

# 2021 Annual Report Memphis Light, Gas and Water Division



# Keep It Flowing

Delivering Value

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## **About MLGW**



The responsibility to provide excellent service to the citizens of Memphis and Shelby

County inspires us every day, infusing our purpose, principles, and direction. Founded in 1939, Memphis Light, Gas and Water Division is the nation's largest full-service municipal utility company; our services of Electric, Gas and Water are the foundation to the quality of life that more than 439,000 customers enjoy. Each day, we strive to exceed expectations because "Serving You Is What We Do."

## **Our Suppliers**

The Tennessee Valley Authority (TVA) provides MLGW with wholesale electricity. MLGW is TVA's largest customer, representing about 11 percent of TVA's total load. MLGW buys its natural gas from a variety of suppliers. It is transported by three pipeline companies—Texas Gas Transmission Corp., Trunkline Gas Co. and ANR Pipeline Co. Memphis and Shelby County receive water from the Memphis Sand and Fort Pillow aquifers which is one of the largest artesian water systems in the world.

### **Our Leaders**

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

#### **MLGW Board of Commissioners**



Mitch Graves, Chair



Leon Dickson Sr., Vice Chair



Carlee McCullough



Steven Wishnia



Michael E. Pohlman

#### **Advisory Board Members**



**Kevin Young** 



**Dwain Kicklighter** 

#### Senior Leadership Council

Jarl "J.T." Young, President and CEO

Dana Jeanes, SVP, CFO and CAO
Secretary – Treasurer

Alonzo Weaver, SVP and COO

Jim West, VP and Chief Customer Officer

Cale Jones Carson, VP of Community

Gale Jones Carson, VP of Community and External Affairs

Lesa Walton, Chief Internal Auditing Officer

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

Von Goodloe, VP of Shared Services

Nick Newman, VP of Engineering and Operations

Cheryl Patterson, VP and General Counsel

Lashell Vaughn, VP and CIO

Jacqueline Jones, VP and Chief People Officer

Roland McElrath, VP of Accounting

## President's Letter

We've experienced many changes in our workplace during 2021 but our commitment to safely deliver services that create and sustain superior customer experiences, has remained the same. In the midst of these changes our organization has stepped up and met every challenge presented with an unbreakable and winning spirit.

I am proud of the work that has been accomplished thus far and feel confidently optimistic that we will continue to provide services and experiences that exceed expectations.

This year we developed several key focus areas to guide us as we embarked on a journey of change, innovation, improvement and discovery. One of those essential key focus areas was preparing and equipping our workforce.



Safety, being one of our company's core values, is always at the heart of what we do. To maintain a safer work environment, the Division updated its COVID-19 protocols, implementing temperature checks, reducing the number of employees in indoor settings, and creating social distancing guidelines. In addition to virtual weekly safety meetings across the Division, MLGW executives hosted on site safety meetings with field personnel.

We also completed an Employee Engagement survey to get a better understanding of how employees viewed the company. The survey indicated that employees were aligned with several of our core values including safety and compassionate service. This survey allowed MLGW leadership to examine areas of improvement and create an action plan for the near future.

As the world around us develops, it's important our organization remains competitive and aligned with the latest technology. Our key focus area of building technology integration is centered around enhancing the customer experience and improving internal processes.

We created a new builder's development portal, designed to provide builders or developers the capability to lookup the status of an existing work order. Our technological advances have also created new pathways for our organization to respond to the needs of our customers in more efficient ways. Last year, we launched an outage text alert system that instantly notifies customers when there is an outage at his or her residence or business. We also updated and automated several of our online processes including Gift of Comfort and OnTrack. With these improvements, we have been able to reshape the customer experience and elevate our image and public perception.

We are continuing to move forward with our infrastructure upgrades as a part of our five-year service improvement plan. These upgrades are creating operational efficiencies as well as improvement in the reliability of the services we offer. In 2021, we had some positive improvements in our JD Power scores, indicating that we are building a healthy relationship with the community we serve.

Despite the COVID-19 pandemic, several of our employees came together on numerous occasions to be of service, organizing four mobile food pantry drives, along with a utility assistance fair. We also provided free weatherization and energy efficiency repairs to qualified, limited-income homeowners in Shelby County, with a grant received from the Tennessee Department of Environment and Conservation (TDEC).

#### (continued)

During February 2021, Memphis suffered a historic winter storm causing approximately 42,000 customers to lose power. Due to the storms high impact and freezing temperatures, 127 water mains ruptured, resulting in low water pressure. The utility issued a Precautionary Boil Water Advisory for all MLGW water customers which lasted several days. Employees, across the division worked around the clock to keep customers informed and to restore services as quickly and safely as possible.

We also concentrated our efforts on effectively executing our plans and projects. Last year we celebrated a major milestone with the completion of our 30-year, \$100 million dollar and 330-mile cast iron replacement project.

As always, our organization aims to promote good governance and compliance. We continue to provide transparent communications during our IRP process. In addition, reducing bureaucracy and associated costs remained a high priority and we continued to make progress in reducing labor costs through attrition. We also continued to assess other efficiency opportunities and we will maintain that focus into 2022 and beyond.

I am thankful for working with such dedicated employees and look forward to accomplishing so much more in the near future.

Jarl "J.T." Young President and CEO



## **OUR MISSION**

To safely deliver services that create and sustain superior customer experiences.

## **OUR VISION**

To be the trusted provider of exceptional customer value in the communities we are privileged to serve.

## **OUR VALUES**

**Safety** - We make working safely paramount... it is the most important thing we do. We seek to create and maintain a safe work environment for our people.

Integrity - We seek to do the right things for the right reasons. We build trust among our people and with all of our stakeholders through honesty and ethical behavior.



Ownership - We care about the MLGW enterprise and we act like owners. We treat the MLGW enterprise as we would our own and we operate with MLGW's long-term success in mind. We pursue excellence and innovation and we are accountable for our decisions and behaviors.

**Inclusion** - We serve customers who represent a variety of backgrounds. We are committed to including and developing a similar diversity among our teams and among those from whom we purchase products and services.

**Compassionate Service** - We are committed to providing superior customer and people experiences. We do so with empathy, courtesy and efficiency and we serve our community with a similar passion.



## THE FLOW OF EXCELLENCE

## Over 80 years of service







For over 80 years Memphis Light, Gas and Water has provided Shelby County with reliable and quality service. While the world around us has changed, our commitment to excellence has remained the same. As we navigate through a changing world, we are embracing the journey and learning along the way. This journey, though sometimes challenging, is rewarding and full of amazing possibilities. Our vision is clearer than ever. We have developed a road map to guide us as we embark on our journey to excellence.

#### The Journey to Excellence

Our customers remain at the center of all we do. We care deeply about improving the quality of life for Memphis and Shelby County residents, which extends beyond offering electric, gas and water services. Each year MLGW employees volunteer their time and efforts to serving the community. Community service efforts range from feeding and clothing the homeless, assisting with mobile food drives, providing utility assistance and campaigning to raise money for the United Way of the Mid-South.

While we always strive to provide compassionate service to all customers, COVID-19 increased this need more than ever. MLGW partnered with several agencies across Shelby County to ensure customers in need had access to assistance. Last year, the City

of Memphis provided funding for utility assistance which aided MLGW customers with \$1 million in utility assistance. MLGW also created a utility assistance dashboard highlighting monies paid out for utility assistance and households affected.

On August 21, at Gethsemane Garden Church of God in Christ, the Corporate Social Responsibility department held a utility assistance drive-thru event. During the event MLGW customers were able to apply to receive up to \$650 in utility assistance, as well as receive a free weatherization kit, along with a two-week supply of food.

While Memphis continues to have some of the lowest energy rates in the country, the city leads the nation in high energy burden for low-income communities as education and underemployment woes plague our city. Programs like Share the Pennies are vital to enhancing our community and providing relief.

The Division recently celebrated a milestone for the completion of over 500 homes weatherized in March 2021 through Share the Pennies. MLGW was also awarded a \$750,000 grant from the Tennessee Department of Environment and Conservation (TDEC) to provide weatherization and energy efficiency repairs for qualified, limited-income homeowners in Shelby County.

#### Forging into the Unknown

Our journey to excellence has also given us the opportunity to navigate through unexpected events and circumstances. In early February 2021, Memphis experienced a snowstorm that dropped about nine inches of snow on the Mid-south. The freezing temperatures, ice and snow kept our employees busy restoring customers' power. On February 18, 2021, the utility

issued a Precautionary Boil Water Advisory for all MLGW water customers due to 127 water mains rupturing, resulting in low water pressure. Our Water Construction and Maintenance department crews worked around the clock to get the water system back to normal.





2021 also presented a unique opportunity to embrace a new work environment. In response to COVID-19, MLGW took the necessary precautions to ensure the safety of all of its employees. Employees were given the option to work from home and weekly COVID-19 communications were sent out to keep employees informed and educated during the pandemic. President and CEO J.T. Young also held monthly virtual meetings with all employees, addressing employee concerns and questions. All employees in open spaces were encouraged to always

wear masks and plastic dividers were installed in workspaces.

