



2027 Budget Presentation

Preliminary to Board

October 7, 2026



2027 Budget Overview

- 3.24% increase in the total O&M budget driven by an increase in contributions to the employees' pension fund, increased medical cost, increased equipment cost and a modest wage increase to maintain a competitive workforce, offset by decreased Other Post Employment Benefits funding (OPEB) and medical plan alignment.
- Continued focus on improving reliability and resilience through investments in the system.
- Battery Energy Storage System (BESS) development and commissioning.
- Funds ~2750 number of employees, adds 6 new positions
- Modest rate increases proposed for Gas and Water over next three years.



2027 Budget Overview (cont'd)

- Total O&M Growth of 3.24% or \$19.5 million higher relative to 2026 Budget.
- Total capital expenditures are \$82.3 million higher than last year's budget driven by expansion of the North Service Center, outfitting the recently purchased state of the art operations center, and water production system upgrades.
- Continuation of the investment successes of the Renewal & Replacement Infrastructure (r2I) plan that are helping to improve reliability and resiliency and increasing electric capacity to serve through strategic substation expansion projects.
- The budget funds regularly and reoccurring preventive maintenance items for all three divisions and continued investments in reliability and resiliency.



Cost Containment Actions

- Realigned Pension Actuarial Determined Contribution (ADC) profile for a savings of \$5 million per year and Other Post Employee Benefits (OPEB) for an annual savings of \$10 million per year
- Adjusted Medical Plan premiums and Plan design to realign employer/employee/retiree cost share for savings of \$1.4 million per year
- Removed single lane paving to deliver more Pavement Concrete Restoration (PCR) resulting in a savings of ~\$3.3 million.
- Dialed back Tree Trimming to deliver exactly annual goal (*now that we are caught up, staying on track rather than accelerated payment and progress*) resulting in a \$7.8 million reduction compared to the 2026 Budget

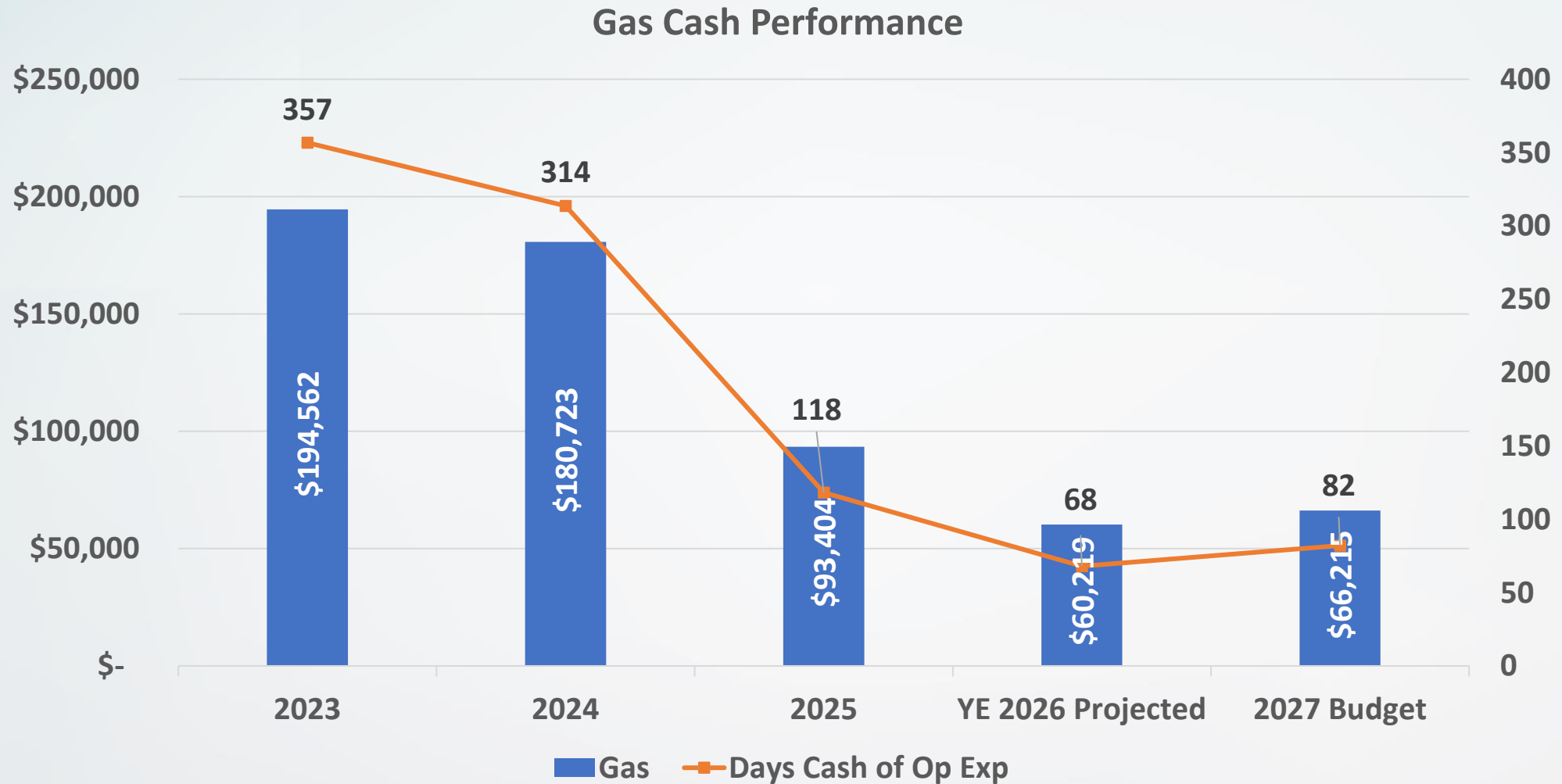


Gas Division Challenges

- Since 2023 MLGW deliberately used “cash on hand” to avoid a gas rate increase.
- The Gas Division is now under the State of Tennessee’s “financially distressed” designation per Tennessee Code Annotated 7-82-703 and we are at the point of needing a rate increase.
- MLGW’s proposed actions involve a combination of a rate increase over 3 years combined with a debt issuance to help fund capital expenditure needs.
- Last rate increase for Gas Division was 2.0% in 2022.
- Why is a rate increase necessary?
 - Inflationary pressures on cost of goods and services.
 - Increased paving and concrete restoration standards from city and state have increased significantly from \$6M to \$23M annually.



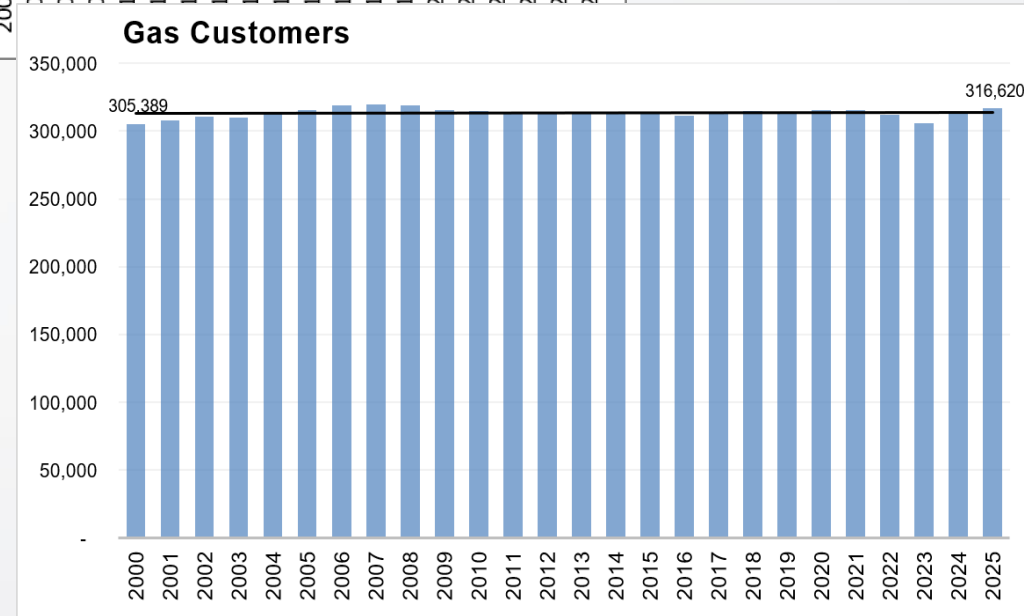
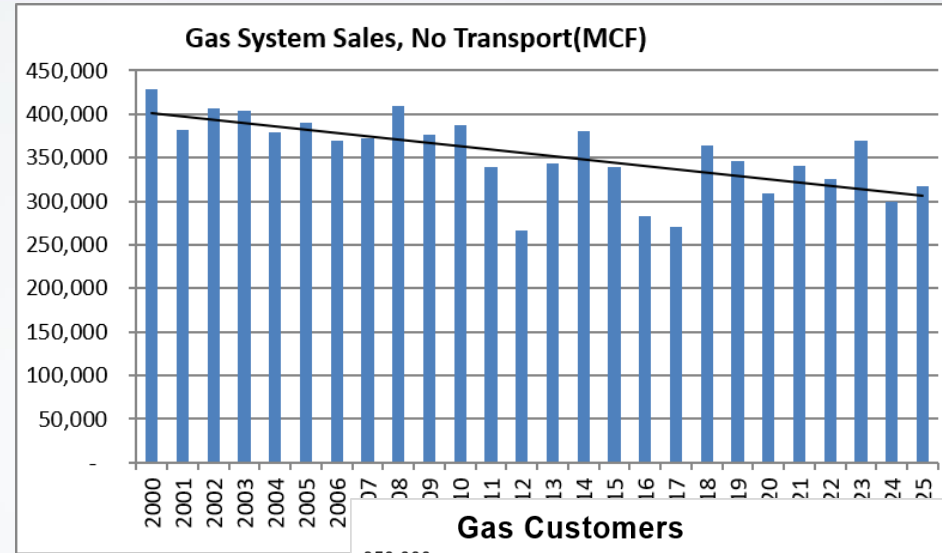
Gas Cash Performance





Gas Division Challenges (cont.)

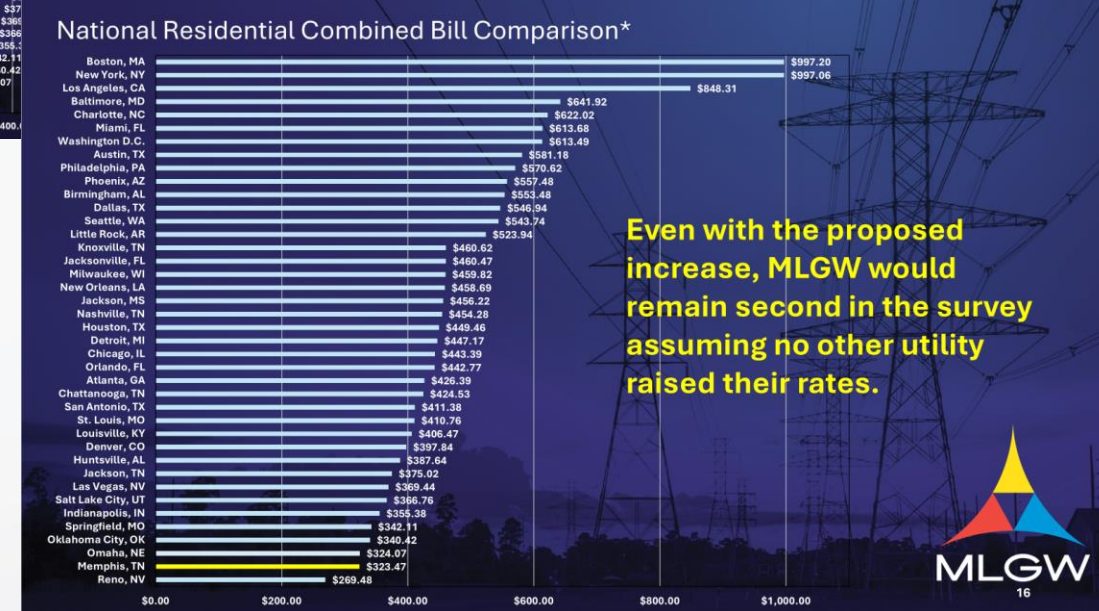
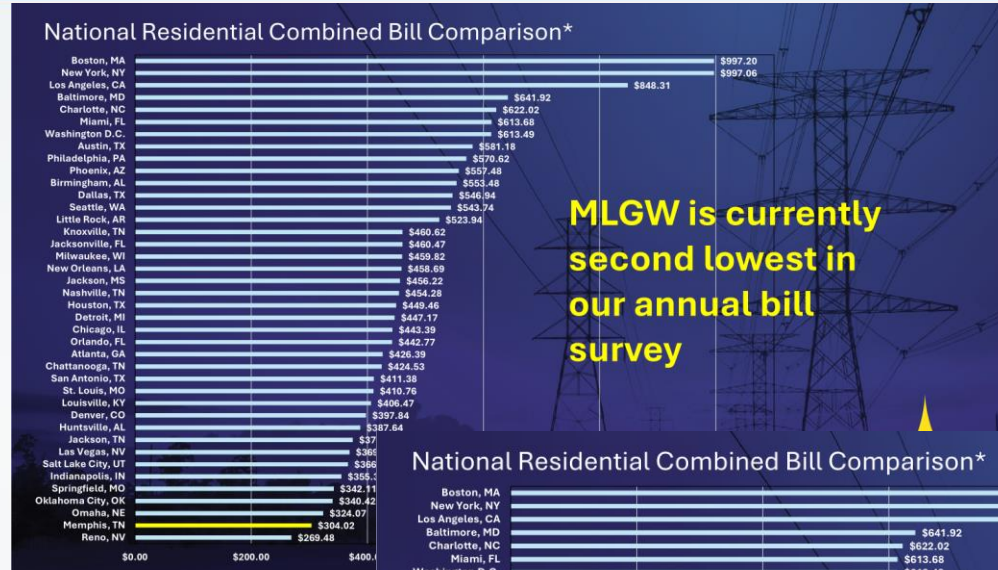
- High efficiency systems and appliances have decreased sales to customers by 27% since 2000.
- Despite serving more customers
- We have even more infrastructure to maintain and operate, despite decreasing sales revenue.





Gas Rate Proposal

- We are proposing a multi-year strategy for the Gas Division.
- Proposed rate and debt plan:
 - Incremental rate increases over a period of three years: (~\$5 per month in FY27, \$6 in FY28, \$6.50 in FY29).
 - ~\$18 per month average residential impact cumulatively after 3 years, \$100 million level amortized debt in 2027.
- MLGW remains the 2nd lowest utility bill in the country, even with this increase.



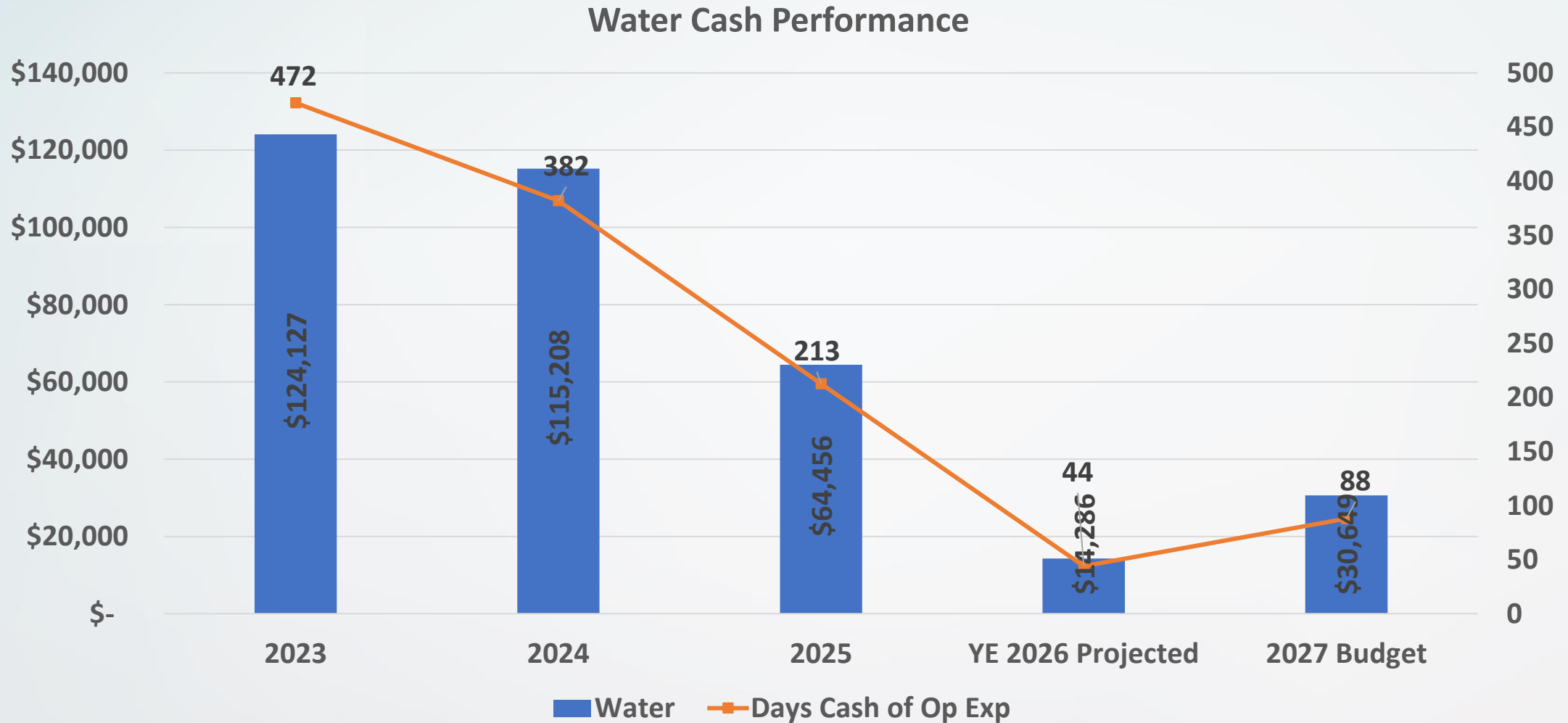


Water Division Challenges

- Since 2023 MLGW deliberately used “cash on hand” to avoid a water rate increase.
- The Water Division is projected to have negative change in net position in FY26. This will put the Water Division one year away from the State’s “financially distressed” designation.
- The Water Division’s debt service coverage levels are approaching the minimum ratio of 1.2x.
- The Water Division’s days of cash are also projected to be at or below the 45-day minimum.
- Last rate increase for Water Division was 5.0% in 2022.
- Why is a rate increase necessary?
 - To stabilize our cash position.
 - To help fund significant capital expenditure needs like the new Allen Pumping Station and continued replacements of lead service lines.
 - Inflationary pressures combined with increased paving and concrete restoration standards by city and state, and contracted meter repair services.



