	49,343	55,288	49,302	4-20
Other Income	78,035	53,228	55,059	4-21
Reduction of Plant Cost Recovered through CIAC	(27,433)	(17,581)	(15,266)	4-22
NET INCOME BEFORE DEBT EXPENSE	99,945	90,935	89,095	
DEBT EXPENSE				
Interest Expense - Existing Long-Term Debt	20,668	30,610	29,612	4-23
Amortization of Debt Discount & Expense	(3,804)	(3,351)	(4,334)	4-24
TOTAL DEBT EXPENSE	16,864	27,259	25,278	
NET INCOME AFTER DEBT EXPENSE	83,082	63,676	63,817	
Contributions in Aid of Construction	27,433	17,581	15,266	4-25
CHANGE IN NET POSITION*	110,515	81,257	79,083	
* Excludes Pension Non-Cash and Other Post Employment Benefits Non-Cash				

MEMPHIS LIGHT, GAS AND WATER DIVISION
INCOME, EXPENSE, AND CHANGES IN NET POSITION COMPARISON
2026 THROUGH 2027

ELECTRIC DIVISION

PAGE 4a

DESCRIPTION	THOUSANDS OF DOLLARS		
	2026 BUDGET	2027 BUDGET	DIFFERENCE
<u>OPERATING REVENUE</u>			
Sales Revenue	1,797,973	1,810,026	12,053
Revenue Adjustment for Uncollectibles	(8,994)	(9,298)	(304)
Non-Sales Revenue			
Forfeited Discounts	14,252	15,237	985
Miscellaneous Service Revenue	11,253	11,622	369
Other Operating Revenue	1,716	1,824	108
Rent from Gas/Water Property	6,413	3,116	(3,297)
Total Non-Sales Revenue	33,634	31,799	(1,835)
OPERATING REVENUE	1,822,613	1,832,527	9,914
<u>OPERATING EXPENSE</u>			
Purchased Power	1,282,660	1,285,072	2,412
Transmission Expense			
Load Dispatching	877	943	66
Miscellaneous Transmission Expenses	1,595	1,673	78
Operation Supervision and Engineering	4,835	5,435	600
Station Expenses	454	473	19
Total Transmission Expense	7,761	8,524	763
Distribution Expense			
Distribution Load Dispatching Expense	1,741	1,816	75
Meter Expenses	1,068	(299)	(1,367)
Miscellaneous Distribution Expenses ⁽¹⁾	50,633	51,208	575
Operation Supervision and Engineering	6,028	6,523	495
Overhead Distribution Line Expense	6,846	7,371	525
Services on Customers' Premises	5,979	6,004	25
Station Expenses	1,768	1,891	123
Street Lighting and Signal System Expenses	147	123	(24)
Underground Distribution Line Expenses	1,672	1,563	(109)
Total Distribution Expense	75,882	76,200	318
Customer Accounts Expense			
Customer Order, Records and Collection Expenses	20,301	18,895	(1,406)
Meter Reading Expenses	2,902	1,469	(1,433)
Supervision-Customer Accounting and Collection	165	144	(21)
Total Customer Accounts Expense	23,368	20,508	(2,860)
Customer Service & Information Expense			
Customer Assistance Expenses	1,033	1,110	77
Informational and Instructional Advertising Expenses	376	401	25
Miscellaneous Customer Service & Information Expense	771	797	26
Supervision-Customer Service and Information	399	421	22
Total Customer Service & Information Expense	2,579	2,729	150
Sales Expense			
Sales Supervision	91	93	2
Miscellaneous Sales Expenses	2,397	2,407	10
Total Sales Expense	2,488	2,500	12

⁽¹⁾ Includes, but not limited to, the following items: Accrued vacation, absences such as holiday and sick leave, lost time due to bad weather, stand-by pay, and contract services.

MEMPHIS LIGHT, GAS AND WATER DIVISION
INCOME, EXPENSE, AND CHANGES IN NET POSITION COMPARISON
2026 THROUGH 2027

ELECTRIC DIVISION

PAGE 4b

DESCRIPTION	THOUSANDS OF DOLLARS		
	2026 BUDGET	2027 BUDGET	DIFFERENCE
<u>OPERATING EXPENSE (Continued)</u>			
Administrative & General Expense			
Administrative and General Salaries	23,053	24,459	1,406
Administration Expenses Transferred to Capital	(12,270)	(14,279)	(2,009)
Pension Expense	24,908	27,481	2,573
Other Active & Retiree Benefits	11,067	13,799	2,732
Other Post Employment Benefits Funding	14,894	11,531	(3,363)
Injuries and Damages	3,891	4,743	852
Miscellaneous General Expenses ⁽²⁾	19,295	21,616	2,321
Office Supplies and Expenses	8,299	8,862	563
Outside Services Employed	28,239	32,391	4,152
Property Insurance	2,853	2,500	(353)
Rents-Miscellaneous	6,859	6,160	(699)
Total Administrative & General Expense	131,088	139,263	8,175
 OPERATING EXPENSE	 1,525,826	 1,534,796	 8,970
<u>MAINTENANCE EXPENSE</u>			
Transmission Expense			
Maintenance of Station Equipment	1,603	1,634	31
Maintenance of Underground Transmission Lines	683	665	(18)
Maintenance of Structures and Improvements	177	451	274
Maintenance Supervision and Engineering	1,353	1,361	8
Total Transmission Expense	3,816	4,111	295
Distribution Expense			
Maintenance of Line Transformers	2,168	2,220	52
Maintenance of Meters	2,392	2,526	134
Maintenance of Miscellaneous Distribution Plant	1,176	1,189	13
Maintenance of Overhead Distribution Lines	52,412	45,536	(6,876)
Maintenance of Station Equipment	2,512	2,686	174
Maintenance of Street Lighting and Signal System	6,889	8,602	1,713
Maintenance of Underground Distribution Lines	21,492	23,758	2,266
Maintenance Supervision and Engineering	4,062	4,138	76
Total Distribution Expense	93,103	90,655	(2,448)
Administrative & General Expense			
Maintenance of General Plant	5,078	6,588	1,510
Facilities Maintenance Expense	369	494	125
Total Administrative & General Expense	5,447	7,082	1,635
 MAINTENANCE EXPENSE	 102,366	 101,848	 (518)

⁽²⁾ Includes, but not limited to, the following items: Mail distribution, property appraisals, security and janitorial services, and fuel use by MLGW.

MEMPHIS LIGHT, GAS AND WATER DIVISION
INCOME, EXPENSE, AND CHANGES IN NET POSITION COMPARISON
2026 THROUGH 2027

ELECTRIC DIVISION

PAGE 4c

DESCRIPTION	THOUSANDS OF DOLLARS		
	2026 BUDGET	2027 BUDGET	DIFFERENCE
<u>OTHER OPERATING EXPENSE</u>			
Depreciation Expense	71,672	71,893	221
Payment in Lieu of Taxes	61,559	64,613	3,054
F.I.C.A. Taxes	2,527	2,614	87
Amortization of Legacy Meters	1,280	1,282	2
Amortization - Right of Use Leases & Subscriptions	1,502	5,536	4,034
Amortization - Street Lighting Retrofit	593	643	50
OTHER OPERATING EXPENSE	139,133	146,581	7,448
TOTAL OPERATING EXPENSE	1,767,325	1,783,225	15,900
<u>INCOME</u>			
Operating Income	55,288	49,302	(5,986)
Other Income			
Revenues from Sinking & Other Funds - Interest Income	9,800	11,227	1,427
Medicare Part D Refund	83	1,180	1,097
Non-Operating Income - TVA Transmission Credit	40,428	40,832	404
Miscellaneous Non-Operating Income	2,917	1,820	(1,097)
Total Other Income	53,228	55,059	1,831
Reduction of Plant Cost Recovered through CIAC	(17,581)	(15,266)	2,315
NET INCOME BEFORE DEBT EXPENSE	90,935	89,095	(1,840)
<u>DEBT EXPENSE</u>			
Interest Expense - Long-Term Debt			
Interest on Ltd - Series 2016	1,162	1,067	(95)
Interest on Ltd - Series 2017	2,558	2,353	(205)
Interest on Ltd - Series 2020	5,764	5,603	(161)
Interest on Ltd - Series 2024	10,060	9,015	(1,045)
Interest on Ltd - Series 2025	11,066	11,574	508
Total Interest Expense - Long-Term Debt	30,610	29,612	(998)
Amortization of Debt Discount & Expense			
Amortization of Debt Disc & Exp - Series 2016	(414)	(760)	(346)
Amortization of Debt Disc & Exp - Series 2017	(640)	(589)	51
Amortization of Debt Disc & Exp - Series 2020	(1,320)	(1,280)	40
Amortization of Debt Disc & Exp - Series 2024	(977)	(941)	36
Amortization of Debt Disc & Exp - Series 2025	-	(764)	(764)
Total Amortization of Debt Discount & Expense	(3,351)	(4,334)	(983)
TOTAL DEBT EXPENSE	27,259	25,278	(1,981)
NET INCOME AFTER DEBT EXPENSE	63,676	63,817	141
Contributions in Aid of Construction	17,581	15,266	(2,315)
CHANGE IN NET POSITION	81,257	79,083	(2,174)

MEMPHIS LIGHT, GAS AND WATER DIVISION
SOURCE AND APPLICATION OF FUNDS
2027 BUDGET
(THOUSANDS OF DOLLARS)

ELECTRIC DIVISION

PAGE 5

		REF. NO.
<u>SOURCE OF FUNDS:</u>		
FROM OPERATIONS:		
Change in Net Position	79,083	5-1
Non-Cash Charges to Income:		
Depreciation Charged to Operating Income	71,893	5-2
Depreciation Charged to Other Accounts	2,275	5-3
Amortization of Legacy Meters	1,282	5-4
Amortization - Right of Use Leases & Subscriptions	5,536	5-5
Amortization - Streetlighting Retrofit	643	5-6
TOTAL FUNDS FROM OPERATIONS	160,712	
Salvage	1,898	5-7
Financing: 2025 Bond Proceeds	80,949	5-8
TOTAL FUNDS AVAILABLE	243,559	
<u>APPLICATION OF FUNDS:</u>		
Capital Expenditures	226,868	5-9
Costs of Removal and Other Charges to the Reserve for Depreciation	7,259	5-10
Retirement of Long-Term Debt	20,365	5-11
TOTAL APPLICATION OF FUNDS	254,492	
INCREASE (DECREASE) IN WORKING CAPITAL	(10,932)	

MEMPHIS LIGHT, GAS AND WATER DIVISION
CAPITAL EXPENDITURES COMPARISON
FOR CALENDAR YEAR OF 2027

ELECTRIC DIVISION

PAGE 6

DESCRIPTION	THOUSANDS OF DOLLARS			REF. NO.
	2025 ACTUAL	2026 BUDGET	2027 BUDGET	
SUBSTATION AND TRANSMISSION				
ELEC - SUBSTATION	21,302	26,805	21,217	6-1
ELEC - SUBSTATION TRANSFORMERS REPLACEMENT	5,552	7,500	10,750	6-2
ELEC - SUBSTATION CIRCUIT BREAKERS REPLACEMENT	6,224	5,200	6,400	6-3
ELEC - TRANSMISSION LINES	721	4,564	4,010	6-4
CONTRIBUTION IN AID OF CONSTRUCTION - CIAC	-	-	-	6-5
TOTAL - SUBSTATION AND TRANSMISSION	33,799	44,069	42,377	
DISTRIBUTION SYSTEM				
ELEC - RESIDENTIAL SERVICE IN S/D	655	763	1,694	6-6
ELEC - RESIDENTIAL SERVICE NOT IN S/D	3,138	3,025	3,190	6-7
ELEC - RESIDENTIAL S/D	2,427	1,762	329	6-8
ELEC - APARTMENTS	1,266	1,188	1,829	6-9
ELEC - GENERAL POWER SERVICE	6,969	5,534	7,125	6-10
ELEC - GENERAL POWER S/D	128	1,183	127	6-11
ELEC - TEMPORARY SERVICE	35	389	23	6-12
ELEC - MULTIPLE-UNIT GENERAL POWER	164	302	305	6-13
ELEC - RELOCATE AT CUSTOMER REQUEST	22,282	3,670	5,637	6-14
ELEC - STREET IMPROVEMENTS	2,439	6,775	13,900	6-15
ELEC - NEW CIRCUITS	5,958	11,700	11,875	6-16
ELEC - LINE RECONSTRUCTION/REMOVE IDLE FACILITIES	(585)	3,375	5,545	6-17
ELEC - DEFECT CABLE/FEEDER CABLE REPLACEMENT	9,213	16,800	16,800	6-18
ELEC - DISTRIBUTION POLES	2,270	2,500	1,300	6-19
ELEC - POLE-DUCT USE AND ESCORTS	2	-	-	6-20
ELEC - OMNI MAINTENANCE	4,356	11,500	9,700	6-21
ELEC - DISTRIBUTION AUTOMATION	12,870	15,000	4,000	6-22
ELEC - STREET LIGHTS INSTALL	9,186	3,205	4,092	6-23
ELEC - DEMOLITION	222	165	170	6-24
ELEC - STREET LIGHT MAINTENANCE	4,914	3,750	3,750	6-25
ELEC - PLANNED MAINTENANCE	13,431	9,880	10,275	6-26
ELEC - OPERATIONS MAINTENANCE	3	-	-	6-27
ELEC - LEASED OUTDOOR LIGHTING	2,695	6,000	13,372	6-28
ELEC - STORM RESTORATION	3,509	-	-	6-29
ELEC - SHARED USE CONTRACT	-	500	300	6-30
ELEC - DUCT LINE LEASE	-	75	75	6-31
ELEC - EMERGENCY MAINTENANCE	7,977	8,160	8,323	6-32
JT - RESIDENTIAL SERVICE IN S/D	908	865	1,324	6-33
JT - RESIDENTIAL S/D	7,997	4,873	4,155	6-34
JT - APARTMENTS	47	-	50	6-35
PCI - DIST TRANSFORMERS	13,530	15,000	15,000	6-36
ELEC - METERS	6,532	1,501	3,053	6-37
CONTRIBUTION IN AID OF CONSTRUCTION - CIAC	(27,433)	(17,581)	(15,266)	6-38
TOTAL - DISTRIBUTION SYSTEM	117,105	121,859	132,052	
GENERAL PLANT				
ELEC - BUILDINGS & STRUCTURES	1,000	16,187	49,005	6-39
ELEC - SECURITY AUTOMATION	306	2,088	1,138	6-40
ELEC - LAND PURCHASE	8	750	500	6-41
ELEC - FLEET CAPITAL POWER OPERATED EQUIPMENT	3,871	12,243	7,618	6-42
ELEC - TRANSPORTATION EQUIPMENT	3,629	3,619	4,424	6-43
ELEC - LAB & TEST	502	356	257	6-44
ELEC - COMMUNICATION EQUIPMENT	137	176	122	6-45
ELEC - COMMUNICATION TOWERS	52	500	500	6-46
ELEC - TELECOMMUNICATION NETWORK	7,088	20,300	18,300	6-47
ELEC - UTILITY MONITORING	286	6,659	5,849	6-48
ELEC - CIS DEVELOPMENT	56	3,375	-	6-49
ELEC - DATA PROCESSING EQUIPMENT	2	18,352	21,726	6-50
ELEC - IS/IT PROJECTS	9,672	-	-	6-51
ELEC - CONTINGENCY FUND	-	200	200	6-52
TOTAL - GENERAL PLANT	26,608	84,805	109,639	
TOTAL - ELECTRIC DIVISION CATEGORIES	177,513	250,733	284,068	
Delayed Cost Allocations	(8,379)	(57,911)	(57,200)	6-53
TOTAL - ELECTRIC DIVISION	169,134	192,821	226,868	

MEMPHIS LIGHT, GAS AND WATER DIVISION
SELECT CAPITAL EXPENDITURE BUDGETS
FOR CALENDAR YEAR OF 2027

ELECTRIC DIVISION

PAGE 7

DESCRIPTION	IN BUDGET YEAR	REF. NO.
<u>SUBSTATION & TRANSMISSION MAJOR PROJECTS</u>		
<u>SUBSTATION</u>		
Install Substation 29 161/23kV Facilities	6,272,500	7-1
Substation Feeder Electromechanical Relay Replacement Program (Distribution Automation)	3,470,000	7-2
Install Substation 61 third 161/23 kV bank	2,000,000	
Install Substation 74 third 161/23 kV transformer	1,000,000	
Substation Animal Mitigation Initiative	1,000,000	7-3
Substation Pavement Project	1,000,000	7-4
Replace Switches Various Locations	800,000	7-5
Sub #61 - Install Definite Purpose Capacitor Bank Breakers 61361 & 61371	800,000	7-6
Replace Reactor Substation 1	750,000	7-7
AC Service for Breaker Storage Yard @ Substation 33	694,658	7-8
Substation Grounding Upgrade Projects - 5G	650,000	7-9
Replace relays various locations	600,000	7-10
Sub 4 Lighting Enhancement Project	500,000	7-11
Replace batteries various locations	480,000	7-12
Sub #49 - Install Definite Purpose Capacitor Bank Breakers 49363 & 49373	300,000	7-13
Install JPAX Nodes to Upgrade JMUX SONET Nodes	250,000	7-14
Refurbish Station Service, Transformer Storage AC, Power & Lighting Substation 32	250,000	7-15
Implement Breaker Fail Scheme @ Distribution Substations	100,000	7-16
Install 5CDC 80MW Customer Substation with Sub 34 & 74 Upgrades	100,000	7-17
Install Phoenix Investors 150MW Customer Substation with Sub 33, 35, 65 and 69 Upgrades	100,000	7-18
Install Transmission Metering Equipment for Transmission Planning Monitoring	50,000	7-19
Seismic Retrofit of Non-Structural Substation Components	50,000	7-20
TOTAL SUBSTATION IMPROVEMENTS	21,217,158	
<u>SUBSTATION TRANSFORMERS</u>		
Replace 161/115kV transformer bank 32645	3,500,000	7-21
Replace 161/12 kV LTC transformer bank 42659 @ Substation 42	3,000,000	7-22
Replace 161/23 kV transformer bank 74645	2,000,000	7-23
Contingency Failed Transformers/Procure Spares	2,000,000	7-24
Replace 161/115kV transformer bank 32643	250,000	7-25
TOTAL SUBSTATION TRANSFORMERS	10,750,000	
<u>SUBSTATION CIRCUIT BREAKERS</u>		
Replace Breakers Various Locations	5,200,000	7-26
Contingency Failed Breakers/Procure Spares	1,200,000	7-27
TOTAL SUBSTATION CIRCUIT BREAKERS	6,400,000	
TOTAL SUBSTATION	38,367,158	
<u>SUBSTATION/TRANSMISSION PROJECTS</u>		
UAV Transmission Planned Improvement Repairs	1,000,000	7-28
Misc. projects (OPGW, structure replacements, etc.)	1,000,000	7-29
OPGW Sub 2-14	350,000	7-30
OPGW 42-23	210,000	7-31
OPGW Sub 15	150,000	7-32
UAV Contract #12134	50,000	7-33
TOTAL SUBSTATION/TRANSMISSION PROJECTS	2,760,000	

MEMPHIS LIGHT, GAS AND WATER DIVISION
SELECT CAPITAL EXPENDITURE BUDGETS
FOR CALENDAR YEAR OF 2027

ELECTRIC DIVISION

PAGE 8

DESCRIPTION	IN BUDGET YEAR	REF. NO.
<u>TRANSMISSION - REIMBURSABLE</u>		
Phoenix Investors 150MW Substation Transmission Cut-In with Circuit 33629, 33687 & 69999 Reconductoring	750,000	8-1
5CDC 80MW Substation Transmission Cut-In with Circuit 34699 & 69663 Reconductoring	500,000	8-2
TOTAL TRANSMISSION REIMBURSABLE	1,250,000	
TRANSMISSION LINES	4,010,000	8-3
TOTAL - SUBSTATION AND TRANSMISSION	42,377,158	
<u>DISTRIBUTION SYS. - MAJOR PROJECTS</u>		
Sub 68 New Ckt Ties	3,750,000	8-4
Sub 74 New Ckt Ties	1,725,000	8-5
Sub 84 Ckt Ties	1,200,000	8-6
Sub 74 Cabling (3 ckts)	1,000,000	8-7
Contingency Failed Stepdown Transformers/ Procure Spares	1,000,000	8-8
Sub 68 Cabling (3 ckts)	750,000	8-9
Kellogg's Alternate Ckt Upgrade	750,000	8-10
Ckt Ties in Sub 15 & 84 Area	750,000	8-11
Other New circuit ties	500,000	8-12
Sub 83 Ckt Ties	250,000	8-13
Sub 74 MH/DL	200,000	8-14
TOTAL MAJOR NEW CIRCUIT PROJECTS	11,875,000	
<u>Customer Relocate</u>		
Other Relocate at Customer Request Projects	4,637,260	8-15
Sub 76 Cabling	1,000,000	8-16
TOTAL MISC. PROJECTS - REIMBURSABLE	5,637,260	
<u>STREET IMPROVEMENT PROJECTS</u>		
TDOT Street Improvements	5,000,000	8-17
Lamar Avenue Phase 3 Raines to Getwell Road	3,000,000	8-18
240 Interchange at Airways Blvd	2,000,000	8-19
Lamar Shelby Drive to Raines/Perkins Interchange	2,000,000	8-20
New Canada Rd (Re-Alignment N of I-40 to US-70)	600,000	8-21
Shelby Dr, Shelby Post to Jasper	600,000	8-22
Hacks Cross Rd Stateline to Shelby Dr	600,000	8-23
Shelton Rd Bridge Replacement	100,000	8-24
TOTAL STREET IMPROVEMENTS	13,900,000	
TOTAL DISTRIBUTION SYS. - MAJOR PROJECTS	31,412,260	

**MEMPHIS LIGHT, GAS AND WATER DIVISION
SELECT CAPITAL EXPENDITURE BUDGETS
FOR CALENDAR YEAR OF 2027**

ELECTRIC DIVISION

PAGE 9

DESCRIPTION	IN	REF.
	BUDGET YEAR	NO.
<u>GENERAL PLANT</u>		
<u>PURCHASE OF LAND</u>	500,000	9-1
<u>BUILDINGS & STRUCTURES</u>		
<u>SUBSTATIONS</u>		
Substations grout/seal exterior to waterproof	1,000,000	9-2
Substation Windows and Door Replacement	1,000,000	9-3
Replace Roofs - Various Substations	71,000	9-4
<u>ELECTRIC & SYSTEMS OPERATIONS</u>		
New ESO Storage Building	2,078,900	9-5
Radio Tower Bldg: Replace 874 sq ft roof	75,000	9-6
ESO Transfer Switches	2,000	9-7
<u>NETTERS BUSINESS OPERATIONS CENTER</u>		
Roof Replacement	1,500,000	9-8
Replace UPS & Emergency Generator	1,000,000	9-9
Replace 7 Air Handlers & Upgrade TRANE Controls	777,807	9-10
<u>NEW BUILDINGS</u>		
Fabrication & Repair Shops Construction	38,000,000	9-11
Expansion Property Site Development	3,500,000	9-12
TOTAL BUILDINGS & STRUCTURES	49,004,707	
ELEC - SECURITY AUTOMATION	1,138,403	9-13
ELEC - FLEET CAPITAL POWER OPERATED EQUIPMENT	7,617,776	9-14
ELEC - TRANSPORTATION EQUIPMENT	4,424,364	9-15
ELEC - COMMUNICATION EQUIPMENT	121,766	9-16
LAB & TEST	257,132	9-17