MLGW continued moving forward with examining power supply savings. Upon the completion of the IRP process, it was recommended that MLGW undertake a Request for Proposal(RFP) to confirm any potential savings. MLGW issued three RFP's during the year and expects to have responses in early 2022.

## Anchoring the Future – The Final Destination

On November 9, 2021, Memphis Light, Gas and Water celebrated the end of the 30-year,

\$100 million dollar and 330-mile cast iron replacement project. Buried gas lines can rust and corrode, which could lead to inefficient lines and potentially dangerous gas leaks. The new system is expected to last



100 years with regular inspections for leaks.

MLGW employees are extremely essential to the positive growth of this organization, which is why we recently completed an Employee Engagement Survey. Nearly 80% of employees indicated that they enjoyed working for MLGW. A desire for more opportunities for career development was also indicated. Action plans have been developed and we look forward to the commencement of their implementation beginning in 2022.



With all things, we constantly aspire to offer services that are safe and reliable. Recently MLGW was recognized for our diligence in this area. In 2021, MLGW received the RP3 Diamond Award from the American Public Power Association. A RP3 designation is a sign of a utility's dedication to operating an efficient, safe and reliable distribution system. MLGW has been recognized through the RP3 program five times since 2010. In 2021, we were proud to have received the Diamond Award, which is the highest recognition in the program.

Last year, we also worked on improving technology integration to enhance the customer experience and create more efficient work processes. These technology upgrades will create more efficient processes for present and future projects.

Customers can now receive real time outage notifications using our outage text alert notification system. This new feature is an alternative way to communicate with customers in addition to our many other communications platforms. For the first time ever, MLGW customers can now complete Residential Service Agreements electronically, increasing self-service options and the effectiveness of our Service Advisors. MLGW also migrated to Microsoft Office 365 platform and upgraded the existing Oracle Enterprise Business Solution, which provides current employees with better tools to complete projects and tasks.























#### To the Board of Commissioners and Valued Stakeholders:

We are pleased to submit the Annual Report of Memphis Light, Gas and Water Division (MLGW) for the fiscal year ending on December 31, 2021, as required by the Charter Provisions of the City of Memphis (City) creating Memphis Light, Gas and Water Division. This report has been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for proprietary funds of governmental entities.

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

MLGW's financial statements have been audited by Clifton Larson Allen LLP, licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of MLGW, for the fiscal year ending on December 31, 2021, are free from material misstatement. The audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements; evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management; and evaluating the overall financial statement presentation.

The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that MLGW's financial statements for the fiscal year ending on December 31, 2021 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of the report.

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

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

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

MLGW controls the administration of its activities and business affairs. It operates independently, manages its own finances and is responsible for obligations incurred in such operations, including indebtedness payable from operations of the Division. MLGW must have the City Council's approval for its annual budget and before incurring certain obligations, including purchasing real estate and exercising the right of eminent domain.

MLGW is managed by a Board of Commissioners, which consists of five voting members nominated by the Mayor and approved by the City Council and two advisory, non-voting members which were added in 2017. The Board is responsible for supplying the Division's service areas with electricity, gas, and water. Board members serve staggered terms of three years each.

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

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

**Local Economy**—Memphis sits on the banks of the Mississippi River in the southwestern corner of Tennessee. The Bluff City ranks as the second largest city in the state and, with a population of 654,055 is the hub of the 42nd largest metropolitan statistical area in the nation. According to the Greater Memphis Chamber, in 2021, the city landed 26 major projects, retained 721 jobs, and created nearly 9,000 more jobs. More than \$6.7 billion in investments were made in 2021.

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

MLGW has a major impact on the local economy. Through the third quarter of 2021 the Division spent 35% of \$105 million total procurement of goods, supplies and services with certified firms. That accounts for \$37 million spent with minority-owned, women-owned, and local small businesses.

For 30 years, Memphis customers have spent less for their winter utility bills than their counterparts in many metro areas, capturing the top ranking 18 times since 1991. MLGW has had the lowest total combined residential bill in five of the past ten years and has never ranked higher than fourth during those years.

**National Economy**—According to the Bureau of Economic Analysis (BEA), a division of the U.S. Department of Commerce, real gross domestic product (GDP), a key indicator of economic growth, increased 6.9 percent for all of 2021.

Per the BEA: "The increase in exports primarily reflected an increase in goods (led by industrial supplies and materials). The increase in nonresidential fixed investment reflected increases in all components, led by equipment. The increase in Personal Consumption Expenditures was more than accounted for by spending on services (led by health care); spending on goods decreased (led by food and beverages). The increase in residential fixed investment primarily reflected investment in new single-family housing. The increase in private inventory investment primarily reflected increases in manufacturing and in wholesale trade that were partly offset by a decrease in retail trade."

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

In 2021, MLGW invested over \$105 million in capital assets and system infrastructure.

MLGW utility bills continue to remain relatively stable for customers over the years while maintaining low winter rates for our customers over the past 10 years. Also, MLGW experienced an increase in new customers across all three utilities (+0.7% for electric, +0.2% for gas and +0.2% for water).

MLGW continued the Way Forward initiative which includes a five-year, \$1 billion service improvement plan across the three divisions.

Within the Electric Division, staffing was increased to support the demand in 5G work and other pole attachment work. We also began the process of securing consulting contracts with engineering firms to expedite our water and electric projects. The Division is currently discussing plans to consider expanding electric operations to increase underground utilities.

Within the Gas Division, MLGW completed the end of its 30-year, \$100 million dollar and 330-mile cast iron replacement project. This completed project will improve natural gas safety for the public, including earthquake mitigation, while also allowing MLGW to maintain reliable service.

Within the Water Division, MLGW worked to replace 1,000 lead water service lines and added six new production wells. We also completed an assessment of our water pumping stations to determine the best course of action on how to move forward with our older water pumping stations.

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

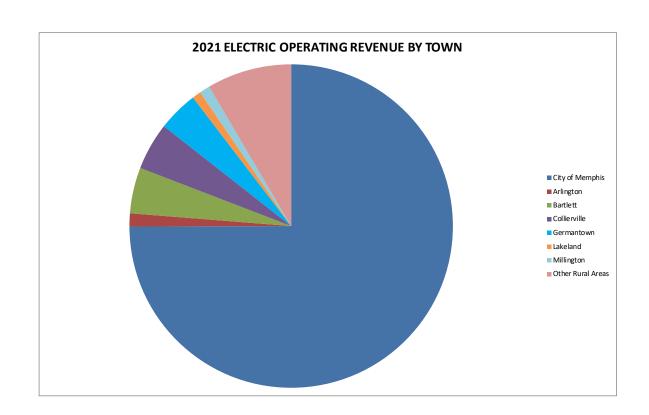
Respectfully submitted,

**Jarl "J.T." Young**President and CEO

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

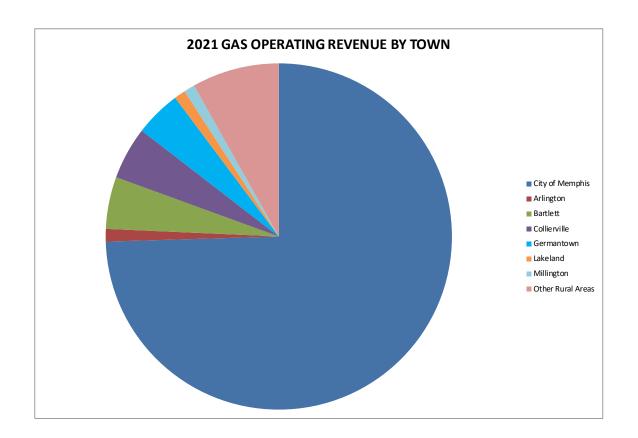
#### **Operating Statistics by Towns:**

	ELECTRIC AMOUNT						E	LECTRIC KWH		
		2021		2020		2019		2021	2020	2019
City of Memphis	\$	983,937	\$	899,347	\$	971,766	·-	9,800,375	9,672,364	10,208,674
Arlington		17,181		15,647		16,474		170,579	163,367	172,251
Bartlett		60,236		55,326		59,155		563,861	547,709	582,052
Collierville		62,226		57,034		61,211		608,983	591,849	627,717
Germantown		52,838		48,010		51,645		505,246	485,149	520,145
Lakeland		11,505		10,370		10,954		109,124	104,312	109,790
Millington		13,712		12,761		13,709		127,041	125,002	134,109
Other Rural Areas		111,185		95,774		101,062		1,185,918	1,084,426	1,132,205
Total	\$	1,312,820	\$	1,194,269	\$	1,285,976	-	13,071,127	12,774,178	13,486,943