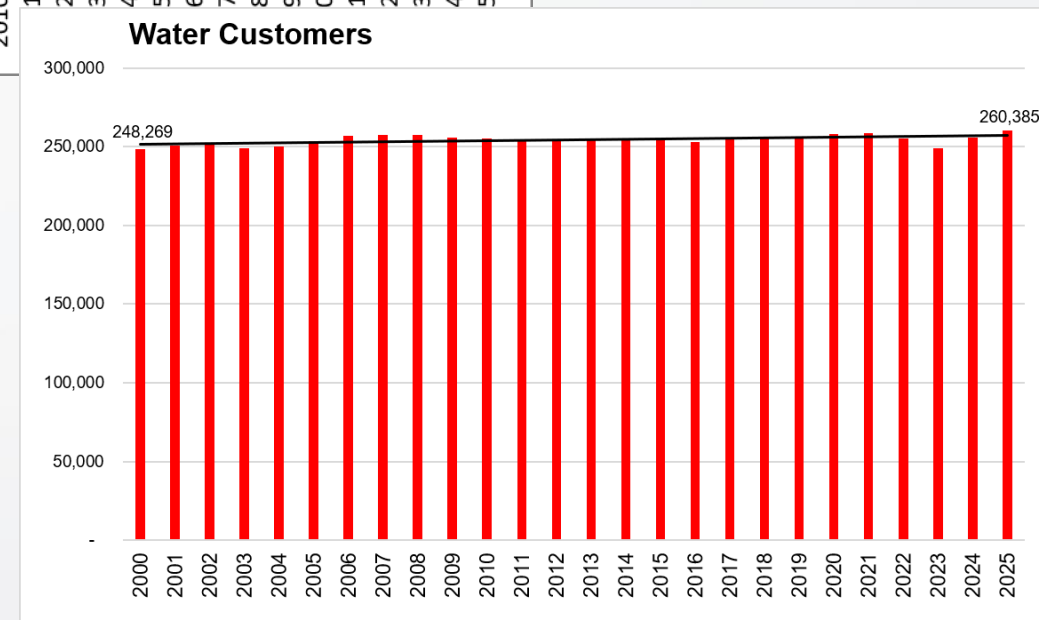
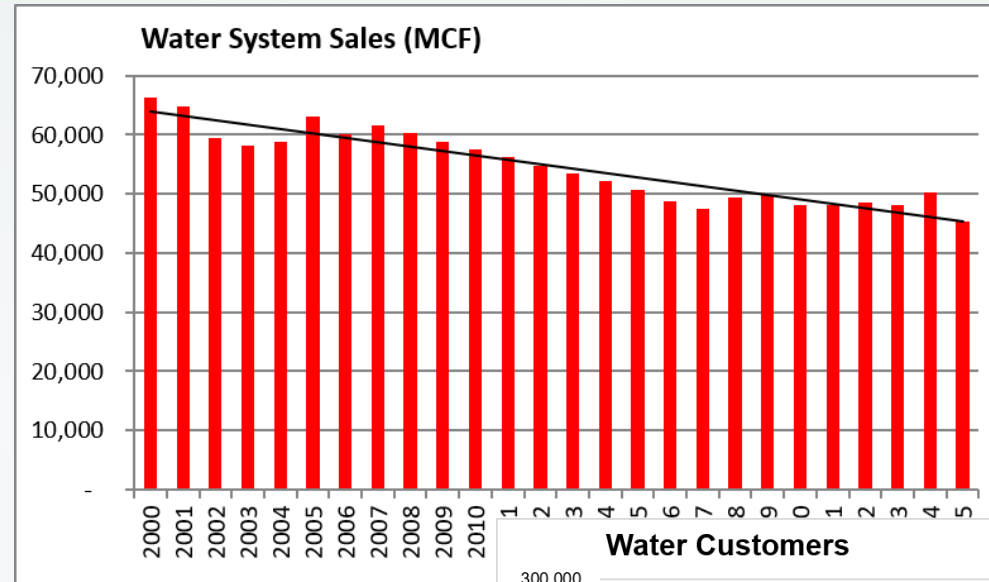
Water Cash Performance





Water Division Challenges (cont.)

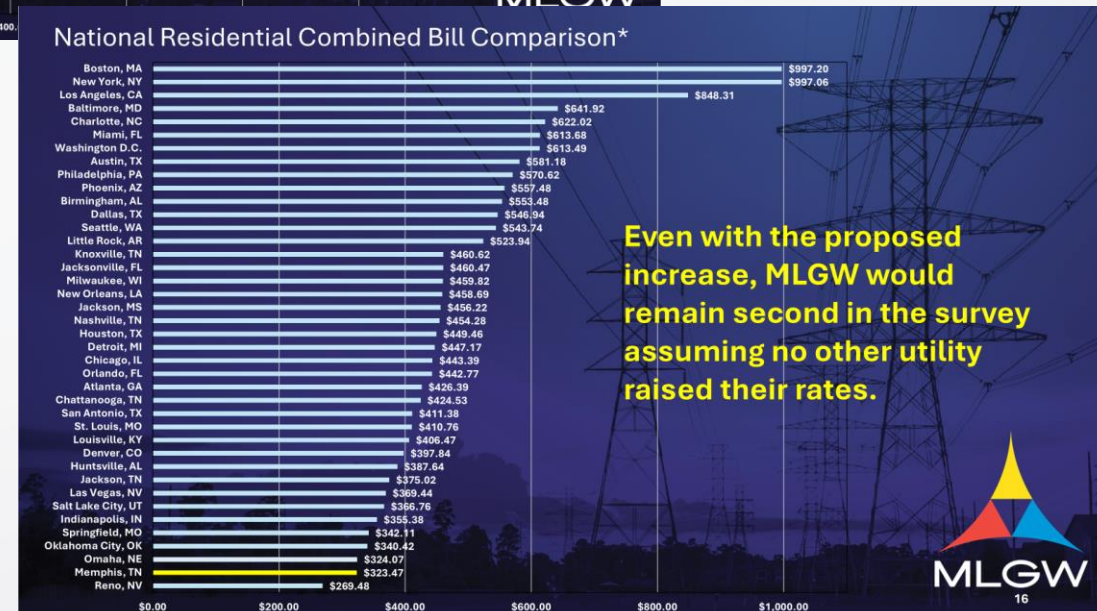
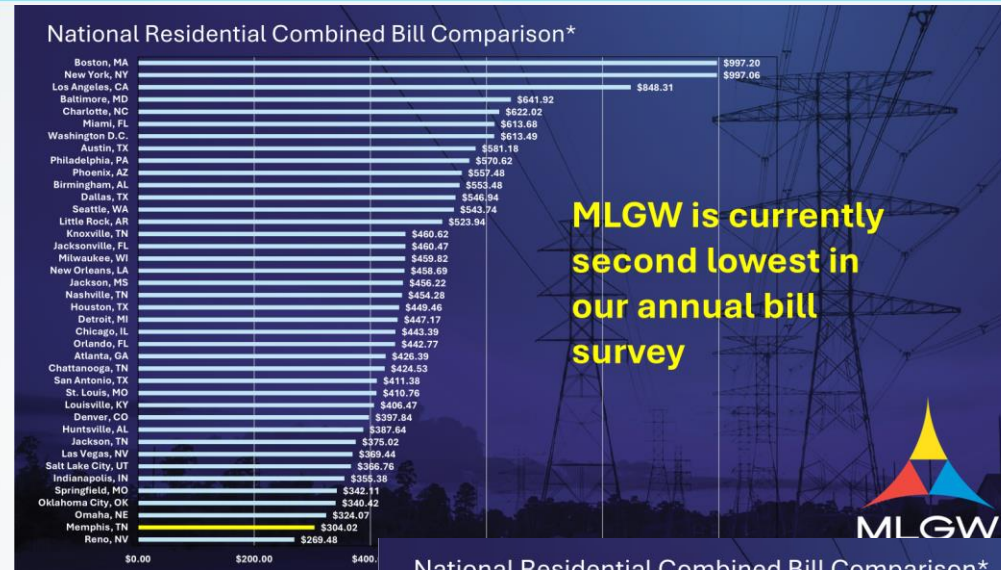
- High efficiency plumbing fixtures and appliances have decreased sales to customers by 31% since 2000.
- Despite serving more customers.
- We have even more infrastructure to maintain and operate, despite decreasing sales revenue.





Water Rate Proposal

- We are proposing a multi-year strategy for the Water Division.
- Proposed rate and debt plan
 - Incremental increases over 3 years: ~\$2.50 per month in FY27, ~\$3.50 per month in FY28, ~\$4 per month in FY29. ~\$10 per month impact per household cumulatively after three years.
 - “Low user discount” which will apply to 58,000 customers and limits the minimum bill increase to only \$3 over 3 years – most beneficial for seniors, small households.
 - Create a Data Center specific rate that will be 10% higher than the W10 rate schedule.
 - Change the W7 and W10 Commercial and Industrial rate structure that will generate an additional increase within those classes for high volume usage.
- \$200 million level amortized debt in FY27.
- **MLGW remains the 2nd lowest utility bill in the country, even with this increase.**



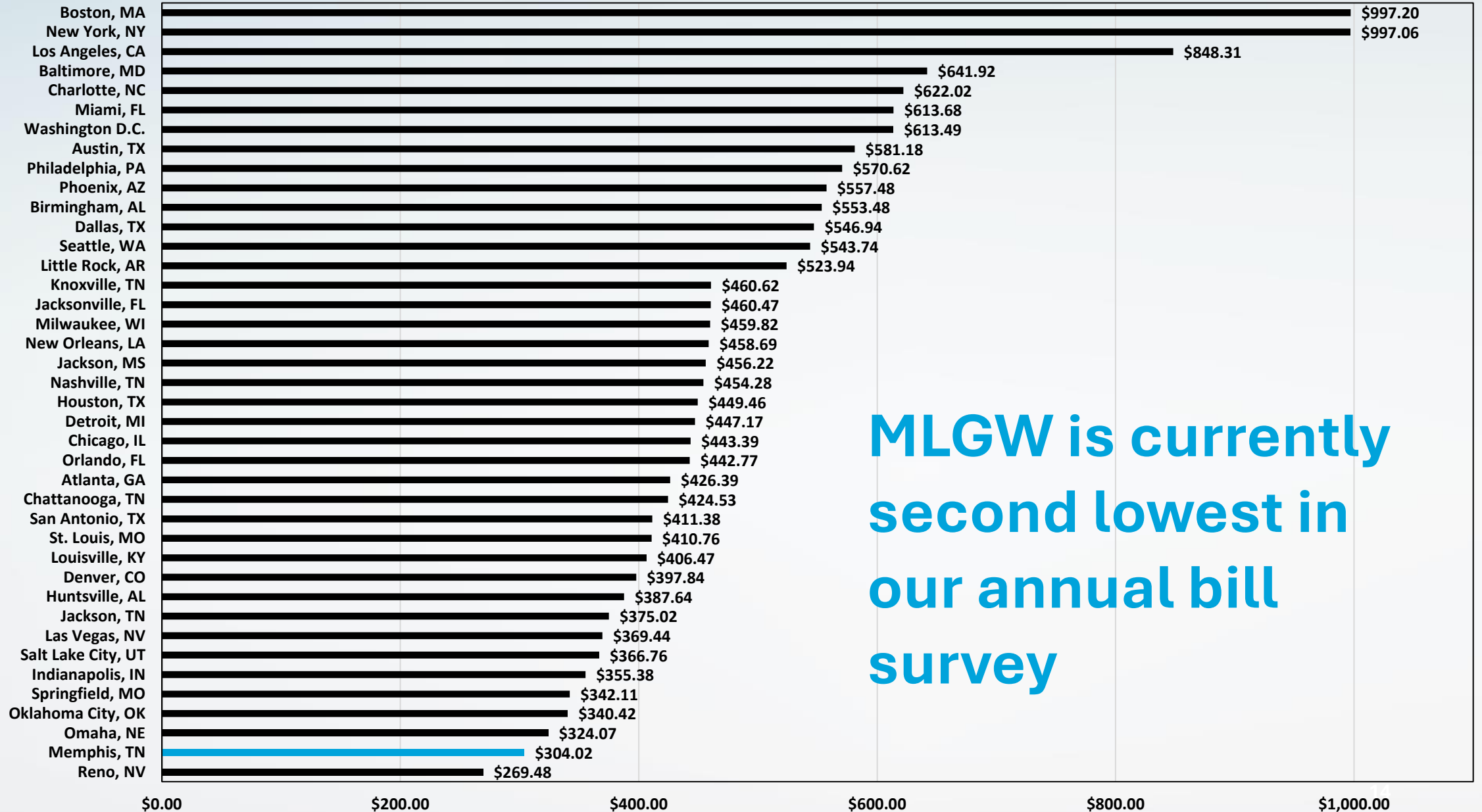


Rate Actions Proposal Summary

- Electric – No increases.
 - Electric Vehicle Charging rate for commercial electric vehicle charging stations
 - Language modification to our Fuel Cost and Purchased Power Adjustment Rider
- Gas – 3-year rate action in all classes
- Water – 3-year rate action in all classes
 - Minimize impact to very low residential users by capping the increase to the minimum bill charge (benefits 58,000 customers in Residential class)
 - Update the crossover point (200ccf to 400ccf) of the Commercial and Industrial (C&I) curve relative to the Residential rate so that C&I customers will always pay more per unit than every Residential customer
 - Add a new rate for Data Centers



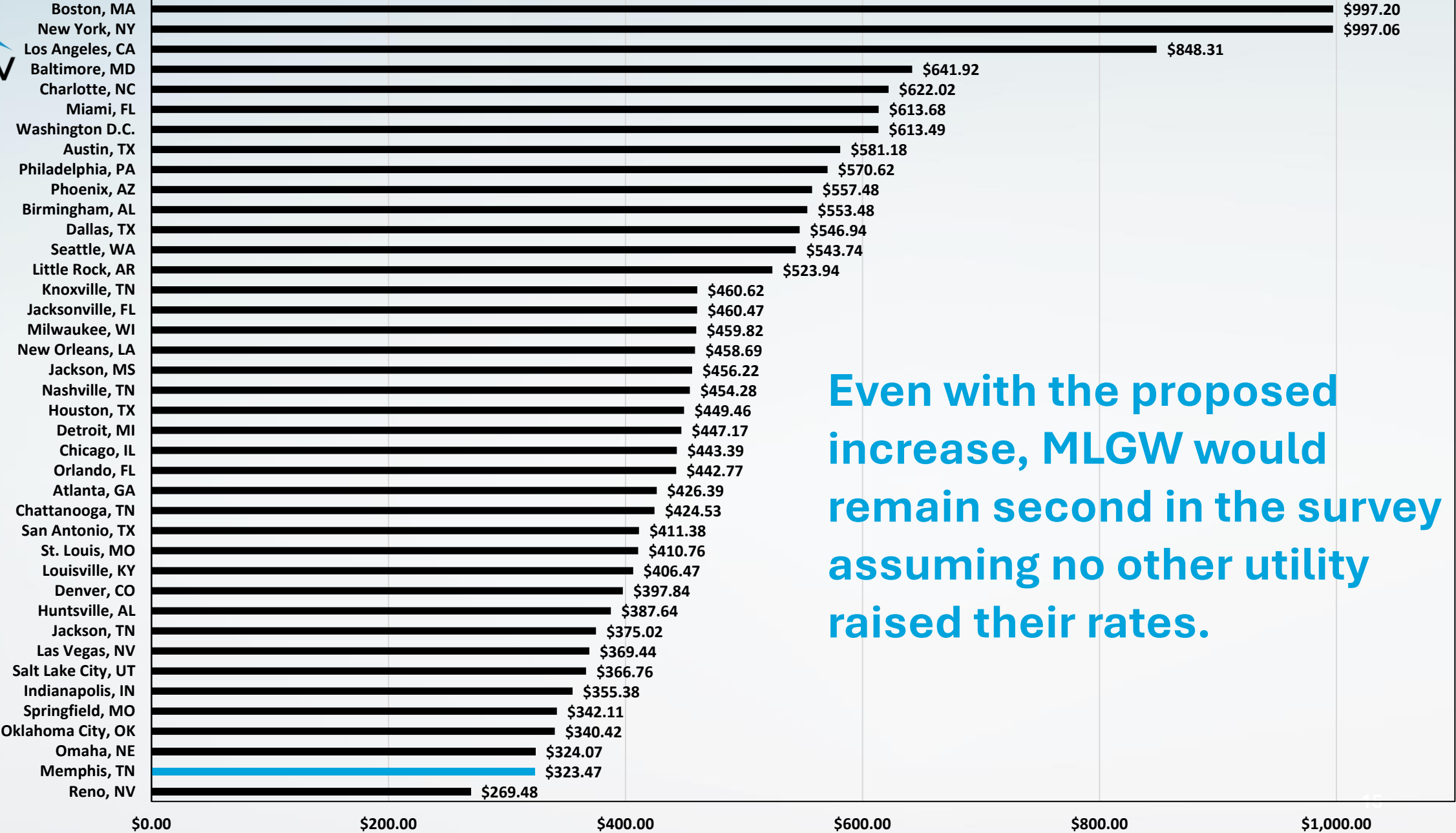
National Residential Combined Bill Comparison



**MLGW is currently
second lowest in
our annual bill
survey**



National Residential Combined Bill Comparison



Even with the proposed increase, MLGW would remain second in the survey assuming no other utility raised their rates.



Budget Overview



2027 Budget Overview - Electric

- We continue to deliver on our word on improving our electric system reliability while making us ready for tomorrow's challenges.
- This budget continues vegetation management, robust preventive maintenance, infrastructure replacement plans and continues progress to drive grid modernization that will yield benefits in reliability and grid resilience for decades to come.
- The Renewal and Replacement of Infrastructure (r2I) programs continue to exceed replacement goals of substation transformer replacements, substation breaker replacement, underground cable replacement, distribution pole replacement & trussing renewal, and tree trimming.
- These efforts are complemented by our first ever energy storage solution scheduled to start 4th quarter 2027 and continuation of the 5-G build out to strategically enable grid modernization that improves reliability and resilience.