**MEMPHIS LIGHT, GAS AND WATER DIVISION
SELECT CAPITAL EXPENDITURE BUDGETS
FOR CALENDAR YEAR OF 2027**

ELECTRIC DIVISION

PAGE 10

DESCRIPTION	IN	REF.
	BUDGET YEAR	NO.
<u>GENERAL PLANT (Continued)</u>		
COMMUNICATION TOWERS		
Microwave/Mobile Radio	500,000	10-1
TOTAL COMMUNICATION TOWERS	500,000	
TELECOMMUNICATION NETWORK		
Distribution Automation Communication Infrastructure	16,000,000	10-2
Smart Meter GateKeepers/Network Improvements	500,000	10-3
Fiber Optic Cable and Equipment	500,000	10-4
Fiber Optic Multiplexers	500,000	10-5
Telecommunication Systems Growth	500,000	10-6
Voice Network	300,000	10-7
TOTAL TELECOMMUNICATIONS NETWORK	18,300,000	
<u>UTILITY MONITORING & CONTROL SYSTEMS</u>		
Systems Backup Control & Communication Plan (CO)	5,849,460	10-8
TOTAL UTILITY MONITORING & CONTROL SYS.	5,849,460	
<u>PURCHASE OF DATA PROCESSING EQUIPMENT</u>		
HPE Storage Area Network (SAN) Replacement/Expansion	6,431,689	10-9
Server Blades and Chassis for Compute Systems	4,913,289	10-10
Control Room IT Infrastructure	2,657,000	10-11
Artificial Intelligence (AI) Infrastructure	2,200,000	10-12
GIS Utility Network Conversion	2,000,000	10-13
Field Use Laptop Replacements	1,373,442	10-14
HRIS Application Enhancements and Automation	1,000,000	10-15
Network Security Upgrades and Enhancements	500,000	10-16
Network Hardware Upgrades and Enhancements	250,000	10-17
Flexscan System	200,000	10-18
PC Equipment (Capital)	100,321	10-19
Work Center Wireless	70,000	10-20
Weather Intelligence System	30,000	10-21
TOTAL PURCHASE OF DATA PROCESSING EQUIPMENT	21,725,741	
<u>CONTINGENCY FUNDS - GENERAL PLANT</u>	200,000	10-22
Total General Plant	109,639,349	

MEMPHIS LIGHT, GAS AND WATER DIVISION
CAPITAL CARRYOVER SUMMARY*
FOR CALENDAR YEAR OF 2027

ELECTRIC DIVISION

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<u>CAPITAL CARRYOVER CATEGORY</u>	<u>CARRYOVER AMOUNT</u>
Distribution System	14,600,000
Purchase of Data Processing Equipment	8,841,565
Substations, Transmission & Distribution System	5,704,658
Telecommunication Network & Communication Towers	6,000,000
Power Operated and Transportation Equipment	3,679,231
Buildings & Structures	1,500,000
Utility Monitoring	1,263,603
Security Automation	788,403
Land Purchase/Property	300,000
Lab & Test	27,820
TOTAL CAPITAL CARRYOVER SUMMARY	<u>42,705,280</u>

*Carryover items constitute the funding necessary for capital projects or purchases not completed during the prior budget year. This would include projects which may have been delayed, large projects requiring multiple years to complete, or commodities ordered but not received. These items are part of the total 2027 Budget.



GAS DIVISION

MEMPHIS LIGHT, GAS AND WATER DIVISION
INCOME, EXPENSE, AND CHANGES IN NET POSITION COMPARISON
2025 THROUGH 2027

GAS DIVISION

PAGE 12

DESCRIPTION	THOUSANDS OF DOLLARS			REF. NO.
	2025 ACTUAL	2026 BUDGET	2027 BUDGET	
OPERATING REVENUE				
Sales Revenue	251,510	267,802	265,726	12-1
Revenue Adjustment for Uncollectibles	(1,699)	(2,484)	(2,126)	12-2
Non-Sales Revenue	49,093	56,205	50,331	12-3
OPERATING REVENUE	298,904	321,523	313,931	
OPERATING EXPENSE				
Production - LNG Plant	1,975	1,875	1,852	12-4
Purchased Gas	146,209	150,070	120,211	12-5
Compressed Natural Gas (CNG)	(30)	456	24	12-6
Liquefied Natural Gas (LNG)	515	2,388	744	12-7
Industrial Gas	19,060	25,830	20,339	12-8
Distribution Expense	33,189	40,712	44,040	12-9
Customer Accounts Expense	13,893	17,028	14,195	12-10
Customer Service & Information Expense	1,763	2,194	2,277	12-11
Sales Expense	361	425	421	12-12
Administrative & General Expense*	45,767	57,730	59,417	12-13
OPERATING EXPENSE	262,702	298,708	263,520	
MAINTENANCE EXPENSE				
Production Expense	714	2,526	5,772	12-14
Distribution Expense	8,986	10,451	12,500	12-15
Administrative & General Expense	1,744	1,687	2,260	12-16
MAINTENANCE EXPENSE	11,444	14,664	20,532	
OTHER OPERATING EXPENSE				
Depreciation Expense	19,390	20,154	20,734	12-17
Payment in Lieu of Taxes	17,314	20,634	21,590	12-18
F.I.C.A. Taxes	1,037	969	1,002	12-19
Amortization of Legacy Meters	1,502	1,522	1,505	12-20
Amortization - Right of Use Leases & Subscriptions	5,763	3,534	5,763	12-21
OTHER OPERATING EXPENSE	45,006	46,813	50,594	
TOTAL OPERATING EXPENSE	319,152	360,185	334,646	
INCOME				
Operating Income	(20,248)	(38,662)	(20,715)	12-22
Other Income	9,277	2,802	1,946	12-23
Reduction of Plant Cost Recovered through CIAC	(4,217)	(3,683)	(3,120)	12-24
NET INCOME BEFORE DEBT EXPENSE	(15,188)	(39,543)	(21,889)	
DEBT EXPENSE				
Interest Expense - Long-Term Debt	4,912	4,693	5,692	12-25
Amortization of Debt Discount & Expense	(1,441)	(1,370)	(1,290)	12-26
TOTAL DEBT EXPENSE	3,471	3,323	4,402	
NET INCOME AFTER DEBT EXPENSE	(18,659)	(42,866)	(26,291)	
Contributions in Aid of Construction	4,217	3,683	3,120	12-27
CHANGE IN NET POSITION*	(14,442)	(39,183)	(23,172)	
* Excludes Pension Non-Cash and Other Post Employment Benefits Non-Cash				

MEMPHIS LIGHT, GAS AND WATER DIVISION
INCOME, EXPENSE, AND CHANGES IN NET POSITION COMPARISON
2026 THROUGH 2027

GAS DIVISION

PAGE 12a

DESCRIPTION	THOUSANDS OF DOLLARS		
	2026 BUDGET	2027 BUDGET	DIFFERENCE
OPERATING REVENUE			
Sales Revenue	267,802	265,726	(2,076)
Revenue Adjustment for Uncollectibles	(2,484)	(2,126)	358
Non-Sales Revenue			
Forfeited Discounts	3,160	3,305	145
Miscellaneous Service Revenue	2,041	2,167	126
Other Operating Revenue	660	696	36
Compressed Natural Gas (CNG)	516	96	(420)
Liquefied Natural Gas (LNG)	4,356	1,656	(2,700)
Industrial Gas	26,845	21,212	(5,633)
Rent from Electric/Water Property	7,862	6,980	(882)
Transported Gas	10,765	14,219	3,454
Total Non-Sales Revenue	56,205	50,331	(5,874)
OPERATING REVENUE	321,523	313,931	(7,592)
OPERATING EXPENSE			
Purchased Gas	150,070	120,211	(29,859)
Compressed Natural Gas (CNG)	456	24	(432)
Liquified Natural Gas (LNG)	2,388	744	(1,644)
Industrial Gas	25,830	20,339	(5,491)
Production Expense			
Operation Labor and Expenses	1,714	1,683	(31)
Operation Supervision and Engineering	161	169	8
Total Production Expense	1,875	1,852	(23)
Distribution Expense			
Customer Installation Expenses	6,203	6,421	218
Distribution Load Dispatching Expense	913	942	29
Mains and Services	7,160	10,685	3,525
Measuring and Regulating Expenses	115	160	45
Meter and House Regulator Expenses	3,348	3,637	289
Miscellaneous Distribution Expenses ⁽¹⁾	20,548	19,732	(816)
Operation Supervision and Engineering	2,425	2,463	38
Total Distribution Expense	40,712	44,040	3,328
Customer Accounts Expense			
Customer Order, Records and Collection Expenses	12,542	11,899	(643)
Meter Reading Expenses	4,343	2,172	(2,171)
Supervision-Customer Accounting and Collection	143	124	(19)
Total Customer Accounts Expense	17,028	14,195	(2,833)
Customer Service & Information Expense			
Customer Assistance Expenses	780	837	57
Informational and Instructional Advertising Expenses	128	137	9
Miscellaneous Customer Service & Informational Expenses	959	965	6
Supervision-Customer Service and Information	327	338	11
Total Customer Service & Information Expense	2,194	2,277	83
Sales Expense			
Miscellaneous Sales Expenses	425	421	(4)
Total Sales Expense	425	421	(4)

⁽¹⁾ Includes, but not limited to, the following items: Accrued vacation, absences such as holiday and sick leave, lost time due to bad weather, stand-by pay, and contract services.

MEMPHIS LIGHT, GAS AND WATER DIVISION
INCOME, EXPENSE, AND CHANGES IN NET POSITION COMPARISON
2026 THROUGH 2027

GAS DIVISION

PAGE 12b

DESCRIPTION	THOUSANDS OF DOLLARS		
	2026 BUDGET	2027 BUDGET	DIFFERENCE
<u>OPERATING EXPENSE (Continued)</u>			
Administrative & General Expense			
Administrative and General Salaries	9,334	9,907	573
Administration Expenses Transferred to Capital	(2,533)	(4,616)	(2,083)
Pension Expense	10,416	11,492	1,076
Other Active & Retiree Benefits	7,811	8,916	1,105
Other Post Employment Benefits Funding	6,228	4,822	(1,406)
Injuries and Damages	1,537	1,568	31
Miscellaneous General Expenses ⁽²⁾	8,144	7,457	(687)
Office Supplies and Expenses	3,091	3,233	142
Outside Services Employed	8,290	13,299	5,009
Property Insurance	1,437	1,237	(200)
Rents-Miscellaneous	3,975	2,102	(1,873)
Total Administrative & General Expense	57,730	59,417	1,687
OPERATING EXPENSE	298,708	263,520	(35,188)
<u>MAINTENANCE EXPENSE</u>			
Production Expense			
Maintenance of Holders	223	333	110
Maintenance of Other Equipment	2,028	5,145	3,117
Maintenance of Structures and Improvements	24	29	5
Maintenance Supervision and Engineering	251	265	14
Total Production Expense	2,526	5,772	3,246
Distribution Expense			
Maintenance of Mains	5,868	7,027	1,159
Maintenance of Services	2,395	3,191	796
Maintenance Supervision and Engineering	105	112	7
Measuring and Regulating Equipment Expenses	2,083	2,170	87
Total Distribution Expense	10,451	12,500	2,049
Administrative & General Expense			
Maintenance of General Plant	1,567	2,172	605
Facilities Maintenance Expense	120	88	(32)
Total Administrative & General Expense	1,687	2,260	573
MAINTENANCE EXPENSE	14,664	20,532	5,868
<u>OTHER OPERATING EXPENSE</u>			
Depreciation Expense	20,154	20,734	580
Payment in Lieu of Taxes	20,634	21,590	956
F.I.C.A. Taxes	969	1,002	33
Amortization of Legacy Meters	1,522	1,505	(17)
Amortization - Right of Use Leases & Subscriptions	3,534	5,763	2,229
OTHER OPERATING EXPENSE	46,813	50,594	3,781
TOTAL OPERATING EXPENSE	360,185	334,646	(25,539)
⁽²⁾ Includes, but not limited to, the following items: Mail distribution, property appraisals, security and janitorial services, and fuel use by MLGW.			

MEMPHIS LIGHT, GAS AND WATER DIVISION
INCOME, EXPENSE, AND CHANGES IN NET POSITION COMPARISON
2026 THROUGH 2027

GAS DIVISION

PAGE 12c

DESCRIPTION	THOUSANDS OF DOLLARS		
	2026 BUDGET	2027 BUDGET	DIFFERENCE
INCOME			
Operating Income	(38,662)	(20,715)	17,947
Other Income			
Expenses of Merchandising, Jobbing & Contracts	(3,300)	(3,424)	(124)
Revenues from Merchandising, Jobbing & Contracts	1,299	1,302	3
Revenues from Sinking & Other Funds-Interest Income	2,302	1,583	(719)
Medicare Part D Refund	428	638	210
Miscellaneous Non-Operating Income	2,073	1,846	(227)
Total Other Income	2,802	1,946	(857)
Reduction of Plant Cost Recovered through CIAC	(3,683)	(3,120)	563
NET INCOME BEFORE DEBT EXPENSE	(39,543)	(21,890)	17,653
DEBT EXPENSE			
Interest Expense - Long-Term Debt			
Interest on Ltd - Series 2016	1,162	1,067	(95)
Interest on Ltd - Series 2017	1,280	1,190	(90)
Interest on Ltd - Series 2020	2,251	2,185	(66)
Interest on Ltd - Series 2027	-	1,250	1,250
Total Interest Expense - Long-Term Debt	4,693	5,692	999
Amortization of Debt Discount & Expense			
Amortization of Debt Disc & Exp - Series 2016	(416)	(380)	36
Amortization of Debt Disc & Exp - Series 2017	(372)	(345)	27
Amortization of Debt Disc & Exp - Series 2020	(582)	(565)	17
Total Amortization of Debt Discount & Expense	(1,370)	(1,290)	80
TOTAL DEBT EXPENSE	3,323	4,403	1,079
NET INCOME AFTER DEBT EXPENSE	(42,866)	(26,292)	16,574
Contributions in Aid of Construction	3,683	3,120	(563)
CHANGE IN NET POSITION	(39,183)	(23,172)	16,011

MEMPHIS LIGHT, GAS AND WATER DIVISION
SOURCE AND APPLICATION OF FUNDS
2027 BUDGET
(THOUSANDS OF DOLLARS)

GAS DIVISION

PAGE 13

		REF. NO.
<u>SOURCE OF FUNDS:</u>		
FROM OPERATIONS:		
Change in Net Position	(23,172)	13-1
Non-Cash Charges to Income:		
Depreciation Charged to Operating Income	20,734	13-2
Depreciation Charged to Other Accounts	2,122	13-3
Amortization of Legacy Meters	1,505	13-4
Amortization - Right of Use Leases & Subscriptions	5,763	13-5
TOTAL FUNDS FROM OPERATIONS	6,952	
Salvage	293	13-6
Financing: 2027 Bond Proceeds	100,000	13-7
TOTAL FUNDS AVAILABLE	107,245	
<u>APPLICATION OF FUNDS:</u>		
Capital Expenditures	58,568	13-8
Costs of Removal and Other Charges to the Reserve for Depreciation	149	13-9
Retirement of Long Term Debt	5,646	13-10
TOTAL APPLICATION OF FUNDS	64,363	
INCREASE (DECREASE) IN WORKING CAPITAL	42,882	

MEMPHIS LIGHT, GAS AND WATER DIVISION
SELECT CAPITAL EXPENDITURE BUDGETS
FOR CALENDAR YEAR OF 2027

GAS DIVISION

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DESCRIPTION	THOUSANDS OF DOLLARS			REF. NO.
	2025 ACTUAL	2026 BUDGET	2027 BUDGET	
PRODUCTION SYSTEM				
GAS - LNG PROCESSING FACILITIES	48	1,106	1,970	14-1
GAS - CNG STATIONS	-	-	-	
TOTAL PRODUCTION SYSTEM	48	1,106	1,970	
DISTRIBUTION SYSTEM				
GAS - APARTMENTS	5	195	34	14-2
GAS - RESIDENTIAL SERVICE IN S/D	-	16	7	14-3
GAS - RESIDENTIAL SERVICE NOT IN S/D	672	2,216	971	14-4
GAS - RESIDENTIAL S/D	72	44	-	14-5
GAS - LAND PURCHASE	9	250	500	14-6
GAS - GENERAL POWER SERVICE	1,370	3,207	2,291	14-7
GAS - GENERAL POWER S/D	57	97	-	14-8
GAS - MULTIPLE-UNIT GENERAL POWER	18	65	27	14-9
GAS - RELOCATE AT CUSTOMER REQUEST	439	810	818	14-10
GAS - PURCHASE OF METERS	5,273	8,455	5,812	14-11
GAS - STREET IMPROVEMENTS	1,091	4,615	6,257	14-12
GAS - NEW GAS MAIN	2	250	650	14-13
GAS - GAS MAIN/SERVICE REPL (D.O.T.)	3,933	9,129	9,102	14-14
GAS - PLANNED MAINTENANCE	4,490	3,836	3,913	14-15
GAS - TRANSMISSION PIPELINES AND FACILITIES	47,797	750	1,000	14-16
GAS - REGULATOR STATIONS	358	670	670	14-17
GAS - GATE STATIONS	398	150	150	14-18
JT - RESIDENTIAL SERVICE IN S/D	-	459	-	14-19
JT - RESIDENTIAL S/D	2,050	2,006	1,537	14-20
JT - APARTMENTS	34	-	28	14-21
GAS - EMERGENCY MAINTENANCE	1,177	1,708	1,742	14-22
GAS - DEMOLITION	69	70	70	14-23
CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)	(4,217)	(4,498)	(3,120)	14-24
TOTAL - DISTRIBUTION SYSTEM	65,097	34,500	32,459	
GENERAL PLANT				
GAS - BUILDINGS & STRUCTURES	33,078	8,830	25,927	14-25
GAS - SECURITY AUTOMATION	-	450	60	14-26
GAS - AUDIOVISUAL	143	95	124	14-27
GAS - FLEET CAPITAL COMMON POWER OPERATED EQUIP	1,729	834	3,951	14-28
GAS - FLEET CAPITAL COMMON TRANSPORTATION EQUIP	2,688	3,641	3,144	14-29
GAS - FLEET GAS POWER OPERATED EQUIPMENT	737	1,752	2,472	14-30
GAS - FLEET GAS TRANSPORTATION EQUIPMENT	2,276	2,123	2,305	14-31
GAS - AUTOMATED FUELING STRUCTURE	59	49	-	14-32
GAS - TOOLS & EQUIPMENT	-	125	-	14-33
GAS - COMMON TOOLS & EQUIPMENT	31	191	224	14-34
GAS - COMMUNITY OFFICE KIOSKS	-	374	374	14-35
GAS - CONTINGENCY FUNDS	-	200	200	14-36
TOTAL - GENERAL PLANT	40,741	18,664	38,780	
TOTAL - GAS DIVISION CATEGORIES	105,886	54,270	73,209	
Delayed Cost Allocations	(481)	(14,985)	(14,642)	14-37
TOTAL - GAS DIVISION	105,406	39,285	58,568	

MEMPHIS LIGHT, GAS AND WATER DIVISION
SELECT CAPITAL EXPENDITURE BUDGETS
FOR CALENDAR YEAR OF 2027

GAS DIVISION

PAGE 15

DESCRIPTION	IN	REF.
	BUDGET YEAR	NO.
<u>PRODUCTION SYSTEM</u>		
Gas - LNG Processing Facilities	1,970,099	15-1
TOTAL GAS - PRODUCTION SYSTEM	1,970,099	
<u>DISTRIBUTION SYSTEM - MAJOR PROJECTS</u>		
<u>STREET IMPROVEMENTS</u>		
SP 03/08, SR-4/US-78/Lamar, from Perkins to Getwel	2,408,700	15-2
CP 04/38, Holmes Rd, Malone Rd To Lamar Ave	1,200,000	15-3
LL 09/02 Canada Rd, Re-Alignment	600,000	15-4
SC 19/02, Hacks Cross Rd, Stateline - Shelby Dr.	350,000	15-5
SR-14, from SR-385 to Kerrville/Rosemark Road.	300,000	15-6
SP 97/09, SR-1/Summer Ave, from Macon Rd To Elmore Rd	250,000	15-7
CP 16/16 Elvis Presley Middle Seg	173,000	15-8
SP 03/10, SR-4/US-78 from Shelby Dr - Raines/Perkins	150,000	15-9
SC 15/01 Walnut Grove, Rocky Point - Houston Levee	150,000	15-10
CP 23/24, Holmes Rd, Phase 2/East, Horn Lake to Tulane	150,000	15-11
CV 22/06, Walnut St - Drainage, WO1712320	110,000	15-12
CV 23/01, Burrow Rd, WO1341542	80,000	15-13
CP 18/09 Bethel Grove Sewer Ext	60,000	15-14
CV 22/04, Shelby Dr, Shelby Post to Jasper	60,000	15-15
SC 17/02, Mudville Road Bridge, over Big Creek	40,000	15-16
CP 21/09, Bartlett Rd Bridge over Fletcher Creek	40,000	15-17
SC 18/02, Houston Levee Road, Wolf River to Walnut Grove	40,000	15-18
GT 21/03, Poplar Culverts Replacement, Phase V	40,000	15-19
CV 24/06, Shelton Rd Bridge Replacement	35,000	15-20
CP 20/05, Mickey to Millbranch	20,000	15-21
TOTAL GAS - STREET IMPROVEMENTS	6,256,700	
<u>NEW GAS MAIN</u>		
System Improvement Projections	650,000	15-22
TOTAL GAS - NEW GAS MAIN	650,000	
<u>GAS MAIN/SERVICE REPL (D.O.T.)</u>		
Steel Tap Replacement	8,672,500	15-23
Distribution Integrity Management Program (DIMP)	200,000	15-24
Unplanned Distribution Work	175,000	15-25
Corrosion Control	54,000	15-26
TOTAL GAS -GAS MAIN/SERVICE REPL (D.O.T)	9,101,500	
<u>TRANSMISSION PIPELINES AND FACILITIES</u>		
Valero XXHP Meter Station Valves	400,000	15-27
TIMP Initiative	350,000	15-28
Unplanned Transmission Work	250,000	15-29
TOTAL TRANSMISSION PIPELINES AND FACILITIES	1,000,000	