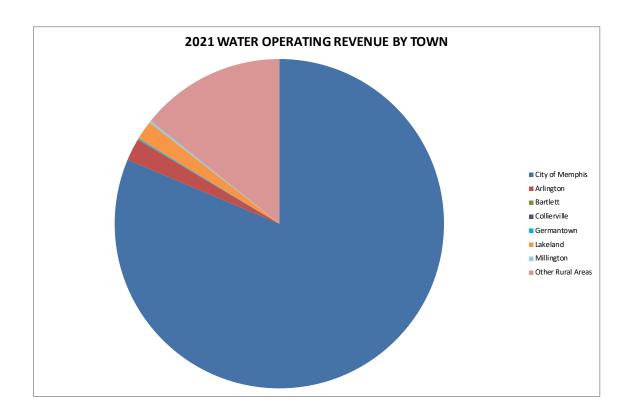
#### **Operating Statistics by Towns:**

	GAS AMOUNT								
		2021		2020		2019	2021	2020	2019
City of Memphis	\$	220,204	\$	162,634	\$	196,820	24,409	22,870	25,466
Arlington		3,469		2,572		3,106	451	417	446
Bartlett		14,361		10,316		13,142	1,805	1,584	1,818
Collierville		14,483		9,929		12,513	1,912	1,620	1,818
Germantown		12,760		8,288		10,809	1,687	1,387	1,609
Lakeland		3,103		2,096		2,677	395	333	380
Millington		3,031		2,011		2,540	381	331	366
Other Rural Areas		24,062		14,895		19,021	2,992	2,295	2,638
Total	\$	295,473	\$	212,741	\$	260,628	34,032	30,837	34,541



#### **Operating Statistics by Towns:**

	WATER AMOUNT				1	NATER CCF	ATER CCF	
		2021		2020	2019	2021	2020	2019
City of Memphis	\$	102,606	\$	91,276	\$ 87,916	42,362	42,674	44,460
Resale to Other Municipalities:								
Arlington		2,768		2,410	2,162	673	673	646
Bartlett		46		49	51	4	4	3
Collierville		5		4	3	-	-	-
Germantown		130		108	108	25	25	27
Lakeland		2,354		1,995	1,869	590	564	563
Millington		256		223	215	55	54	57
Other Rural Areas		17,980		14,589	13,355	4,493	4,136	4,033
Total	\$	126,145	\$	110,654	\$ 105,679	48,202	48,130	49,789







# Financial Section





#### INDEPENDENT AUDITORS' REPORT

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

#### Report on the Audit of the Financial Statements *Opinions*

We have audited the accompanying financial statements of the enterprise funds and the aggregate remaining fund information of Memphis Light, Gas and Water Division ("MLGW"), a division of the City of Memphis, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise MLGW's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the enterprise funds and the aggregate remaining fund information of MLGW, as of December 31, 2021 and 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Memphis Light, Gas and Water Division Retirement and Pension System and the Memphis Light, Gas and Water Division Other Post Employment Benefits Trust, which represent 100% of the assets and revenues of the aggregate remaining fund information as of December 31, 2021 and 2022, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as they relate to the amounts included for Memphis Light, Gas and Water Division Retirement and Pension System and the Memphis Light, Gas and Water Division Other Post Employment Benefits Trust, are based solely on the report of the other auditors.

#### Basis for Opinions

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



#### Emphasis of Matter

As discussed in Note 1, the financial statements of MLGW are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of each major fund and the aggregate remaining fund information of MLGW. They do not purport to, and do not, present fairly the financial position of the City of Memphis, as of December 31, 2021 and 2020, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

#### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Memphis Light, Gas and Water's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

#### Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due
  to fraud or error, and design and perform audit procedures responsive to those risks. Such
  procedures include examining, on a test basis, evidence regarding the amounts and disclosures
  in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit
  procedures that are appropriate in the circumstances, but not for the purpose of expressing an
  opinion on the effectiveness of MLGW's internal control. Accordingly, no such opinion is
  expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about MLGW's ability to continue as a going concern for a reasonable period of time.

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

#### Required Supplementary Information

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

#### Supplementary Information

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

Board of Commissioners and Management Memphis Light, Gas and Water Division

#### Other Information

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

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

#### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2022, on our consideration of MLGW's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MLGW's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MLGW's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Clifton Larson Allen LLP

Nashivlle, Tennessee June 20, 2022



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

#### Highlights

- ❖ In fiscal year 2021, MLGW was again impacted by the COVID-19 pandemic. As such, established safety protocols were maintained and new incentives were introduced. MLGW launched a vaccine incentive program in an effort to continue to mitigate the spread of COVID-19 and to maintain a safer work environment.
- ❖ MLGW launched its new outage text alert system designed to keep customers informed via text messaging when an outage occurs at a residence or business.
- ❖ MLGW was awarded a \$750,000 grant from the Tennessee Department of Environment and Conservation (TDEC) to provide weatherization and energy efficiency repairs for qualified, limited-income homeowners in Shelby County.
- ❖ MLGW completed the 30-year, \$100 million dollar and 330-mile cast iron replacement project. This project replaced all cast iron mains in the gas distribution system with safer material.
- MLGW solicited proposals in conjunction with its evaluation of future power supply options. Three Requests for Proposal (RFP) were issued during the year: 1) an RFP for Thermal Generation options, 2) an RFP for Electrical Transmission options, and 3) an RFP for Renewable and Other Generation options.
- MLGW continued to be intentional in its efforts to encourage the growth of minority, women, and locally owned small business enterprises by providing opportunities for MWBE/LSBs to furnish goods and services through MLGW's Supplier Diversity Program. MLGW spent \$54.2 million with MWBE/LSBs during fiscal year 2021.



#### **Overview of the Financial Statements**

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

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

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

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

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

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



#### STATISTICAL HIGHLIGHTS-ELECTRIC DIVISION

Years Ended December 31

CATEGORIES		2021	2020	2019
OPERATING REVENUE				
Residential	\$	557,355,166 \$		
Commercial - General Service		599,365,896	548,906,983	599,341,312
Industrial		94,592,383	90,996,097	93,352,160
Outdoor Lighting and Traffic Signals		12,563,818	12,011,400	11,888,094
Street Lighting Billing		13,595,316	13,521,840	13,380,628
Interdepartmental		8,841,129	9,381,691	9,108,399
Green Power		(366,080)	(318,619)	(256,569)
Miscellaneous		22,348,400 7,580,881	13,682,377	27,674,100
Accrued Unbilled Revenue			(2,137,521) (3,730,264)	(2,157,405)
Revenue Adjustment for Uncollectibles TOTAL OPERATING REVENUE	\$	(3,057,384) 1,312,819,525 \$		(4,113,919) \$ 1,285,976,245
CUSTOMERS				
Residential		378,516	375,625	371,771
Commercial - General Service		44,033	43,695	43,392
Industrial		100	105	112
Outdoor Lighting and Traffic Signals		17,141	17,182	17,166
Interdepartmental		37	37	41
Total Customers		439,827	436,644	432,482
KWH SALES (THOUSANDS)				
Residential		5,257,499	5,109,124	5,359,163
Commercial - General Service		5,820,384	5,615,566	6,076,707
Industrial		1,736,565	1,780,161	1,785,888
Outdoor Lighting and Traffic Signals		88,059	87,684	89,241
Street Lighting Billing		77,946	78,000	77,233
Interdepartmental		90,674	103,643	98,711
Total KWH Sales (Thousands)		13,071,127	12,774,178	13,486,943
OPERATING REVENUE/CUSTOMER				
Residential	\$	1,472.47 \$	5 1,362.94	\$ 1,446.48
Commercial - General Service		13,611.74	12,562.24	13,812.25
Industrial		945,923.83	866,629.49	833,501.43
Outdoor Lighting and Traffic Signals		732.97	699.07	692.54
Interdepartmental		238,949.44	253,559.21	222,156.06
OPERATING REVENUE/KWH*				
Residential	\$	0.106 \$	0.100	\$ 0.100
Commercial - General Service	·	0.103	0.098	0.099
Industrial		0.054	0.051	0.052
Outdoor Lighting and Traffic Signals		0.143	0.137	0.133
Street Lighting Billing		0.174	0.173	0.173
Interdepartmental		0.098	0.091	0.092
KWH/CUSTOMER				
Residential		13,889.77	13,601.66	14,415.23
Commercial - General Service		132,182.32	128,517.36	140,042.12
Industrial		17,365,650.00	16,953,914.29	15,945,428.57
Outdoor Lighting and Traffic Signals		5,137.33	5,103.25	5,198.71
Interdepartmental		2,450,648.65	2,801,162.16	2,407,585.37
*See graph on M-6.				