Electric “value” Reliability Improvements



- As of YTD September 2026 we have...
 - replaced 85,512 feet of underground distribution cable
 - replaced or trussed 6,890 poles
 - installed 49 devices for distribution automation.
- The 2027 budget continues to build on these improvements through system integrity, automation, expansion, and new initiatives with the...
 - Installation and upgrades of substations
 - Optimization Memphis Network Initiative (OMNI) scheduled for the Castalia area
 - Replacement of feeder circuit and defective distribution cable
 - Planned installation of 50 devices, further expanding our distribution automation footprint.
 - Battery Energy Storage System (BESS) for peak shaving & load management and reliability & resilience



2027 Budget Overview - Gas



- Our commitment to reliability was shown through the completion of the Weaver/Gill Pipeline project, a 5-mile extra high-pressure transmission line upgrade that assures uninterrupted supply for our customers in 2025 and steel tap replacements in 2026.
- The 2027 Budget continues this commitment through the continuous replacement of steel taps assuring safety and integrity of our distribution system, regulator and gate station improvements, pipeline replacement of 600' of 14" extra high-pressure pipe at Millington at Big Creek Crossing, and upgrades to the LNG plant.
- Ramping up the build out of our new state of the art operations center that will control electric, gas, and water systems, representing a generational improvement over the present outdated Covington Pike facility.



Gas “value” Integrity Improvements



- Increased safety, integrity, and resilience
 - Steel Tap Replacement Program, eliminating steel mechanical couplings to address primary leak causes within our gas distribution system
 - Distribution Integrity Management Program (DIMP), focusing on the documenting of mains within our gas distribution system
 - Pipeline Replacement, replacing 600’ of 14” CWSXSP at Millington Arlington & Big Creek Crossing
 - Corrosion Control, maintaining the integrity of our Natural Gas System by prevention of corrosion of 2,420 miles of distribution mains, 106,319 services, and 195 miles of transmission main.



Gas “value” Reliability & System Improvements

- Increased system reliability
 - Installation of 1,000’ of 16” CWSIP at E.H. Crump between Kentucky & Main to improve pressure and flow
 - Transmission Pipeline & Facilities Improvements, replacing meter run valves at the Valero XXHP Meter Station off Riverport Rd.
 - LNG Plant Improvements, replacing variable frequency drives, switch valves, fire & hazard panel, BMS controls, and carbon dioxide analyzer to prevent equipment failures, ensure production consistency, avoid unplanned shutdowns, optimize efficiency, and reduce waste.
 - Gate & Regulator Station Improvements installing equipment that upgrades communication capabilities to SCADA about system pressures coupled with allowing SCADA the ability to remotely open and close valves during a system emergency.



2027 Budget Overview - Water

- We continue to maintain our water system through the modernization of our water production, treatment, and distribution system and are currently exceeding our Renewal and Replacement of Infrastructure (r2I) water goals with filter media bed replacements and public lead line replacements,
- Pumping station upgrades include Allen Pumping Station construction, filter media upgrades, and upgrades at the Davis, Sheahan, and Mallory pumping stations. Additional upgrades include the installation of reservoir piping and baffling at Allen, and drilling of 6 additional wells.
- The 2027 Budget continues to include the replacement of public lead lines, the assessment of private lead service lines and collecting main improvements.



Water “value” and Quality Commitment

- MLGW continues to prove its commitment to maintaining its treasured quality of our water by partnering with the University of Memphis CAESER for a comprehensive study of the Memphis Sands Aquifer and further funding a 5-year contract allowing continuous study ensuring data-driven protection of Memphis's primary drinking water source.
- Private side lead service line replacement with ARPA funds
 - 430 replacements, 850 confirmations in 2026

MLGW has the best
drinking water from
artesian wells



MLGW

Residential Water Value (CURRENT RATES)

1ccf = 100 cubic feet = 750 gallons

costs

\$2.39

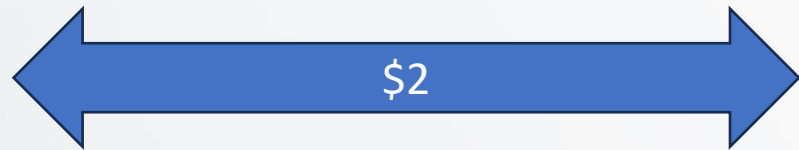


This is approximately equal to about 3 pallets of bottled water



Residential Water Value

- MLGW's water value proposition:
 - A \$2 store convenience store bottle of water ~ 5000 tap fill ups of MLGW water





2027 Budget Overview – Staffing & Facilities

This budget funds:

- Continuation of the North Service Center expansion which houses more efficient fleet, heavy equipment, and transformer maintenance function
- Outfitting of our newly purchased state of the art operations center
- A complement of ~2,750 full and part-time employees and the contracted partners to help perform work
- Moderate COLA of 3.5% for represented employees and 3.0% for non-represented employees keeping us competitive with today's job market





Constraining Cost through Operational Efficiencies



- Realigned Pension Actuarial Determined Contribution (ADC) profile for a savings of \$5 million per year and Other Post Employee Benefits (OPEB) for an annual savings of \$10 million per year
- Adjusted Medical Plan premiums and Plan design to realign employer/employee/retiree cost share for savings of \$1.4 million per year
- Removed single lane paving to deliver more Pavement Concrete Restoration (PCR) resulting in a savings of ~\$3.3 million.
- We are continuing private-side assessments of lead service lines through potholing; so, when 2028 State Revolving Funds (SRF) become available, we have an immediate pool of properties to deploy to
- Dialed back Tree Trimming to deliver exactly annual goal (*now that we are caught up, staying on track rather than accelerated payment and progress*) resulting in a \$7.8 million reduction compared to the 2026 Budget



Budget Details



All Division Summary

Category (\$ in Thousands)	Electric		Gas		Water		Total
Operating Revenue	\$	1,832,527	\$	313,931	\$	151,688	\$ 2,298,146
Purchased Power and Gas	\$	1,285,072	\$	141,318	\$	-	\$ 1,426,390
Operations & Maintenance (O&M) Expense	\$	351,572	\$	142,734	\$	127,592	\$ 621,898
Depreciation & Amortization	\$	79,354	\$	28,002	\$	15,278	\$ 122,635
PILOT & Taxes	\$	67,227	\$	22,592	\$	5,541	\$ 95,359
Total Operating Expense	\$	1,783,225	\$	334,646	\$	148,411	\$ 2,266,283
Total Capital Expenditures	\$	226,868	\$	58,568	\$	85,575	\$ 371,012
Total Operating & Capital Budgets	\$	2,010,093	\$	393,214	\$	233,986	\$ 2,637,294
Change in Net Position	\$	79,083	\$	(23,172)	\$	749	\$ 56,660



Electric Division Summary

- Operating Margin is \$7.5 million higher compared to the 2026 Budget due to new large loads coming online in late 2026/early 2027, partially offset by a reduction in rents.
- Power costs are projected to be higher due to large load timing.
- Change in Net Position is \$2.2 million lower compared to the 2026 Budget due to higher operating expenses slightly offset by higher operating margin.
- Capital expenditures are \$34.0 million higher than last year.

Electric Category	2025 Actual	2026 Projected	2026 Budget	2027 Budget
Operating Revenue	\$ 1,689,459	\$ 1,813,045	\$ 1,822,613	\$ 1,832,527
Power Cost	\$ 1,218,534	\$ 1,274,197	\$ 1,282,660	\$ 1,285,072
Operating Margin	\$ 470,925	\$ 538,848	\$ 539,953	\$ 547,455
Operating Margin Variance			\$ 7,502	Increase
O&M	\$ 290,865	\$ 318,709	\$ 345,532	\$ 351,572
Depreciation & Amortization	\$ 74,170	\$ 75,098	\$ 75,048	\$ 79,354
PILOT & Taxes	\$ 56,546	\$ 60,848	\$ 64,085	\$ 67,227
Total Operating Expense	\$ 421,582	\$ 454,656	\$ 484,665	\$ 498,153
Expense Variance			\$ 13,488	Increase
Other Income	\$ 78,180	\$ 52,561	\$ 53,228	\$ 55,059
Debt Expense	\$ 17,009	\$ 27,721	\$ 27,259	\$ 25,278
Change In Net Position	\$ 110,514	\$ 109,032	\$ 81,257	\$ 79,083
Change in Net Position Variance			\$ (2,174)	Decrease
Capital Expenditures	\$ 169,134	\$ 119,224	\$ 192,821	\$ 226,868
Total Operating & Capital	\$ 590,716	\$ 573,880	\$ 677,486	\$ 2,010,093



Gas Division Summary

- Operating Margin is \$29.8 million higher compared to the 2026 Budget due to 11% rate increase coupled with increased transport revenue due to expected new transport load.
- Gas costs are projected to be lower due to a lower market projection in the commodity cost.
- Change in Net Position is \$16.0 million higher compared to the 2026 Budget due to higher operating expenses offset by higher operating margin
- Capital expenditures are \$19.3 million higher than last year.

Gas Category	2025 Actual	2026 Projected	2026 Budget	2027 Budget
Operating Revenue	\$ 298,904	\$ 340,471	\$ 321,523	\$ 313,931
Gas Cost	\$ 165,754	\$ 198,701	\$ 178,744	\$ 141,318
Operating Margin	\$ 133,150	\$ 141,770	\$ 142,779	\$ 172,613
Operating Margin Variance			\$ 29,834	Increase
O&M	\$ 108,392	\$ 123,926	\$ 134,629	\$ 142,734
Depreciation & Amortization	\$ 26,655	\$ 25,604	\$ 25,210	\$ 28,002
PILOT & Taxes	\$ 18,351	\$ 18,870	\$ 21,603	\$ 22,592
Total Operating Expense	\$ 153,398	\$ 168,400	\$ 181,441	\$ 193,328
Expense Variance			\$ 11,887	Increase
Other Income	\$ 9,332	\$ 634	\$ 2,802	\$ 1,946
Debt Expense	\$ 3,526	\$ 3,332	\$ 3,323	\$ 4,403
Change In Net Position	\$ (14,442)	\$ (29,328)	\$ (39,183)	\$ (23,172)
Change in Net Position Variance			\$ 16,011	Increase
Capital Expenditures	\$ 105,406	\$ 19,460	\$ 39,285	\$ 58,568
Total Operating & Capital	\$ 258,804	\$ 187,860	\$ 220,726	\$ 251,896



Water Division Summary

- Operating Revenue is \$23.5 million higher compared to the 2026 Budget due to a 16.0% rate increase. Sales are projected to be \$2.5 M higher than budgeted in 2026 coupled with lower uncollectibles.
- Change in Net Position is \$15.2 million higher compared to the 2026 Budget due to higher operating expenses offset by higher operating revenue
- Capital expenditures are \$27.1 million higher than last year.

Water Category	2025 Actual	2026 Projected	2026 Budget	2027 Budget
Operating Revenue	\$ 127,078	\$ 126,804	\$ 128,193	\$ 151,688
Operating Revenue Variance			\$ 23,495	Increase
O&M	\$ 105,113	\$ 121,667	\$ 122,236	\$ 127,592
Depreciation & Amortization	\$ 14,748	\$ 13,958	\$ 13,497	\$ 15,278
PILOT & Taxes	\$ 5,565	\$ 5,721	\$ 5,516	\$ 5,541
Total Operating Expense	\$ 125,426	\$ 141,346	\$ 141,250	\$ 148,411
Expense Variance			\$ 7,162	Increase
Other Income	\$ 6,865	\$ 2,051	\$ 1,595	\$ 3,056
Debt Expense	\$ 3,211	\$ 3,031	\$ 3,025	\$ 5,583
Change in Net Position	\$ 5,306	\$ (15,522)	\$ (14,487)	\$ 749
Change in Net Position Variance			\$ 15,236	Increase
Capital Expenditures	\$ 57,507	\$ 47,886	\$ 58,520	\$ 85,575
Total Operating & Capital	\$ 182,933	\$ 189,232	\$ 199,770	\$ 233,986



Electric O&M Details

Category	2026 Budget	2027 Budget	Variance	Percentage Variance
EQUIPMENT	\$ 9,013,596	\$ 9,448,301	\$ 434,705	4.82%
LABOR	\$ 122,979,203	\$ 130,006,023	\$ 7,026,820	5.71%
MATERIAL	\$ 3,144,474	\$ 3,087,617	\$ (56,857)	-1.81%
OTHER	\$ 210,394,727	\$ 209,030,057	\$ (1,364,669)	-0.65%
Total	\$ 345,532,000	\$ 351,571,998	\$ 6,039,999	1.75%

O&M Other Expenditure Type	2027 Budget	2026 Budget	Dollar Variance
Tree Trimming	\$31,200,000	\$39,000,000	\$(7,800,000)
Other Post Employment Benefits (OPEB)	\$11,531,808	\$14,893,555	\$(3,361,747)
Contracted Services	\$16,792,617	\$19,955,332	\$(3,162,715)
Bank Fees	\$68,257	\$1,803,444	\$(1,735,187)
Outside Fees	\$9,919,929	\$9,224,343	\$695,586
Fuel for Use	\$3,795,351	\$3,039,660	\$755,691
eAM Contracted Material	\$935,136	\$0	\$935,136
Outside Purchases	\$7,563,564	\$6,413,613	\$1,149,951
IS Other	\$11,544,255	\$10,256,367	\$1,287,888
Medical Self Fund – Active Employees	\$18,108,221	\$15,746,281	\$2,361,940
Pension	\$27,482,472	\$24,908,315	\$2,574,157
Outside Professional Services	\$29,034,005	\$24,316,696	\$4,717,309
Other Increases/Decreases	\$41,054,442	\$40,837,121	\$217,321

Total Variance

\$1,364,669



Gas O&M Details

Category	2026 Budget	2027 Budget	Variance	Percentage Variance
EQUIPMENT	\$ 3,891,309	\$ 4,166,155	\$ 274,847	7.06%
LABOR	\$ 49,584,348	\$ 52,225,139	\$ 2,640,791	5.33%
MATERIAL	\$ 1,179,981	\$ 1,000,117	\$ (179,864)	-15.24%
OTHER	\$ 79,972,036	\$ 85,342,658	\$ 5,370,622	6.72%
Total	\$ 134,627,673	\$ 142,734,069	\$ 8,106,396	6.02%

O&M Other Expenditure Type	2027 Budget	2026 Budget	Dollar Variance
Outside Professional Services	\$12,916,724	\$7,393,816	\$5,522,908
Contracted Services	\$22,142,589	\$18,201,336	\$3,941,253
eAM Contracted Material	\$1,863,180	\$0	\$1,863,180
Medical Self Fund – Active Employees	\$9,054,092	\$7,873,122	\$1,180,970
Pension	\$11,492,652	\$10,416,181	\$1,076,471
Purchase PC Software	\$1,240,553	\$1,329,288	\$(88,735)
Property Insurance Premium	\$974,605	\$1,154,394	\$(179,789)
eAM Outside Purchases	\$253,301	\$610,771	\$(357,470)
Bank Fees	\$26,618	\$692,232	\$(665,614)
Outside Temporary Employees	\$1,095,705	\$1,764,620	\$(668,915)
Other Post Employment Benefits (OPEB)	\$4,822,380	\$6,228,196	\$(1,405,816)
Gas Miscellaneous Rents	\$1,825,332	\$3,721,128	\$(1,895,796)
eAM Contracted Services	\$5,327,568	\$7,364,772	\$(2,037,204)
Other Increases/Decreases	\$12,307,359	\$13,222,180	\$(914,821)
Total Variance			<u>\$5,370,662</u>



Water O&M Details

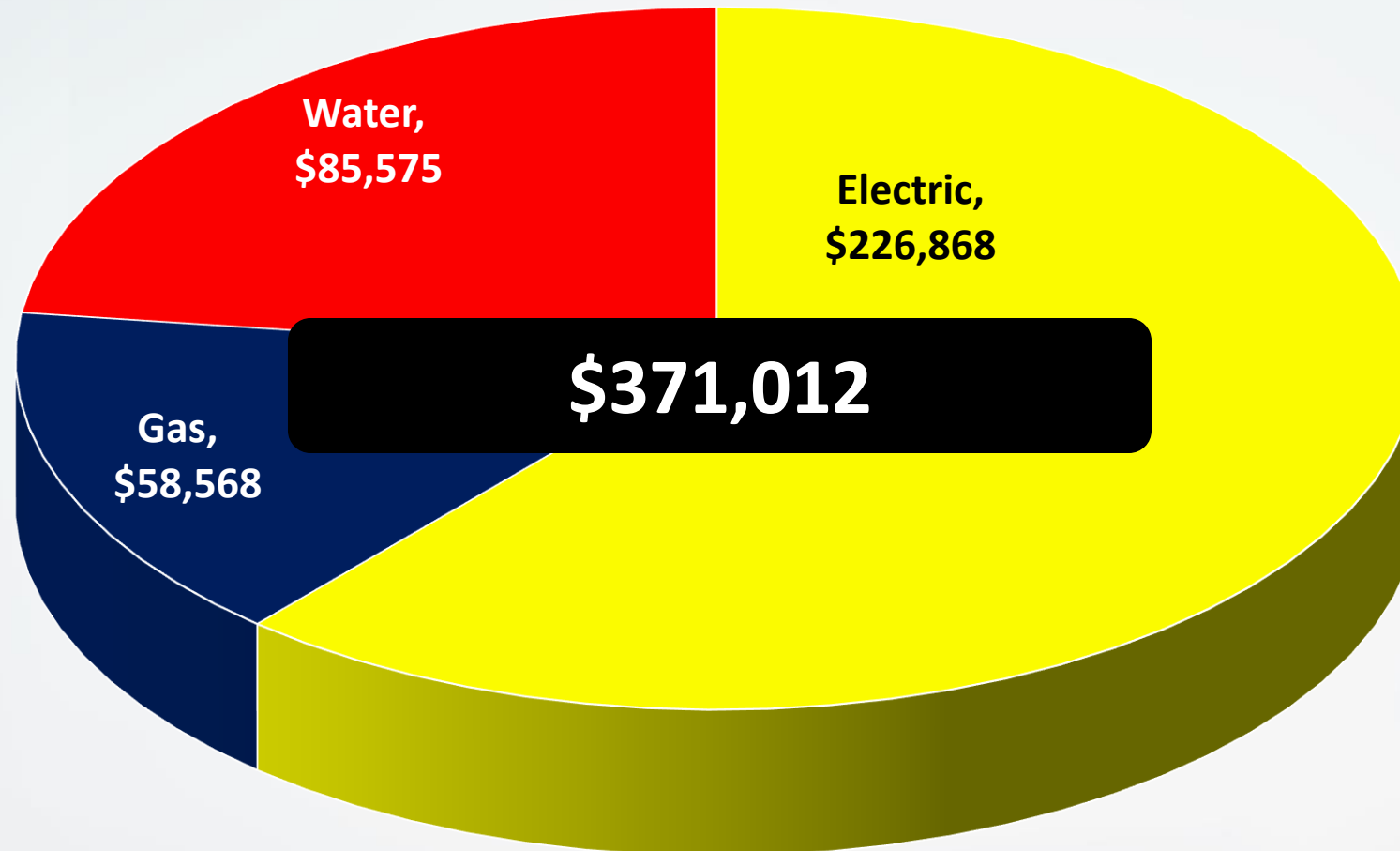
Category	2026 Budget	2027 Budget	Variance	Percentage Variance
EQUIPMENT	\$ 4,022,829	\$ 3,966,051	\$ (56,778)	-1.41%
LABOR	\$ 38,228,538	\$ 40,844,766	\$ 2,616,229	6.84%
MATERIAL	\$ 1,483,358	\$ 1,366,232	\$ (117,126)	-7.90%
OTHER	\$ 78,502,740	\$ 81,415,274	\$ 2,912,534	3.71%
Total	\$ 122,237,464	\$ 127,592,323	\$ 5,354,859	4.38%