**MEMPHIS LIGHT, GAS AND WATER DIVISION
SELECT CAPITAL EXPENDITURE BUDGETS
FOR CALENDAR YEAR OF 2027**

GAS DIVISION

PAGE 16

DESCRIPTION	IN BUDGET YEAR	REF. NO.
<u>DISTRIBUTION SYSTEM - MAJOR PROJECTS (Continued)</u>		
<u>REGULATOR STATIONS</u>		
Regulator Station Replacement	670,000	16-1
TOTAL GAS- REGULATOR STATION REPLACEMENT	670,000	
<u>GATE STATIONS</u>		
Gate Station Work	150,000	16-2
TOTAL GAS- GATE STATIONS	150,000	
TOTAL DISTRIBUTION SYS. - MAJOR PROJECTS	17,828,200	
<u>GENERAL PLANT</u>		
<u>BUILDINGS & STRUCTURES</u>		
SOUTH SERVICE CENTER		
Paving Upgrade - Employee Parking Lot	250,000	16-3
Renovation	150,000	16-4
Replace Storage/Truck Canopy Roofs	15,000	16-5
TOTAL SOUTH SERVICE CENTER	415,000	
NORTH SERVICE CENTER		
Generator/Transfer Switch Replacement	1,500,000	16-6
Building #3: (Re-cover 30,650 square foot roof)	797,000	16-7
Building #5: (Re-cover 24,764 square foot roof)	642,000	16-8
Building #8: Replace Chiller	400,000	16-9
AC Installation Building #6	75,000	16-10
Building #6: Roof Replacement 23,684 square feet	62,000	16-11
TOTAL NORTH SERVICE CENTER	3,476,000	
<u>HICKORY HILL SERVICE CENTER</u>		
Paving Upgrade - Phase 2 - Employee Parking Lot	250,000	16-12
TOTAL HICKORY HILL SERVICE CENTER	250,000	

MEMPHIS LIGHT, GAS AND WATER DIVISION
SELECT CAPITAL EXPENDITURE BUDGETS
FOR CALENDAR YEAR OF 2027

GAS DIVISION

PAGE 17

DESCRIPTION	IN BUDGET YEAR	REF. NO.
<u>GENERAL PLANT (Continued)</u>		
<u>WHITEHAVEN COMMUNITY OFFICE</u>		
Roof Replacement	156,000	17-1
TOTAL WHITEHAVEN COMMUNITY OFFICE	156,000	
ADMINISTRATION BUILDING		
Administration Building Upgrades & Renovations	1,475,000	17-2
6 Air Handler w/ Controls upgrade	300,000	17-3
Upgrade VAV Boxes to DDC	300,000	17-4
Trane Chiller Renewal Service Program (Chiller #1 & #2)	145,000	17-5
TOTAL ADMINISTRATION BUILDING	2,220,000	
CHOCTAW		
Roof Replacement	100,000	17-6
TOTAL CHOCTAW SERVICE CENTER	100,000	
LNG CAPLEVILLE		
Boiler Catwalk and Platforms	50,000	17-7
LNG Design for Septic Tank	25,000	17-8
TOTAL LNG CAPLEVILLE SERVICE CENTER	75,000	
GOODLET FARMS		
Engineering & Operations Building	15,500,000	17-9
Control upgrades (HVAC & Generators)	2,000,000	17-10
Goodlett Farms Pkwy Transfer Switchgear (section B & C)	1,200,000	17-11
Goodlett Farms Pkwy Watercoil Chillers Rebuild	250,000	17-12
Goodlett Farms Pkwy Roofing	150,000	17-13
Pond & Storm Channel Restoration	75,000	17-14
Goodlett Farms Pkwy Aircool Backup	60,000	17-15
TOTAL GOODLET FARMS	19,235,000	
TOTAL BUILDINGS & STRUCTURES	25,927,000	
GAS - SECURITY AUTOMATION	60,000	17-16
GAS - AUDIOVISUAL	123,520	17-17
GAS - TOOLS & EQUIPMENT COMMON	224,152	17-18
FLEET CAPITAL COMMON POWER OPERATED EQUIP	3,951,448	17-19
FLEET CAPITAL COMMON TRANSPORTATION EQUIP	3,143,907	17-20
FLEET GAS POWER OPERATED EQUIPMENT	2,471,765	17-21
FLEET GAS TRANSPORTATION EQUIPMENT	2,304,552	17-22
COMMUNITY OFFICE KIOSKS	374,000	17-23
CONTINGENCY FUNDS - GENERAL PLANT	200,000	17-24
TOTAL GENERAL PLANT	38,780,344	

MEMPHIS LIGHT, GAS AND WATER DIVISION
CAPITAL CARRYOVER SUMMARY*
FOR CALENDAR YEAR OF 2027

GAS DIVISION

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<u>CAPITAL CARRYOVER CATEGORY</u>	<u>CARRYOVER AMOUNT</u>
Distribution System	3,360,000
Production System	1,106,300
Land Purchase/Property	200,000
Power Operated and Transportation Equipment	73,842
TOTAL CAPITAL CARRYOVER SUMMARY	<u>4,740,142</u>

*Carryover items constitute the funding necessary for capital projects or purchases not completed during the prior budget year. This would include projects which may have been delayed, large projects requiring multiple years to complete, or commodities ordered but not received. These items are part of the total 2027 Budget.



WATER DIVISION

MEMPHIS LIGHT, GAS AND WATER DIVISION
INCOME, EXPENSE, AND CHANGES IN NET POSITION COMPARISON
2025 THROUGH 2027

WATER DIVISION

PAGE 19

DESCRIPTION	THOUSANDS OF DOLLARS			REF. NO.
	2025 ACTUAL	2026 BUDGET	2027 BUDGET	
OPERATING REVENUE				
Sales Revenue	122,527	124,700	147,174	19-1
Revenue Adjustment for Uncollectibles	(1,053)	(2,126)	(1,263)	19-2
Non-Sales Revenue	5,603	5,619	5,777	19-3
OPERATING REVENUE	127,077	128,193	151,688	
OPERATING EXPENSE				
Production Expense	20,192	24,568	22,753	19-4
Distribution Expense	19,395	21,688	23,609	19-5
Customer Accounts Expense	9,532	12,026	9,972	19-6
Customer Service & Information Expense	1,206	1,335	1,380	19-7
Sales Expense	228	270	286	19-8
Administrative & General Expense*	34,449	42,555	44,540	19-9
OPERATING EXPENSE	85,002	102,442	102,540	
MAINTENANCE EXPENSE				
Production Expense	5,045	4,456	4,513	19-10
Distribution Expense	13,043	10,636	15,452	19-11
Administrative & General Expense	2,023	4,703	5,087	19-12
MAINTENANCE EXPENSE	20,111	19,795	25,052	
OTHER OPERATING EXPENSE				
Depreciation Expense	12,600	13,013	13,130	19-13
Payment in Lieu of Taxes	4,800	4,800	4,800	19-14
F.I.C.A. Taxes	765	716	740	19-15
Amortization of Legacy Meters	486	484	487	19-16
Amortization - Right of Use Leases & Subscriptions	1,662	-	1,662	19-17
OTHER OPERATING EXPENSE	20,313	19,013	20,819	
TOTAL OPERATING EXPENSE	125,426	141,250	148,411	
INCOME				
Operating Income	1,651	(13,057)	3,277	19-18
Other Income	6,817	1,595	3,056	19-19
Reduction of Plant Cost Recovered through CIAC	(16,240)	(21,519)	(1,066)	19-20
NET INCOME BEFORE DEBT EXPENSE	(7,772)	(32,981)	5,267	
DEBT EXPENSE				
Interest Expense - Existing Long - Term Debt	4,108	3,930	6,449	19-21
Amortization of Debt Discount & Expense	(946)	(905)	(866)	19-22
TOTAL DEBT EXPENSE	3,162	3,025	5,583	
NET INCOME AFTER DEBT EXPENSE	(10,934)	(36,006)	(316)	
Contributions in Aid of Construction	16,240	21,519	1,066	19-23
CHANGE IN NET POSITION*	5,306	(14,487)	749	

* Excludes Pension Non-Cash and Other Post Employment Benefits Non-Cash

MEMPHIS LIGHT, GAS AND WATER DIVISION
INCOME, EXPENSE, AND CHANGES IN NET POSITION COMPARISON
2026 THROUGH 2027

WATER DIVISION

PAGE 19a

DESCRIPTION	THOUSANDS OF DOLLARS		
	2026 BUDGET	2027 BUDGET	DIFFERENCE
OPERATING REVENUE			
Sales Revenue	124,700	147,174	22,474
Revenue Adjustment for Uncollectibles	(2,126)	(1,263)	863
Non-Sales Revenue			
Forfeited Discounts	1,470	1,704	234
Miscellaneous Service Revenue	2,087	1,989	(98)
Cross Connection Revenue	1,422	1,408	(14)
Other Operating Revenue	480	516	36
Rent from Electric/Gas Property	160	160	-
Total Non-Sales Revenue	5,619	5,777	158
OPERATING REVENUE	128,193	151,688	23,495
OPERATING EXPENSE			
Production Expense			
Chemicals	2,478	2,605	127
Operations Production Water Treatment	87	78	(9)
Fuel or Power Purchased for Pumping	11,500	11,068	(432)
Miscellaneous Expense	3,288	4,412	1,124
Operation Labor and Expenses	6,493	3,890	(2,603)
Operation Supervision and Engineering	351	318	(33)
Pumping Labor and Expenses	371	382	11
Total Production Expense	24,568	22,753	(1,815)
Distribution Expense			
Customer Installation Expenses	3,143	3,224	81
Meter Expenses	1,263	2,029	766
Miscellaneous Distribution Expenses ⁽¹⁾	15,509	16,482	973
Operation Supervision and Engineering	1,169	1,173	4
Storage Facilities	133	174	41
Transmission and Distribution Lines	471	527	56
Total Distribution Expense	21,688	23,609	1,921
Customer Accounts Expense			
Customer Order, Records and Collection Expenses	8,763	8,293	(470)
Meter Reading Expenses	3,123	1,558	(1,565)
Supervision-Customer Accounting and Collection	140	121	(19)
Total Customer Accounts Expense	12,026	9,972	(2,054)
Customer Service & Information Expense			
Customer Assistance Expenses	584	632	48
Informational and Instructional Advertising Expenses	440	437	(3)
Supervision-Customer Service and Information	311	311	-
Total Customer Service & Information Expense	1,335	1,380	45
Sales Expense			
Miscellaneous Sales Expenses	270	286	16
Total Sales Expense	270	286	16

⁽¹⁾ Includes, but not limited to, the following items: Accrued vacation, absences such as holiday and sick leave, lost time due to bad weather, stand-by pay, and contract services.

MEMPHIS LIGHT, GAS AND WATER DIVISION
INCOME, EXPENSE, AND CHANGES IN NET POSITION COMPARISON
2026 THROUGH 2027

WATER DIVISION

PAGE 19b

DESCRIPTION	THOUSANDS OF DOLLARS		
	2026 BUDGET	2027 BUDGET	DIFFERENCE
<u>OPERATING EXPENSE (Continued)</u>			
Administrative & General Expense			
Administrative and General Salaries	6,501	6,943	442
Administration Expenses Transferred to Capital	(3,407)	(5,134)	(1,727)
Pension Expense	7,699	8,494	795
Other Active & Retiree Benefits	4,296	5,099	803
Other Post Employment Benefits	4,603	3,564	(1,039)
Injuries and Damages	1,334	1,348	14
Miscellaneous General Expenses ⁽²⁾	7,082	8,035	953
Office Supplies and Expenses	2,230	2,474	244
Outside Services Employed	6,351	9,607	3,256
Property Insurance	997	860	(137)
Rents-Miscellaneous	4,869	3,250	(1,619)
Total Administrative & General Expense	42,555	44,540	1,985
OPERATING EXPENSE	102,442	102,540	98
<u>MAINTENANCE EXPENSE</u>			
Production Expense			
Maintenance of Pumping Equipment	1,460	1,449	(11)
Maintenance of Water Treatment Equipment	1,245	1,224	(21)
Maintenance of Wells	1,581	1,687	106
Maintenance Supervision and Engineering	170	153	(17)
Total Production Expense	4,456	4,513	57
Distribution Expense			
Maintenance of Hydrants	854	1,078	224
Maintenance of Meters	3,786	5,099	1,313
Maintenance of Miscellaneous Distribution Plant	41	32	(9)
Maintenance of Services	2,282	2,600	318
Maintenance of Transmission and Distribution Mains	3,673	6,643	2,970
Total Distribution Expense	10,636	15,452	4,816
Administrative & General Expense			
Maintenance of General Plant	2,351	2,338	(13)
Facilities Maintenance Expense	2,352	2,749	397
Total Administrative & General Expense	4,703	5,087	384
MAINTENANCE EXPENSE	19,795	25,052	5,257
<u>OTHER OPERATING EXPENSE</u>			
Depreciation Expense	13,013	13,130	117
Payment in Lieu of Taxes	4,800	4,800	-
F.I.C.A. Taxes	716	740	24
Amortization of Legacy Meters	484	487	3
Amortization of Leases	-	1,662	1,662
OTHER OPERATING EXPENSE	19,013	20,819	1,806
TOTAL OPERATING EXPENSE	141,250	148,411	7,162
⁽²⁾ Includes, but not limited to, the following items: Mail distribution, property appraisals, security and janitorial services, and fuel use by MLGW.			

MEMPHIS LIGHT, GAS AND WATER DIVISION
INCOME, EXPENSE, AND CHANGES IN NET POSITION COMPARISON
2026 THROUGH 2027

WATER DIVISION

PAGE 19c

DESCRIPTION	THOUSANDS OF DOLLARS		
	2026 BUDGET	2027 BUDGET	DIFFERENCE
INCOME			
Operating Income	(13,057)	3,277	16,334
Other Income			
Revenues from Sinking & Other Funds-Interest Income	870	1,100	230
Medicare Part D Refund	500	1,820	1,320
Miscellaneous Non-Operating Income	225	135	(90)
Expenses of Merchandising, Jobbing & Contracts	(2,979)	-	2,979
Revenues from Merchandising, Jobbing & Contracts	2,979	-	(2,979)
Total Other Income	1,595	3,056	1,461
Reduction of Plant Cost Recovered through CIAC	(21,519)	(1,066)	20,453
NET INCOME BEFORE DEBT EXPENSE	(32,981)	5,266	38,247
DEBT EXPENSE			
Interest Expense - Long-Term Debt			
Interest on Ltd - Series 2014	308	285	(23)
Interest on Ltd - Series 2016	610	581	(29)
Interest on Ltd - Series 2017	673	616	(57)
Interest on Ltd - Series 2020	2,339	2,267	(72)
Interest on Ltd - Series 2027	-	2,700	2,700
Total Interest Expense - Long-Term Debt	3,930	6,449	2,519
Amortization of Debt Discount & Expense			
Amortization of Debt Disc & Exp - Series 2014	(34)	(32)	2
Amortization of Debt Disc & Exp - Series 2016	(125)	(118)	7
Amortization of Debt Disc & Exp - Series 2017	(142)	(130)	12
Amortization of Debt Disc & Exp - Series 2020	(605)	(586)	19
Total Amortization of Debt Discount & Expense	(905)	(866)	39
TOTAL DEBT EXPENSE	3,025	5,583	2,558
NET INCOME AFTER DEBT EXPENSE	(36,006)	(317)	35,689
Contributions in Aid of Construction	21,519	1,066	(20,453)
CHANGE IN NET POSITION	(14,487)	749	15,236

MEMPHIS LIGHT, GAS AND WATER DIVISION
SOURCE AND APPLICATION OF FUNDS
2027 BUDGET
(THOUSANDS OF DOLLARS)

WATER DIVISION

PAGE 20

		REF. NO.
<u>SOURCE OF FUNDS:</u>		
FROM OPERATIONS:		
Change in Net Position	749	20-1
Non-Cash Charges to Income:		
Depreciation Charged to Operating Income	13,130	20-2
Depreciation Charged to Other Accounts	494	20-3
Amortization of Legacy Meters	487	20-4
Amortization of Leases	1,662	20-5
TOTAL FUNDS FROM OPERATIONS	16,522	
Salvage	82	20-6
Financing: 2027 Bond Proceeds	200,000	20-7
TOTAL FUNDS AVAILABLE	216,604	
<u>APPLICATION OF FUNDS:</u>		
Capital Expenditures	85,575	20-8
Costs of Removal and Other Charges to the Reserve for Depreciation	1,495	20-9
Retirement of Long-Term Debt	5,846	20-10
TOTAL APPLICATION OF FUNDS	92,916	
INCREASE (DECREASE) IN WORKING CAPITAL	123,688	

MEMPHIS LIGHT, GAS AND WATER DIVISION
CAPITAL EXPENDITURES COMPARISON
FOR CALENDAR YEAR OF 2027

WATER DIVISION

PAGE 21

DESCRIPTION	THOUSANDS OF DOLLARS			REF. NO.
	2025 ACTUAL	2026 BUDGET	2027 BUDGET	
PRODUCTION SYSTEM				
WATER - PUMPING STATIONS	29,461	33,870	38,850	21-1
WATER - UNDERGROUND STORAGE RESERVOIRS	126	2,500	6,000	21-2
WATER - PRODUCTION WELLS	15,642	10,650	11,850	21-3
WATER - LAND PURCHASE	26	150	150	21-4
WATER - OPERATIONS MAINTENANCE	17	1,500	1,600	21-5
CONTINGENCY FUND - PRODUCTION SYSTEM	-	50	50	21-6
SUBTOTAL - PRODUCTION SYSTEM	45,272	48,720	58,500	
WATER - BUILDINGS & STRUCTURES	627	4,286	2,145	21-7
CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)	-	(20,221)	-	21-8
TOTAL PROD. SYSTEM - BLDGS. & STRUCT.	45,899	32,785	60,645	
DISTRIBUTION SYSTEM				
WATER - RESIDENTIAL SERVICE IN S/D	179	269	289	21-9
WATER - RESIDENTIAL SERVICE NOT IN S/D	682	619	977	21-10
WATER - RESIDENTIAL S/D	275	286	295	21-11
WATER - APARTMENTS	9	9	18	21-12
WATER - GENERAL POWER SERVICE	2,451	2,372	4,125	21-13
WATER - RELOCATE AT CUSTOMER REQUEST	814	272	506	21-14
WATER - STREET IMPROVEMENTS	926	4,350	3,035	21-15
WATER - NEW WATER MAIN	1,478	2,499	2,399	21-16
WATER - LEAD SERVICE REPLACEMENT	6,879	10,530	10,530	21-17
WATER - MULTIPLE-UNIT GEN POWER	33	-	-	21-18
WATER - STORM RESTORATION	36	-	-	21-19
WATER - PURCHASE OF METERS	643	10,039	10,975	21-20
WATER - PLANNED MAINTENANCE	7,294	4,000	4,000	21-21
WATER - BOOSTER STATIONS	-	500	500	21-22
WATER - EMERGENCY MAINTENANCE	5,172	3,605	3,676	21-23
CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)	(16,240)	(1,298)	(1,066)	21-24
TOTAL - DISTRIBUTION SYSTEM	10,631	38,052	40,258	
GENERAL PLANT				
WATER - BUILDINGS & STRUCTURE	-	45	340	21-25
WATER - SECURITY AUTOMATION	-	704	1,854	21-26
WATER - TOOLS & EQUIPMENT	2	57	-	21-27
WATER - FLEET CAPITAL POWER OPERATED EQUIP	348	1,001	1,681	21-28
WATER - FLEET CAPITAL WATER TRANSPORTATION EQUIP	1,939	1,641	1,868	21-29
MISCELLANEOUS CAPITAL (SIMULATOR)	-	280	-	21-30
WATER - CONTINGENCY FUND	-	200	200	21-31
TOTAL - GENERAL PLANT	2,289	3,928	5,943	
TOTAL - WATER DIVISION CATEGORIES	58,819	74,765	106,846	
Delayed Cost Allocations	(1,313)	(16,245)	(21,271)	21-32
TOTAL - WATER DIVISION	57,507	58,520	85,575	

MEMPHIS LIGHT, GAS AND WATER DIVISION
SELECT CAPITAL EXPENDITURE BUDGETS
FOR CALENDAR YEAR OF 2027

WATER DIVISION

PAGE 22

DESCRIPTION		
	IN BUDGET YEAR	REF. NO.
<u>PRODUCTION SYSTEM</u>		
<u>PUMPING STATIONS</u>		
Allen Pumping Station		
Station Rehabilitation (New Allen)	30,000,000	22-1
Total Allen Pumping Station	30,000,000	
Davis Pumping Station		
Station Rehabilitation	250,000	22-2
Medium Voltage Breaker & Switchgear Replacements	850,000	22-3
Total Davis Pumping Station	1,100,000	
Lichterman Pumping Station		
Station Rehabilitation (CO)	250,000	22-4
Total Lichterman Pumping Station	250,000	
LNG Pumping Station		
Station Rehabilitation	250,000	22-5
Total LNG Pumping Station	250,000	
Mallory Pumping Station		
Generator Upgrades	500,000	22-6
Station Rehabilitation	250,000	22-7
Total Mallory Pumping Station	750,000	
McCord Pumping Station		
Station Rehabilitation	250,000	22-8
Total McCord Pumping Station	250,000	
Morton Pumping Station		
Filter Media Rehabilitation and Replacement (Station Rehab)(CO)	1,250,000	22-9
Station Rehabilitation	250,000	22-10
VFD, Motor & Transformer Replacements	100,000	22-11
Total Morton Pumping Station	1,600,000	