#### STATISTICAL HIGHLIGHTS-GAS DIVISION

Years Ended December 31

CATEGORIES		2021	2020	2019
OPERATING REVENUE				
Residential	\$	165,728,647 \$	121,563,699	\$ 153,114,037
Commercial - General Service		80,812,880	53,839,115	69,686,174
Industrial		2,176,886	1,369,181	1,713,205
Interdepartmental		221,838	161,353	242,423
Transported Gas		13,016,387	11,268,581	12,037,019
Market Gas (formerly Spot Gas)		10,408,195	6,677,553	8,327,329
Liquefied Natural Gas (LNG)		4,729,204	3,621,673	4,337,503
Compressed Natural Gas (CNG)		259,932	45,408	192,880
Miscellaneous		17,651,412	11,083,356	18,489,374
Accrued Unbilled Revenue		1,211,986	3,645,460	(6,355,767)
Revenue Adjustment for Uncollectibles		(743,964)	(534,818)	(1,156,659)
TOTAL OPERATING REVENUE	\$	295,473,403 \$	212,740,561	\$ 260,627,518
CUSTOMERS				
Residential		294,231	293,675	292,017
Commercial - General Service		21,543	21,553	21,556
Industrial		29	30	31
Interdepartmental		13	14	14
Transported Gas		37	39	40
Market Gas (formerly Spot Gas)		20	21	21
Subtotal		315,873	315,332	313,679
LNG		5	4	6
CNG (Sales Transactions)		422	155	528
Total Customers		316,300	315,491	314,213
MCF SALES				
Residential		20,436,715	18,402,121	20,779,764
Commercial - General Service		10,992,745	9,880,512	11,232,469
Industrial		374,904	362,159	368,249
Interdepartmental		32,718	35,496	42,980
Market Gas (formerly Spot Gas)		2,194,704	2,156,360	2,117,238
Subtotal	'	34,031,786	30,836,648	34,540,700
LNG		584,810	570,753	601,804
CNG		22,082	4,831	19,415
Total MCF Sales		34,638,678	31,412,232	35,161,919
OPERATING REVENUE/CUSTOMER				
Residential	\$	563.25 \$	413.94	\$ 524.33
Commercial - General Service	·	3,751.24	2,497.99	3,232.80
Industrial		75,065.04	45,639.37	55,264.66
Interdepartmental		17,064.48	11,525.20	17,315.90
Transported Gas		351,794.26	288,937.97	300,925.46
Market Gas (formerly Spot Gas)		520,409.75	317,978.72	396,539.48
OPERATING REVENUE/MCF*				·
Residential	\$	8.109 \$	6.606	\$ 7.370
Commercial - General Service	Ψ	7.351	5.449	6.200
Industrial		5.807	3.781	4.650
Interdepartmental		6.780	4.546	5.640
Market Gas (formerly Spot Gas)		4.742	3.097	3.930
		7.172	0.001	0.000
MCF/CUSTOMER		00.40	20.22	74.40
Residential		69.46	62.66	71.16
Commercial - General Service		510.27	458.43	521.08
Industrial		12,927.72	12,071.97	11,879.00
Interdepartmental		2,516.77	2,535.43	3,070.00
Market Gas (formerly Spot Gas)		109,735.20	102,683.81	100,820.86
*See graph on M-6.				



#### STATISTICAL HIGHLIGHTS-WATER DIVISION

Years Ended December 31

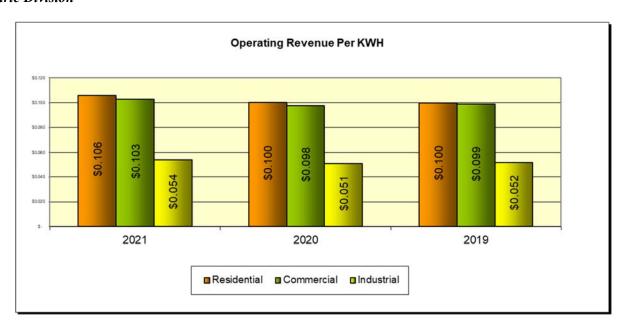
CATEGORIES	2021	2020	2019
OPERATING REVENUE			
Residential	\$ 60,858,899	\$ 53,945,546	\$ 49,915,645
Commercial - General Service	53,388,131	46,227,709	45,732,682
Resale	147,969	138,298	137,683
Fire Protection	6,653,947	5,778,257	5,427,009
Interdepartmental	78,057	79,779	71,923
Miscellaneous	5,425,653	4,320,718	5,198,870
Accrued Unbilled Revenue	166,404	806,638	43,598
Revenue Adjustment for Uncollectibles	(573,712)	(642,974)	(848,050)
TOTAL OPERATING REVENUE	\$ 126,145,348	\$ 110,653,971	\$ 105,679,360
CUSTOMERS			
Residential	232,419	231,864	229,683
Commercial - General Service	20,592	20,629	20,484
Resale	9	10	12
Fire Protection	5,446	5,381	5,322
Interdepartmental	58	59	57
Total Customers	 258,524	257,943	255,558
METERED WATER (CCF)			
Residential	21,716,461	22,206,588	21,670,184
Commercial - General Service	26,447,175	25,877,822	28,076,862
Resale	13,963	14,075	14,085
Interdepartmental	24,515	31,495	27,595
Total CCF Sales	 48,202,114	48,129,980	49,788,726
OPERATING REVENUE/CUSTOMER			
Residential	\$ 261.85	\$ 232.66	\$ 217.32
Commercial - General Service	2,592.66	2,240.91	2,232.61
Resale	16,440.98	13,829.85	11,473.58
Fire Protection	1,221.80	1,073.83	1,019.73
Interdepartmental	1,345.81	1,352.19	1,261.80
OPERATING REVENUE/CCF*			
Residential	\$ 2.802	\$ 2.429	\$ 2.303
Commercial - General Service	2.019	1.786	1.629
Resale	10.597	9.826	9.775
Interdepartmental	3.184	2.533	2.606
CCF/CUSTOMER			
Residential	93.44	95.77	94.35
Commercial - General Service	1,284.34	1,254.44	1,370.67
Resale	1,551.44	1,407.50	1,173.75
Interdepartmental	422.67	533.81	484.12

<sup>\*</sup>See graph on M-7.

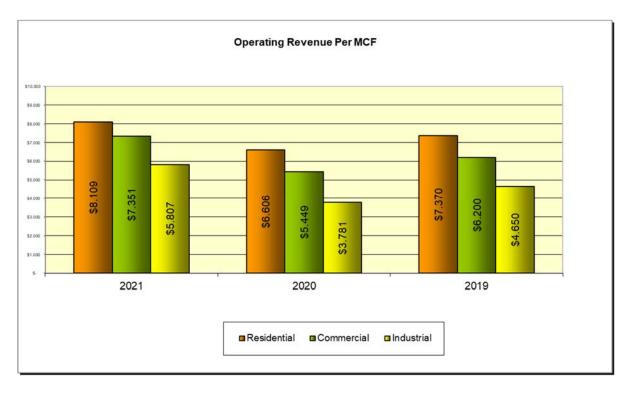


#### **GRAPHS**

#### Electric Division

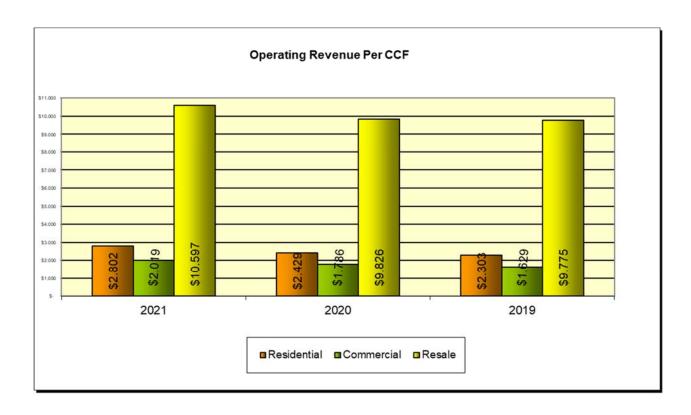


#### Gas Division





#### Water Division





#### **Bond Ratings**

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

The Electric Division has total debt outstanding of \$313,760 as of December 31, 2021. MLGW's debt service coverage is 7.37. This coverage is well above the 1.2 required by the Electric Division bond covenant for the senior lien debt.

The Gas Division has total debt outstanding of \$129,780 as of December 31, 2021. The Gas Division's debt service coverage is 5.93. This coverage is well above the 1.2 required by the Gas Division bond covenant.

The Water Division has debt outstanding of \$123,125 as of December 31, 2021. The Water Division's debt service coverage is 5.41. This coverage is well above the 1.2 required by the Water Division bond covenant.