O&M Other Expenditure Type	2027 Budget	2026 Budget	Dollar Variance
Outside Professional Services	\$9,350,404	\$5,7511,211	\$3,599,193
Outside Purchases	\$5,020,150	\$2,807,143	\$2,213,007
eAM Contracted Materials	\$1,945,367	\$0	\$1,945,367
Caesar	\$2,250,000	\$400,000	\$1,850,000
Pension	\$8,494,572	\$7,698,913	\$795,659
Medical Self Funded – Active Employees	\$5,919,981	\$5,147,808	\$772,173
Other Post Employment Benefits (OPEB)	\$3,564,360	\$4,603,449	\$(1,039,089)
Water Miscellaneous Rents	\$3,048,936	\$4,684,104	\$(1,635,168)
eAM Contracted Services	\$7,529,340	\$10,058,735	\$(2,529,395)
Other Contracted Services	\$7,528,576	\$10,983,977	\$(3,455,401)
Other Increases/Decreases	\$26,763,588	\$26,637,400	\$396,188

Total Variance

\$2,912,534

Total Capital Expenditures



Includes Allowance for Late Deliveries



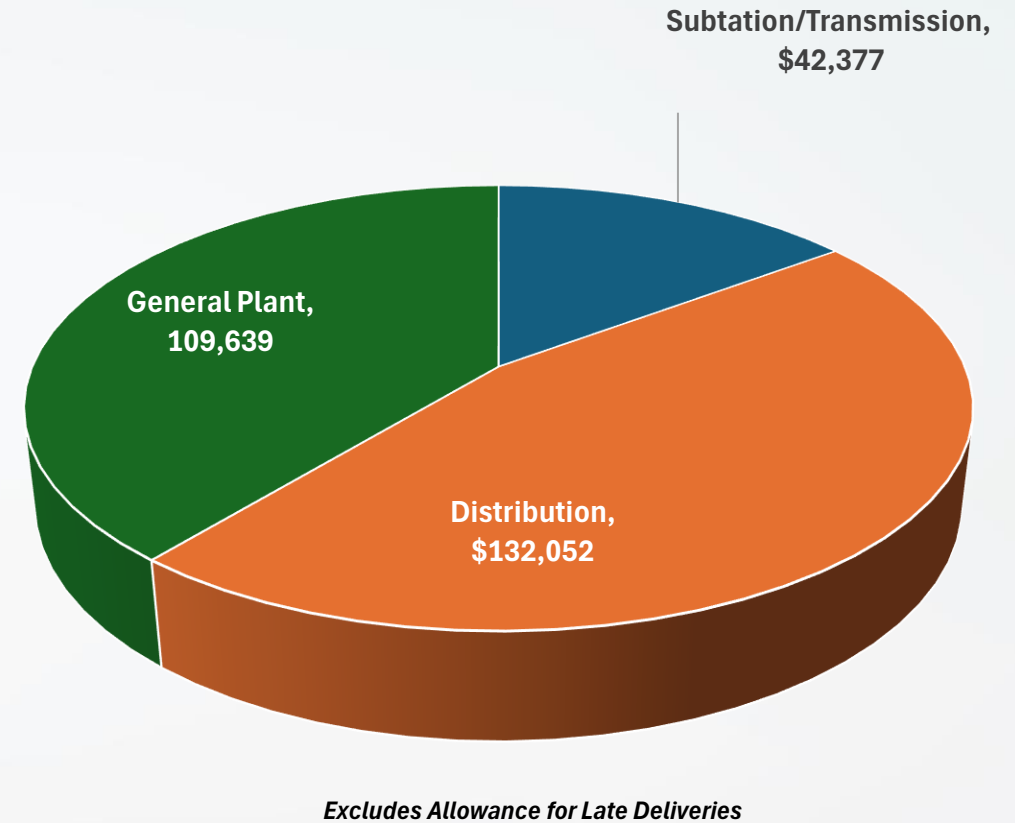
2027 Electric Capital Budget





Electric Capital Highlights

Electric Capital Highlights	
Building & Structure Upgrades	\$ 50,935
Data Processing Equipment Upgrades	\$ 21,726
Installation & Various Upgrades of Substations	\$ 21,217
Extensions to Serve New Customers - UG Apts. & Commercial	\$ 20,128
Communication Towers & Telecommunication Network	\$ 18,800
Substation Transformer & Circuit Replacements	\$ 17,150
Replacement of Underground Cable	\$ 16,800
Line Reconstruction	\$ 15,245
Replacement of Distribution Transformers	\$ 15,000
Purchase of Trans. & Power Operated Equipment	\$ 12,042
New Electric Circuits	\$ 11,875
Utility Monitoring Upgrades	\$ 5,849
Transmission Line Upgrades	\$ 4,010
Distribution Automation	\$ 4,000
Electric Meters	\$ 3,053
Security Automation Video & Alarm System	\$ 1,138





2027 Gas Capital Budget

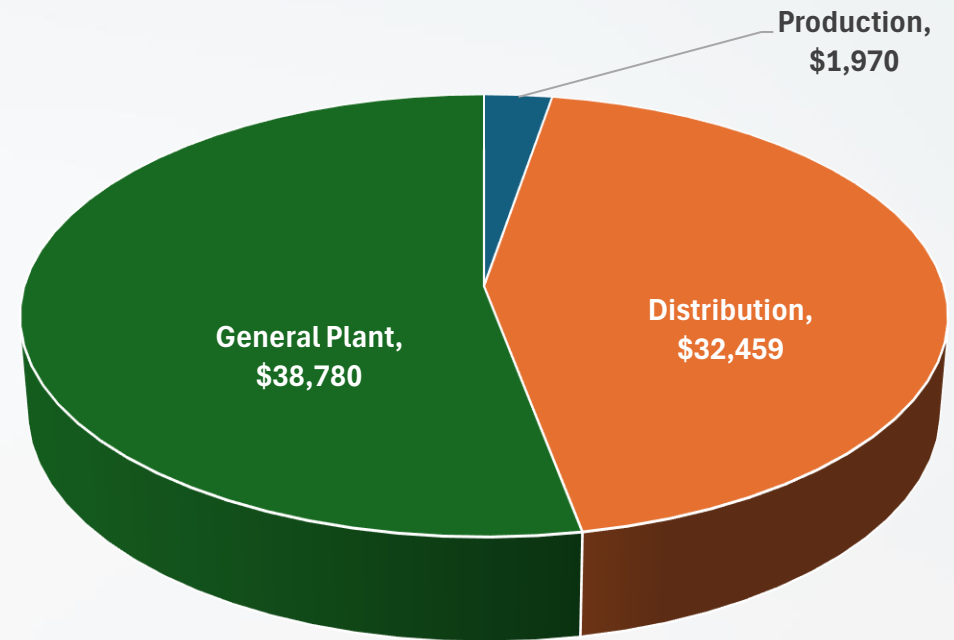




Gas Capital Highlights

Gas Capital Highlights

Building Upgrades	\$	25,927
Purch. of Trans. Equip. & Power Operated	\$	11,872
Pipeline Integrity Management	\$	9,702
Relocations of Mains - Street Improvements	\$	6,257
Purchase of Meters	\$	5,812
Extensions to Serve New Customers	\$	4,897
LNG Processing Facility Upgrades	\$	1,970
Regulator Station Upgrades	\$	670
New Gas Main & Gas Main Service Replacement	\$	650



Excludes Allowance for Late Deliveries

2027 Water Capital Budget

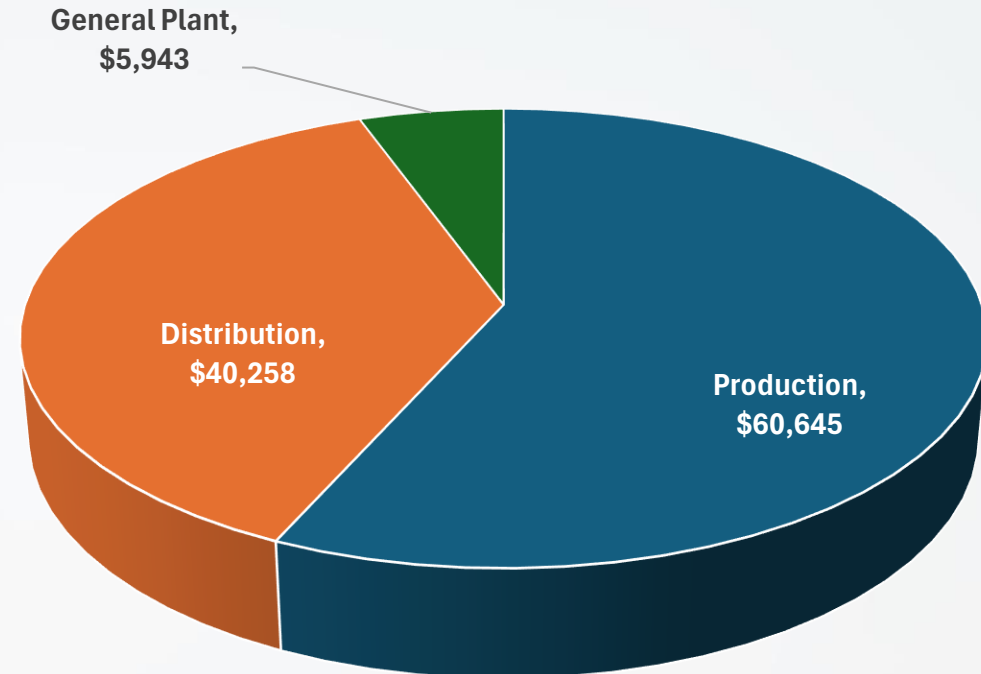




Water Capital Highlights

Water Capital Highlights

Various Pumping Station Upgrades	\$38,850
Various Production Well Upgrades	\$11,850
Purchase of Meters	\$10,975
Lead Service Replacement	\$10,530
Allen Underground Storage Reservoir	\$6,000
Extensions to Serve New Customers	\$5,703
Purch. of Trans. Equip. & Power Operated	\$3,549
Relocations of Mains - Street Improvements	\$3,035
Building & Structure Upgrades	\$2,485
New Water Main	\$2,399



Excludes Allowance for Late Deliveries



Projected Cash Flows



Electric Division

Electric Division - 2027 Budget		2024	2025	2026	2027	2028	2029	2030	2031	27-31 Total
22	Ending Cash & Investments	\$191,713	\$273,630	\$425,369	\$457,837	\$377,614	\$315,525	\$263,360	\$226,930	
23	Days Cash of OpExp	49	64	93	99	81	67	55	47	
24	Debt Service Coverage	6.84	7.37	5.27	5.33	5.17	5.06	4.94	4.83	
25	Change in Net Assets (Net Income)	\$40,595	\$110,516	\$97,567	\$96,254	\$81,781	\$69,970	\$57,897	\$45,058	
26	Capital Expenditures	\$162,710	\$168,180	\$119,224	\$227,999	\$232,512	\$205,906	\$175,000	\$150,000	\$991,417
27	O&M Expenditures	\$288,922	\$293,574	\$330,737	\$336,550	\$351,483	\$363,941	\$376,850	\$390,490	\$1,819,313
28	Rate Increase %	4.0%	4.0%	4.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
29	Rate Increase Revenue	\$56,638	\$64,139	\$69,153	\$0	\$0	\$0	\$0	\$0	\$0
30	Debt Issuance	\$195,684	\$250,000	\$0	\$0	\$0				\$0
31	Average Residential Bill Impact	\$4.83	\$5.03	\$5.23	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00



Gas Division

Gas Division - 2027 Budget		2024	2025	2026	2027	2028	2029	2030	2031	27-31 Total
21	Ending Cash & Investments	\$180,723	\$93,404	\$60,219	\$66,215	\$84,404	\$92,998	\$100,089	\$106,655	
22	Days Cash of OpExp	314	118	68	82	102	110	116	121	
23	Debt Service Coverage	5.47	3.51	1.70	3.44	3.94	5.77	5.56	5.34	
24	Change in Net Assets (Net Income)	(\$7,842)	(\$14,443)	(\$34,775)	(\$15,700)	\$3,225	\$30,373	\$24,675	\$18,535	
25	Capital Expenditures	\$27,793	\$91,809	\$19,459	\$58,380	\$48,384	\$44,740	\$41,731	\$37,365	\$230,600
26	O&M Expenditures	\$108,604	\$109,429	\$128,829	\$136,554	\$142,813	\$147,803	\$152,974	\$158,463	\$738,607
27	Rate Increase %		0.0%	0.0%	11.0%	11.0%	11.0%	0.0%	0.0%	36.8%
28	Rate Increase Revenue		\$0	\$0	\$29,376	\$29,376	\$32,771	\$0	\$0	\$91,523
29	Debt Issuance				\$100,000					\$100,000
30	Average Residential Bill Impact			\$0.00	\$5.38	\$5.97	\$6.63	\$0.00	\$0.00	\$17.99

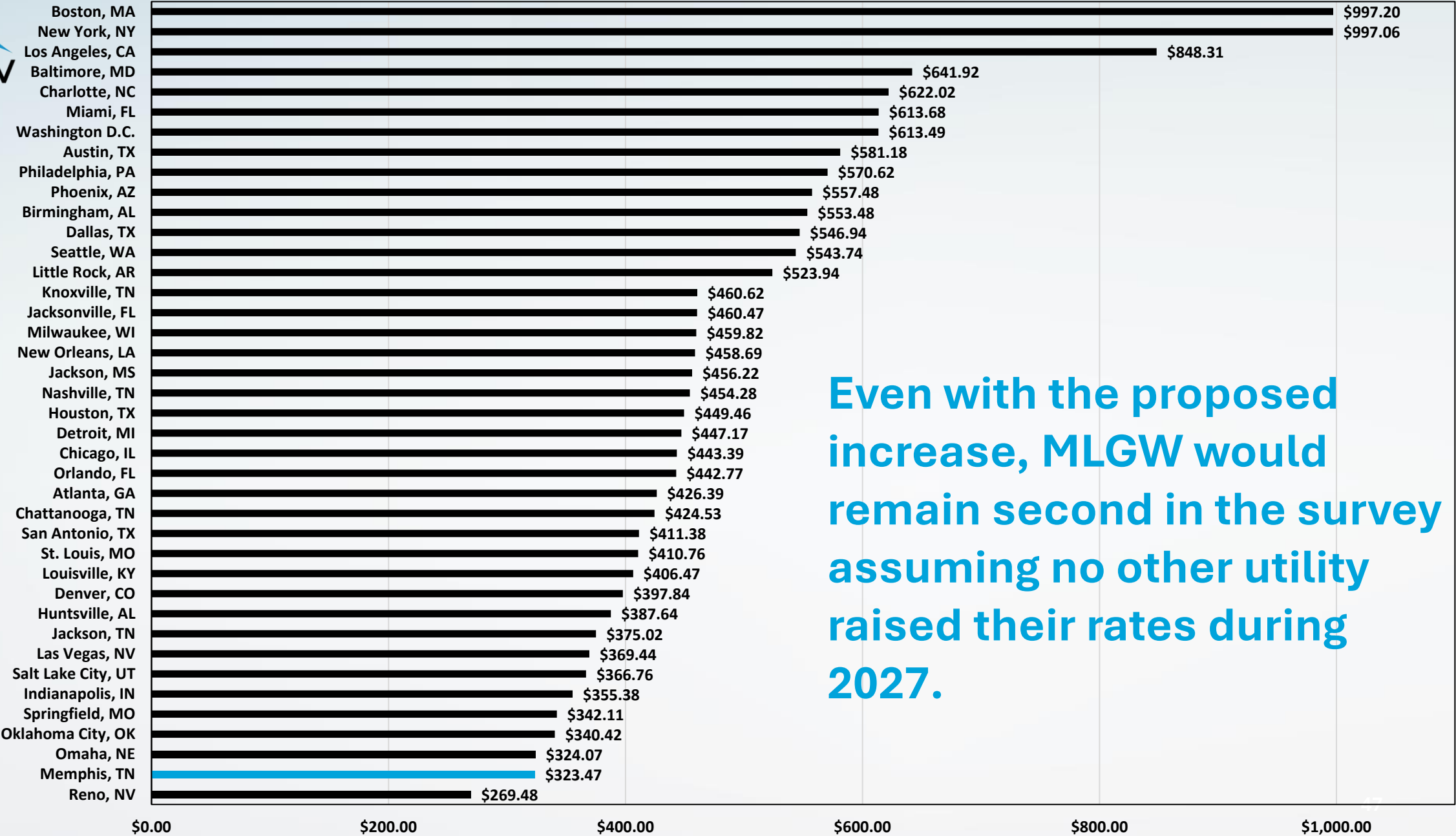


Water Division

	Water Division - 2027 Budget	2024	2025	2026	2027	2028	2029	2030	2031	27-31 Total
21	Ending Cash & Investments	115,208	64,456	14,826	30,649	56,133	77,117	56,207	44,059	
22	Days Cash of OpExp	382	213	44	88	155	207	146	111	
23	Debt Service Coverage	4.24	3.22	1.59	2.68	2.32	3.30	3.11	2.94	
24	Change in Net Assets (Net Income)	\$14,425	\$5,305	(\$7,817)	\$7,953	\$19,857	\$42,007	\$37,400	\$32,900	
25	Capital Expenditures	\$34,772	\$59,058	\$50,000	\$82,075	\$91,557	\$78,439	\$64,749	\$51,906	\$368,726
26	O&M Expenditures	\$105,421	\$105,878	\$116,858	\$121,951	\$126,987	\$131,208	\$135,580	\$140,193	\$655,919
27	Rate Increase %		0.0%	0.0%	16.0%	16.0%	16.0%	0.0%	0.0%	56.1%
28	Rate Increase Revenue		\$0	\$0	\$20,000	\$23,666	\$27,591	\$0	\$0	\$71,257
29	Debt Issuance			\$0	\$225,000	\$0				\$225,000
30	Residential increase%				13.0%	16.0%	16.0%			
31	Average Residential Bill Impact (W1)		\$0.00	\$0.00	\$2.49	\$3.46	\$4.02	\$0.00	\$0.00	\$9.96



National Residential Combined Bill Comparison



Even with the proposed increase, MLGW would remain second in the survey assuming no other utility raised their rates during 2027.