MEMPHIS LIGHT, GAS AND WATER DIVISION
SELECT CAPITAL EXPENDITURE BUDGETS
FOR CALENDAR YEAR OF 2027

WATER DIVISION

PAGE 23

DESCRIPTION	IN BUDGET YEAR	REF. NO.
<u>PUMPING STATIONS CONT.</u>		
Palmer Pumping Station		
Station Rehabilitation	250,000	23-1
Total Palmer Pumping Station	250,000	
Shaw Pumping Station		
Filter Media Rehabilitation and Replacement (Station Rehab)	1,250,000	23-2
Station Rehabilitation	250,000	23-3
Total Shaw Pumping Station	1,500,000	
Sheehan Pumping Station		
Station Rehabilitation	600,000	23-4
Total Sheehan Pumping Station	600,000	
Miscellaneous Pumping Facilities		
Engineering Services Contract	2,000,000	23-5
Water Operations Capital Items	300,000	23-6
Total Miscellaneous Pumping Facilities	2,300,000	
TOTAL PUMPING STATIONS	38,850,000	
<u>UNDERGROUND STORAGE RESERVOIRS</u>		
Allen Pumping Station	6,000,000	23-7
Total Underground Storage Reservoirs	6,000,000	
<u>PRODUCTION WELLS</u>		
Sheehan Pumping Station - Construct/Replace Well	3,800,000	23-8
Allen Pumping Station - Construct/Replace Well	1,900,000	23-9
McCord Pumping Station - Construct/Replace Well	1,900,000	23-10
Morton Pumping Station - Construct/Replace Well	1,900,000	23-11
Shaw Pumping Station - Construct/Replace Well	1,900,000	23-12
Misc. Pumping Facilities - Well Pump and Motor Replacement	450,000	23-13
TOTAL PRODUCTION WELLS	11,850,000	
<u>OPERATIONS MAINTENANCE</u>	1,600,000	23-14
<u>LAND PURCHASE</u>	150,000	23-15

**MEMPHIS LIGHT, GAS AND WATER DIVISION
SELECT CAPITAL EXPENDITURE BUDGETS
FOR CALENDAR YEAR OF 2027**

WATER DIVISION

PAGE 24

DESCRIPTION	IN	REF.
	BUDGET YEAR	NO.
<u>BUILDINGS AND STRUCTURES</u>		
<u>Mallory Pumping Station</u>		
Roof Replacements (Main Building and Aerator)	1,500,000	24-1
<u>Davis Pumping Station</u>		
Aerator Roof Replacement	17,000	24-2
Repave Drives	17,000	24-3
<u>Palmer Pumping Station</u>		
Aerator Building-Roof Replacement	18,000	24-4
<u>Lichterman Pumping Station</u>		
Roof Replacement-Pump Building	300,000	24-5
Roof Replacement-Aerator Building	225,000	24-6
<u>Morton Pumping Station</u>		
Aerator Bldg and Pump Room-Roof Replacement	35,000	24-7
<u>Shaw Pumping Station</u>		
Roof Replacement	33,000	24-8
Total Building and Structure	2,145,000	
<u>CONTINGENCY FUND - PRODUCTION SYSTEM</u>	50,000	24-9
TOTAL PRODUCTION SYSTEM	60,645,000	

**MEMPHIS LIGHT, GAS AND WATER DIVISION
SELECT CAPITAL EXPENDITURE BUDGETS
FOR CALENDAR YEAR OF 2027**

WATER DIVISION

PAGE 25

DESCRIPTION	IN	REF.
	BUDGET YEAR	NO.
<u>DISTRIBUTION SYSTEM - MAJOR PROJECTS</u>		
<u>NEW WATER MAIN</u>		
Main Replacement Projects	1,200,000	25-1
Collecting Main Installation	500,000	25-2
Large Main Extensions	300,000	25-3
Major Valve Replacements/Additions	200,000	25-4
Miscellaneous Projects - Reimbursable	148,653	25-5
Minor Systems Improvements	50,000	25-6
TOTAL NEW WATER MAIN	2,398,653	
<u>STREET IMPROVEMENTS</u>		
City of Lakeland Projects	1,100,000	25-7
City of Memphis Projects	1,000,000	25-8
Shelby County Projects	450,000	25-9
City of Arlington Projects	285,000	25-10
TDOT Projects	199,500	25-11
TOTAL STREET IMPROVEMENTS	3,034,500	
LEAD REPLACEMENT	10,530,000	25-12
TOTAL DISTRIBUTION SYSTEM-MAJOR PROJECTS	15,963,153	
WATER-BUILDING/STRUCTURES	340,000	25-13
WATER - SECURITY AUTOMATION	1,854,000	25-14
WATER - FLEET CAPITAL POWER OPERATED EQUIP	1,680,911	25-15
WATER - FLEET CAPITAL WATER TRANSPORTATION EQUIP	1,867,797	25-16
CONTINGENCY FUNDS	200,000	25-17
TOTAL GENERAL PLANT	5,942,708	

MEMPHIS LIGHT, GAS AND WATER DIVISION
CAPITAL CARRYOVER SUMMARY*
FOR CALENDAR YEAR OF 2027

WATER DIVISION

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<u>CAPITAL CARRYOVER CATEGORY</u>	<u>CARRYOVER AMOUNT</u>
Production	2,640,000
Buildings & Structures	1,500,000
System Automation	704,000
Distribution	650,000
Land Purchase/Property	100,000
Power Transportation Equipment	33,202
TOTAL CAPITAL CARRYOVER SUMMARY	<u>5,627,202</u>

*Carryover items constitute the funding necessary for capital projects or purchases not completed during the prior budget year. This would include projects which may have been delayed, large projects requiring multiple years to complete, or commodities ordered but not received. These items are part of the total 2027 Budget.



2027 - 2031 CAPITAL IMPROVEMENT PROGRAM



2027 ELECTRIC 5-YEAR CAPITAL IMPROVEMENT PROGRAM

ELECTRIC DIVISION

DESCRIPTION	2026 BUDGET	2027 BUDGET	2028 PROJECTION	2029 PROJECTION	2030 PROJECTION	2031 PROJECTION
Substation	\$ 26,804,644	\$ 21,217,158	\$ 72,457,063	\$ 54,115,527	\$ 48,580,000	\$ 41,580,000
Substation Circuit Breakers	\$ 5,200,000	\$ 6,400,000	\$ 6,400,000	\$ 6,400,000	\$ 6,400,000	\$ 6,400,000
Substation Transformers	\$ 7,500,000	\$ 10,750,000	\$ 6,500,000	\$ 7,500,000	\$ 7,500,000	\$ 7,500,000
Transmission Lines	\$ 4,564,458	\$ 4,010,000	\$ 29,079,458	\$ 37,934,060	\$ 30,953,881	\$ 20,000,000
CONTRIBUTIONS IN AID OF CONSTRUCTION	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL-SUBSTATION & TRANSMISSION	\$ 44,069,102	\$ 42,377,158	\$ 114,436,521	\$ 105,949,587	\$ 93,433,881	\$ 75,480,000
<u>DISTRIBUTION SYSTEM</u>						
Apartments	\$ 1,188,487	\$ 1,828,502	\$ 1,901,642	\$ 1,958,692	\$ 2,017,452	\$ 2,077,976
Def. Cable/Trans Replace	\$ 16,800,000	\$ 16,800,000	\$ 16,800,000	\$ 16,800,000	\$ 16,800,000	\$ 16,800,000
Demolition	\$ 165,000	\$ 169,950	\$ 175,049	\$ 180,300	\$ 185,709	\$ 191,280
Emergency Maintenance	\$ 8,160,000	\$ 8,323,200	\$ 8,489,664	\$ 8,659,457	\$ 8,832,646	\$ 9,009,299
General Power Service	\$ 5,534,193	\$ 7,125,403	\$ 10,006,819	\$ 10,118,524	\$ 10,336,579	\$ 10,561,177
General Power Service S/D	\$ 1,182,639	\$ 126,780	\$ 131,851	\$ 135,807	\$ 139,881	\$ 144,078
Leased Outdoor Lighting	\$ 6,000,000	\$ 13,372,508	\$ 24,467,409	\$ 13,541,431	\$ 2,617,674	\$ 2,696,204
Duct Line Lease	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000
Distribution Automation	\$ 15,000,000	\$ 4,000,000	\$ 4,000,000	\$ 4,000,000	\$ 4,000,000	\$ 4,000,000
Line Reconstruction	\$ 3,375,000	\$ 5,545,000	\$ 6,710,000	\$ 6,125,000	\$ 6,625,000	\$ 6,625,000
Multiple-Unit Gen Power	\$ 301,741	\$ 304,721	\$ 316,910	\$ 326,417	\$ 336,209	\$ 346,296
New Circuits	\$ 11,700,000	\$ 11,875,000	\$ 11,925,000	\$ 11,225,000	\$ 13,520,000	\$ 11,475,000
Voltage Conversion	\$ -	\$ -	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ -
Planned Maintenance	\$ 9,880,000	\$ 10,275,000	\$ 10,686,208	\$ 11,113,656	\$ 11,558,203	\$ 12,020,531
Distribution Pole Replacement	\$ 2,500,000	\$ 1,300,000	\$ 1,300,000	\$ 1,300,000	\$ 1,300,000	\$ 3,500,000
ELEC - OMNI MAINTENANCE	\$ 11,500,000	\$ 9,700,000	\$ 9,700,000	\$ 9,700,000	\$ 9,700,000	\$ 9,700,000
Relocate at Customer Req	\$ 3,669,700	\$ 5,637,260	\$ 4,822,750	\$ 4,967,433	\$ 5,116,456	\$ 5,269,950
Residential S/D	\$ 1,762,052	\$ 329,183	\$ 342,350	\$ 352,621	\$ 363,199	\$ 374,095
Residential Svc in S/D	\$ 762,806	\$ 1,694,196	\$ 1,761,964	\$ 1,814,823	\$ 1,869,268	\$ 1,925,346
Residential Svc not S/D	\$ 3,024,619	\$ 3,190,087	\$ 3,317,690	\$ 3,417,221	\$ 3,519,737	\$ 3,625,330
JT-Resident S/D	\$ 4,873,007	\$ 4,154,811	\$ 4,321,003	\$ 4,450,633	\$ 4,584,152	\$ 4,721,677
JT-Residential Svc in S/D	\$ 864,672	\$ 1,324,132	\$ 1,377,097	\$ 1,418,410	\$ 1,460,962	\$ 1,504,791
JT-Apartments	\$ -	\$ 50,162	\$ 52,168	\$ 53,733	\$ 55,345	\$ 57,005
Shared Use contract	\$ 500,000	\$ 300,000	\$ 300,000	\$ 20,000	\$ 20,000	\$ 20,000
Street Improvements	\$ 6,775,000	\$ 13,900,000	\$ 6,750,000	\$ 1,000,000	\$ 1,500,000	\$ 300,000
Street Light Maintenance	\$ 3,750,000	\$ 3,750,000	\$ 3,750,000	\$ 3,750,000	\$ 3,750,000	\$ 3,750,000
Street Lights Install	\$ 3,205,069	\$ 4,092,260	\$ 4,255,951	\$ 4,383,629	\$ 4,515,138	\$ 4,650,592
Temporary Service	\$ 388,745	\$ 22,618	\$ 23,523	\$ 24,229	\$ 24,956	\$ 25,704
Previously Capitalized Items - Transformers	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000	\$ 10,000,000
Previously Capitalized Items - Meters	\$ 1,501,400	\$ 3,052,758	\$ 1,727,904	\$ 1,297,188	\$ 1,614,863	\$ 1,695,606
Contributions in Aid of Construction	\$ (17,581,383)	\$ (15,266,451)	\$ (61,331,184)	\$ (60,575,593)	\$ (26,634,127)	\$ (15,119,652)
TOTAL - DISTRIBUTION SYSTEM	\$ 121,857,747	\$ 132,052,080	\$ 94,156,769	\$ 77,633,610	\$ 105,804,304	\$ 112,022,285
<u>GENERAL PLANT</u>						
Purchase of Land	\$ 750,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 650,000	\$ 650,000
Buildings/Structures	\$ 16,186,650	\$ 49,004,707	\$ 32,967,000	\$ 20,100,000	\$ 3,222,000	\$ 2,500,000
Capital Security Automation	\$ 2,088,403	\$ 1,138,403	\$ 750,000	\$ 200,000	\$ 1,000,000	\$ 500,000
Lab and Test	\$ 355,771	\$ 257,132	\$ 269,989	\$ 283,488	\$ 297,662	\$ 312,546
Utility Monitoring	\$ 6,659,410	\$ 5,849,460	\$ 2,900,000	\$ 2,975,000	\$ 125,000	\$ 1,800,000
Communication Equip	\$ 176,225	\$ 121,766	\$ 150,000	\$ 154,500	\$ 159,135	\$ 163,909
Communication Towers	\$ 500,000	\$ 500,000	\$ 500,000	\$ 1,000,000	\$ 1,000,000	\$ 500,000
Telecommunication Network	\$ 20,300,000	\$ 18,300,000	\$ 12,300,000	\$ 12,300,000	\$ 9,100,000	\$ 5,100,000
Fleet Capital Power Operated Equipment	\$ 12,243,082	\$ 7,617,776	\$ 7,922,487	\$ 8,239,387	\$ 8,568,962	\$ 8,911,720
Transportation Equipment	\$ 3,618,704	\$ 4,424,364	\$ 4,601,339	\$ 4,785,392	\$ 4,976,808	\$ 5,175,880
Data Processing	\$ 18,352,160	\$ 21,725,741	\$ 17,985,920	\$ 18,685,920	\$ 6,635,920	\$ 8,085,920
CIS Development	\$ 3,375,000	\$ -	\$ 1,000,000	\$ 4,375,000	\$ 33,750,000	\$ 40,500,000
Contingency Fund - General Plant	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000
TOTAL - GENERAL PLANT	\$ 84,805,405	\$ 109,639,349	\$ 82,046,735	\$ 73,798,687	\$ 69,685,487	\$ 74,399,975
Delayed Cost Allocations	\$ (57,911,433)	\$ (57,199,855)	\$ (58,128,005)	\$ (51,476,377)	\$ (53,784,734)	\$ (52,380,452)
TOTAL - ELECTRIC DIVISION	\$ 192,820,821	\$ 226,868,732	\$ 232,512,020	\$ 205,905,507	\$ 215,138,938	\$ 209,521,808

2027 GAS 5-YEAR CAPITAL IMPROVEMENT PROGRAM

GAS DIVISION

DESCRIPTION	2026 BUDGET	2027 BUDGET	2028 PROJECTION	2029 PROJECTION	2030 PROJECTION	2031 PROJECTION
PRODUCTION SYSTEM						
LNG - Processing Facilities	\$ 1,106,300	\$ 1,970,099	\$ 6,150,000	\$ 7,000,000	\$ 6,000,000	\$ 1,000,000
CNG Stations	\$ -	\$ -	\$ -			
TOTAL PRODUCTION SYSTEM	\$ 1,106,300	\$ 1,970,099	\$ 6,150,000	\$ 7,000,000	\$ 6,000,000	\$ 1,000,000
DISTRIBUTION SYSTEM						
Apartments	\$ 194,646	\$ 34,320	\$ 35,693	\$ 36,764	\$ 37,866	\$ 39,002
Demolition	\$ 70,000	\$ 70,000	\$ 70,000	\$ 70,000	\$ 70,000	\$ 70,000
Emergency Maintenance	\$ 1,708,190	\$ 1,742,354	\$ 1,777,201	\$ 1,830,517	\$ 1,885,433	\$ 1,885,433
Gas Main-Svc Repl (DOT)	\$ 9,128,500	\$ 9,101,500	\$ 9,101,500	\$ 9,101,500	\$ 9,101,500	\$ 9,101,500
Gate Stations	\$ 150,000	\$ 150,000	\$ 500,000	\$ 2,500,000	\$ 2,500,000	\$ 2,500,000
General Power S/D	\$ 97,322	\$ -	\$ -	\$ -	\$ -	\$ -
General Power Service	\$ 3,207,717	\$ 2,291,327	\$ 1,654,980	\$ 1,704,630	\$ 1,755,769	\$ 1,808,442
Multiple-Unit Gen Power	\$ 64,531	\$ 27,519	\$ 28,620	\$ 29,478	\$ 30,363	\$ 31,274
New Gas Main	\$ 250,000	\$ 650,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
Trans Pipeline/Facilities	\$ 750,000	\$ 1,000,000	\$ 1,750,000	\$ 1,250,000	\$ 1,250,000	\$ 1,250,000
Purchase of Land	\$ 250,000	\$ 500,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000
Planned Maintenance	\$ 3,835,955	\$ 3,912,674	\$ 3,990,927	\$ 4,110,655	\$ 4,233,975	\$ 4,233,975
Regulator Stations	\$ 670,000	\$ 670,000	\$ 550,000	\$ 550,000	\$ 550,000	\$ 550,000
Relocate at Customer Req	\$ 810,218	\$ 817,703	\$ 850,411	\$ 875,924	\$ 902,201	\$ 929,267
Residential Svc in S/D	\$ 15,731	\$ 7,032	\$ 7,314	\$ 7,533	\$ 7,759	\$ 7,992
Residential Svc not S/D	\$ 2,216,466	\$ 971,139	\$ 1,009,984	\$ 1,040,284	\$ 1,071,492	\$ 1,103,637
Residential S/D	\$ 43,600	\$ -	\$ -	\$ -	\$ -	\$ -
Street Improvements	\$ 4,615,300	\$ 6,256,700	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
JT-Resident S/D	\$ 2,006,052	\$ 1,536,791	\$ 1,598,262	\$ 1,646,210	\$ 1,695,596	\$ 1,746,464
JT-Resident in S/D	\$ 459,164	\$ -	\$ -	\$ -	\$ -	\$ -
JT-Apartments	\$ -	\$ 28,962	\$ 30,121	\$ 31,025	\$ 31,955	\$ 32,914
Previously Capitalized Items - Meters & Metering Equipment	\$ 8,454,773	\$ 5,811,872	\$ 3,688,937	\$ 3,829,943	\$ 4,158,365	\$ 4,304,428
Contributions in Aid of Construction	\$ (4,497,933)	\$ (3,120,402)	\$ (2,511,984)	\$ (2,587,344)	\$ (2,664,964)	\$ (2,784,950)
TOTAL DISTRIBUTION SYSTEM	\$ 34,500,232	\$ 32,459,490	\$ 25,931,966	\$ 27,827,118	\$ 28,417,311	\$ 28,609,378
GENERAL PLANT						
Buildings/Structures	\$ 8,829,584	\$ 25,927,000	\$ 14,930,500	\$ 6,752,225	\$ 3,500,000	\$ 1,035,000
Capital Security Automation	\$ 450,000	\$ 60,000	\$ 100,000	\$ 450,000	\$ -	\$ 240,000
Audiovisual	\$ 95,400	\$ 123,520	\$ 324,000	\$ 324,000	\$ 124,000	\$ 124,000
Tools and Equipment	\$ 125,446		\$ -	\$ -	\$ -	\$ -
Tools and Equipment - Common	\$ 191,221	\$ 224,152	\$ 246,567	\$ 271,224	\$ 298,346	\$ 328,181
Fleet Capital Transportation & Power Operated Equipment - Gas	\$ 3,874,902	\$ 4,776,317	\$ 4,967,370	\$ 5,166,064	\$ 5,372,707	\$ 5,587,615
Fleet Capital Transportation Equipment & Power Operated Equipment - Common	\$ 4,475,323	\$ 7,095,355	\$ 7,629,214	\$ 7,934,383	\$ 8,251,758	\$ 8,581,829
Automated Fueling Structure	\$ 48,600	\$ -	\$ -	\$ -	\$ -	\$ -
Community Office Kiosks	\$ 374,000	\$ 374,000	\$ -	\$ -	\$ -	\$ -
Contingency Fund - General Plant	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000
TOTAL - GENERAL PLANT	\$ 18,664,476	\$ 38,780,344	\$ 28,397,651	\$ 21,097,896	\$ 17,746,812	\$ 16,096,625
Delayed Cost Allocations	\$ (14,985,631)	\$ (14,641,987)	\$ (12,095,923)	\$ (11,185,003)	\$ (10,432,824)	\$ (9,141,200)
TOTAL - GAS DIVISION	\$ 39,285,377	\$ 58,567,947	\$ 48,383,694	\$ 44,740,011	\$ 41,731,298	\$ 36,564,802

2027 WATER 5-YEAR CAPITAL IMPROVEMENT PROGRAM

WATER DIVISION

DESCRIPTION	2026 BUDGET	2027 BUDGET	2028 PROJECTION	2029 PROJECTION	2030 PROJECTION	2031 PROJECTION
PRODUCTION SYSTEM						
Production Wells	\$ 10,650,000	\$ 11,850,000	\$ 11,850,000	\$ 11,850,000	\$ 11,850,000	\$ 11,850,000
Pumping Stations	\$ 33,870,000	\$ 38,850,000	\$ 55,300,000	\$ 35,450,000	\$ 16,250,000	\$ 12,550,000
Underground Storage Reservoirs	\$ 2,500,000	\$ 6,000,000	\$ -	\$ 4,250,000	\$ 4,250,000	\$ -
Purchase of Land	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000
Operations Maintenance	\$ 1,500,000	\$ 1,600,000	\$ 1,600,000	\$ 1,600,000	\$ 1,600,000	\$ 1,600,000
Contingency Fund - Production system	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
Contributions in Aid of Construction	\$ (20,220,992)	\$ -	\$ -	\$ -	\$ -	\$ -
SUBTOTAL - PRODUCTION SYSTEM	\$ 28,499,008	\$ 58,500,000	\$ 68,950,000	\$ 53,350,000	\$ 34,150,000	\$ 26,200,000
SUBTOTAL - BLDGS. AND STRUCTURES	\$ 4,286,000	\$ 2,145,000	\$ 1,765,000	\$ 334,000	\$ 1,576,000	\$ -
TOTAL PROD. SYSTEM w/BLDGS & STRUCT.	\$ 32,785,008	\$ 60,645,000	\$ 70,715,000	\$ 53,684,000	\$ 35,726,000	\$ 26,200,000
DISTRIBUTION SYSTEM						
Apartments	\$ 8,819	\$ 17,680	\$ 18,387	\$ 18,939	\$ 19,507	\$ 20,092
Emergency Maintenance	\$ 3,604,916	\$ 3,677,014	\$ 3,750,554	\$ 3,825,565	\$ 3,902,077	\$ 3,980,118
General Power Service	\$ 2,371,852	\$ 4,124,618	\$ 4,289,602	\$ 4,418,290	\$ 4,550,839	\$ 4,687,364
New Water Main	\$ 2,498,679	\$ 2,398,653	\$ 2,248,626	\$ 2,248,598	\$ 2,248,570	\$ 2,248,542
Lead Service Replacement	\$ 10,530,000	\$ 10,530,000	\$ 10,530,000	\$ 10,530,000	\$ 10,530,000	\$ 10,530,000
Planned Maintenance	\$ 4,000,000	\$ 4,000,000	\$ 4,000,000	\$ 4,000,000	\$ 4,000,000	\$ 4,000,000
Booster Stations	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
Relocate at Customer Req	\$ 272,335	\$ 506,425	\$ 526,682	\$ 542,483	\$ 558,757	\$ 575,520
Residential S/D	\$ 285,904	\$ 295,268	\$ 307,078	\$ 316,291	\$ 325,779	\$ 335,553
Residential Svc in S/D	\$ 268,957	\$ 288,563	\$ 300,105	\$ 309,109	\$ 318,382	\$ 327,933
Residential Svc not S/D	\$ 619,075	\$ 976,726	\$ 1,015,795	\$ 1,046,269	\$ 1,077,657	\$ 1,109,987
Street Improvements	\$ 4,350,000	\$ 3,034,500	\$ 2,050,000	\$ 2,050,000	\$ 2,050,000	\$ 2,050,000
Previously Capitalized Items - Meters	\$ 10,039,308	\$ 10,975,147	\$ 11,523,885	\$ 12,100,080	\$ 12,705,084	\$ 5,853,830
Contributions in Aid of Construction	\$ (1,298,083)	\$ (1,066,382)	\$ (1,710,856)	\$ (1,779,291)	\$ (1,832,669)	\$ (1,887,649)
TOTAL - DISTRIBUTION SYSTEM	\$ 38,051,762	\$ 40,258,211	\$ 39,349,860	\$ 40,126,333	\$ 40,953,983	\$ 34,331,290
GENERAL PLANT						
Buildings/Structures	\$ 45,000	\$ 340,000	\$ 300,000	\$ 400,000	\$ -	\$ -
Capital Security Automation	\$ 704,000	\$ 1,854,000	\$ 20,000	\$ -	\$ 200,000	\$ -
Fleet Capital Power Operated Equipment	\$ 1,001,191	\$ 1,680,911	\$ 1,748,147	\$ 1,818,073	\$ 1,890,796	\$ 1,966,428
Transportation Equipment	\$ 1,641,240	\$ 1,867,797	\$ 1,942,509	\$ 2,020,209	\$ 2,101,018	\$ 2,185,058
Tools and Equipment	\$ 56,890	\$ -	\$ -	\$ -	\$ -	\$ -
Contingency Fund - General Plant	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000
Miscellaneous Request (Simulator)	\$ 280,000	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL - GENERAL PLANT	\$ 3,928,321	\$ 5,942,708	\$ 4,210,656	\$ 4,438,282	\$ 4,391,814	\$ 4,351,486
Delayed Cost Allocations	\$ (16,245,320)	\$ (21,270,784)	\$ (22,718,103)	\$ (19,809,723)	\$ (16,322,359)	\$ (12,976,555)
TOTAL - WATER DIVISION	\$ 58,519,771	\$ 85,575,135	\$ 91,557,413	\$ 78,438,893	\$ 64,749,438	\$ 51,906,221

ALL DIVISIONS

NOTES FOR PAGE 3—Capital Expenditures Budget

Total Capital Expenditures

3-1	Total Capital Expenditures	Expected capital spend in 2027 budget year.
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NOTES FOR PAGE 4-INCOME & EXPENSE COMPARISON

Operating Revenue

4-1	Sales Revenue	This account includes projected revenue from the sale of electricity to the residential, commercial, industrial, outdoor lighting and traffic signal, and interdepartmental customer classes.
4-2	Revenue Adjustment for Uncollectibles	Per Governmental Accounting Standards Board (GASB) 34 requirements, bad debt expense must be shown as a reduction of revenue. This is the amount that will not be collected due to customer's inability to pay.
4-3	Non-Sales Revenue	This account includes revenue from forfeited discounts (extra charges for payments received after net due date), plus rent charged for Electric Division property that is used by the Gas and Water Divisions, and other miscellaneous revenue (e.g., fees for connecting service).