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

	MLGW Bond Ratings							
	S&P	Moody's						
Electric Series								
2014	A+	Aa2						
2016	A+	Aa2						
2017	A+	Aa2						
2020A	A+	Aa2						
2020B	A+	Aa2						
Gas Series								
2016	AA-	Aa1						
2017	AA-	Aa1						
2020	AA-	Aa1						
Water Series								
2014	AAA	Aal						
2016	AAA	Aal						
2017	AAA	Aal						
2020	AAA	Aal						

Outstanding Balance	Coverage
\$313,760	7.37
\$129,780	5.93
\$123,125	5.41
	\$129,780



#### Analysis of the Electric Division's Statements of Net Position

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

Table 1  Electric Division Condensed Statements of Net Position  December 31  (In Thousands)								
	<u>2021</u>	<u>2020</u>	FY21 - FY20 Percentage <u>Change</u>	<u>2019</u>	FY20 - FY19 Percentage <u>Change</u>			
Current assets (excluding restricted funds)	\$ 512,893	\$ 396,103	29.5%	\$ 367,660	7.7%			
Restricted assets	117,779	195,035	-39.6%	70,583	176.3%			
Other assets	81,827	35,209	132.4%	17,090	106.0%			
Utility plant	1,150,027	1,138,651	1.0%	1,131,047	0.79			
Total assets	1,862,526	1,764,998	5.5%	1,586,380	11.3%			
Deferred outflows of resources								
Employer pension contribution	14,520	14,702	-1.2%	13,088	12.3%			
Employer OPEB contribution	22,537	20,937	7.6%	20,370	2.89			
Pension liability experience	6,651	3,190	108.5%	4,281	-25.59			
OPEB liability experience	6,875	8,778	-21.7%	1,470	497.19			
Pension investment earnings experience	-	-		37,847				
OPEB investment earnings experience	_	_		11,128				
Unamortized balance of refunded debt	1,102	1,366	-19.3%	11,120				
onamortized barance of refunded debt	1,102	1,300	-13.376					
Total assets and deferred outflows	1,914,211	1,813,971	5.5%	1,674,564	8.3%			
Current liabilities payable from current assets	183,030	172,035	6.4%	176,528	-2.5%			
Current liabilities payable from restricted assets	27,073	28,006	-3.3%	25,238	11.09			
Long-term debt	342,287	356,713	-4.0%	192,580	85.29			
Non-current liabilities	120,427	156,250	-22.9%	264,306	-40.99			
Total liabilities	672,817	713,004	-5.6%	658,652	8.39			
Deferred inflows of resources								
Pension liability experience	3,146	4,779	-34.2%	5,023	-4.99			
OPEB liability experience	2,985	1,253	138.2%	1,567	-20.09			
Pension changes of assumptions	70	87	-19.5%	2,211	-96.19			
OPEB changes of assumptions	58.708	83,403	-29.6%	80,148	4.1			
Pension investment earnings experience	66,158	40,230	64.4%	-				
OPEB investment earnings experience	31,732	12,108	162.1%	_				
of Lb investment earnings experience	31,732	12,100	102.170					
Total liabilities and deferred inflows	835,616	854,864	-2.3%	747,601	14.3			
Net position:								
Net investment in capital assets	836,867	891,294	-6.1%	932,380	-4.4			
Restricted	33,452	31,068	7.7%	27,893	11.49			
Unrestricted	208,276	36,745	466.8%	(33,310)	210.3			
Total Net position	\$ 1,078,595	\$ 959,107	12.5%	\$ 926,963	3.5			



#### Assets

#### 2021 Compared to 2020:

As of December 31, 2021, total assets and deferred outflows were \$1.9 billion, an increase of \$100.2 million, or 5.5% compared to December 31, 2020. This increase is primarily due to an increase in current assets of \$116.8 million, an increase in other assets of \$46.6 million, an increase in utility plant of \$11.4 million, an increase in pension liability experience of \$3.5 million, and an increase in employer OPEB contribution of \$1.6 million, partially offset by a decrease in restricted assets of \$77.3 million and a decrease in OPEB liability experience of \$1.9 million. The decrease in restricted assets is due, in part, to the drawdown of bond proceeds related to the Series 2020A Bonds of \$79.3 million.

#### 2020 Compared to 2019:

As of December 31, 2020, total assets and deferred outflows were \$1.8 billion, an increase of \$139.4 million, or 8.3%, compared to December 31, 2019. This increase is primarily due to an increase in restricted assets of \$124.5 million, an increase in current assets of \$28.4 million, an increase in other assets of \$18.1 million, an increase in net utility plant of \$7.6 million and an increase in deferred outflows related to OPEB liability experience of \$7.3 million, partially offset by a decrease in deferred outflows related to pension investment earnings experience of \$37.8 million and a decrease in OPEB investment earnings experience of \$11.1 million. The increase in restricted assets is due, in part, to an increase in construction fund – revenue bonds – series 2020A of \$116.6 million, an increase in medical benefits of \$3.8 million, and an increase in customer deposits of \$3.2 million.

#### Capital Assets and Construction Activities

#### 2021 Compared to 2020:

The Electric Division's utility plant assets, net of accumulated depreciation were \$1.15 billion as of December 31, 2021, an increase of 1.0% over fiscal year 2020. During 2021, the Electric Division expended \$71.8 million on construction activities and capital purchases, an increase of \$2.3 million or 3.38% compared to fiscal year 2020. Major Electric Division construction expenditures include substation and transmission projects (\$31.4 million) extensions to serve new customers (\$13.7 million), additional planned and emergency distribution projects and general plant purchases (\$9.6 million), distribution automation (\$7.7 million), distribution pole replacement (\$3.9 million), security automation upgrades (\$3.1 million), and storm restoration (\$2.4 million).



#### 2020 Compared to 2019:

The Electric's Division's utility plant assets, net of accumulated depreciation, were \$1.14 billion as of December 31, 2020, an increase of 0.7% over fiscal year 2019. During 2020, the Electric Division expended \$69.5 million on construction activities and capital purchases, an increase of \$5.9 million or 9.3% compared to fiscal year 2019. Major Electric Division construction expenditures include substation and transmission projects (\$21.4 million), extensions to serve new customers (\$14.3 million), storm restoration (\$5.9 million), the purchase of transformers (\$5.5 million), street light maintenance and installation (\$5.2 million), distribution automation (\$3.3 million), information technology upgrades (\$2.9 million), telecommunication network upgrades (\$2.1 million), security automation upgrades (\$1.6 million), line reconstruction (\$1.5 million), replacement of feeder and defective cable (\$1.4 million), purchase of meters (\$1.2 million), new circuits out of substations (\$1.2 million), the purchase of transportation equipment (\$0.9 million), distribution pole replacement (\$0.8 million), and building upgrades (\$0.2 million).

#### Liabilities

#### 2021 Compared to 2020:

As of December 31, 2021, total liabilities and deferred inflows were \$835.6 million, a decrease of \$19.2 million, or 2.3% compared to December 31, 2020. This decrease is due to a decrease in non-current liabilities of \$35.8 million, a decrease in OPEB changes of assumptions of \$24.7 million, a decrease in long-term debt of \$14.4 million, and a decrease in pension liability experience of \$1.6 million, offset in part by, an increase in pension investment earnings experience of \$25.9 million, an increase in OPEB investment earnings experience of \$19.6 million, an increase in current liabilities payable from current assets of \$11.0 million, and an increase in OPEB liability experience of \$1.7 million. The decrease in long-term debt is due in part to a decrease in unamortized debt premium of \$3.4 million and principal payments of \$10.6 million made during the year.

#### 2020 Compared to 2019:

As of December 31, 2020, total liabilities and deferred inflows were \$854.9 million, an increase of \$107.3 million, or 14.3% compared to December 31, 2019. These increases are due to an increase in long-term debt of \$164.1 million, an increase in pension investment earnings experience of \$40.2 million, an increase in OPEB investment earnings experience of \$12.1 million, an increase in OPEB changes of assumption of \$3.3 million, and an increase in current liabilities payable from restricted assets of \$2.8 million, offset in part by, a decrease in non-current liabilities of \$108.1 million, a decrease in current liabilities payable from current assets of \$4.5 million, and a decrease in pension changes of assumptions of \$2.1 million. The increases in long-term debt is due in part to an increase in electric revenue bonds, series 2020A of \$145.5 million, an increase in revenue refunding bonds - series 2020B of \$28.6 million, and an increase in unamortized premium on long-term debt - series 2020A of \$27.4 million, partially offset by a decrease in revenue bonds - series 2014 of \$26.8 million, a decrease in unamortized premium on long term debt - series 2014 of \$4.2 million, a decrease in revenue bonds - series 2016 of \$1.5 million.