2027 Budget Schedule

- Board presentation, 10/7
- Board vote, 10/21
- Council Committee, 11/10
- Budget Session with Council, TBD
- Full Council vote, 11/24
- Council meeting, 12/8
- Council meeting, 12/22



2027 Budget Summary

- 3.24% increase in O&M budget driven by an increased contributions to the employees' pension fund, increased medical cost, increased equipment cost and a modest wage increase to maintain a competitive workforce, offset by decreased Other Post Employment Benefits expense.
- Modest rate increase plans proposed for Gas and Water.
- Continued focus on outcomes for our customers through investments for resiliency and reliability of the utility's infrastructure.



Appendix



Workforce Complement

Labor Categories	2027 Labor
Current Positions	\$288,894,942
New Positions	\$406,096
Promotions/LOPs/Reclassifications	\$2,144,216
2027 Regular Labor	\$291,445,254
Funded Positions	\$263,894,662

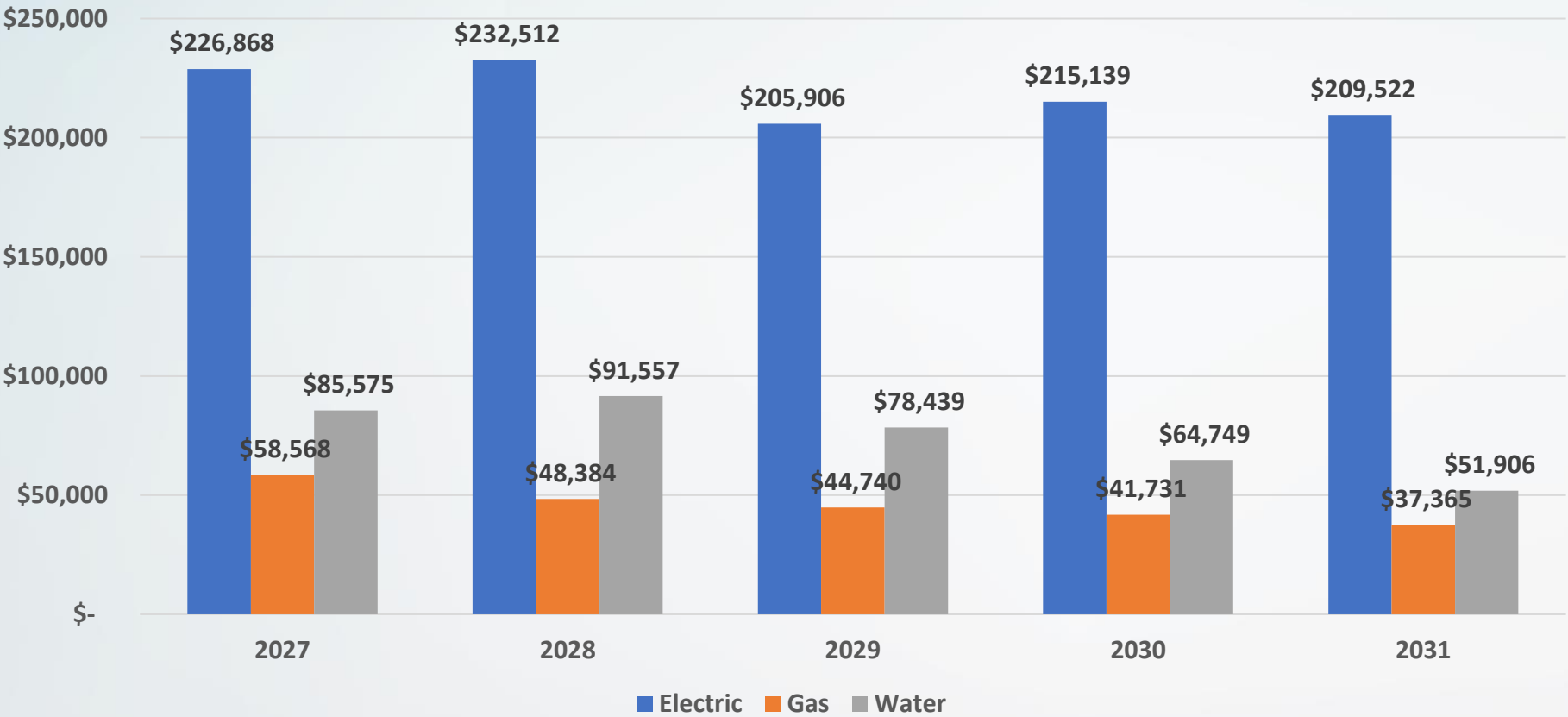
This budget includes the addition of 6 new positions to meet regulatory needs in the Gas and Water Divisions

- 1 General Foreman – Gas Inspector Contracted Services
- 1 Administrative Assistant 1
- 1 Water Machine Operator
- 1 Valve Hydrant Maintenance Crew Leader
- 2 Utility Worker 1s



5-Year CapEx Plan Summary

MLGW 5 Year Capital Expenditure Plan



MLGW’s 5-year capital expenditure plan reflects the Divisions continuous commitment to reliability, resiliency, and stability of the Divisions utility infrastructure.



MLGW Metrics

Electric Division



Electric Improvements

Updated: September 2026



Replace Outdated Infrastructure (2025-2029) | Current Year Target (2026)

Expected to be 35% complete of the 5-year target | 75% complete of this year's target

Current YTD

5-Year Plan

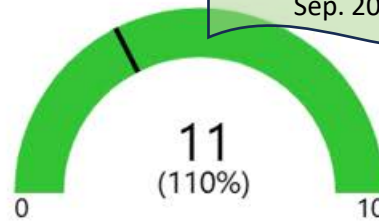
Replace Substation Transformers

Preventing long duration outages due to transformer failures

Substation Transformer Replacements

11 transformers

5-Year Target: 10



Replace Underground Streetlight Cable

Preventing long duration outages due to cable failures

10,543 feet through Sep. 2026

The MLGW Streetlight Uptime Improvement Program is still under development. Further research, data collection, and analysis is underway to plan future efforts.

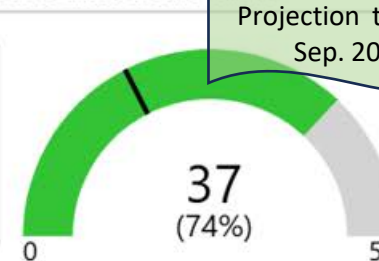
Replace Substation Circuit Breakers

Preventing long duration outages due to circuit breaker failures

Substation Breaker Replacements

37 breakers

5-Year Target: 50



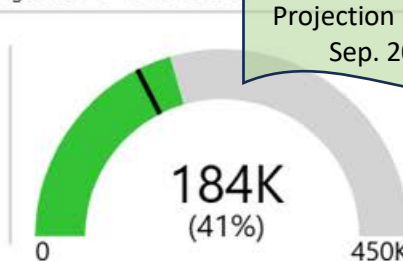
Replace Underground Distribution Cable

Preventing long duration outages due to cable failures

Underground Distribution Cable Replacements

184,499 feet

5-Year Target: 450,000



Electric Division



Electric Improvements

Updated: September 2026



Replace Outdated Infrastructure (2025-2029) | Current Year Target (2026)

Expected to be 35% complete of the 5-year target | 75% complete of this year's target

Current YTD

5-Year Plan

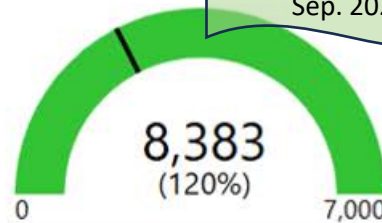
Distribution Pole Replacement / Trussing Renewal

Less outages due to pole failures

Distribution Pole Replacement/Trussing Ren

8,383 poles/renewals

5-Year Target: 7,000



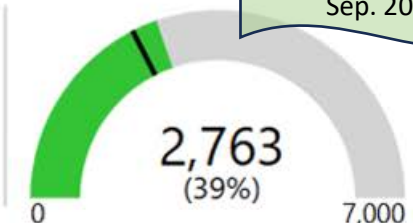
Tree Trimming

Preventing outages by trimming or removing trees that are near power distribution lines

Tree Trimming

2,763 miles

5-Year Target: 7,000



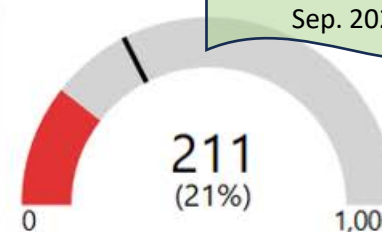
Distribution Automation (DA) Deployment

Reduces customer impacted by each outage, speeds up restoration time, and gives more options for optimizing the system

Distribution Automation

211 units installed

5-Year Target: 1,000





Gas Improvements

Updated: September 2026



Replace Outdated Infrastructure (2025-2029) | Current Year Target (2026)

Expected to be 35% complete of the 5-year target | 75% complete of this year's target

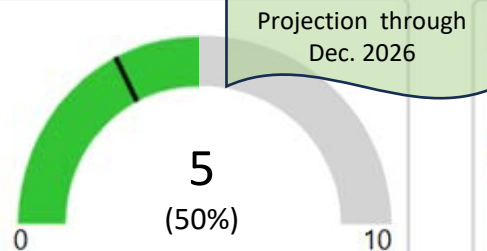
Regulator Stations Replacements

Replace obsolete equipment & increase station capacity for greater reliability

Regulator Station Replacements

3 stations installed

5-Year Target: 10



Current YTD

5-Year Plan

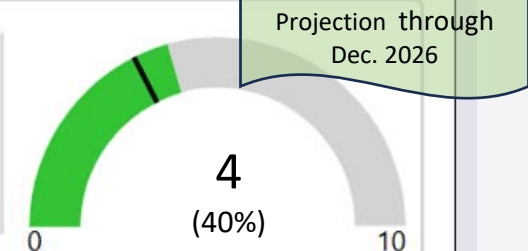
Ground Bed Replacements

Replace older ground beds to maintain reliable protection from corrosion

Ground Bed Replacements

2 replacements

5-Year Target: 10



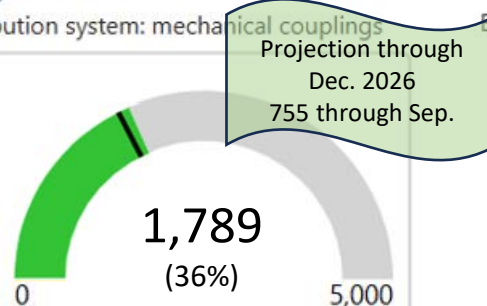
Steel Tap: Coupling Elimination

Eliminating of the greatest risk to the distribution system: mechanical couplings

Steel Tap Coupling Elimination

1,544 units

5-Year Target: 5,000



Transmission Pipeline Replacements - Construction

Eliminate the greatest risk to the Transmission system & enhance reliability to the system

The transmission pipeline project was completed in October 2025.



Water Improvements

Updated: September 2026



Replace Outdated Infrastructure (2025-2029) | Current Year Target (2026)

Expected to be 35% complete of the 5-year target | 75% complete of this year's target

Current YTD

5-Year Plan

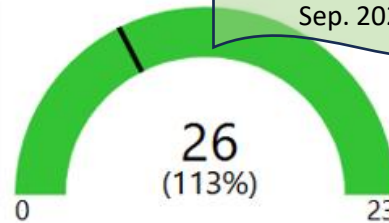
Filter Media Bed Replacements

Fully update 24 filter media beds at five stations

Filter Media Bed Replacements

26 filters

5-Year Target: 23



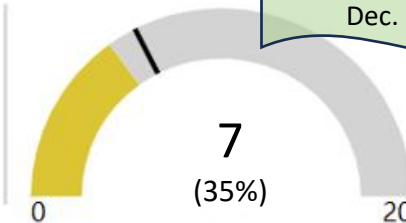
Production Wells

Increase system water capacity to support demand & increase reliability

Production Wells

7 new wells

5-Year Target: 20



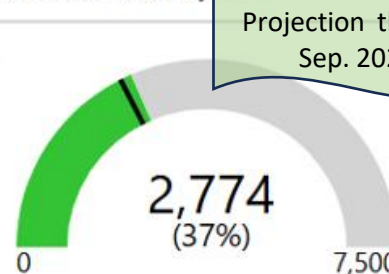
Lead Service Line Replacements - MLGW

Proactive removal of lead lines in the water system

Lead Service Line Replacements - MLGW

2,774 services

5-Year Target: 7,500



Lead Service Line Replacements - Customer

Proactive removal of lead lines in the water system

The Customer Lead Service Line Replacement project is federally funded. This effort will continue as funding is available.

430 Replacements through Sep. 2026



Water Rate Design



How do water rates and rate structures get developed?

- Water utilities use a cost-of-service study to ensure that costs of operating and maintaining the system are fully recovered and costs are equitably shared across customers.
- This study results in a rate structure for each customer class.
- Utilities often apply **declining block rate structures** to commercial and industrial customers because these customers typically **consume water at a lower average cost to serve** than residential users, and the structure helps utilities **recover costs while reflecting economies of scale**.



Declining Block Rate

Declining block rates mean that **the more water a business uses, the cheaper each gallon becomes.** Water utilities use this pricing model for commercial customers because it is cheaper and easier to supply water in bulk to one large factory than to hundreds of individual homes. Here is a breakdown of why this happens:

1. It is cheaper to build pipes for one big customer

- To send water to a neighborhood of homes, the water company must build and maintain a massive, web-like network of small pipes under every single street.
- Big businesses, however, usually connect directly to the city's **giant water highways** (called trunk lines). Because the utility company does not need to build miles of neighborhood plumbing just to serve them, the overall cost to deliver each gallon of water is much lower.

2. The "Buy in Bulk" discount: Water utilities structure their bills into "blocks" or tiers:

- **The First Block (Expensive):** The utility charges a high rate for the first chunk of water. This ensures the utility covers its basic costs, like running the water treatment plant and maintaining the main pipes.
- **The Later Blocks (Cheaper):** Once those fixed infrastructure costs are paid for by the first block, actually pumping extra gallons of water costs very little. The utility passes those savings onto the business with a lower rate.

3. Balancing the rules

- Utility companies have to fairly apportion costs. By charging businesses this way, they make sure that large commercial users pay their equitable share for the heavy strain they put on the main system. At the same time, giving them a fair bulk rate helps support local businesses and keeps the utility company's monthly revenue steady and predictable.