Operating Expense

4-4	Purchased Power	This account includes the cost of electricity purchased from TVA for resale to customers.
4-5	Transmission Expense	This account includes the cost of labor and expenses incurred in the supervision and operation of the transmission system. Included are load dispatching operations, transmission substations, switching stations, overhead and underground line expenses, and miscellaneous transmission expenses. Included in this account are inspecting and testing circuit breakers, switches, breakers, load testing of circuits, line patrolling, and routine inspection of manholes, conduit, network and transformer vaults.
4-6	Distribution Expense	This account includes the cost of labor and expenses incurred in the supervision and direct labor of the operation of the distribution system. Included are direct switching, arranging and controlling clearances for construction, maintenance test and emergencies, communication services provided for system control purposes and controlling system voltages. Also included are the expenses for operation of the overhead and underground distribution lines and stations, street lighting, meter expenses, work on customer installations in inspecting premises and in rendering services to customers, miscellaneous expenses and rent.
4-7	Customer Accounts Expense	This account includes the cost of labor, materials and expenses used in work on customer applications, contracts, orders, credit investigations, billing and accounting, collections and complaints. It also includes meter reading expenses.
4-8	Customer Service and Information Expense	This account includes the cost of labor, materials and expenses incurred in providing instructions or assistance to customers, the object of which is to encourage safe, efficient, and economical use of services, and activities which convey information in utilizing electric services to protect health and safety, to encourage environmental protection, to use electrical equipment safely and economically and to conserve electric energy.
4-9	Sales Expense	This account includes the cost of labor, materials and expenses incurred in promotional, demonstrating and selling activities, advertising designed to promote or retain the use of utility services and miscellaneous sales expense. Included are exhibitions, displays, lectures, engineering and technical advice, advertising in newspapers, periodicals, billboards, radio, etc., postage on direct mail advertising, printing booklets, bulletins, etc.
4-10	Administrative and General Expense	This account includes the compensation of board members, executives, and other administrative and general employees of the utility not chargeable directly to a particular operating function. It also includes the cost of insurance to protect the utility against physical plant losses, cost of reserve accruals to protect the utility against injuries and damage claims of employees or others, such as liability, property damage, casualty, and employee liability. Employee pensions and benefits including payments to pension funds, life insurance, group medical expenses, payments for accident, sickness, hospital and death benefits, and expenses in connection with educational and wellness activities are also included in this account. In accordance with GASB 45, <i>Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pension</i> , MLGW must recognize all post-employment benefits, such as medical insurance and life insurance, when earned, effective budget year 2007.

Maintenance Expense

4-11	Transmission Expense	This account includes the cost of labor, materials and expenses incurred in the maintenance of the transmission system, of structures, and station equipment. This includes maintenance of overhead lines and underground lines.
4-12	Distribution Expense	This account includes the cost of labor, materials, and expenses incurred in the maintenance of the distribution system, structures, plant, station equipment, overhead lines and underground lines, distribution line transformers, street lighting and signal systems, meters, and other miscellaneous distribution plant.
4-13	Administrative and General Expense	Please see Appendix 4-10.

Other Operating Expense

4-14	Depreciation Expense	The purpose of depreciation is to allocate the original cost of a fixed asset over its estimated useful life. In a utility environment, the annual depreciation rate also takes into account the estimated salvage and cost of removal upon retirement.
4-15	Payment in Lieu of Taxes	Payment in lieu of taxes is the amount paid to the municipalities in which MLGW has plant. The formula for payment in lieu of taxes is based on the Municipal Electric System Tax Equivalent Law of 1987 and the Municipal Gas Equivalent Law which became effective July 1, 1988. The tax formula has two parts--net investment and revenue. The net investment includes plant in service and held for future use (net of depreciation), construction work-in-progress and materials inventory. The net investment is multiplied by an assessment ratio, the property tax rates for each governmental body, and an equalization rate set by the State. The revenue part of the formula is 4% of a three-year average of operating revenue less power cost.
4-16	F.I.C.A. Taxes	This represents the 1.45% Medicare portion of Social Security Tax which is required to be paid on all MLGW employees hired after 03-31-86.
4-17	Amortization of Legacy Meters	This account includes amortization charges related to expenditures on meters.
4-18	Amortization of Right of Use Leases & Subscriptions	This account includes amortization charges related to expenditures on leases and software.
4-19	Amortization of Street Lighting Retrofit	Non-cash expense related to amortization charges related to replacement of High Pressure Sodium (HPS) streetlighting retrofit expenditures.

NOTES FOR PAGE 4—INCOME & EXPENSE COMPARISON (continued)

Income

4-20	Operating Income	Operating income is equal to operating revenue less total operating expense.
4-21	Other Income	This consists primarily of investment income and property rentals and the electric prepayment agreement. It does not include any sales of electricity, gas or water.
4-22	Reduction of Plant Recovered through CIAC	Contributions in aid of construction are the donations or contributions of cash, services, or property from states, municipalities, or other governmental agencies, individuals, and others for construction purposes.

Debt Expense

4-23	Interest Expense - Existing Long-Term Debt	Bond interest payments due 06-01 and 12-01 per the bond debt schedules are funded in equal monthly installments.
4-24	Amortization of Debt Discount and Expense	This represents the spreading of bond issuance costs over the life span of the bond series rather than recognizing such costs all at the time of sale.
4-25	Contributions in Aid of Construction	Contributions in aid of construction are the donations or contributions of cash, services, or property from states, municipalities, or other governmental agencies, individuals, and others for construction purposes.

NOTES FOR PAGE 5- SOURCES AND APPLICATION OF FUNDS

Source of Funds

5-1	Change in Net Position	Please see Budget page 4c.
5-2	Depreciation Charged to Operating Income	Please see Appendix 4-14.
5-3	Depreciation Charged to Other Accounts	Depreciation charged to other accounts is the annual depreciation for transportation and power operated equipment. Depreciation on these plant items is charged to a clearing account and used in the equipment rate calculations.
5-4	Amortization of Legacy Meters	Non-cash expense related to amortization charges related to meter expenditures.
5-5	Amortization of Right of Use Leases & Subscriptions	Non-cash expense related to amortization charges related to lease and software expenditures.
5-6	Amortization of Streetlighting Retrofit	Non-cash expense related to amortization charges related to streetlighting retrofit expenditures.
5-7	Salvage	Salvage is the amount received for property retired from plant in service. The property may be sold for scrap or returned to stores inventory for reuse.
5-8	Debt Proceeds	Expected debt proceeds in the Electric Division for the 2027 budget year.

Application of Funds

5-9	Capital Expenditures	Please see Budget page 6.
5-10	Costs of Removal and Other Charges to the Reserve for Depreciation	Cost of removal is the cost associated with demolishing, dismantling, tearing down or otherwise removing utility plant, including the cost of transportation and labor.
5-11	Retirement of Long-Term Debt	Bond principal amounts due 12-01 per the bond debt schedules are funded in equal monthly installments during

NOTES FOR PAGE 6-CAPITAL EXPENDITURES

Substation and Transmission

6-1	Substation	Please see Appendix 7-1 through 7-20.
6-2	Substation Transformers Replacement	Please see Appendix 7-21 through 7-25.
6-3	Substation Circuit Breakers Replacement	Please see Appendix 7-26 through 7-27.
6-4	Transmission Lines	Please see Appendix 8-1 through 8-3.
6-5	Contributions in Aid of Construction	Contributions in aid of construction are the donations or contributions of cash, services, or property from states, municipalities, or other governmental agencies, individuals, and others for construction purposes.

Distribution System

6-6	Residential Service in S/D	All subdivisions that are fed internally by overhead electric primary lines.
6-7	Residential Service Not in S/D	Property not in subdivisions fed internally by overhead electric primary lines.
6-8	Residential S/D	Other property not in subdivisions fed internally by overhead electric primary lines.
6-9	Apartments	All apartments and mobile home communities that are fed internally by overhead electric primary lines.
6-10	General Power Service	Commercial properties that are fed internally by overhead or underground electric primary lines
6-11	General Power S/D	Commercial properties in subdivisions that are fed internally by overhead or underground electric primary lines
	Mobile Home Park	All apartments and mobile home communities that are fed internally by overhead electric primary lines. No expenditures for the 2026 budget year.
6-12	Temporary Service	Services used for temporary construction.
6-13	Multiple Unit General Power	Commercial properties and apartments that are fed internally by overhead or underground electric primary lines
6-14	Relocate At Customer Request	This budget category provides for the expenses incurred at customers request for facilities to be relocated.
6-15	Street Improvements	This budget category provides for the expenses incurred when City, State and Federal Street Improvements dictate that facilities must be relocated. Please see Appendix 8-17 through 8-24.
6-16	New Circuits	Please see Appendix 8-4 through 8-14.
6-17	Line Reconstruction/Remove Idle Facilities	This category describes projects whereby existing distribution lines are improved and/or removed. These projects can include instances where existing circuits are rebuilt to create ties to other circuits to improve reliability to customers; conductors are upgraded to increase the current carrying ability of the circuit; devices such as switches, voltage regulators, capacitors, or reclosers are added to a circuit to improve voltage/reliability; or existing idle facilities are removed to decrease losses.
6-18	Defect Cable/Feeder Cable Replacement	This category describes the systematic retrofitting of the Division's Underground Residential Distribution system. The cable is replaced as it reaches end-of-life as determined by in service failures. Obsolete transformers and other distribution hardware are also replaced in this category. Cable replacement was initiated in 1982.
6-19	Distribution Poles	The budget includes utility poles used to support overhead power lines and various other public utilities, such as electrical cable, fiber optic cable, and related equipment such as transformers and street lights.
6-20	Pole-Duct Use and Escorts	Pole-Duct Use and Escorts.No expenditures for the 2027 budget year.
6-21	OMNI Maintenance	This category is the Optimize Maintenance Neighborhood Initiative program developed to make improvements in the various historical Memphis communities to improve reliability and resiliency.
6-22	Distribution Automation	To install communications and hardware to allow for remote/automated operation to provide for more advanced restoration capabilities.
6-23	Street Lights Install	The budget includes work necessary to provide street light maintenance in existing subdivisions, along roadways, Memphis city annexations, and adjustments to lights in existing developments requested by the cities throughout the year.
6-24	Demolition	The budget includes demolition work.
6-25	Street Light Maintenance	The budget includes work necessary to provide street light maintenance in existing subdivisions, along roadways, Memphis city annexations, and adjustments to lights in existing developments requested by the cities throughout the year.
6-26	Planned Maintenance	Construction in minor work that arises daily. These are mainly calls that go through the Control Room, to include pole knockdowns, gas, and water leaks, etc.
6-27	Operations Maintenance	No expenditures planned for the 2027 budget year.
6-28	Leased Outdoor Lighting	LOL provides area and security lighting for residential, commercial and industrial customers in Memphis and Shelby County. LOL customers pay aid-to-construction for the installation of lighting fixtures and a monthly flat rate energy and facility fee. Services provided through LOL include engineering design of lighting systems to meet customer needs as well as building codes and standards. Installation and maintenance are handled through Distribution Support, using Division personnel and contracted labor.

NOTES FOR PAGE 6—CAPITAL EXPENDITURES (continued)

Major Projects (continued)

6-29	Storm Restoration	This category shows actual expenditures for previous years related to storm restoration efforts. MLGW does not budget for unexpected storm related expenses. These storms are generally large enough to cause major damage to our electric distribution system. Funds expensed in this category are reimbursable by the Federal Emergency Management Agency.
6-30	Shared Use Contract	To account for small cell pole attachments.
6-31	Duct Line Lease	To account for leasing available duct line for fiber cable.
6-32	Emergency Maintenance	Emergency maintenance is minor capital unplanned work that arises daily. These are mainly calls that go through the Control Room, such as pole knockdowns, gas or water leaks, etc.
6-33	JT-Residential Service in S/D	All subdivisions that are fed internally by underground electric primary lines and all subdivisions and apartments that are joint trench (underground electric primary and gas in the same trench).
6-34	JT-Residential S/D	All subdivisions that are fed internally by underground electric primary lines and all subdivisions and apartments that are joint trench (underground electric primary and gas in the same trench).
6-35	JT-Apartments	All subdivisions that are fed internally by underground electric primary lines and all subdivisions and apartments that are joint trench (underground electric primary and gas in the same trench).
6-36	PCI- Dist. Transformers	Purchase, receive, test and stock overhead type transformers for the Overhead Electric Distribution System--inventory levels are closely managed based on growth, new construction, history, voltage conversions and failures.
6-37	Elec Meters	The Electric Meter Area's capital budget for the purchase of electric metering equipment along with installation of revenue metering at the gate stations.
6-38	Contributions in Aid of Construction	Contributions in aid of construction are the donations or contributions of cash, services, or property from states, municipalities, or other governmental agencies, individuals, and others for construction purposes.

General Plant

6-39	Buildings and Structures	Please see Appendix 9-2 through 9-12.
6-40	Security Automation	Please see Appendix 9-13.
6-41	Land Purchase	Please see Appendix 9-1.
6-42	Fleet Capital Power Operated Equipment	Please see Appendix 9-14.
6-43	Transportation Equipment	Please see Appendix 9-15.
6-44	Lab & Test	Please see Appendix 9-17.
6-45	Communication Equipment	Please see Appendix 9-16.
6-46	Communication Towers	Please see Appendix 10-1.
6-47	Telecommunication Network	Please see Appendix 10-2 through 10-7.
6-48	Utility Monitoring	Please see Appendix 10-8.
6-49	Customer Information System (CIS)	No expenditures planned for the 2027 budget year.
6-50	Data Processing Equipment	Please see Appendix 10-9 through 10-21.
6-51	IS/IT Projects	No expenditures planned for the 2027 budget year.
6-52	Contingency Fund	Please see Appendix 10-22.
6-53	Delayed Cost Allocations	These are funds budgeted in the current year for items that may arrive late from the previous year's budget.

NOTES FOR PAGE 7-CAPITAL EXPENDITURES BUDGET

Substation & Transmission Major Projects**Substation**

7-1	Install Substation 29 161/23kV Facilities	Description/Location	Various locations
		Purpose/Necessity	Substation 68 Third 161/23 kV transformer
7-2	Substation Feeder Electromechanical Relay Replacement Program	Description/Location	Various locations
		Purpose/Necessity	Replacement of protective relays to improve system coordination and align with reclosers and ADMS deployment. Protects circuits from overcurrent, ground, faults, phase loss, overload, and other detrimental conditions
7-3	Substation Animal Mitigation Initiative	Description/Location	Replace RTU's various locations
		Purpose/Necessity	Replace failed breakers
7-4	Substation Pavement Project	Description/Location	Substation Pavement Project
		Purpose/Necessity	
7-5	Replace Switches Various Locations	Description/Location	Replace Switches Various Locations
		Purpose/Necessity	
7-6	Sub #61-Install Definite Purpose Capacitor Bank Breakers 61361 & 61371	Description/Location	Sub #61-Install Definite Purpose Capacitor Bank Breakers 61361 & 61371
		Purpose/Necessity	
7-7	Replace reactor Substation 1	Description/Location	Replace reactor Substation 1
		Purpose/Necessity	
7-8	AC Service for Breakers Storage Yard @ Substation 33	Description/Location	AC Service for Breakers Storage Yard @ Substation 33
		Purpose/Necessity	
7-9	Substation Grounding Upgrade Projects - 5G	Description/Location	Substation Grounding Upgrade Projects - 5G
		Purpose/Necessity	
7-10	Replace relays various locations	Description/Location	Replace relays various locations
		Purpose/Necessity	To change out aging infrastructure
7-11	Sub 4 Lighting Enhancement Project	Description/Location	Sub 4 Lighting Enhancement Project
		Purpose/Necessity	To change out aging infrastructure
7-12	Replace batteries various locations	Description/Location	Replace batteries various locations
		Purpose/Necessity	To change out aging infrastructure
7-13	Sub #49-Install Definite Purpose Capacitor Bank Breakers 49363 & 49373	Description/Location	Sub #49-Install Definite Purpose Capacitor Bank Breakers 49363 & 49373
		Purpose/Necessity	
7-14	Install JPAX Nodes to Upgrade JMUX SONET Nodes	Description/Location	Install JPAX Nodes
		Purpose/Necessity	Various locations
7-15	Refurbish Station Service, Transformer Storage AC, Power & Lighting Substation 32	Description/Location	Refurbish Station Service, Transformer Storage AC, Power & Lighting Substation 32
		Purpose/Necessity	Pinch District
7-16	Implement Breaker Fail Scheme @ Distribution Substations	Description/Location	Implement Breaker Fail Scheme @ Distribution Substations
		Purpose/Necessity	To change out aging infrastructure
7-17	Install 5CDC 80MW Customer Substation with Sub 34 & 74 Upgrades	Description/Location	Install 5CDC 80MW Customer Substation with Sub 34 & 74 Upgrades
		Purpose/Necessity	
7-18	Install Phoenix Investors 150MW Customer Substation with Sub 33, 35, 65 and 69 Upgrades	Description/Location	Install Phoenix Investors 150MW Customer Substation with Sub 33, 35, 65 and 69 Upgrades
		Purpose/Necessity	
7-19	Install Transmission Metering Equipment for Transmission Planning Monitoring	Description/Location	Transmission Metering Equipment
		Purpose/Necessity	Transmission Metering Equipment
7-20	Seismic Retrofit of Non-Structural Substation Components	Description/Location	Seismic Retrofit of Non-Structural Substation Components
		Purpose/Necessity	Nonstructural anchorage, bracing or restraints for nonstructural control and metering equipment in substation control and oil buildings and in the electric operations/SCADA building. (2007 Multi-Hazard Risk Assessment)

Substation Transformers

7-21	Replace 161/115 kV transformer bank 32645	Description/Location	Replace 161/115 kV transformer bank 32643
		Purpose/Necessity	Replacement of failed transformers at substations
7-22	Replace 161/12 kV transformer bank 42659 @ Substation 42	Description/Location	Replace 161/12 kV transformer bank 42659 @ Substation 42
		Purpose/Necessity	Replacement of failed transformers at substations
7-23	Replace 161/23 kV transformer bank 74645	Description/Location	Replace 161/23 kV transformer bank 74645
		Purpose/Necessity	Replacement of failed transformers at substations
7-24	Contingency Failed Transformers/Procure Spares	Description/Location	Contingency Failed Transformers/Procure Spares
		Purpose/Necessity	Replacement of failed transformers at substations
7-25	Replace 61/115 kV transformer bank 32643	Description/Location	Replace 61/115 kV transformer bank 32643
		Purpose/Necessity	Replacement of failed transformers at substations

Substation Circuit Breakers

7-26	Replace breakers various locations	Description/Location	Replace breakers various locations
7-27	Contingency Failed Breakers/Procure Spares	Purpose/Necessity	Replace failed breakers

NOTES FOR PAGE 7—CAPITAL EXPENDITURES BUDGET (Continued)

Substation/Transmission Projects

7-28	UAV Transmission Planned Improvement Repairs	Description/Location	UAV Transmission Planned Improvement Repairs
7-29	Misc. projects (OPGW, structure replacements, etc.)	Description/Location	Misc. projects (OPGW, structure replacements, etc.)
7-30	OPGW Sub 2-14	Description/Location	OPGW Sub 2-14
7-31	OPGW 42-23	Description/Location	OPGW 42-23
7-32	OPGW Sub 15	Description/Location	OPGW Sub 15
7-33	UAV Contract #12134	Description/Location	UAV Contract #12134
		Purpose/Necessity	Replace failed breakers