#### Net Position

#### 2021 Compared to 2020:

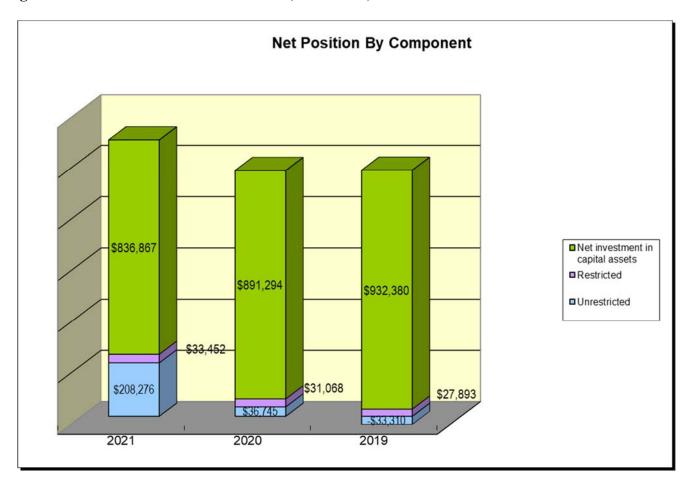
As of December 31, 2021, the Electric Division's total net position (total assets and deferred outflows of resources less total liabilities and deferred inflow of resources) was \$1.1 billion, an increase of \$119.5 million, or 12.5% compared to December 31, 2020. The increase was due to an increase in unrestricted net position of \$171.5 million and an increase in restricted funds of \$2.4 million, partially offset by a decrease in net investment in capital assets of \$54.4 million. Seventy-eight percent of the net position was related to net investment in capital assets.

#### 2020 Compared to 2019:

As of December 31, 2020, the Electric Division's total net position (total assets and deferred outflows of resources less total liabilities and deferred inflows of resources) was \$959.1 million, an increase of \$32.1 million, or 3.5%, compared to December 31, 2019. The increase was due to an increase in unrestricted net position of \$70.1 million and an increase in restricted funds of \$3.2 million, partially offset by a decrease in net investment in capital assets of \$41.1 million as a result of the issuance of the Series 2020A bonds. Ninety-three percent of the net position was related to net investment in capital assets.



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





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

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

Table 2  Electric Division  Condensed Statements of Revenues, Expenses and Changes in Net Position  Years Ended December 31, 2021, 2020, and 2019  (In Thousands)									
			FY21 - FY20		FY20 - FY19				
			Percentage		Percentage				
	<u>2021</u>	<u>2020</u>	<u>Change</u>	<u>2019</u>	<u>Change</u>				
Revenues:	ć 4 242 020	¢ 4 404 360	0.00/	ć 4 20F 076	7.40/				
Operating revenues	\$ 1,312,820	\$ 1,194,269	9.9%	\$ 1,285,976	-7.1%				
Non-operating revenues	41,242	41,251	0.0%	43,528	-5.2%				
Total revenues	1,354,062	1,235,520	9.6%	1,329,504	-7.1%				
Expenses:									
Depreciation expense	59,741	57,996	3.0%	56,599	2.5%				
Purchased power	985,215	939,781	4.8%	1,036,442	-9.3%				
Other operating expense	140,710	160,176	-12.2%	176,692	-9.3%				
Non-operating expense	9,818	6,887	42.6%	5,981	15.1%				
Total expenses	1,195,484	1,164,840	2.6%	1,275,714	-8.7%				
Income before contributions in aid									
of construction and transfers	158,578	70,680	124.4%	53,790	31.4%				
Contributions in aid of construction	18,218	17,502	4.1%	17,243	1.5%				
Reduction of plant costs recovered through									
contributions in aid of construction	(18,218)	(17,502)	-4.1%	(17,243)	-1.5%				
Transfers to City of Memphis	(39,090)	(38,536)	-1.4%	(38,408)	-0.3%				
Change in net position	\$ 119,488	\$ 32,144	271.7%	\$ 15,382	109.0%				
Net position, beginning of year	\$ 959,107	\$ 926,963	3.5%	\$ 911,581	1.7%				
Change in net position	119,488	32,144	271.7%	15,382	109.0%				
Net position, end of year	\$ 1,078,595	\$ 959,107	12.5%	\$ 926,963	3.5%				

#### Change in Net Position

#### 2021 Compared to 2020:

The change in net position is \$119.5 million, up \$87.3 million from \$32.1 million at December 31, 2020. This increase is primarily due to an increase in operating margin (operating revenue less power cost) of \$73.1 million and a decrease in operations maintenance expense of \$19.2 million, partially offset by an increase in debt expense of \$2.9 million.



#### 2020 Compared to 2019:

The change in net position is \$32.1 million, up \$16.8 million from \$15.4 million at December 31, 2019. This increase is primarily due to a decrease in operations maintenance expense of \$16.7 million and an increase in operating margin (operating revenue less power cost) of \$5.0 million, offset in part by a decrease in other income of \$2.3 million, an increase in other operating expense of \$1.7 million, an increase in long term debt interest of \$1.1 million due to the Series 2020A bonds, and a decrease in amortization of debt discount and expense of \$0.2 million.

#### Revenues

#### 2021 Compared to 2020:

Total revenues were \$1.35 billion for fiscal year 2021, an increase of \$118.5 million, or 9.6%, from fiscal year 2020. Operating revenues were 1.31 billion in 2021, an increase \$118.6 million from 2020. The increase in operating revenue is due primarily to a 2.7% rate increase, effective January 4, 2021 and sales volume increasing by 2.3% compared to 2020. There was an increase in purchased power cost of \$45.4 million due to increased TVA Fuel Cost Adjustment (FCA) rates and an increase in purchases from TVA, partially offset by the TVA Pandemic Relief Credit. Non-operating revenue decreased \$7 thousand to \$41.2 million in 2021.

#### 2020 Compared to 2019:

Total revenues were \$1.24 billion for fiscal year 2020, a decrease of \$94.0 million, or 7.1%, from fiscal year 2019. Operating revenues were \$1.19 billion in 2020, a decrease of \$91.7 million from 2019. The decrease in operating revenue is due primarily to sales volume decreasing by 5.28% compared to 2019. There was a decrease in purchased power cost of \$96.7 million driven primarily by decreased purchases, reduced Fuel Cost Adjustment rates and the Pandemic Relief Credit from TVA. Non-operating revenue decreased \$2.3 million to \$41.3 million in 2020 due to a decrease in other income revenues from sinking & other funds-interest income of \$2.5 million.

#### **Expenses**

#### 2021 Compared to 2020:

For fiscal year 2021, total expenses were \$1.20 billion, a 2.6%, or \$30.6 million increase from fiscal year 2020 total expenses. This increase is primarily due to an increase in purchase power of \$45.4 million, an increase in non-operating expense of \$2.9 million, and an increase in depreciation expense of \$1.7 million; offset by a decrease in other operating expense of \$19.5 million. Purchase power is up due to an increase in purchase volumes of 1.41% and higher fuel cost adjustments.

#### 2020 Compared to 2019:

For fiscal year 2020, total expenses were \$1.16 billion, an 8.7%, or \$110.9 million decrease from fiscal year 2019 total expenses. This decrease is primarily due to a decrease in purchase power of \$96.7 million and a decrease in other operating expense of \$16.5 million, offset by an increase in depreciation expense of \$1.4 million. Purchase power is down due to a decrease in purchase volumes of 4.82% and lower fuel cost adjustments.



#### Contributions in aid of construction

2021 Compared to 2020:

Contributions in aid of construction ("CIAC") were \$18.2 million for fiscal year 2021, an increase of \$0.72 million (4.1%) from fiscal year 2020. This increase was mainly the result of increases in construction contributions of \$2.2 million, offset by decreases in cancelled contracts of \$0.41 million and donated easements of \$1.1 million.

2020 Compared to 2019:

Contributions in aid of construction ("CIAC") were \$17.5 million for fiscal year 2020, an increase of \$0.26 million (1.5%) from fiscal year 2019. This increase was mainly the result of increases in cancelled contracts of \$0.17 million and donated easements of \$1.1 million, offset by decreases in construction contributions of \$0.83 million and claims of \$0.20 million.

#### Transfers to the City of Memphis

2021 Compared to 2020:

MLGW's transfer to the City of Memphis is based on the formula provided by the May 29, 1987 TVA Power Contract Amendment (Supp. No. 8). The formula includes a maximum property tax equivalency calculation plus 4% of operating revenue less power costs (three-year average). Transfers to the City represent the Electric Division's in lieu of tax payment. The 2021 transfer increased by \$0.6 million as a result of increases in the net plant investment and the three-year average revenues.

2020 Compared to 2019:

MLGW's transfer to the City of Memphis is based on the formula provided by the May 29, 1987 TVA Power Contract Amendment (Supp. No. 8). The formula includes a maximum property tax equivalency calculation plus 4% of operating revenue less power costs (three-year average). Transfers to the City represent the Electric Division's in lieu of tax payment. The 2020 transfer increased by \$0.1 million as a result of an increase in net plant investment.