Commercial and Industrial customers make up only 8% of total customer served, but produce 49% of water revenue MLGW receives
Residential customers make up 92% of total customers served and produce 51% of water revenue MLGW receives



1,000 Bottles of Water to 1 Customer



1 bottle of water to each of 1,000 Customers

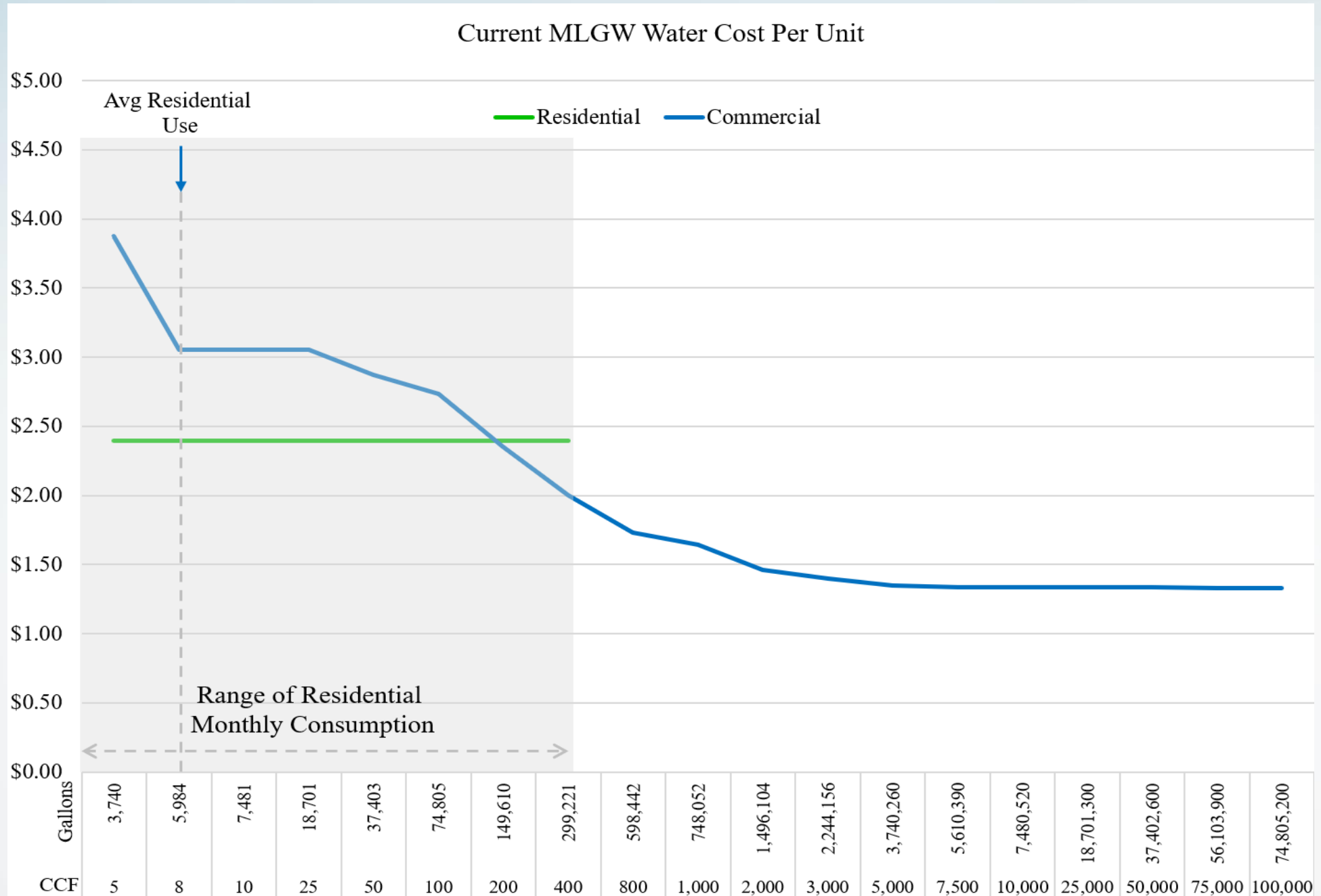
***Same volume of water delivered,
very different costs to deliver***

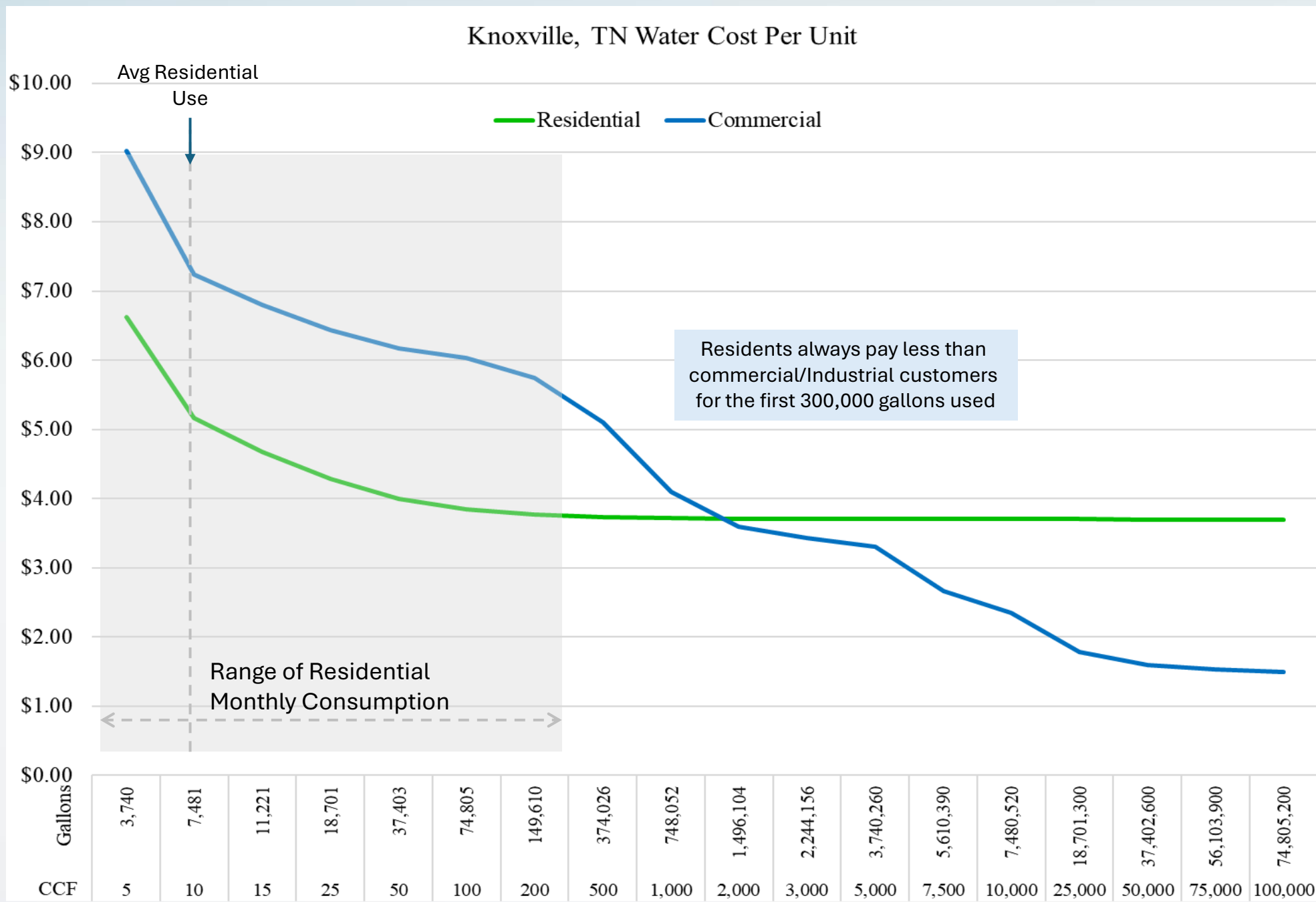


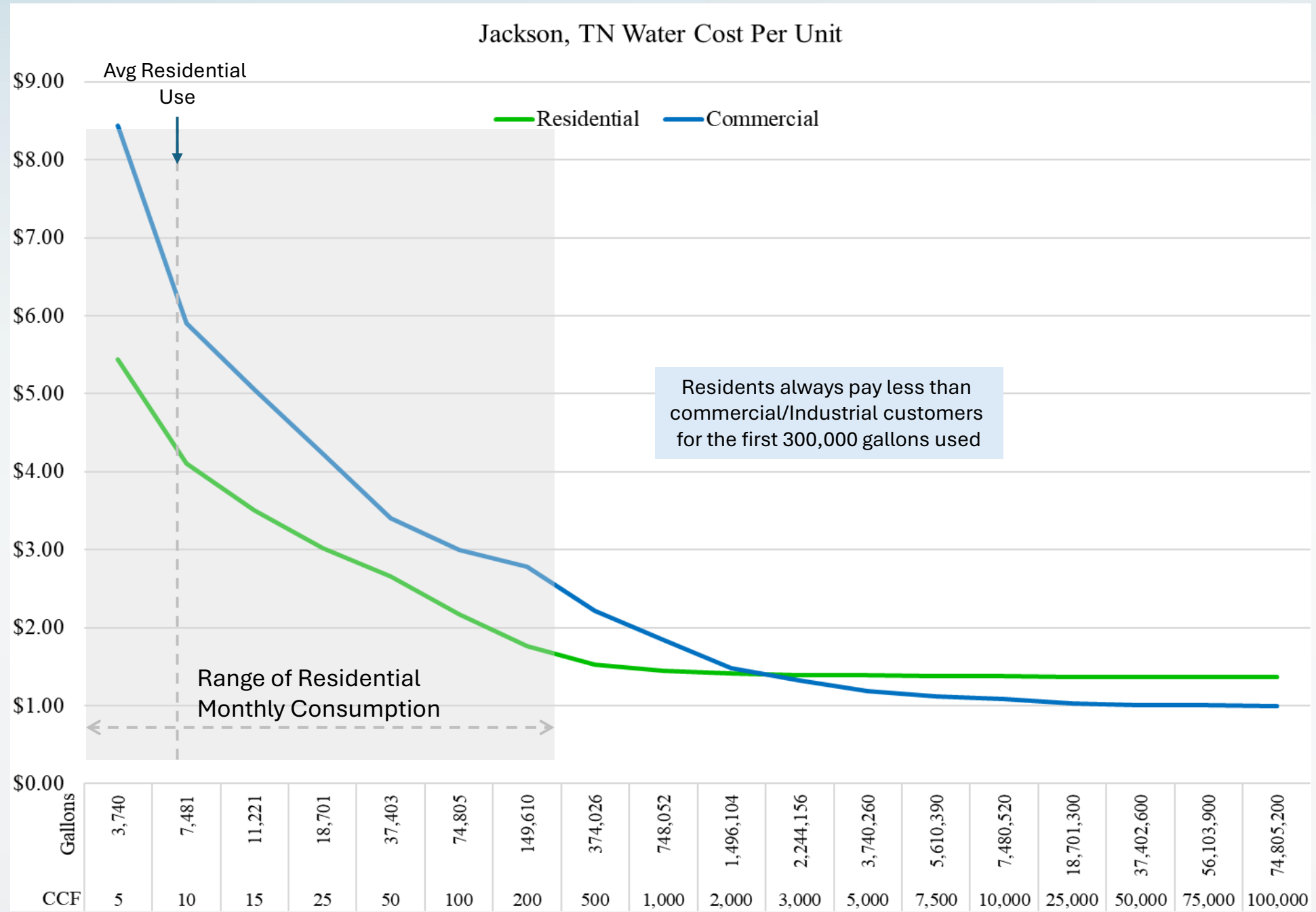


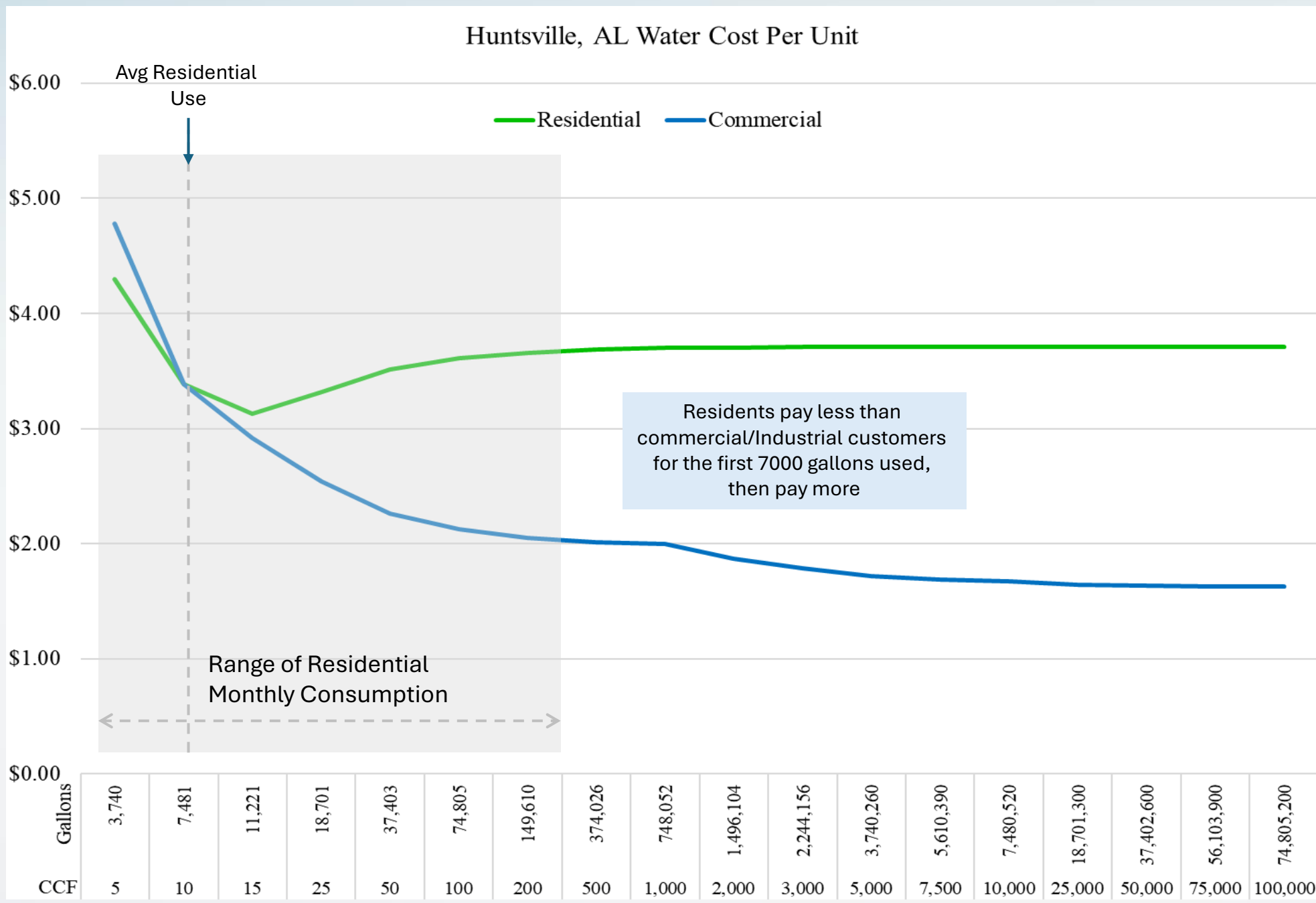
Comparative Water Rate Design

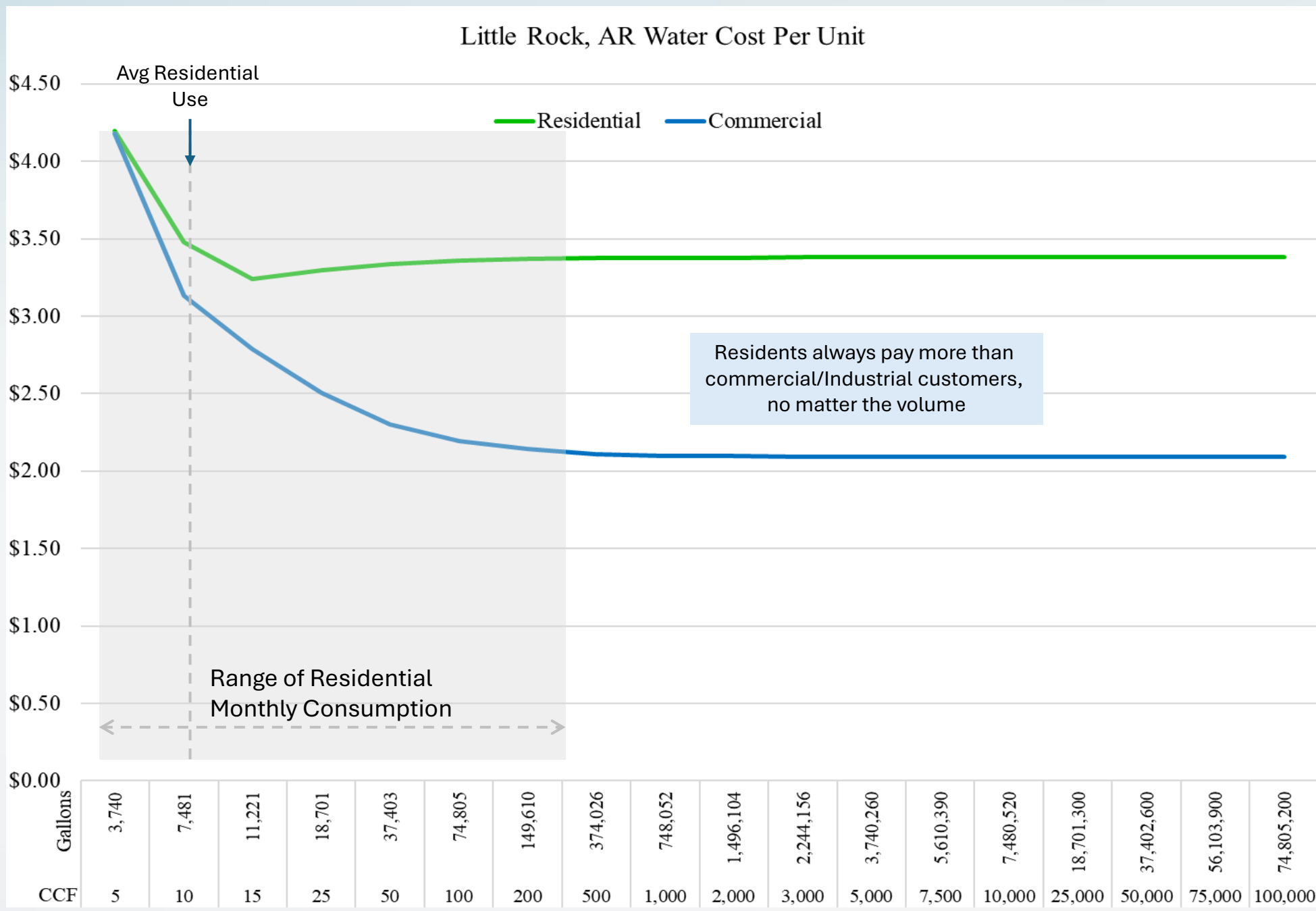
- Water rate design consistent with American Water Works Association (AWWA) guidelines and peers in our industry
- Declining block rate is common practice for larger consumers reflecting economies of scale
- Inclining block rate is generally found in areas with water scarcity to promote water conservation
- A simple, easy-to-understand flat rate gives our residential customers predictable monthly bills and avoids higher-priced block charges for households with larger essential water needs