NOTES FOR PAGE 8-CAPITAL EXPENDITURES BUDGET

Transmission - Reimbursable

8-1	Phoenix Investors 150MW Substation Transmission Cut-In with Circuit 33629, 33687 & 69999 Reconductoring	Description/Location	Phoenix Investors 150MW Substation Transmission Cut-In with Circuit 33629, 33687 & 69999 Reconductoring
		Purpose/Necessity	
8-2	5CDC 80MW Substation Transmission Cut-In with Circuit 34699 & 69663 Reconductoring	Description/Location	5CDC 80MW Substation Transmission Cut-In with Circuit 34699 & 69663 Reconductoring
		Purpose/Necessity	
8-3	Transmission Lines	Description/Location	Transmission Lines
		Purpose/Necessity	

Distribution System - Major Projects**Major New Circuit Projects**

8-4	Sub 68 New Ckt Ties	Description/Location	Install multiple circuit ties for station 68 circuits.
		Purpose/Necessity	Reliability and switching flexibility
8-5	Sub 74 New Ckt Ties	Description/Location	Install multiple circuit ties for station 74 circuits.
		Purpose/Necessity	Reliability and switching flexibility
8-6	Sub 84 New Ckt Ties	Description/Location	Install multiple circuit ties for station 84 circuits.
		Purpose/Necessity	Reliability and switching flexibility
8-7	Sub 74 Cabling (3 ckt)	Description/Location	Install multiple circuit ties for station 74 circuits.
		Purpose/Necessity	Reliability and switching flexibility
8-8	Contingency Failed Stepdown transformers/Procure Spares	Description/Location	Contingency Failed Stepdown transformers/Procure Spares
		Purpose/Necessity	Reliability and switching flexibility
8-9	Sub 68 Cabling (3 ckt)	Description/Location	Install multiple circuit ties for station 68 circuits.
		Purpose/Necessity	Reliability and switching flexibility
8-10	Kellogg's Alternate Ckt Upgrade	Description/Location	Kellogg's Alternate Ckt Upgrade
		Purpose/Necessity	Reliability and switching flexibility
8-11	Ckt Ties in Sub 15 & 84 Area	Description/Location	Install multiple circuit ties for station 15 and 84 circuits.
		Purpose/Necessity	Reliability and switching flexibility
8-12	Other New Circuits	Description/Location	Install multiple circuit ties for station circuits.
		Purpose/Necessity	Reliability and switching flexibility
8-13	Sub 83 Cabling (6 ckt)	Description/Location	Install multiple circuit ties for station 83 circuits.
		Purpose/Necessity	Reliability and switching flexibility
8-14	Sub 74 MH/DL	Description/Location	Install multiple circuit ties for station 74 MH/DL
		Purpose/Necessity	Reliability and switching flexibility

Customer Relocate

8-15	Other Relocate at Customer Request Projects	Description/Location	Various Areas
		Purpose/Necessity	Relocating/improving electric facilities in conjunction with the proposed improvements in various areas at customers request.
8-16	Sub 76 Cabling	Description/Location	Various Areas
		Purpose/Necessity	

Street Improvement Projects

8-17	TDOT Street Improvements	Description/Location	TDOT Street Improvements
		Purpose/Necessity	Relocate utilities for proposed street improvement project by TDOT or municipalities
8-18	Lamar Phase 3 Raines to Getwell Road	Description/Location	Lamar Phase 3 Raines to Getwell Road
		Purpose/Necessity	Relocate utilities for proposed street improvement project by TDOT or municipalities
8-19	240 Interchange at Airways Blvd	Description/Location	240 Interchange at Airways Blvd
		Purpose/Necessity	Relocate utilities for proposed street improvement project by TDOT or municipalities
8-20	Lamar Shelby Drive to Raines/Perkins Interchange	Description/Location	Lamar Shelby Drive to Raines/Perkins Interchange
		Purpose/Necessity	Relocate utilities for proposed street improvement project by TDOT or municipalities
8-21	New Canada Rd. (Re-Alignment N of I-40 to US-70)	Description/Location	New Canada Rd. (Re-Alignment N of I-40 to US-70)
		Purpose/Necessity	Relocate utilities for proposed street improvement project by TDOT or municipalities
8-22	Shelby Dr, Shelby Post to Jasper	Description/Location	Shelby Dr, Shelby Post to Jasper
		Purpose/Necessity	Relocate utilities for proposed street improvement project by TDOT or municipalities
8-23	Hacks Cross Rd Stateline to Shelby Dr	Description/Location	Hacks Cross Road Stateline to Shelby Drive
		Purpose/Necessity	Relocate utilities for proposed street improvement project by TDOT or municipalities
8-24	Shelton Rd Bridge Replacement	Description/Location	Shelton Rd Bridge Replacement
		Purpose/Necessity	Relocate utilities for proposed street improvement project by TDOT or municipalities

NOTES FOR PAGE 9—CAPITAL EXPENDITURES BUDGET

General Plant**Purchase Land**

9-1	Purchase of Land	Description/Location	Land purchase or the acquisition of land rights for distribution and transmission line facilities.
		Purpose/Necessity	To accommodate electric facilities, transmission lines, feeder circuits, etc.

Substations

9-2	Substations grout/seal exterior to waterproof	Description/Location	Various Substations
9-3	Substation Windows and Door Replacement	Description/Location	Various Substations
9-4	Replace Roofs - Various Substations	Description/Location	Various Substations

Electrical & Systems Operations

9-5	New ESO Storage Building	Description/Location	Electric Systems Operations
		Purpose/Necessity	
9-6	Radio Tower Bldg: Replace 874 sq ft roof	Description/Location	Electric Systems Operations
		Purpose/Necessity	This project was identified in the Master Roof Plan to be replaced at this time due to increased maintenance, potential leaking, and projected life expectancy.
9-7	ESO Transfer Switches	Description/Location	Electric Systems Operations
		Purpose/Necessity	

Netters Business Operations Center

9-8	Roof Replacement	Description/Location	Netters Business Operations Center
		Purpose/Necessity	This project is to address roof maintenance and extend the life of the building.
9-9	Replace UPS & Emergency Generator	Description/Location	Replace UPS & Emergency Generator
		Purpose/Necessity	
9-10	Replace 7 Air Handlers & Upgrade TRANE Controls	Description/Location	Replace 7 Air Handlers & Upgrade TRANE Controls
		Purpose/Necessity	Netters Business Operations Center

New Buildings

9-11	Fabrication & Repair Shops Construction	Description/Location	Repair Shops
		Purpose/Necessity	Building upgrades
9-12	Expansion Property Site Development	Description/Location	Expansion property north of Choctaw
		Purpose/Necessity	Purchased property (Choctaw); site development which includes fencing, automatic gate, roads and stored items.
9-13	Security Automation	Description/Location	Various Locations
		Purpose/Necessity	Installation and upgrade of security features for various substations.
9-14	Fleet Capital Power Operated Equipment	Description/Location	Division equipment used for work in and around Shelby County.
		Purpose/Necessity	To purchase approved budget items, in order to provide equipment for crews to complete job assignments. Replacements are evaluated based on age, actual operational usage, projected usage, repair cost and frequency, parts availability, and effectiveness to meet areas needs. Additions are evaluated based on justification request and proper approval.
9-15	Transportation Equipment	Description/Location	Division equipment used for work in and around Shelby County.
		Purpose/Necessity	To purchase approved budget items, in order to provide equipment for crews to complete job assignments. Replacements are evaluated based on age, actual operational usage, projected usage, repair cost and frequency, parts availability, and effectiveness to meet areas needs. Additions are evaluated based on justification request and proper approval.
9-16	Communication Equipment	Description/Location	Control Area for Communication Equipment
		Purpose/Necessity	To satisfy the Division needs for Electric Communication Equipment for the Budget. The replacement policy is broken down into the following categories: 1. Lost or Stolen; 2. Damaged Beyond Repair; 3. Not Repairable/No Abuse; 4. Obsolete
9-17	Lab & Test	Description/Location	Control Area for Lab & Test Equipment
		Purpose/Necessity	To satisfy the Division needs for Electric Laboratory Equipment. The replacement policy is broken down into the following categories: 1. Lost or Stolen; 2. Damaged Beyond Repair; 3. Not Repairable/No Abuse; 4. Obsolete

NOTES FOR PAGE 10-CAPITAL EXPENDITURES BUDGET

General Plant (Continued)**Communication Towers**

10-1	Microwave/Mobile Radio	Description/Location	Reconfigure microwave loop for Netters radio tower
		Purpose/Necessity	Installation of Netters radio tower requires reconfiguration of microwave loop

Telecommunication Network

10-2	Distribution Automation Communication	Description/Location	Wireless and fiber infrastructure across Shelby County
		Purpose/Necessity	Upgrading communications infrastructure, wireless and fiber, to provide a reliable and resilient network for operation of Distribution Automation by Electric Operations during electrical service interruptions.
10-3	Smart Meter Gatekeepers/	Description/Location	Memphis and Shelby County
		Purpose/Necessity	Installation of Distribution Automated Switches to improve responsiveness and aid in reducing customer minutes interrupted. Projected to install over 1100 automated distribution switches over a five year period.
10-4	Fiber Optic Cable and Equipment	Description/Location	Install fiber optic cable at various locations.
		Purpose/Necessity	Provide fiber optic communications to specified facilities.
10-5	Fiber Optic Multiplexers	Description/Location	Purchase and install fiber optic end equipment (places light on the optical fibers and
		Purpose/Necessity	Enable communications over proposed fiber optic cable.
10-6	Telecommunication Systems Growth	Description/Location	Telecom systems growth - various locations.
		Purpose/Necessity	Telecom systems growth - various locations. This is to cover unplanned and unforeseen Telecom expenditures that typically occur.
10-7	Voice Network	Description/Location	Replace Administration Building telephone switch
		Purpose/Necessity	Replace obsolete switch; reconfigure voice system to have three "master" switches that provide service to all MLGW facilities instead of separate switches at each location.

Utility Monitoring & Control Systems

10-8	Systems Backup Control & Communication Plan (CO)	Description/Location	SCADA and CARES Systems long-term development
		Purpose/Necessity	Support long-term development of SCADA and CARES systems which involves implementation of backup system, upgrade of SCADA communications systems which includes relocating communication paths from ESO to fiber ring.

Purchase of Data Processing Equipment

10-9	HPE Storage Area Network (SAN) Replacement/Expansion	Description/Location	HPE Storage Area Network (SAN) Replacement/Expansion
		Purpose/Necessity	To replace three (3) 9-year-old Storage Area Network (SAN) arrays at two data centers. These arrays consist of about 1.9 Peta Bytes (PB) of data which host data and virtual server environments.
10-10	Server Blades and Chassis for Computer Systems	Description/Location	Server Blades and Chassis for Computer Systems
		Purpose/Necessity	Houses essential hardware components, such as a central processing unit (CPU), memory, storage, and networking interfaces.
10-11	Control Room IT Infrastructure	Description/Location	Control Room IT Infrastructure
		Purpose/Necessity	Control Room IT Infrastructure
10-12	Artificial Intelligence (AI) Infrastructure	Description/Location	Artificial Intelligence (AI) Infrastructure
		Purpose/Necessity	The implementation of artificial intelligence software with advanced search capabilities is needed to improve decision making by using data mining to quickly convert data to useful information with an augmented digital assistant.
10-13	GIS Utility Network Conversion	Description/Location	GIS Utility Network Conversion
		Purpose/Necessity	GIS Utility Network Conversion
10-14	Field Use Laptop Replacements	Description/Location	Field Use Laptop Replacements
		Purpose/Necessity	Replacement cycle of Crew reporting Toughbooks.
10-15	HRIS Application Enhancements and Automation	Description/Location	HRIS Application Enhancements and Automation
		Purpose/Necessity	HRIS Application Enhancements and Automation
10-16	Network Security Upgrades and Enhancements	Description/Location	Network Security Upgrades and Enhancements
		Purpose/Necessity	Increase network security by replacing or upgrading end-of-line equipment and adding new security equipment.
10-17	Network Hardware Upgrades and Enhancements	Description/Location	Network Hardware Upgrades and Enhancements
		Purpose/Necessity	Network Hardware Upgrades and Enhancements

NOTES FOR PAGE 10—CAPITAL EXPENDITURES BUDGET (Continued)

Purchase of Data Processing Equipment (Continued)

10-18	Flexscan System	Description/Location	Flexscan System
		Purpose/Necessity	Flexscan System
10-19	PC Equipment (Capital)	Description/Location	PC equipment (above \$5,000 unit cost) requested for various reasons
		Purpose/Necessity	PC equipment requested for various reasons including: additional functionality, laptops with docking stations to replace desktop PCs, and laptops needing replacement ahead of schedule due to software requirements.
10-20	Work Center Wireless	Description/Location	Work Center Wireless
		Purpose/Necessity	Work Center Wireless
10-21	Weather Intelligence System	Description/Location	Weather Intelligence System
		Purpose/Necessity	Weather Intelligence System
10-22	Contingency Fund - General Plant	This is an estimated budget amount to cover unforeseen emergency items that may arise in the current year.	

NOTES FOR PAGE 12—INCOME & EXPENSE COMPARISON

Operating Revenue

12-1	Sales Revenue	This account includes projected revenue from the sale of natural gas to the residential, commercial, industrial, and interdepartmental customer classes.
12-2	Revenue Adjustment for Uncollectible	Per Governmental Accounting Standards Board (GASB) 34 requirements, bad debt expense must be shown as a reduction of revenue. This is the amount that will not be collected due to customers inability to pay.
12-3	Non-Sales Revenue	This account includes revenue from forfeited discounts (extra charges for payments received after net due date), plus rent charged for Gas Division property that is used by the Electric and Water Divisions, other miscellaneous revenue (e.g., fees for connecting/disconnecting service), and charges for transporting gas, CNG and LNG within the MLGW system for those industrial

Operating Expense

12-4	Production – LNG Plant	This account includes the cost of expenses incurred in the cost of fuel used in extracting salable products from natural gas and of operation of storage facilities and equipment.
12-5	Purchased Gas	This account includes the cost of natural gas and transportation of this gas to be used for injection into the system for resale.
12-6	Compressed Natural Gas (CNG)	This account includes the cost of compressed natural gas and transportation of this gas to be used for injection into the system for resale.
12-7	Liquefied Natural Gas (LNG)	This account includes the cost of liquefied natural gas and transportation of this gas to be used for injection into the system for resale.
12-8	Industrial Gas	This account includes the cost of industrial gas and transportation of this gas to be used for injection into the system for resale.
12-9	Distribution Expense	This account includes the cost of labor and expenses incurred in the operation of the distribution system. Included are costs incurred in dispatching and controlling the supply and flow of the gas through the distribution system, in operating system mains and services, in operating general distribution measuring and regulating stations, and in removing, resetting, changing, testing, and
12-10	Customer Accounts Expense	This account includes the cost of labor, materials and expenses used in work on customer applications, contracts, orders, credit investigations, billing and accounting, collections and complaints. It also includes meter reading expenses.
12-11	Customer Service and Information Expense	This account includes the cost of labor, materials and expenses incurred in providing instructions or assistance to customers, the object of which is to encourage safe, efficient, and economical use of services, and activities which convey information in utilizing services to protect health and safety, to encourage environmental protection, to use electrical equipment safely and economically
12-12	Sales Expense	This account includes the cost of labor, materials and expenses incurred in promotional, demonstrating and selling activities, advertising designed to promote or retain the use of utility services and miscellaneous sales expense. Included are exhibitions, displays, lectures, engineering and technical advice, advertising in newspapers, periodicals, billboards, radio, etc., postage on direct
12-13	Administrative and General Expense	This account includes the compensation of board members, executives, and other administrative and general employees of the utility not chargeable directly to a particular operating function. It also includes the cost of insurance to protect the utility against physical plant losses, cost of reserve accruals to protect the utility against injuries and damage claims of employees or others, such as liability, property damage, casualty, and employee liability. Employee pensions and benefits including payments to pension funds, life insurance, group medical expenses, payments for accident, sickness, hospital and death benefits, and expenses in connection with educational and wellness activities are also included in this account. In accordance with GASB 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pension, MLGW must recognize all post-employment benefits, such as medical insurance and life insurance, when earned, effective budget year 2007.

Maintenance Expense

12-14	Production Expense	This account includes the cost of labor, materials and expenses incurred in the maintenance of liquefaction equipment, of measuring and regulating equipment, structures, station equipment and other equipment.
12-15	Distribution Expense	This account includes the cost of labor, materials and expenses incurred in the maintenance of distribution facilities, of structures, of distribution mains, of measuring and regulating equipment, of services, and of meters and house regulators.
12-16	Administrative and General Expense	Please see Appendix 12-13.

Other Operating Expense

12-17	Depreciation Expense	The purpose of depreciation is to allocate the original cost of a fixed asset over its estimated useful life. In a utility environment, the annual depreciation rate also takes into account the estimated salvage and cost of removal upon retirement.
12-18	Payment in Lieu of Taxes	Payment in lieu of taxes is the amount paid to the municipalities in which MLGW has plant. The formula for payment in lieu of taxes is based on the Municipal Electric System Tax Equivalent Law of 1987 and the Municipal Gas Equivalent Law which became effective July 1, 1988. The tax formula has two parts -- net investment and revenue. The net investment includes plant in service and held for future use (net of depreciation), construction work in progress and materials inventory. The net investment is multiplied by an assessment ratio, the property tax rates for each governmental body, and an equalization rate set by the State. The revenue part of the formula is 4% of a three year average of operating revenue less gas cost.
12-19	F.I.C.A. Taxes	This represents the 1.45% Medicare portion of Social Security Tax that is required to be paid on all MLGW employees hired after 03-31-1986.
12-20	Amortization of Legacy Meters	This account includes amortization charges related to expenditures on meters.
12-21	Amortization-Right of Use Leases & Subscriptions	Non-cash expense related to amortization charges related to lease and software expenditures.

NOTES FOR PAGE 12—INCOME & EXPENSE COMPARISON (Continued)

Income

12-22	Operating Income	Operating income is equal to operating revenue less total operating expense.
12-23	Other Income	This consists primarily of investment income and property rentals. It does not include any sales of electricity, gas or water.
12-24	Reduction of Plant Recovered through CIAC	Contributions in aid of construction are the donations or contributions of cash, services, or property from states, municipalities, or other governmental agencies, individuals, and others for construction purposes.

Debt Expense

12-25	Interest Expense -Long Term Debt	Bond interest payments due 06-01 and 12-01 per the bond debt schedules are funded in equal monthly installments.
12-26	Amortization of Debt Discount & Expense	This represents the spreading of bond issuance costs over the life span of the bond series rather than recognizing such costs all at the time of sale.
12-27	Contributions in Aid of Construction	Contributions in aid of construction are the donations or contributions of cash, services, or property from states, municipalities, or other governmental agencies, individuals, and others for construction purposes.

NOTES FOR PAGE 13—SOURCES AND APPLICATION OF FUNDS

Source of Funds

13-1	Change in Net Position	Please see Budget page 4.
13-2	Depreciation Charged to Operating Income	Please see Appendix 4-14.
13-3	Depreciation Charged to Other Accounts	Depreciation charged to other accounts is the annual depreciation for transportation and power operated equipment. Depreciation on these plant items is charged to a clearing account and used in the equipment rate calculations.
13-4	Amortization of Legacy Meters	Non-cash expense related to employee pension expenses above or below actual funding due to change in accounting principles.
13-5	Amortization-Right of Use Leases & Subscriptions	Non-cash expense related to amortization charges related to lease and software expenditures.
13-6	Salvage	Salvage is the amount received for property retired from plant in service. The property may be sold for scrap or returned to stores inventory for reuse.
13-7	2027 Bond Proceeds	

Applications of Funds

13-8	Capital Expenditures	Please see Budget page 13.
13-9	Costs of Removal and Other Charges to the Reserve for Depreciation	Cost of removal is the cost associated with demolishing, dismantling, tearing down or otherwise removing utility plant, including the cost of transportation and labor.
13-10	Retirement of Long-Term Debt	Bond principal amounts due 12-01 per the bond debt schedules are funded in equal monthly installments during 2027.

NOTES FOR PAGE 14—CAPITAL EXPENDITURES BUDGET

Production System

14-1	LNG Processing Facilities	LNG Processing Facilities- Purchase and installation of regeneration heating equipment, replacement of existing 20 year old equipment.
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Distribution System

14-2	Apartments	This budget category provides for the expenses incurred by the Gas Division for developer requests for gas facilities located in a subdivision.
14-3	Residential Service in S/D	This budget category provides for the expenses incurred by the Gas Division for customer requests for service located in a subdivision.
14-4	Residential Service Not in S/D	This budget category provides for the expenses incurred by the Gas Division for customer requests for service not located in a subdivision.
14-5	Residential S/D	This budget category provides for the expenses incurred by the Gas Division for developer requests for gas facilities located in a subdivision.
		Construction in minor work that arises daily. These are mainly calls that go through the Control Room, to include pole knockdowns, gas, and water leaks, etc.
14-6	Land Purchase	This budget category provides for the purchase of land rights that will be needed for Capital Budget Projects.
14-7	General Power Service	This budget category provides for the expenses incurred by the Gas Division for customer requests for new General Power Service.
14-8	General Power S/D	This budget category provides for the expenses incurred by the Gas Division for customer requests for new General Power Service located in a subdivision.
14-9	Multiple-Unit General Power	This budget category provides for the expenses incurred by the Gas Division for customer requests for multiple units of new General Power Service by the same customer and general location.
14-10	Relocate At Customer Request	This budget category provides for the expenses incurred by the Gas Division for customer requests to relocate existing gas facilities.
14-11	Purchase of Meters	This budget category provides for the expenses incurred from buying new gas meters and reconditioning existing gas meters.
14-12	Street Improvements	This budget category provides for the expenses incurred when City, State and Federal Street Improvements dictate that facilities must be relocated. Please see Appendix 15-2 through 15-19.
14-13	New Gas Main	This budget category provides for the expenses incurred for the installation of miscellaneous new gas mains and facilities.
14-14	Gas Main/Service Reply (D.O.T.)	This budget category provides for replacement of steel taps and associated services, if needed, that have a history of leaking. This is a program initiated by DIMP findings.
14-15	Planned Maintenance	Construction in minor work that arises daily. These are mainly calls that go through the Control Room, to include pole knockdowns, gas, and water leaks, etc.
14-16	Transmission Pipelines and Facilities	This budget category provides for the expenses incurred for maintenance of cased gas transmission crossings required by regulatory changes, minor repair of transmission pipelines from scheduled inspections, and minor transmission improvements.
14-17	Regulator Stations	This budget line item provides for the expenses incurred from upgrading obsolete regulator station equipment. The DOT Code mandates that regulators must be maintained to operate within the design parameters of the gas distribution system.
14-18	Gate Stations	This budget line item provides for the expenses related to gas piping systems that are discovered to be unsafe due to corrosion defects, aged facilities, third party damages, or necessary relocations due to erosion problems for transmission as well as distribution.
14-19	JT-Residential Service in S/D	This budget category provides for the expenses incurred by the Gas Division for customer requests for gas facilities in a joint trench subdivision.
14-20	JT-Residential S/D	This budget category provides for the expenses incurred by the Gas Division for developer requests for gas facilities in a joint trench subdivision.
14-21	JT-Apartments	This budget category provides for the expenses incurred by the Gas Division for developer requests for gas facilities in a joint trench apartment development.
14-22	Emergency Maintenance	This budget line item provides for emergency repair work when leaks and cut facilities require immediate repair.
14-23	Demolition	The budget includes demolition work.
14-24	Contributions in Aid of Construction	This budget line item provides for the payment that was predicted to be received from the developer and/or customer for the requested gas facilities to serve their development, businesses and/or new homes.