#### Analysis of the Gas Division's Statements of Net Position

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

is presented below:

		Table 3						
Gas Division C	ondens	sed Staten	nents	of Net P	osition			
		December						
	(Ir	n Thousana	s)					
					FY21 - FY20			FY20 - FY
					Percentage			Percentag
		2021		2020	<u>Change</u>		<u>2019</u>	Change
Current assets (excluding restricted funds)	\$	222,650	\$	189,606	17.4%	\$	160,192	18.4
Restricted assets		75,040		87,526	-14.3%		25,019	249.8
Other assets		48,788		31,302	55.9%		23,731	31.9
Utility plant		400,700		410,395	-2.4%	_	415,522	-1.2
Total assets		747,178		718,829	3.9%		624,464	15.1
Deferred outflows of resources								
Employer pension contribution		5,566		5,636	-1.2%		5,017	12.3
Employer OPEB contribution		8,639		8,026	7.6%		7,808	2.8
Pension liability experience		2,549		1,224	108.3%		1,642	-25.
OPEB liability experience		2,635		3,365	-21.7%		564	496.0
Pension investment earnings experience		-		-	22.7,5		14,508	.50.
OPEB investment earnings experience		_		_			4,265	
0.1			_			_		
Total assets and deferred outflows		766,567		737,080	4.0%		658,268	12.0
Current liabilities payable from current assets		44,534		44,402	0.3%		36,931	20.2
Current liabilities payable from restricted assets		11,545		8,862	30.3%		7,770	14.
Long-term debt		146,093		152,017	-3.9%		82,161	85.0
Non-current liabilities		48,113		60,623	-20.6%		101,935	-40.
Total liabilities		250,285	-	265,904	-5.9%	_	228,797	16.
Deferred inflows of resources								
Pension liability experience		1,206		1,832	-34.2%		1,926	-4.
OPEB liability experience		1,144		480	138.3%		601	-20.
Pension changes of assumptions		27		33	-18.2%		848	-96.
OPEB changes of assumptions		22,505		31,971	-29.6%		30,723	4.
Pension investment earnings experience		25,360		15,422	64.4%		-	
OPEB investment earnings experience		12,164		4,641	162.1%		_	
Accumulated decrease in fair value of								
hedging derivative instruments		9,245		3,293	180.7%		1,630	102.0
Total liabilities and deferred inflows		321,936	_	323,576	-0.5%	_	264,525	22.3
		•		•			,	
Net position:								
Net investment in capital assets		294,764		315,032	-6.4%		331,206	-4.9
Restricted		15,151		14,284	6.1%		13,057	9.4
Unrestricted		134,716		84,188	60.0%		49,480	70.2
Total Net position	\$	444,631	\$	413,504	7.5%	\$	393,743	5.0



#### Assets

#### 2021 Compared to 2020:

As of December 31, 2021, total assets and deferred outflows were \$766.6 million, an increase of \$29.5 million or 4.0%, compared to December 31, 2020. This increase is due, in part, to increases in current assets (excluding restricted funds) of \$33.0 million, and other assets of \$17.5 million, offset, in part, by decreases in restricted assets of \$12.5 million and net utility plant of \$9.7 million. Current assets (excluding restricted funds) increased due to cash and cash equivalents of \$28.8 million and unrecovered purchased gas cost of \$6.0 million. Other assets increased due to net pension asset – long term of \$18.3 million, offset by a decrease in meter replacement – long term of \$1.1 million. Restricted assets decreased \$12.5 million due, in part, to the depletion of the Bond Series 2020 construction fund of \$16.2 million.

#### 2020 Compared to 2019:

As of December 31, 2020, total assets and deferred outflows were \$737.1 million, an increase of \$78.8 million, or 12.0%, compared to December 31, 2019. This increase is due, in part, to increases in restricted assets of \$62.5 million, current assets (excluding restricted funds) of \$29.4 million, other assets of \$7.6 million and OPEB liability experience of \$2.8 million, offset, in part, by decreases in pension investment earnings experience of \$14.5 million, net utility plant of \$5.1 million and OPEB investment earnings experience of \$4.3 million. Restricted assets increased \$59.6 million due to receiving proceeds from the issuance of Series 2020 bonds. Current assets (excluding restricted funds) increased due to cash and cash equivalents of \$15.1 million, accounts receivable – MLGW services (less allowance for doubtful accounts) of \$9.3 million and unbilled revenue of \$3.6 million. Other assets increased due to net pension asset – long term of \$6.1 million and meter replacement – long term of \$1.2 million.

#### Capital Assets and Construction Activities

#### 2021 Compared to 2020:

The Gas Division's utility plant assets, net of accumulated depreciation were \$400.7 million as of December 31, 2021, a decrease of 2.4% versus fiscal 2020. During 2021, the Gas Division expended \$14.5 million on construction activities and equipment purchases, a decrease of \$6.1 million or 29.69% compared to fiscal year 2020. Major Gas Division expenditures include gas main service replacement (\$5.7 million), planned and emergency distribution system improvements (\$2.4 million), extensions to serve new customers (\$2.2 million), the purchase of transportation equipment (\$1.7 million), facilities improvements (\$1.5 million), and transmission pipeline improvements (\$1.0 million).



#### 2020 Compared to 2019:

The Gas Division's utility plant assets, net of accumulated depreciation were \$410.4 million as of December 31, 2020, a decrease of 1.2% over fiscal 2019. During 2020, the Gas Division expended \$20.6 million on construction activities and equipment purchases, a decrease of \$1.0 million or 4.5% compared to fiscal year 2019. Major Gas Division expenditures include gas main service replacement (\$5.8 million), routine distribution maintenance (\$3.8 million), the purchase of transportation equipment (\$2.7 million), extensions to serve new customers (\$2.3 million), the purchase of gas meters and metering equipment (\$1.2 million), transmission pipeline and facilities (\$1.1 million), street improvements (\$1.0 million), new gas main (\$0.9 million), building upgrades (\$0.8 million), the purchase of tools and equipment (\$0.6 million), LNG facility upgrades (\$0.2 million), information technology upgrades (\$0.1 million), and capital security upgrades (\$0.05 million).

#### Liabilities

#### 2021 Compared to 2020:

At December 31, 2021, total liabilities and deferred inflows were \$321.9 million, representing a decrease of \$1.6 million, or 0.5%, compared to \$323.6 million at December 31, 2020. This decrease is due, in part, to the decreases in non-current liabilities of \$18.4 million due, in part, to the net OPEB liability of \$13.1 million, a decrease in OPEB changes of assumptions of \$9.5 million and a decrease in long-term debt of \$5.9 million, offset by increases in pension investment earnings experience of \$9.9 million, OPEB investment earnings experience of \$7.5 million, an increase in fair value of hedging derivative instruments of \$6.0 million, and an increase in current liabilities payable from restricted assets of \$2.7 million.

#### 2020 Compared to 2019:

At December 31, 2020, total liabilities and deferred inflows were \$323.6 million, representing an increase of \$59.1 million, or 22.3%, compared to \$264.5 million at December 31, 2019. This increase is due, in part, to the increases in long-term debt of \$69.9 million due to the issuance of Series 2020 Revenue Bonds of \$61.9 million and unamortized premium of \$10.8 million, pension investment earnings experience of \$15.4 million, current liabilities payable from current assets of \$7.5 million due, in part, to accounts payable – purchased gas of \$4.4 million and OPEB investment earnings experience of \$4.6 million, offset by a decrease in non-current liabilities of \$41.3 million due to net pension liability of \$24.8 million and net OPEB liability of \$16.8 million.

#### Net Position

#### 2021 Compared to 2020:

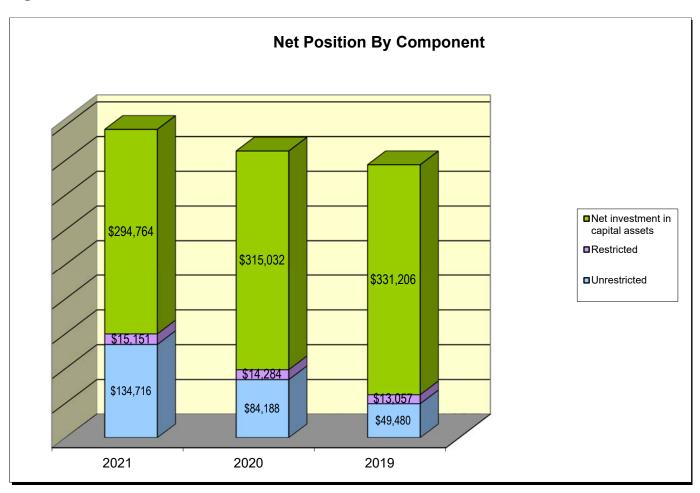
As of December 31, 2021, the Gas Division's total net position (total assets and deferred outflows of resources less total liabilities and deferred inflows of resources) was \$444.6 million, an increase of \$31.1 million, or 7.5%, from December 31, 2020. The increase is due primarily to an increase in unrestricted of \$50.5 million, offset by a decrease in net investments in capital assets of \$20.3 million. Sixty-six percent of the net position was related to net investment in capital assets.