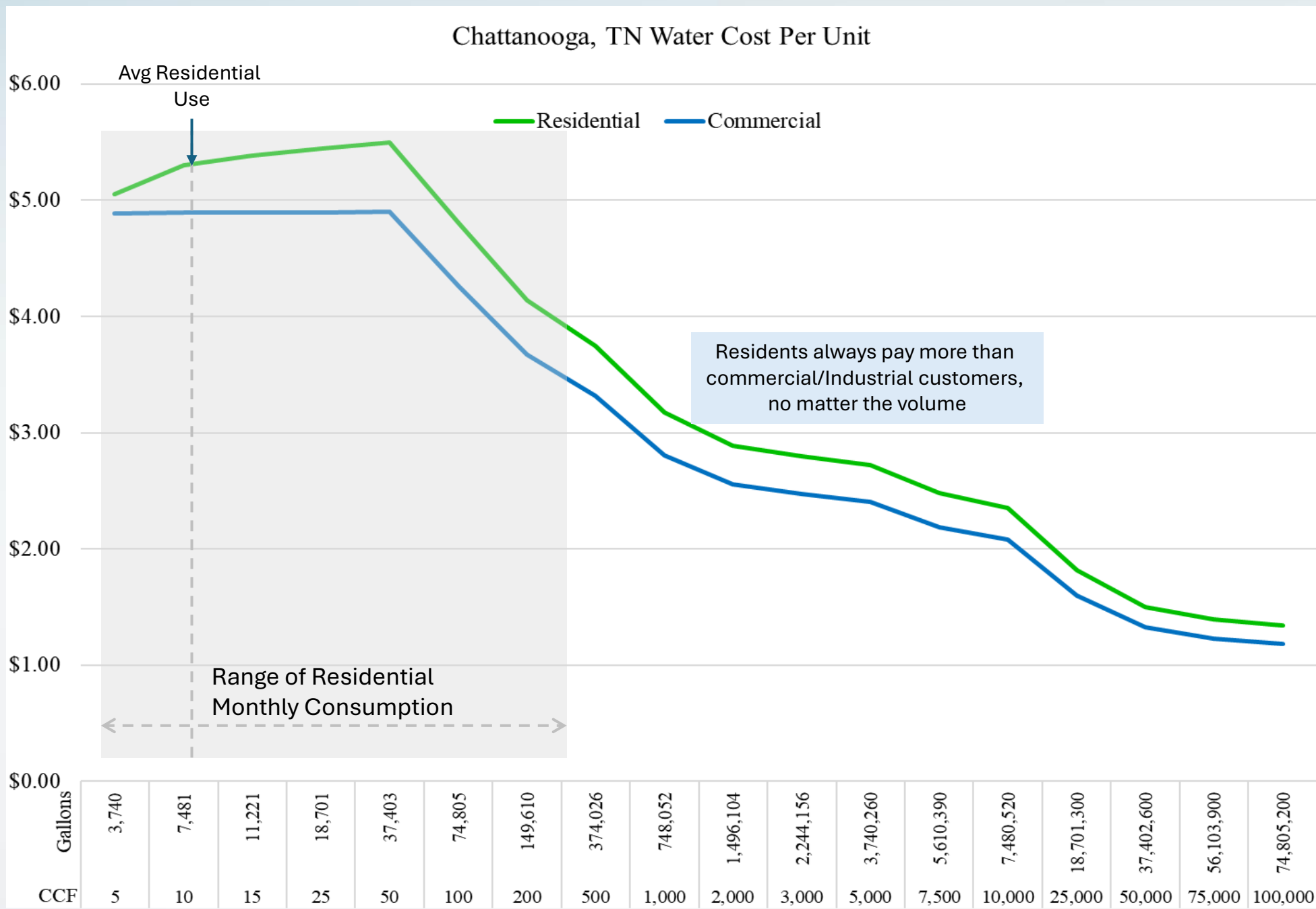


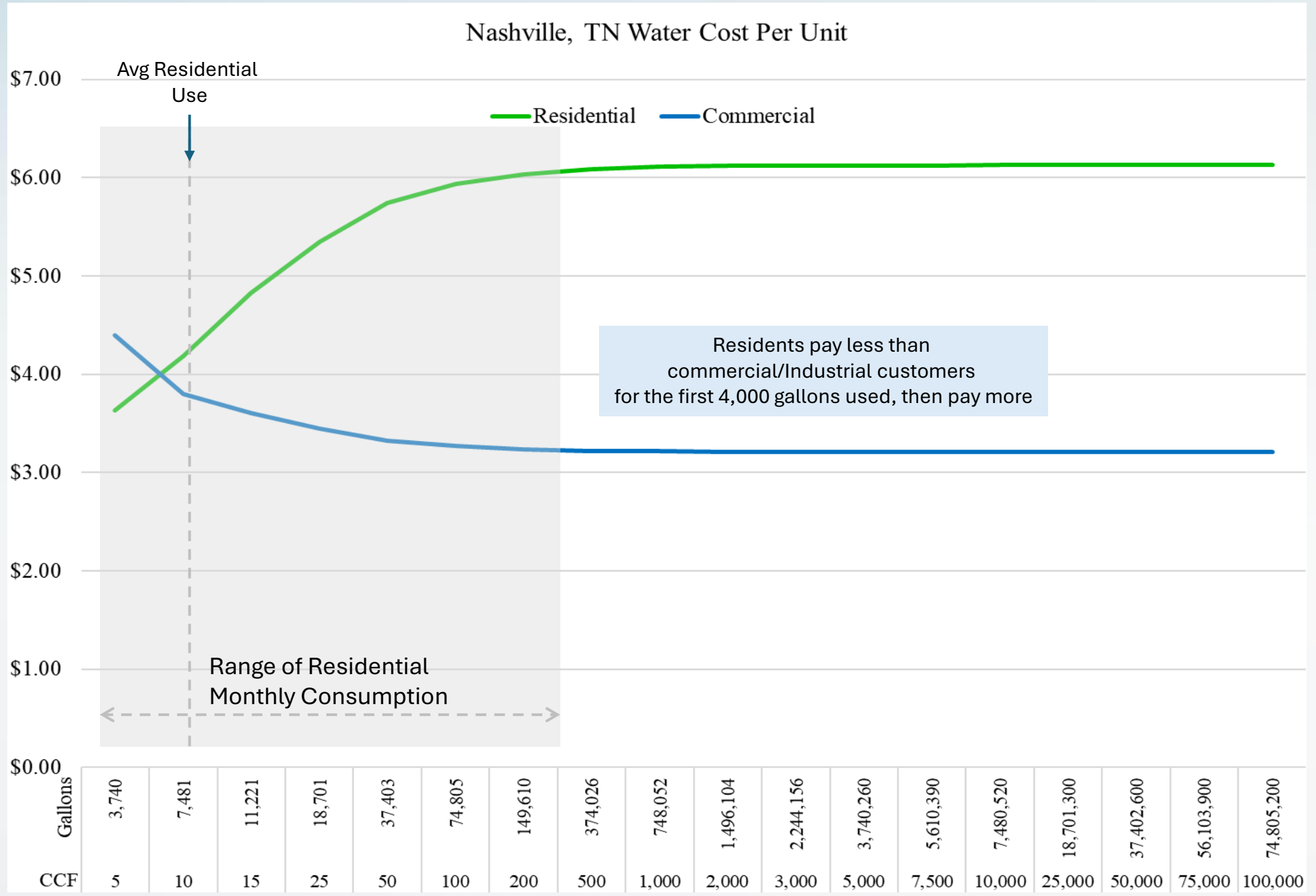


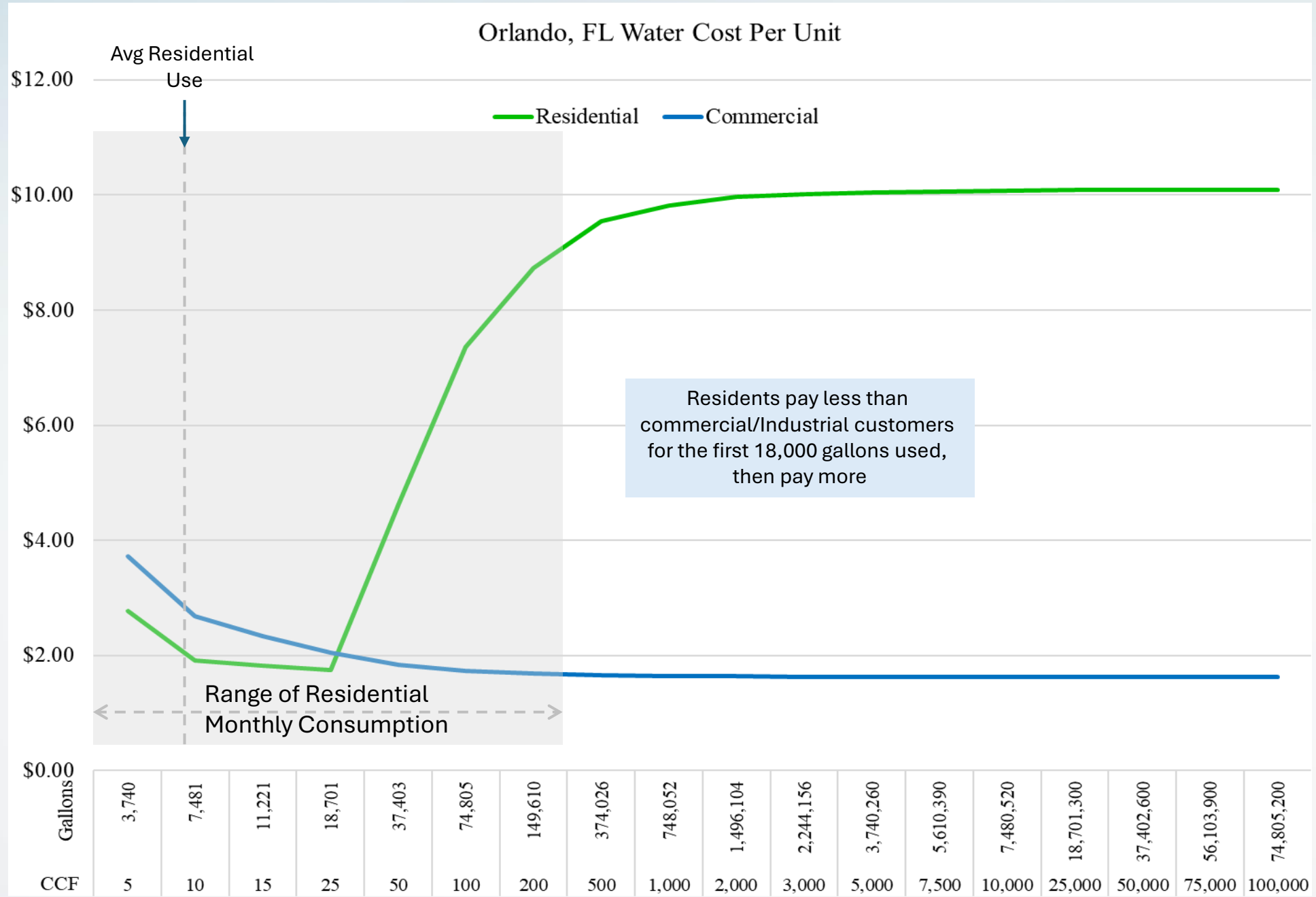


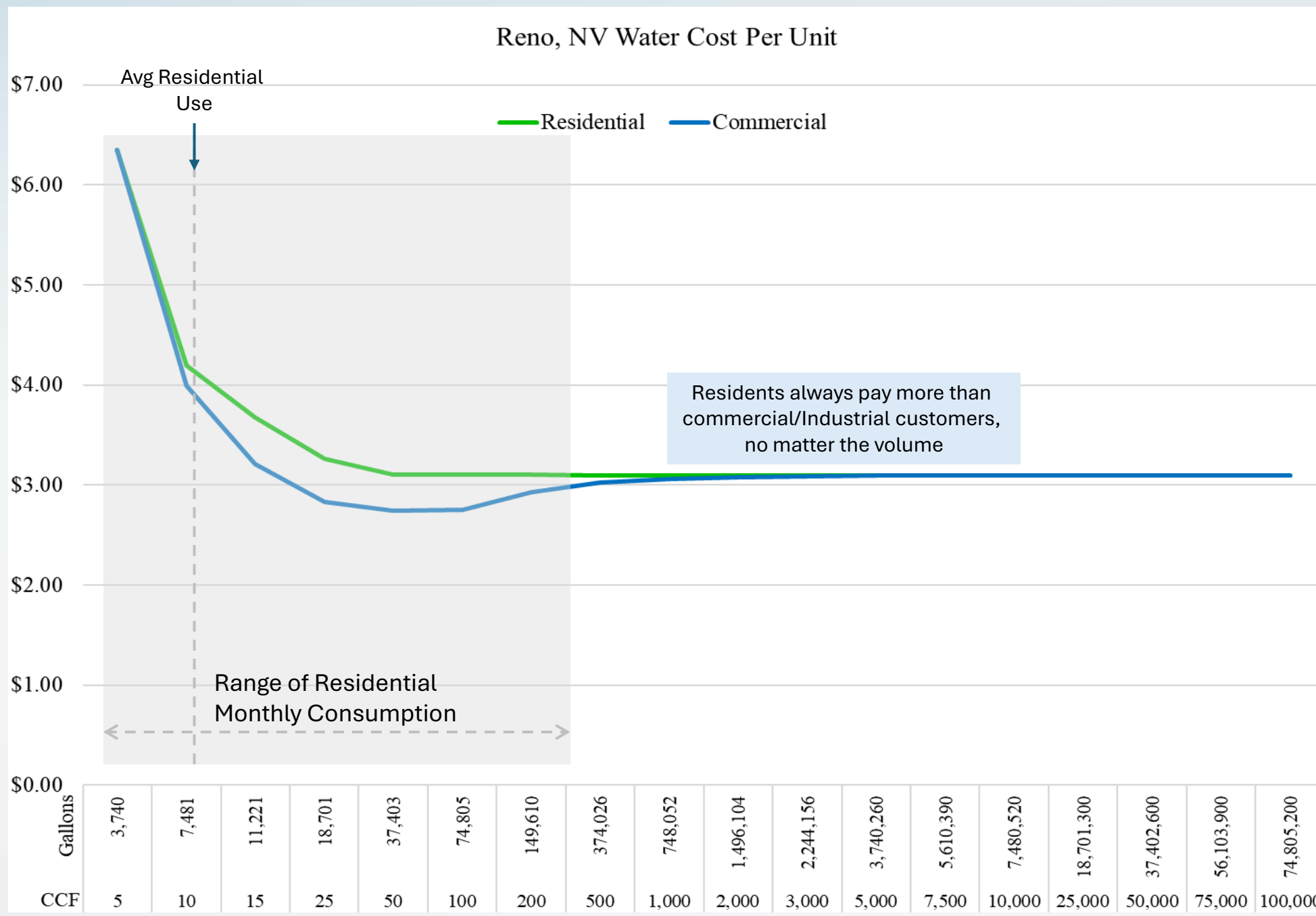


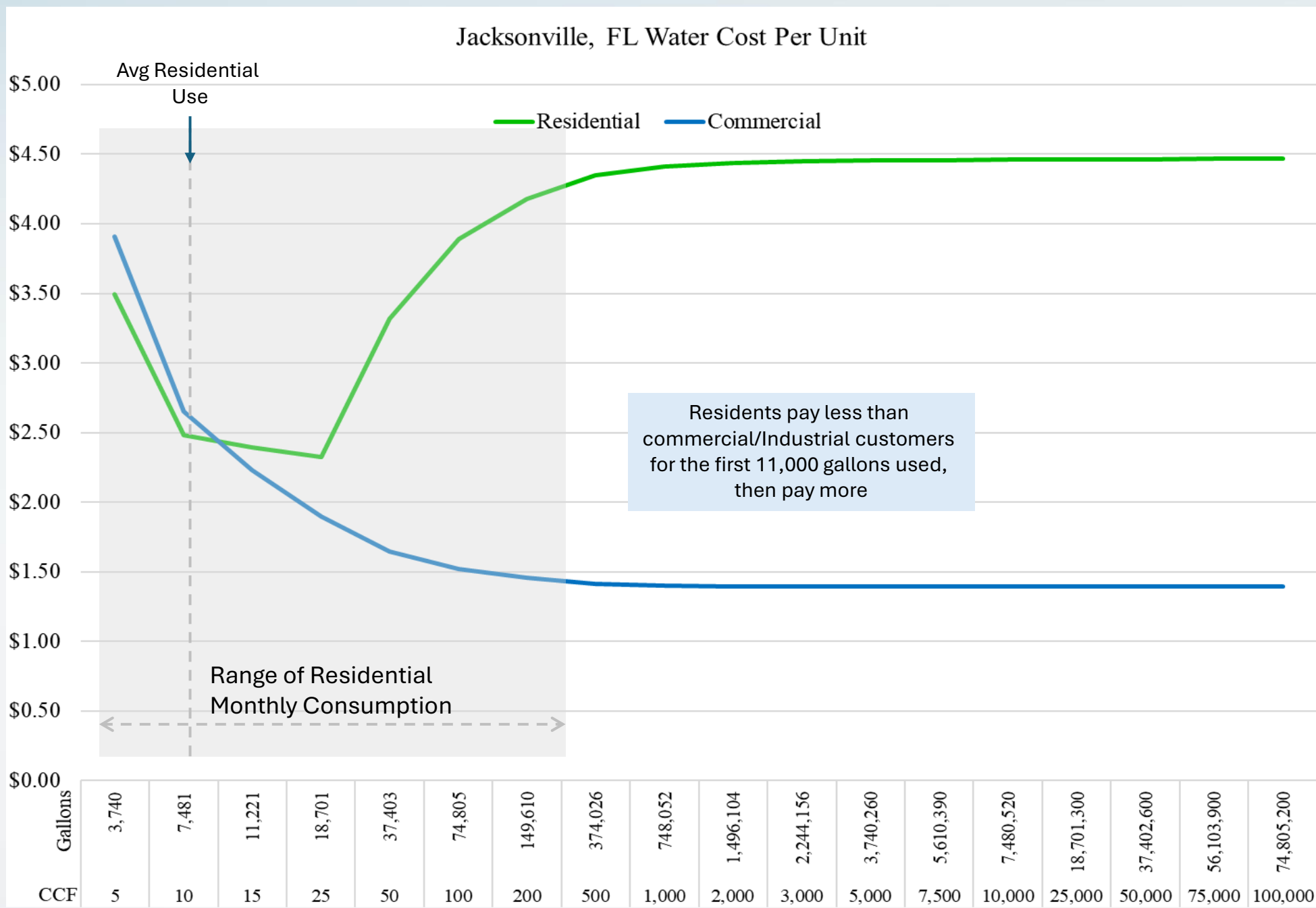


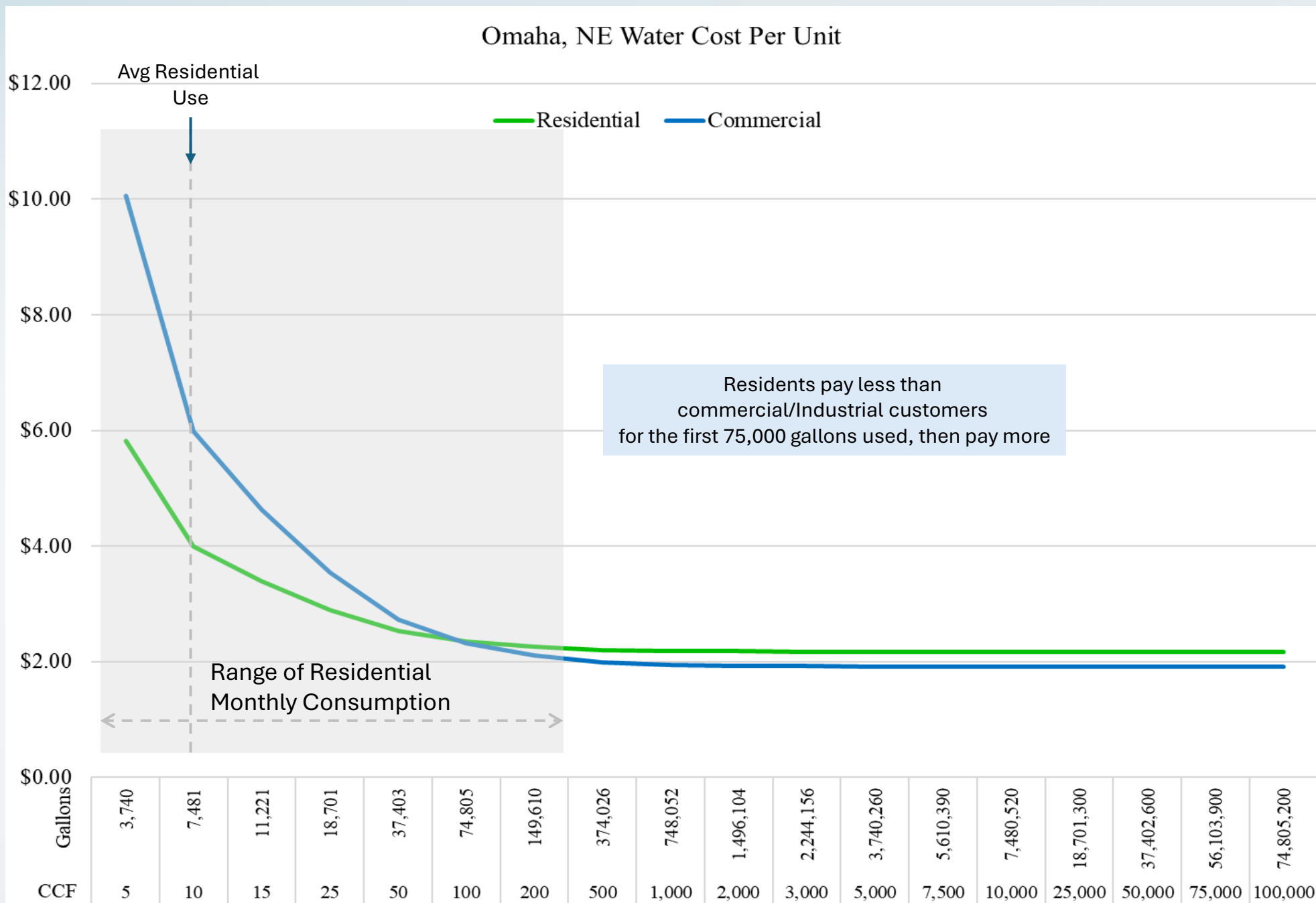


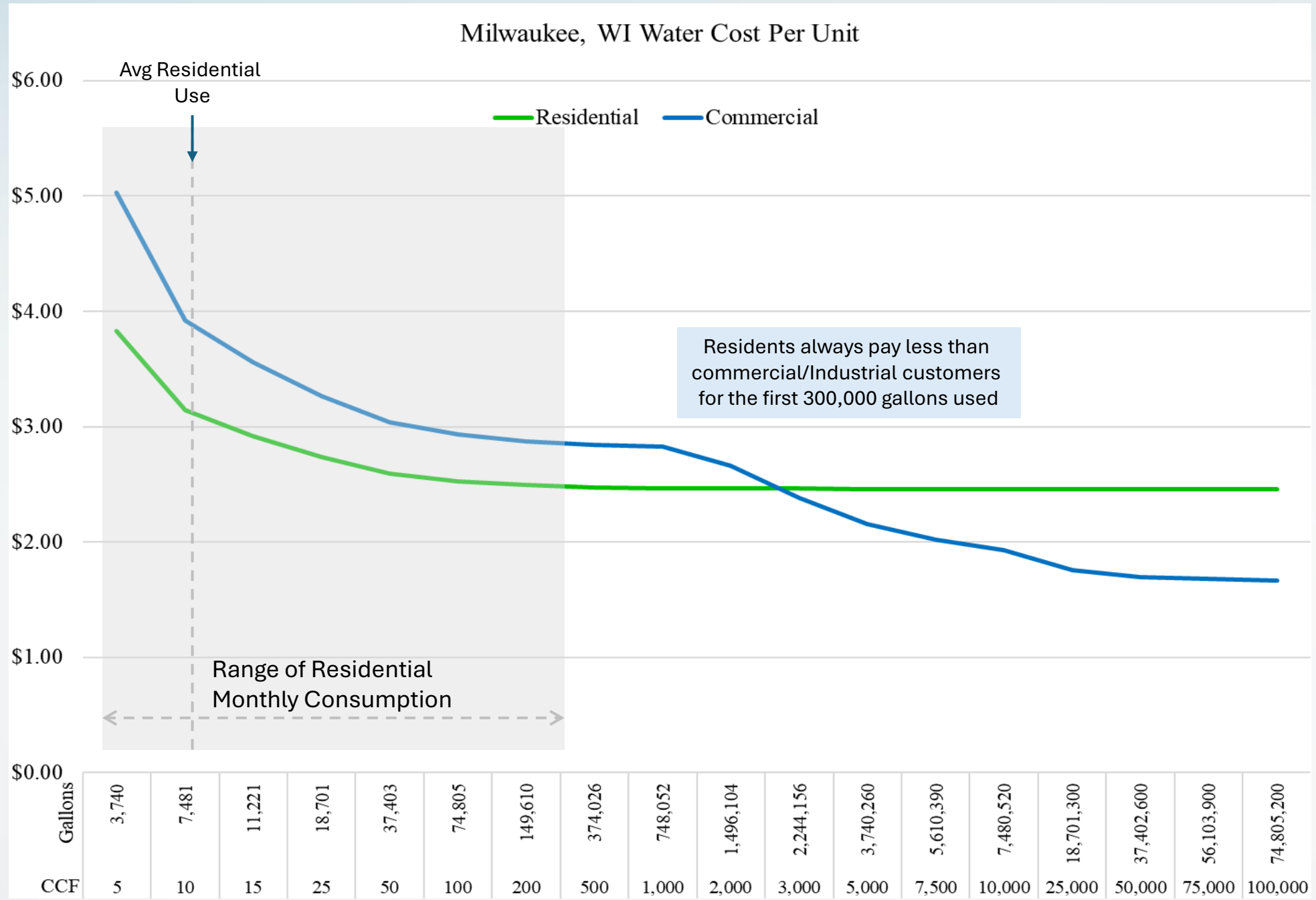


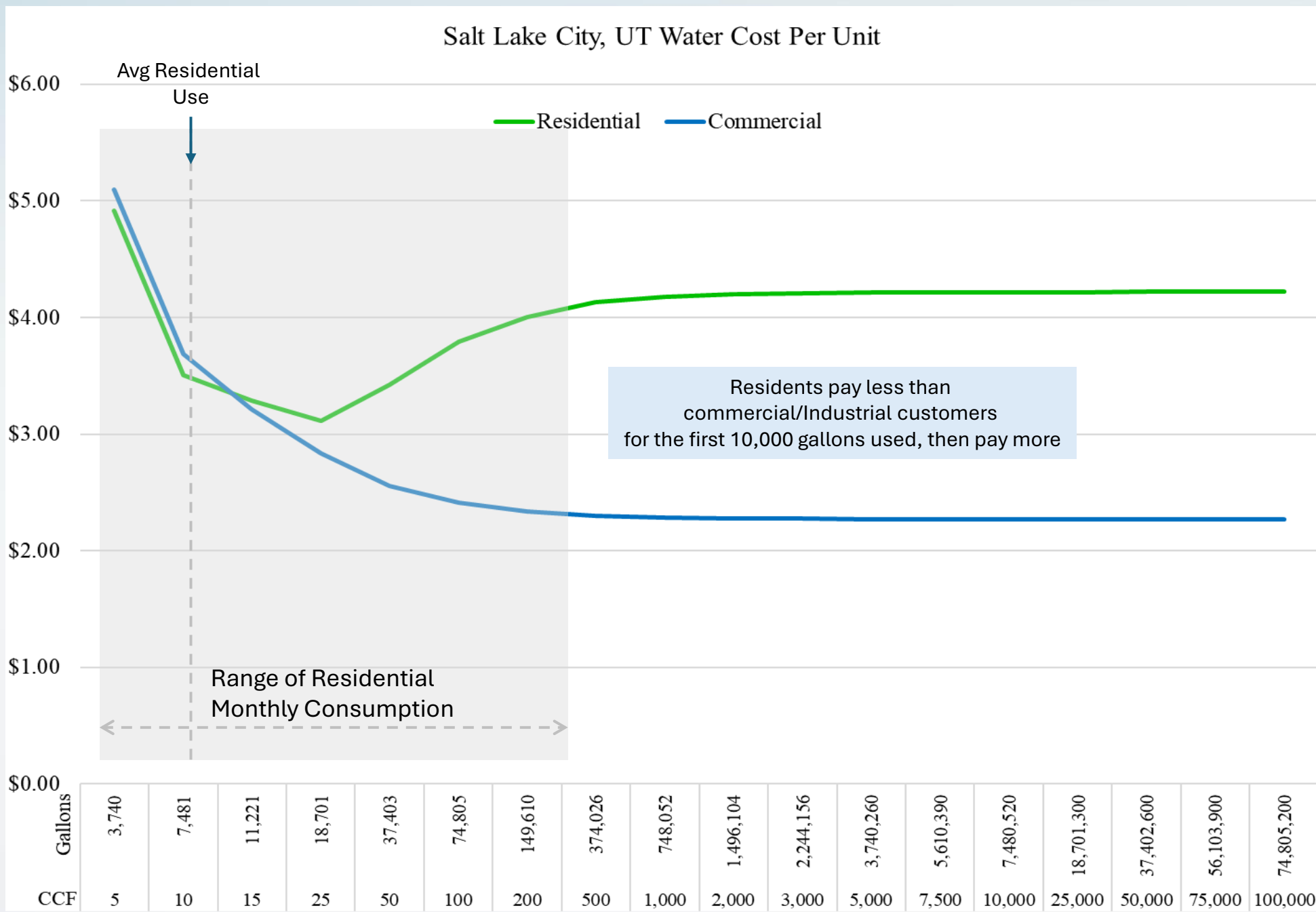


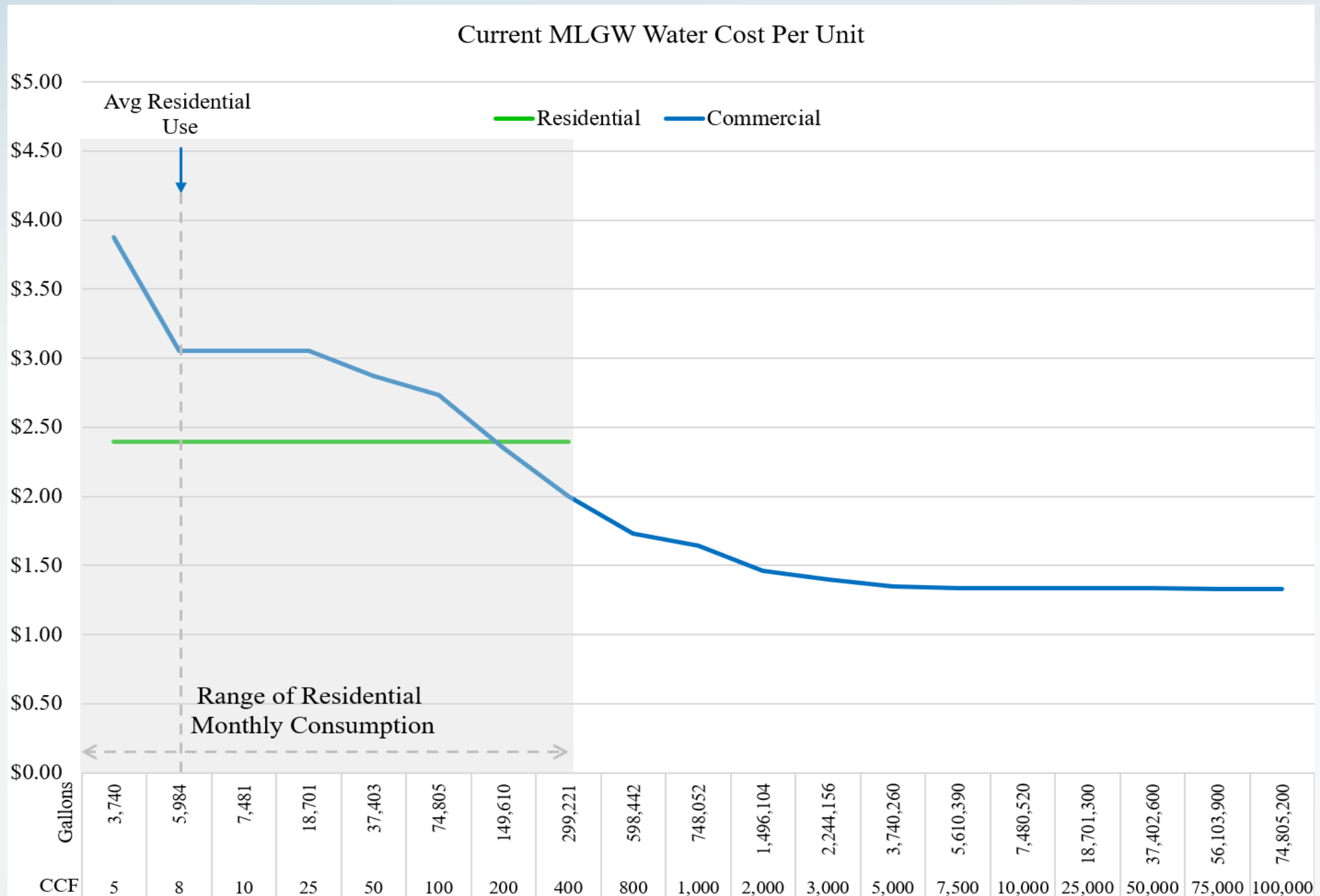






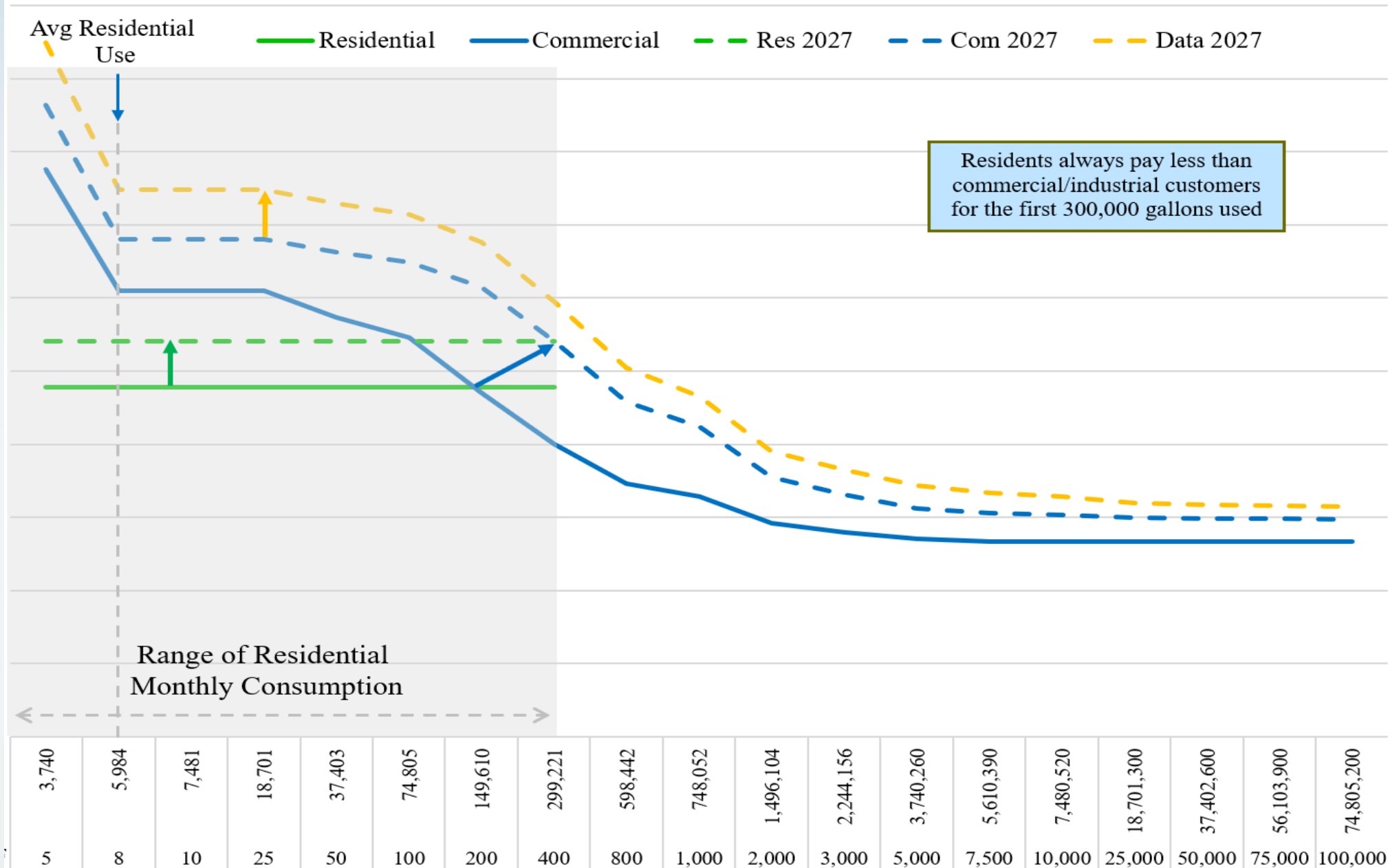








Potential changes for 2027





Proposed 2027 Rate Structure Changes

- 3-year rate action in all classes to support needed revenue increase in water division
- Minimize impact to very low residential users by capping the increase to the minimum bill charge (benefits 58,000 customers in Residential class)
- Update the crossover point (200 ccf to 400 ccf) of the Commercial and Industrial (C&I) curve relative to the Residential rate so that *C&I customers will always pay more per unit than every Residential customer*
- Add a new rate for Data Centers