NOTES FOR PAGE 14—CAPITAL EXPENDITURES BUDGET (Continued)

General Plant

14-25	Buildings and Structures	Please see Appendix 16-3 through 17-15
14-26	Security Automation	Please see Appendix 17-16.
14-27	Audiovisual	Please see Appendix 17-17.
14-28	Fleet Capital Common Power Operated Equip	Please see Appendix 17-19.
14-29	Fleet Capital Common Transportation Equip	Please see Appendix 17-20.
14-30	Fleet Gas Power Operated Equipment	Please see Appendix 17-21.
14-31	Fleet Gas Transportation Equipment	Please see Appendix 17-22.
14-32	Automated Fueling Structure	No expenditures planned for the 2027 budget year.
14-33	Tools & Equipment	No expenditures planned for the 2027 budget year.
14-34	Common Tools & Equipment	Please see Appendix 17-18.
14-35	Community Office Kiosks	Please see Appendix 17-23.
14-36	Contingency Funds	Please see Appendix 17-24.
14-37	Delayed Cost Allocations	These are funds budgeted in the current year for items that may arrive late from the previous year's budget.

NOTES FOR PAGE 15—CAPITAL EXPENDITURES BUDGET

Production System

15-1	LNG Processing Facilities	Description/Location	Projects related to Capital Maintenance of the Capleville Liquefied Natural Gas Facility.
		Purpose/Necessity	Projects related to Capital Maintenance of the Capleville Liquefied Natural Gas Facility.

Distribution System- Major Projects

Street Improvements

15-2	SP 03/08, SR-4/US-78/Lamar, from Perkins to Getwel	Description/Location	Lamar, from Perkins to Getwel
		Purpose/Necessity	Expenses incurred when City, State and Federal Street Improvements dictate that facilities must be relocated for the drainage, elevation changes and/or new sewer facilities.
15-3	CP 04/38, Holmes Rd, Malone Rd To Lamar Ave	Description/Location	Holmes Rd, Malone Rd to Lamar Ave
		Purpose/Necessity	Expenses incurred when City, State and Federal Street Improvements dictate that facilities must be relocated for the drainage, elevation changes and/or new sewer facilities.
15-4	LL 09/02 Canada Rd, Re-Alignment	Description/Location	Canada Rd, Re-Alignment
		Purpose/Necessity	Expenses incurred when City, State and Federal Street Improvements dictate that facilities must be relocated for the drainage, elevation changes and/or new sewer facilities.
15-5	SC 19/02, Hacks Cross Rd, Stateline - Shelby Dr	Description/Location	Hacks Cross Rd, Stateline - Shelby Dr
		Purpose/Necessity	Expenses incurred when City, State and Federal Street Improvements dictate that facilities must be relocated for the drainage, elevation changes and/or new sewer facilities.
15-6	SR-14, from SR-385 to Kerrville/Rosemark Road.	Description/Location	SR-385 to Kerrville/Rosemark Road.
		Purpose/Necessity	Expenses incurred when City, State and Federal Street Improvements dictate that facilities must be relocated for the drainage, elevation changes and/or new sewer facilities.
15-7	SP 97/09, SR-1/Summer Ave, from Macon Rd To Elmore Rd	Description/Location	Summer Ave, from Macon Rd To Elmore Rd
		Purpose/Necessity	Expenses incurred when City, State and Federal Street Improvements dictate that facilities must be relocated for the drainage, elevation changes and/or new sewer facilities.
15-8	CP 16/16 Elvis Presley Middle Seg	Description/Location	Elvis Presley Middle Seg
		Purpose/Necessity	Expenses incurred when City, State and Federal Street Improvements dictate that facilities must be relocated for the drainage, elevation changes and/or new sewer facilities.
15-9	SP 03/10, SR-4/US-78 from Shelby Dr - Raines/Perkins	Description/Location	US-78 from Shelby Dr - Raines/Perkins
		Purpose/Necessity	Expenses incurred when City, State and Federal Street Improvements dictate that facilities must be relocated for the drainage, elevation changes and/or new sewer facilities.
15-10	SC 15/01 Walnut Grove, Rocky Point - Houston Levee	Description/Location	Walnut Grove, Rocky Point - Houston Levee
		Purpose/Necessity	Expenses incurred when City, State and Federal Street Improvements dictate that facilities must be relocated for the drainage, elevation changes and/or new sewer facilities.
15-11	CP 23/24, Holmes Rd, Phase 2/East, Horn Lake to Tulane	Description/Location	Holmes Rd, Phase 2/East, Horn Lake to Tulane
		Purpose/Necessity	Expenses incurred when City, State and Federal Street Improvements dictate that facilities must be relocated for the drainage, elevation changes and/or new sewer facilities.
15-12	CV 22/06, Walnut St - Drainage, WO1712320	Description/Location	Walnut St - Drainage, WO1712320
		Purpose/Necessity	Expenses incurred when City, State and Federal Street Improvements dictate that facilities must be relocated for the drainage, elevation changes and/or new sewer facilities.
15-13	CV 23/01, Burrow Rd, WO1341542	Description/Location	Burrow Rd, WO1341542
		Purpose/Necessity	Expenses incurred when City, State and Federal Street Improvements dictate that facilities must be relocated for the drainage, elevation changes and/or new sewer facilities.

NOTES FOR PAGE 15—CAPITAL EXPENDITURES BUDGET (Continued)

Street Improvements

15-14	CP 18/09 Bethel Grove Sewer Ext	Description/Location	Bethel Grove Sewer Ext
		Purpose/Necessity	Expenses incurred when City, State and Federal Street Improvements dictate that facilities must be relocated for the drainage, elevation changes and/or new sewer facilities.
15-15	CV 22/04, Shelby Dr, Shelby Post to Jasper	Description/Location	Shelby Dr, Shelby Post to Jasper
		Purpose/Necessity	Expenses incurred when City, State and Federal Street Improvements dictate that facilities must be relocated for the drainage, elevation changes and/or new sewer facilities.
15-16	SC 17/02, Mudville Road Bridge, over Big Creek	Description/Location	Mudville Road Bridge, over Big Creek
		Purpose/Necessity	Expenses incurred when City, State and Federal Street Improvements dictate that facilities must be relocated for the drainage, elevation changes and/or new sewer facilities.
15-17	CP 21/09, Bartlett Rd Bridge over Fletcher Creek	Description/Location	Bartlett Rd Bridge over Fletcher Creek
		Purpose/Necessity	Expenses incurred when City, State and Federal Street Improvements dictate that facilities must be relocated for the drainage, elevation changes and/or new sewer facilities.
15-18	SC 18/02, Houston Levee Road, Wolf River to Walnut Grove	Description/Location	Houston Levee Road, Wolf River to Walnut Grove
		Purpose/Necessity	Expenses incurred when City, State and Federal Street Improvements dictate that facilities must be relocated for the drainage, elevation changes and/or new sewer facilities.
15-19	GT 21/03, Poplar Culverts Replacement, Phase V	Description/Location	Poplar Culverts Replacement, Phase V
		Purpose/Necessity	Expenses incurred when City, State and Federal Street Improvements dictate that facilities must be relocated for the drainage, elevation changes and/or new sewer facilities.
15-20	CV 24/06, Shelton Rd Bridge Replacement	Description/Location	Shelton Rd Bridge Replacement
		Purpose/Necessity	Expenses incurred when City, State and Federal Street Improvements dictate that facilities must be relocated for the drainage, elevation changes and/or new sewer facilities.
15-21	CP 20/05, Mickey to Millbranch - Drainage	Description/Location	Mickey to Millbranch - Drainage
		Purpose/Necessity	Expenses incurred when City, State and Federal Street Improvements dictate that facilities must be relocated for the drainage, elevation changes and/or new sewer facilities.

New Gas Main

15-22	System Improvement Projections	Description/Location	System Improvement Projections
		Purpose/Necessity	Expenses incurred when City, State and Federal Street Improvements dictate that facilities must be relocated for the drainage, elevation changes and/or new sewer facilities.

Gas Main/Service Reply (D.O.T.)

15-23	Steel Tap Rep Replacement	Description/Location	Location(s) vary due to system prioritization needs and City paving schedules.
		Purpose/Necessity	This budget category provides for replacement of steel couplings on steel service taps that requires excessive maintenance and has a history of leaking.
15-24	Distribution Integrity Management Program (DIMP)	Description/Location	Locations vary due to system needs.
		Purpose/Necessity	Planned work to address risks to the distribution system, undocumented mains.
15-25	Unplanned Distribution Work	Description/Location	Locations vary due to system needs.
		Purpose/Necessity	This budget category provides for the expenses incurred from replacing steel services, valves or mains with new PE services, valves and mains due to a CP issue that must be addressed in that calendar year.
15-26	Corrosion Control	Description/Location	Locations vary due to system needs.
		Purpose/Necessity	This budget category provides for the expenses incurred from replacing steel services, valves or mains with new PE services, valves and mains due to a CP issue that must be addressed in that calendar year.

NOTES FOR PAGE 15—CAPITAL EXPENDITURES BUDGET (Continued)

Transmission Pipelines and Facilities

15-27	Valero XXHP Meter Station Valves	Description/Location	Valero XXHP Meter Station Valves
		Purpose/Necessity	Pressure tests and other work on transmission piping required by PHMSA to confirm MAOP, Replace sections of transmission pipeline in MCA, Install pig launchers and receivers.
15-28	TIMP Initiative	Description/Location	TIMP Initiative
		Purpose/Necessity	Pressure tests and other work on transmission piping required by PHMSA to confirm MAOP, Replace sections of transmission pipeline in MCA, Install pig launchers and receivers.
15-29	Unplanned Transmission Work	Description/Location	Various locations
		Purpose/Necessity	Pressure tests and other work on transmission piping required by PHMSA to confirm MAOP, Replace sections of transmission pipeline in MCA, Install pig launchers and receivers.

NOTES FOR PAGE 16—CAPITAL EXPENDITURES BUDGET

Regulator Stations

16-1	Regulator Station Replacement	Description/Location	Regulator station replacement
		Purpose/Necessity	Regulator stations are used to reduce the pressure of the gas to the appropriate operating pressure for each system

Gate Stations

16-2	Gate Station Work	Description/Location	Gate Station Work
		Purpose/Necessity	Regulator stations are used to reduce the pressure of the gas to the appropriate operating pressure for each system

General Plant

Buildings and Structures

South Service Center

16-3	Paving Upgrade - Employee Parking Lot	Description/Location	South Service Center
		Purpose/Necessity	This project was identified in the Master Plan. All asphalt drives, parking areas are in very bad shape. Also, there is a need to pave areas for safe movement of material.
16-4	Renovation	Description/Location	South Service Center
		Purpose/Necessity	Renovation
16-5	Replace Storage/Truck Canopy Roofs	Description/Location	South Service Center
		Purpose/Necessity	This project is for roof improvements.

North Service Center

16-6	Generator/Transfer Switch Replacement	Description/Location	North Service Center
		Purpose/Necessity	Generator/Transfer Switch Replacement
16-7	Building #3: (Re-cover 30,650 square foot roof)	Description/Location	North Service Center
		Purpose/Necessity	This project is for roof replacement.
16-8	Building #5: (Re-cover 24,764 square foot roof)	Description/Location	North Service Center
		Purpose/Necessity	This project is for roof improvements.
16-9	Building #8: Replace Chiller	Description/Location	North Service Center
		Purpose/Necessity	Replace Chiller
16-10	AC Installation Building #6	Description/Location	North Service Center
		Purpose/Necessity	This project is for replacing three HVAC package units.
16-11	Building #6: Roof Replacement 23,684 square feet	Description/Location	North Service Center
		Purpose/Necessity	This project is for roof improvements.

Buildings and Structures (continued)

HICKORY HILL SERVICE CENTER

16-12	Paving Upgrade - Phase 2 - Employee Parking Lot	Description/Location	HICKORY HILL SERVICE CENTER
		Purpose/Necessity	This project was identified in the Master Plan. All asphalt drives, parking areas are in very bad shape. Also, there is a need to pave areas for safe movement of material.

NOTES FOR PAGE 17—CAPITAL EXPENDITURES BUDGET

WHITEHAVEN COMMUNITY OFFICE

17-1	Roof Replacement	Description/Location	WHITEHAVEN
		Purpose/Necessity	Roof Replacement

ADMINISTRATION BUILDING

17-2	Administration Building Upgrades & renovations	Description/Location	Administration Building
		Purpose/Necessity	Upgrades & renovations
17-3	6 air handler w/ Controls upgrade	Description/Location	Administration Building
		Purpose/Necessity	6 air handler w/ Controls upgrade
17-4	Upgrade VAV Boxes to DDC	Description/Location	Administration Building
		Purpose/Necessity	Upgrade VAV Boxes to DDC
17-5	Trane Chiller Renewal Service Program (Chiller #1 & #2)	Description/Location	Administration Building
		Purpose/Necessity	Trane Chiller Renewal Service Program (Chiller #1 & #2)

CHOCTAW

17-6	Roof Replacement	Description/Location	CHOCTAW
		Purpose/Necessity	Roof Replacement

LNG CAPLEVILLE

17-7	Boiler Catwalk and Platforms	Description/Location	LNG CAPLEVILLE
		Purpose/Necessity	Boiler Catwalk and Platforms
17-8	LNG Design for Septic Tank	Description/Location	LNG CAPLEVILLE
		Purpose/Necessity	LNG Design for Septic Tank

NEW BUILDINGS

17-9	Engineering & Operations Building	Description/Location	New Building
		Purpose/Necessity	This project is for a new Building
17-10	Control upgrades (HVAC & Generators)	Description/Location	New Building
		Purpose/Necessity	Control upgrades (HVAC & Generators)
17-11	Goodlett Farms Pkwy Transfer Switchgear (section B & C)	Description/Location	New Building
		Purpose/Necessity	Goodlett Farms Pkwy Transfer Switchgear (section B & C in Varying years)
17-12	Goodlett Farms Pkwy Watercoll Chillers Rebuild	Description/Location	New Building
		Purpose/Necessity	Goodlett Farms Pkwy Watercoll chillers rebuild
17-13	Goodlett Farms Pkwy Roofing	Description/Location	New Building
		Purpose/Necessity	Goodlett Farms Pkwy Roofing
17-14	Pond & Storm Channel Restoration	Description/Location	New Building
		Purpose/Necessity	Pond & Storm channel Restoration
17-15	Goodlett Farms Pkwy Aircool Backup	Description/Location	New Building
		Purpose/Necessity	Goodlett Farms Pkwy Aircool backup

NOTES FOR PAGE 17–CAPITAL EXPENDITURES BUDGET (Continued)

GENERAL PLANT

17-16	Security Automation	Description/Location	Division security automation equipment used for work in and around Shelby County.
		Purpose/Necessity	Security Automation
17-17	Audiovisual	Description/Location	Division audiovisual equipment used for work in and around Shelby County.
		Purpose/Necessity	To purchase approved budget items, in order to provide equipment for employees to complete job assignments. Tools are considered replacements for the following reasons: i. Damaged beyond repair; ii. Worn from time/age/use, cost does not justify repair; iii. Lost/Stolen report submitted in a timely manner; iv. No longer suited for work being done, replace with a new model; v. Safety hazard; vi. Repair cost is at or above 50% of cost of new tool; vii. High occurrence of maintenance that creates excessive downtime.
17-18	TOOLS & EQUIPMENT COMMON	Description/Location	Division tools/equipment common used for work in and around Shelby County.
		Purpose/Necessity	To purchase approved budget items, in order to provide equipment for employees to complete job assignments. Tools are considered replacements for the following reasons: i. Damaged beyond repair; ii. Worn from time/age/use, cost does not justify repair; iii. Lost/Stolen report submitted in a timely manner; iv. No longer suited for work being done, replace with a new model; v. Safety hazard; vi. Repair cost is at or above 50% of cost of new tool; vii. High occurrence of maintenance that creates excessive down time.
17-19	Fleet Capital Common Power Operated Equipment	Description/Location	Division vehicles/equipment used for work in and around Shelby County.
		Purpose/Necessity	To purchase approved budget items, in order to provide equipment for employees to complete job assignments. Tools are considered replacements for the following reasons: i. Damaged beyond repair; ii. Worn from time/age/use, cost does not justify repair; iii. Lost/Stolen report submitted in a timely manner; iv. No longer suited for work being done, replace with a new model; v. Safety hazard; vi. Repair cost is at or above 50% of cost of new tool; vii. High occurrence of maintenance that creates excessive downtime.
17-20	Fleet Capital Common Transportation Equipment	Description/Location	Division vehicles/equipment used for work in and around Shelby County.
		Purpose/Necessity	To purchase approved budget items, in order to provide equipment for employees to complete job assignments. Tools are considered replacements for the following reasons: i. Damaged beyond repair; ii. Worn from time/age/use, cost does not justify repair; iii. Lost/Stolen report submitted in a timely manner; iv. No longer suited for work being done, replace with a new model; v. Safety hazard; vi. Repair cost is at or above 50% of cost of new tool; vii. High occurrence of maintenance that creates excessive downtime.
17-21	Fleet Gas Power Operated Equipment	Description/Location	Division vehicles/equipment used for work in and around Shelby County.
		Purpose/Necessity	To purchase approved budget items, in order to provide equipment for employees to complete job assignments. Tools are considered replacements for the following reasons: i. Damaged beyond repair; ii. Worn from time/age/use, cost does not justify repair; iii. Lost/Stolen report submitted in a timely manner; iv. No longer suited for work being done, replace with a new model; v. Safety hazard; vi. Repair cost is at or above 50% of cost of new tool; vii. High occurrence of maintenance that creates excessive downtime.
17-22	Fleet Gas Transportation Equipment	Description/Location	Division vehicles/equipment used for work in and around Shelby County.
		Purpose/Necessity	To purchase approved budget items, in order to provide equipment for employees to complete job assignments. Tools are considered replacements for the following reasons: i. Damaged beyond repair; ii. Worn from time/age/use, cost does not justify repair; iii. Lost/Stolen report submitted in a timely manner; iv. No longer suited for work being done, replace with a new model; v. Safety hazard; vi. Repair cost is at or above 50% of cost of new tool; vii. High occurrence of maintenance that creates excessive downtime.
17-23	Community Office Kiosks	Description/Location	Community Office Kiosks for customer payment services.
		Purpose/Necessity	To provide secure, user friendly, and accessible payment solution available 24 hours a day.
17-24	Contingency Fund - General Plant	This is an estimated budget amount to cover unforeseen emergency items that may arise in the current year.	

WATER DIVISION

NOTES FOR PAGE 19—INCOME & EXPENSE COMPARISON

Operating Revenue

19-1	Sales Revenue	This account includes projected revenue from the sale of water to the residential, commercial, resale, and interdepartmental customer classes, as well as revenue from fire protection services.
19-2	Revenue Adjustment for Uncollectible	Per Governmental Accounting Standards Board (Water) 34 requirements, bad debt expense must be shown as a reduction of revenue. This is the amount that will not be collected due to customers inability to pay.
19-3	Non-Sales Revenue	This account includes revenue from forfeited discounts (charges for payments received after net due date), plus rent charged for Water Division property that is used by the Electric and Water Divisions, and other miscellaneous revenue (e.g., fees for connecting/disconnecting service).

Operating Expense

19-4	Production Expense	This account includes the cost of labor and expenses incurred in the general supervision and operation of the water source of supply facilities, the power production and pumping facilities, and the water treatment expenses. Also included is the fuel used in the production of power to operate the pumps, all chemicals used in the treatment of water and miscellaneous expenses including general clerical labor, building services, general operating supplies and care of grounds.
19-5	Distribution Expense	This account includes the cost of labor and expenses incurred in the operation of distribution reservoirs and tanks, meter expenses, customer installation expenses and miscellaneous expenses including preparing maps and prints, general clerical support, operating records, service interruption, trouble records, and other miscellaneous labor.
19-6	Customer Accounts Expense	This account includes the cost of labor and expenses incurred in the reading of customer meters, in customer applications, orders, contracts, credit investigations, billing and accounting, collections and complaints.
19-7	Customer Service and Information Expense	This account includes the cost of labor and expenses incurred in customer service and informational activities, the purpose of which is to encourage safe and efficient use of the utility's services, to promote the conservation of the utility's services and to assist customers in answering specific inquiries as to the proper and economic use of the utility's services.
19-8	Sales Expense	This account includes the cost of labor, materials and expenses incurred in promotional, demonstrating and selling activities, advertising designed to promote or retain the use of utility services and miscellaneous sales expense. Included are exhibitions, displays, lectures, engineering and technical advice, advertising in newspapers, periodicals, billboards, radio, etc., postage on direct mail advertising, printing booklets, bulletins, etc.
19-9	Administrative and General Expense	This account includes the compensation of board members, executives, and other administrative and general employees of the utility not chargeable directly to a particular operating function. It also includes the cost of insurance to protect the utility against physical plant losses, cost of reserve accruals to protect the utility against injuries and damage claims of employees or others, such as liability, property damage, casualty, and employee liability. Employee pensions and benefits including payments to pension funds, life insurance, group medical expenses, payments for accident, sickness, hospital and death benefits, and expenses in connection with educational and wellness activities are also included in this account. In accordance with Water 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pension, MLGW must recognize all postemployment benefits, such as medical insurance and life insurance, when earned, effective budget year 2007.

Maintenance Expense

19-10	Production Expense	This account includes the labor and expenses incurred in the maintenance of structures and improvements, collecting and impounding reservoirs, maintenance of wells, the maintenance of observation wells, the maintenance of structures and improvements used in connection with pumping, maintenance of power production equipment used directly in pumping operations, the maintenance of pumping equipment, maintenance of structures and improvements to the water treatment plant, and water treatment plant equipment.
19-11	Distribution Expense	This account includes the labor and expenses incurred in the maintenance of the distribution system including structures and improvements, mains, services, meters, meter testing equipment, fire hydrants, and miscellaneous plant.
19-12	Administrative & General Expense	Please see Appendix 19-9.

NOTES FOR PAGE 19—INCOME & EXPENSE COMPARISON (Continued)

Other Operating Expense

19-13	Depreciation Expense	The purpose of depreciation is to allocate the original cost of a fixed asset over its estimated useful life. In a utility environment, the annual depreciation rate also takes into account the estimated salvage and cost of removal upon retirement.
19-14	Payment In Lieu of Taxes	MLGW and the City of Memphis have agreed on a P.I.L.O.T. in the amount of \$2,500,000 to be made on an annual basis to the City from the revenues of the Water Division through fiscal years 2028.
19-15	F.I.C.A. Taxes	This represents the 1.45% Medicare portion of Social Security Tax that is required to be paid on all MLGW employees hired after 03-31-1986.
19-16	Amortization of Legacy Meters	This account includes amortization charges related to expenditures on meters.
19-17	Amortization-Right of Use Leases & Subscriptions	This account includes amortization charges related to expenditures on leases and software.

Income

19-18	Operating Income	Operating income is equal to operating revenue less total operating expense.
19-19	Other Income	This consists primarily of interest and investment income. It does not include any sales of electricity, gas or water.
19-20	Reduction of Plant Recovered through CIAC	Contributions-in-aid-of-construction are the donations or contributions of cash, services, or property from states, municipalities, or other governmental agencies, individuals, and others for construction purposes.

Debt Expense

19-21	Interest Expense – Existing Long-Term Debt	Bond interest payments due 06-01- and 12-01 per the bond debt schedules are funded in equal monthly installments.
19-22	Amortization of Debt Discount & Expense	This represents the spreading of bond issuance costs over the life span of the bond series rather than recognizing such costs all at the time of sale.
19-23	Contributions in Aid of Construction	Contributions in aid of construction are the donations or contributions of cash, services, or property from states, municipalities, or other governmental agencies, individuals, and others for construction purposes.

NOTES FOR PAGE 20—INCOME & EXPENSE COMPARISON

Source of Funds

20-1	Change in Net Position	Please see page 19.
20-2	Depreciation Charged to Operating Income	Please see page 19-13.
20-3	Depreciation Charged to Other Accounts	Depreciation charged to other accounts is the annual depreciation for transportation and power operated equipment. Depreciation on these plant items is charged to a clearing account and used in the equipment rate calculations.
20-4	Amortization of Legacy Meters	Non-cash expense related to employee pension expenses related to meter expenditures.
20-5	Amortization of Leases	This account includes non-cash amortization charges related to expenditures on leases.
20-6	Salvage	Salvage is the amount received for property retired from plant in service. The property may be sold for scrap or returned to stores inventory for reuse.
20-7	2027 Bond Proceeds	

Application of Funds

20-8	Capital Expenditures	Please see page 21.
20-9	Costs of Removal and Other Charges to the Reserve for Depreciation	Cost of removal is the cost associated with demolishing, dismantling, tearing down or otherwise removing utility plant, including the cost of transportation and labor.
20-10	Retirement of Long-Term Debt	Bond principal amounts due 12-01 per the bond debt schedules are funded in equal monthly installments during.

WATER DIVISION

NOTES FOR PAGE 21—CAPITAL EXPENDITURES BUDGET

Production System

21-1	Pumping Stations	Please see Appendix 22-1 through 23-6.
21-2	Underground Storage Reservoirs	Please see Appendix 23-7
21-3	Production Wells	Please see Appendix 23-8 through 23-13
21-4	Land Purchase	Please see Appendix 23-15.
21-5	Operations Maintenance	Please see Appendix 23-14.
21-6	Contingency Fund - Production	Please see Appendix 24-9.
21-7	Buildings and Structures - Production System	Please see Appendix 24-1 through 24-8, 25-13
21-8	Contributions in Aid of Construction	Contributions in aid of construction are the donations or contributions of cash, services, or property from states, municipalities, or other governmental agencies, individuals, and others for construction purposes.

Distribution System

21-9	Residential Service in S/D	This budget category provides for the expenses incurred by the Water Division for customer requests for service located in a subdivision.
21-10	Residential Service not in S/D	This budget category provides for the expenses incurred by the Water Division for customer requests for service not located in a subdivision.
21-11	Residential S/D	This budget category provides for the expenses incurred by the Water Division for developer requests for Water facilities located in a subdivision.
21-12	Apartments	This budget category provides for the expenses incurred by the Water Division for developer requests for Water facilities for new apartment developments.
21-13	General Power Service	This budget category provides for the expenses incurred by the Water Division for customer requests for new General Power Service.
21-14	Relocate At Customer Request	This budget category provides for the expenses incurred to relocate at the customer's request.
21-15	Street Improvements	This budget category provides for the expenses incurred when City, State and Federal Street Improvements dictate that facilities must be relocated. Please see Appendix 25-7 through 25-11.
21-16	New Water Main	This budget category provides for the expenses incurred for the installation of miscellaneous new water mains and facilities.
21-17	Lead Service Replacement	Replace lead services with copper at known locations throughout Shelby County.
21-18	Multiple -Unit Gen Power	No expenditures planned for the 2027 budget year.
21-19	Storm Restoration	No expenditures planned for the 2027 budget year.
21-20	Purchase of Meters	The number of meters purchased is based on projections for the coming year. These meters include meters that will be paid for by customer contributions relating to new residential and commercial development and replacement of existing meters.
21-21	Planned Maintenance	Construction in minor work that arises daily. These are mainly calls that go through the Control Room, to include pole knockdowns, gas, and water leaks, etc.
21-22	Booster Stations	This budget category is used to boost constant supply.
21-23	Emergency Maintenance	This budget line item provides for emergency repair work when leaks and cut facilities require immediate repair.
21-24	Contributions in Aid of Construction	Contributions in aid of construction are the donations or contributions of cash, services, or property from states, municipalities, or other governmental agencies, individuals, and others for construction purposes.

General Plant

21-25	Buildings and Structures	Please see Appendix 24-1 through 24-8, 25-13.
21-26	Security Automation	Please see Appendix 25-14.
21-27	Tools & Equipment	No expenditures planned for the 2027 budget year.
21-28	Fleet Capital Power Operated Equip	Please see Appendix 25-15.
21-29	Fleet Capital Water Transportation Equip	Please see Appendix 25-16.
21-30	Miscellaneous Request (Simulator)	No expenditures planned for the 2027 budget year.
21-31	Contingency Fund	This is an estimated budget amount to cover unforeseen emergency items that may arise in the current year. See Appendix 25-17.
21-32	Delayed Cost Allocations	These are funds budgeted in the current year for items that may arrive late from the previous year's budget.

NOTES FOR PAGE 22—CAPITAL EXPENDITURES BUDGET

Production System

Pumping Stations

Allen Pumping Station

22-1	Station Rehabilitation (New Allen)	Description/Location	The purchase and installation of replacement valves, piping, hardware, meters, actuators, etc., Rehabilitation of concrete structural components.
		Purpose/Necessity	

Davis Pumping Station

22-2	Station Rehabilitation	Description/Location	The purchase and installation of replacement valves, piping, hardware, meters, actuators, etc., Rehabilitation of concrete structural components.
		Purpose/Necessity	The existing infrastructure can no longer be operated safely or reliably.
22-3	Medium Voltage Breaker & Switchgear Replacements	Description/Location	
		Purpose/Necessity	

Lichterman Pumping Station

22-4	Station Rehabilitation (CO)	Description/Location	The purchase and installation of replacement valves, piping, hardware, meters, actuators, etc., Rehabilitation of concrete structural components.
		Purpose/Necessity	The existing infrastructure can no longer be operated safely or reliably.

LNG Pumping Station

22-5	Station Rehabilitation	Description/Location	The purchase and installation of replacement valves, piping, hardware, meters, actuators, etc., Rehabilitation of concrete structural components.
		Purpose/Necessity	The existing infrastructure can no longer be operated safely or reliably.

Mallory Pumping Station

22-6	Generator Upgrades	Description/Location	Generator Upgrades
		Purpose/Necessity	
22-7	Station Rehabilitation	Description/Location	The purchase and installation of replacement valves, piping, hardware, meters, actuators, etc., Rehabilitation of concrete structural components.
		Purpose/Necessity	The existing infrastructure can no longer be operated safely or reliably.

McCord Pumping Station

22-8	Station Rehabilitation	Description/Location	The purchase and installation of replacement valves, piping, hardware, meters, actuators, etc., Rehabilitation of concrete structural components.
		Purpose/Necessity	The existing infrastructure can no longer be operated safely or reliably.

Morton Pumping Station

22-9	Filter Media Rehab and Replacement (Station Rehab)	Description/Location	Morton Pumping Station
		Purpose/Necessity	Filter media rehab and replacement
22-10	Station Rehabilitation	Description/Location	The purchase and installation of replacement valves, piping, hardware, meters, actuators, etc., Rehabilitation of concrete structural components.
		Purpose/Necessity	The existing infrastructure can no longer be operated safely or reliably.
22-11	VFD, Motor, Transformer Replacements	Description/Location	Design, Construction Administration and Integration needed to replace high service pump drive equipment.
		Purpose/Necessity	The existing VFDs chronically overheat and replacement parts are unavailable when the VFDs fail.

WATER DIVISION

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Palmer Pumping Station

23-1	Station Rehabilitation	Description/Location	The purchase and installation of replacement valves, piping, hardware, meters, actuators, etc., Rehabilitation of concrete structural components.
		Purpose/Necessity	The existing infrastructure can no longer be operated safely or reliably.

Shaw Pumping Station

23-2	Filter Media Rehab and Replacement (Station Rehab)	Description/Location	Shaw Pumping Station
		Purpose/Necessity	Filter media rehab and replacement
23-3	Station Rehabilitation	Description/Location	The purchase and installation of replacement valves, piping, hardware, meters, actuators, etc., Rehabilitation of concrete structural components.
		Purpose/Necessity	The existing infrastructure can no longer be operated safely or reliably.

Sheehan Pumping Station

23-4	Station Rehabilitation	Description/Location	The purchase and installation of replacement valves, piping, hardware, meters, actuators, etc., Rehabilitation of concrete structural components.
		Purpose/Necessity	The existing VFDs chronically overheat and replacement parts are unavailable when the VFDs fail.

Miscellaneous Pumping Facilities

23-5	Engineering Services Contract	Description/Location	Pickle Pumping Station
		Purpose/Necessity	Design, construction, and maintenance needed for water treatment plants.
23-6	Water Operations Capital Items	Description/Location	This item is to account for unplanned Capital Items. / As-needed
		Purpose/Necessity	This is a projected budget amount to cover unforeseen Capital Items in the current year due to mechanical/electrical/etc. failure. / When equipment breaks, it must be fixed.

Underground Storage Reservoirs

Allen Pumping Station

23-7	Allen Pumping Station	Description/Location	Allen Pumping Station
		Purpose/Necessity	The existing WWRB is the retrofitted Equalizing Basin. The operational performance of the existing WWRB is very poor. There are regulatory issues with the existing WWRB.

Production Wells

Sheehan Pumping Station

23-8	Construct/Replace Well	Description/Location	Construction of a large water production well.
		Purpose/Necessity	A number of the wells need to be replaced.

Allen Pumping Station

23-9	Construct/Replace Well	Description/Location	Construction of a large water production well.
		Purpose/Necessity	A number of the wells need to be replaced.

McCord Pumping Station

23-10	Construct/Replace Well	Description/Location	Construction of a large water production well.
		Purpose/Necessity	A number of the wells need to be replaced.

Morton Pumping Station

23-11	Construct/Replace Well	Description/Location	Construction of a large water production well.
		Purpose/Necessity	A number of the wells need to be replaced.

Shaw Pumping Station

23-12	Construct/Replace Well	Description/Location	Construction of a large water production well.
		Purpose/Necessity	A number of the wells need to be replaced.

Miscellaneous Pumping Station

23-13	Construct/Replace Well	Description/Location	Construction of a large water production well.
		Purpose/Necessity	A number of the wells need to be replaced.

Operations Maintenance

23-14	Operations Maintenance	Description/Location	Maintenance necessary for the continuation of normal operations
		Purpose/Necessity	Maintenance necessary for the continuation of normal operations

Land Purchase

23-15	Land Purchase	Description/Location	Purchase water production well lots/Various locations.
		Purpose/Necessity	Well lots are needed to install new/replacement water production wells to provide an adequate source water supply for customers.

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Buildings and Structures

Mallory Pumping Station

24-1	Roof Replacement (Main Building and Aerator)	Description/Location	Mallory Pumping Station
		Purpose/Necessity	This project is needed to replace the roof.

Davis Pumping Station

24-2	Roof Replacement (Design/Construction)	Description/Location	Davis Pumping Station
		Purpose/Necessity	This project is needed to replace the roof.
24-3	Repave Drives	Description/Location	Repave Drives
		Purpose/Necessity	Davis Pumping Station

Palmer Pumping Station

24-4	Roof Replacement-Aerator Bldg	Description/Location	Palmer Pumping Station
		Purpose/Necessity	This project is needed to replace the roof.

Lichterman Pumping Station

24-5	Roof Replacement-Pump Building	Description/Location	Lichterman Pumping Station
		Purpose/Necessity	This project is needed to replace the roof.
24-6	Roof Replacement-Aerator Bldg	Description/Location	Lichterman Pumping Station
		Purpose/Necessity	This project is needed to replace the roof.

Morton Pumping Station

24-7	Aerator Bldg and Pump Rm-Replace Roof	Description/Location	Morton Pumping Station
		Purpose/Necessity	This project is needed to replace the roof.

Shaw Pumping Station

24-8	Roof Replacement	Description/Location	Shaw Pumping Station
		Purpose/Necessity	This project is needed to replace the roof.

Contingency Fund

24-9	Contingency Funds	This is an estimated budget amount to cover unforeseen emergency items that may arise in the current year.	
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NOTES FOR PAGE 25—CAPITAL EXPENDITURES BUDGET

Distribution System

New Water Main

25-1	Main Replacement Projects	Description/Location	Older cast iron mains in older parts of town sometimes break several times and it is more feasible to replace the main.
		Purpose/Necessity	Older cast iron mains in older parts of town sometimes break several times and it is more feasible to replace the main.
25-2	Collecting Main Installation	Description/Location	Various locations
		Purpose/Necessity	The ties bring water from the aquifer to the plant.
25-3	Large Main Extensions	Description/Location	Large Main Extensions
		Purpose/Necessity	Provides more water to parts of Shelby County where there is a need or future need to more water.
25-4	Major Valve Replacements/Additions	Description/Location	The project will involve the replacement and additions of 12" and larger valves
		Purpose/Necessity	Replacement of non-functioning and key valves and adding strategically placed valves on primary and secondary feeders to optimize the ability to isolate large mains while minimizing the number of cut off customers
25-5	Miscellaneous Projects - Reimbursable	Description/Location	This line item covers former SCBPU projects aimed at improving the Distribution System in former SCBPU areas of the county. These projects mostly center around improvements in the Shelby Forest area.
		Purpose/Necessity	This line item covers former SCBPU projects aimed at improving the Distribution System in former SCBPU areas of the county.
25-6	Minor System Improvements	Description/Location	Minor System Improvements to Water Distribution System
		Purpose/Necessity	Minor System Improvements to Water Distribution System.

Street Improvements

25-7	City of Lakeland Projects	Description/Location	These are street improvement projects done by the City of Lakeland requiring the relocation of MLGW water mains.
		Purpose/Necessity	MLGW will meet the utility relocation needs of the City, County, and State for their street improvement projects.
25-8	City of Memphis Projects	Description/Location	These are street improvement projects done by the City of Memphis requiring the relocation of MLGW water mains.
		Purpose/Necessity	MLGW will meet the utility relocation needs of the City, County, and State for their street improvement projects.
25-9	Shelby County Projects	Description/Location	These are street improvement projects done by Shelby County requiring the relocation of MLGW water mains.
		Purpose/Necessity	MLGW will meet the utility relocation needs of the City, County, and State for their street improvement projects.
25-10	City of Arlington Projects	Description/Location	These are street improvement projects done by the City of Arlington requiring the relocation of MLGW water mains.
		Purpose/Necessity	MLGW will meet the utility relocation needs of the City, County, and State for their street improvement projects.
25-11	TDOT Projects	Description/Location	These are street improvement projects done by TDOT requiring the relocation of MLGW water mains.
		Purpose/Necessity	MLGW will meet the utility relocation needs of the City, County, and State for their street improvement projects.

Lead Replacement

25-12		Description/Location	Lead Replacement
		Purpose/Necessity	Lead Replacement

General Plant

25-13	Buildings & Structures	Description/Location	MLGW University
		Purpose/Necessity	Canopy for MLGW University lineman pole training.
25-14	Security Automation	Description/Location	Various locations
		Purpose/Necessity	Install card readers on control house doors, install a CCTV system, install fence alarms and various security upgrades throughout the division.
25-15	Fleet Capital Power Operated Equipment	Description/Location	Division vehicles/equipment used for work in and around Shelby County.
		Purpose/Necessity	To purchase approved budget items in order to provide equipment for crews to complete job assignments. Replacements are evaluated based on age, actual operational usage, repair cost and frequency, parts availability, and effectiveness to meet area's needs. Additions are evaluated based on justification request and proper approval.

WATER DIVISION

NOTES FOR PAGE 25—CAPITAL EXPENDITURES BUDGET (Continued)

General Plant (continued)

25-16	Fleet Capital Transportation Equipment	Description/Location	Division vehicles/equipment used for work in and around Shelby County.
		Purpose/Necessity	To purchase approved budget items in order to provide equipment for crews to complete job assignments. Replacements are evaluated based on age, actual operational usage, repair cost and frequency, parts availability, and effectiveness to meet area's needs. Additions are evaluated based on justification request and proper approval.
25-17	Contingency Funds – General Plant	This is an estimated budget amount to cover unforeseen emergency items that may arise in the current year.	

GLOSSARY

ACD: Automatic Call Distributor.

ACSR: Aluminum, Cable Steel Reinforced cable.

ADA: Americans with Disabilities Act.

BNSF: Burlington Northern Santa Fe Railway Company.

BTU: British Thermal Unit.

Battery Storage (BESS): Devices that enable energy renewables to be stored then released when the power is needed most.

Capital Budget: Fixed assets and capital projects to be acquired or contracted during the budget period.

Capital Expenditure: Expenditures that result in the acquisition of, or addition to, fixed assets including land, buildings, improvements, machinery, and equipment.

CA: Cab to Axle.

CARES: Computer Assisted Restoration of the Electric System.

CCTV: Closed-circuit television.

C&C: Cab and Chassis.

CC&C: Crew Cab & Chassis.

CKT: Circuit.

CN: Canadian National Railway.

CNG: Compressed Natural Gas.

CO: Carryover.

CPU: Central Processing Unit.

CSX: CSX Transportation.

CSX/RR: CSX Transportation Railroad.

DA: Distribution Automation.

DASD: Direct Access Storage Device.

DB: Decibel.

DDC: Direct Digital Controller.

DER: Distributive Energy Resources

GLOSSARY

Debt Service: Principal and interest payments on outstanding bonds.

DIMP: Distribution Integrity Management Program.

DOT: Department of Transportation.

ERC: Emergency Response Center.

ESO: Electric Systems Operations.

Expenditure: The outflow of funds paid or to be paid for an asset obtained or goods and services obtained regardless of when the expense is actually paid.

FC: Suffix for connector type.

FCI: Failed Circuit Indicators.

FEMA: Federal Emergency Management Agency.

FIS: Facility Information System.

Fixed Assets: Assets that are used in a productive capacity, have physical substance, are relatively long-lived, and provide future benefit, which is readily measurable, such as land, buildings, machinery, furniture, vehicles, other equipment and capital projects. Those assets that are capitalized and depreciated over a period of time.

GAAP: Generally Accepted Accounting Principles. Uniform minimum standards and guidelines for disclosing, recording and reporting financial transactions and entries.

GASB: Governmental Accounting Standards Board.

GIS: Geographic Information System.

GPS: Global Positioning System.

HHSC: Hickory Hill Service Center.

HMI: Human Machine Interface.

HP: High Pressure.

HSP: High Service Pump.

HVAC: Heating, Ventilation, and Air Conditioning.

IC RR: Illinois Central Railroad.

IDS: Intrusion Detection System.

IR: Infrared.

JT: Joint Trench.

GLOSSARY

KV: Kilo Volts, a unit of potential equal to a thousand volts.

KVA: Kilo Volt-Ampere, one thousand volt-amps.

KW: Kilowatt.

LC: Suffix for connector type.

LNG: Liquefied Natural Gas.

LOL: Leased Outdoor Lighting.

LWB: Long Wheel Base pickup.

MAOP: Maximum allowable operating pressure.

MDMS: Meter Data Management System.

MG: Millions of gallons.

MGD: Million gallons per day.

MH/DL: Manhole/Duct line.

MHz: Megahertz.

MSS: Management Support System.

NERC: North American Electric Reliability Corporation.

Net Assets: The difference between assets and liabilities for a period of time.

O&M: Operations and Maintenance.

OH: Overhead.

OPEB: Other Post Employment Benefits.

Operating Budget: The portion of the budget that pertains to daily operations that provide basic services. The operating budget contains approved expenditures.

OPGW: Optical Ground Wire.

OTL: Oracle Time and Labor.

OTDR: Optical Time Domain Reflectometer.

Pad: Pad-mounted transformer.

PCB: Polychlorinated Biphenyls.

GLOSSARY

PSI: Pound per Square Inch.

PTAC: Packaged terminal air conditioning.

PTO: Power Take Off.

PV: Photo-Voltaic or solar cells.

ROW: Right of Way.

RR: Railroad.

RTU: Remote Terminal Unit.

SAN: Storage Area Network.

SC: Suffix for connector type.

SCADA: Supervisory Control and Data Acquisition, used to monitor and control the electric system. SCADA gathers information and transfers the information to a central site.

SCBPU: Shelby County Board of Public Utilities.

SPCC: Spill Prevention, Control and Countermeasure.

Solar Generation: A renewable and infinite energy source converted from sun.

T-line: Transmission line.

TDOT: Tennessee Department of Transportation.

TEMA: Tennessee Emergency Management Agency.

TIMP: Transmission Integrity Management Program

TOU: Time of Use.

UG: Underground.

UPS: Uninterruptible Power Source.

URD: Underground Residential Development.

USPS: United States Postal Service.

VAV: Variable Air Volume.

VFD: Variable Frequency Drive.

WAQL: Water Assurance Quality Lab.

WWRB: Wash Water Recovery Basin.

GLOSSARY

XFMR: Symbol used to denote transformer.

XHP: Extra High Pressure.

XXHP: Extra, Extra High Pressure.