#### 2020 Compared to 2019:

As of December 31, 2020, the Gas Division's total net position (total assets and deferred outflows of resources less total liabilities and deferred inflows of resources) was \$413.5 million, an increase of \$19.8 million, or 5.0%, from December 31, 2019. The increase is due, in part, to an increase in unrestricted net position of \$34.7 million and an increase in restricted net position of \$1.2 million, offset in part, by a decrease in net investments in capital assets of \$16.2 million as a result of the issuance of the Series 2020 bonds. Seventy-six percent of the net position was related to net investment in capital assets.

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





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

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

#### Table 4 **Gas Division** Condensed Statements of Revenues, Expenses and Changes in Net Position Years Ended December 31, 2021, 2020, and 2019 (In Thousands) FY21 - FY20 FY20 - FY19 Percentage Percentage 2021 2020 Change 2019 Change Revenues: \$ 201,243 -18.9% Sales, service and other operating revenues \$ 281,553 39.9% \$ 248,056 -8.5% Transported gas revenue 13,920 11,498 21.1% 12,571 Non-operating revenues 58 390 -85.1% 1,336 -70.8% Total revenues 295,531 213,131 38.7% 261,963 -18.6% Expenses: 2.5% 22,500 0.8% Depreciation expense 23,251 22,688 Purchased gas 151,669 75,183 101.7% 110,555 -32.0% 74,278 -2.1% Other operating expense 67,433 -9.2% 75,890 Non-operating expense 2,780 45.5% 2,339 18.9% 4,045 **Total expenses** 246,398 174,929 40.9% 211,284 -17.2% Income before contributions in aid of construction and transfers 50,679 -24.6% 49,133 38,202 28.6% Contributions in aid of construction 2,025 2,470 -18.0% 1,518 62.7% Reduction of plant costs recovered through contributions in aid of construction (2,025)(2,470)18.0% -62.7% (1,518)Transfers to City of Memphis (18,006)(18,441)2.4% (18,002)-2.4% Change in net position 31,127 19,761 57.5% 32,677 -39.5% \$ 393,743 Net position, beginning of year \$ 413,504 5.0% 361,066 9.1% Change in net position 19,761 57.5% -39.5% 31,127 32,677 Net position, end of year \$ 444,631 \$ 413,504 7.5% 393,743 5.0%



#### Change in Net Position

2021 Compared to 2020:

The change in net position is \$31.1, up \$11.4 million from December 31, 2020. This increase is primarily due to an increase in operating margin (operating revenue less gas cost) of \$6.2 million and a decrease in other operating expenses of \$6.8 million.

2020 Compared to 2019:

The change in net position is \$19.8 million, down \$12.9 million from December 31, 2019. This decrease is primarily due to a decrease in operating margin (operating revenue less gas cost) of \$12.5 million.

#### Revenues

2021 Compared to 2020:

Total revenues were \$295.5 million for fiscal year 2021, an increase of \$82.7 million or 38.7% from fiscal year 2020. Sales, service, and other operating revenues were \$281.6 million, an increase of \$80.3 million, or 39.9%, from 2020 due to an increase in sales volume and higher natural gas prices. Purchased gas cost increased \$76.5 million, or 101.7% due to an increase in natural gas purchases and higher unit cost. Transported gas revenues increased \$2.4 million, or 21.1%, and non-operating revenue decreased \$0.3 million, compared to fiscal year 2020.

2020 Compared to 2019:

Total revenues were \$213.1 million for fiscal year 2020, a decrease of \$46.8 million or 18.6% from fiscal year 2019. Sales, service, and other operating revenues were \$201.2 million, a decrease of \$46.8 million, or 18.9%, from 2019 due to a decrease in sales volume and lower natural gas prices. Purchased gas cost decreased \$35.4 million, or 32.0%, due to decrease in natural gas purchases and lower unit cost. Transported gas revenues decreased \$1.1 million, or 8.5%, and non-operating revenue decreased \$0.9 million, compared to fiscal year 2019.

#### **Expenses**

2021 Compared to 2020:

For fiscal year 2021, total expenses were \$246.4 million at December 31, 2021, an increase of \$71.5 million from fiscal year 2020 expenses of \$174.9 million. Purchased gas cost was \$151.7 million, up 101.7%, or \$76.5 million from \$75.2 million at December 31, 2020, as a result of higher natural gas purchases and higher unit cost. Other operating expense was \$67.4 at December 31, 2021, a decrease of \$6.8 million, or 9.2% due to a decrease in Pension expense of \$8.2 million and OPEB expense of \$4.5 million determined by the actuarial valuation, offset by an increase in injuries and damages of \$2.9 million and an increase in maintenance expense of \$1.0 million. Non-operating expense was \$4.0 million at December 31, 2021, an increase of \$1.3 million due to higher interest expense associated with the issuance of Series 2020 Revenue Bonds of \$1.8 million, offset by a decrease in amortization of debt discount and premium of \$0.5 million. Depreciation expense was \$23.3 million at December 31, 2021, up \$0.6 million, or 2.5%, from December 31, 2020.



#### 2020 Compared to 2019:

For fiscal year 2020, total expenses were \$174.9 million at December 31, 2020, a decrease of \$36.4 million from fiscal year 2019 expenses of \$211.3 million. Purchased gas cost was \$75.2 million, down 32.0%, or \$35.4 million from \$110.6 million at December 31, 2019, as a result of lower gas sales volume and lower unit cost than 2019. Other operating expense was \$74.3 million at December 31, 2020, a decrease of \$1.6 million, or 2.1%. Non-operating expense was \$2.8 million at December 31, 2020, an increase of \$0.4 million due to higher interest expense associated with the issuance of Series 2020 Revenue Bonds and depreciation expense was \$22.7 million at December 31, 2020, up \$0.2 million, or 0.8%, from December 31, 2019.

#### Contributions in aid of construction

2021 Compared to 2020:

Contributions in aid of construction ("CIAC") were \$2.0 million for fiscal year 2021, a decrease of \$0.46 million (18.0%) from fiscal year 2020. This decrease was mainly the result of decreases in cancelled contracts of \$0.12 million and donated easements of \$0.78 million, offset by an increase in construction contributions of \$0.46 million.

2020 Compared to 2019:

Contributions in aid of construction ("CIAC") were \$2.5 million for fiscal year 2020, an increase of \$0.95 million (62.7%) from fiscal year 2019. This increase was mainly the result of increases in construction contributions of \$0.04 million, donated easements of \$0.83 million, and cancelled contracts of \$0.08 million.

#### Transfers to the City of Memphis

2021 Compared to 2020:

MLGW's transfer to the City of Memphis is based on the formula provided by the State of Tennessee Municipal Gas System Tax Equivalent Law of 1987. The formula includes a maximum property tax equivalency calculation plus 4% of operating revenue less power costs (three-year average). Transfers to the City represent the Gas Division's in lieu of tax payment. The 2021 transfer decreased by \$0.4 million as a result of a decrease in the net plant investment.

2020 Compared to 2019:

MLGW's transfer to the City of Memphis is based on the formula provided by the State of Tennessee Municipal Gas System Tax Equivalent Law of 1987. The formula includes a maximum property tax equivalency calculation plus 4% of operating revenue less power costs (three-year average). Transfers to the City represent the Gas Division's in lieu of tax payment. The 2020 transfer increased by \$0.4 million as a result of an increase in the three-year average revenues.



#### Analysis of the Water Division's Statements of Net Position

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

Table 5 Water Division Condensed Statements of Net Position  December 31 (In Thousands)											
		<u>2021</u>		<u>2020</u>	FY21 - FY20 Percentage <u>Change</u>	<u>2019</u>	FY20 - FY1 Percentag <u>Change</u>				
Current assets (excluding restricted assets)	\$	108,971	\$	69,576	56.6%	\$ 44,287	57.1%				
Restricted assets		63,696		86,521	-26.4%	17,239	401.99				
Other assets		25,396		12,350	105.6%	6,230	98.29				
Utility plant		362,206		355,836	1.8%	354,205	0.59				
Total assets		560,269		524,283	6.9%	421,961	24.29				
Deferred outflows of resources											
Employer pension contribution		4,114		4,166	-1.2%	3,708	12.4				
Employer OPEB contribution		6,386		5,932	7.7%	5,771	2.8				
Pension liability experience		1,884		904	108.4%	1,215	-25.6				
OPEB liability experience		1,948		2,487	-21.7%	417	496.4				
Pension investment earnings experience		-		-		10,723					
OPEB investment earnings experience						3,153					
Total assets and deferred outflows		574,601		537,772	6.8%	446,948	20.3				
Current liabilities payable from current assets		23,122		20,603	12.2%	17,607	17.0				
Current liabilities payable from restricted assets		6,292		6,290	0.0%	5,175	21.5				
Long-term debt		134,369		139,639	-3.8%	63,803	118.9				
Non-current liabilities		30,085		41,521	-27.5%	72,649	-42.8				
Total liabilities		193,868		208,053	-6.8%	159,234	30.7				
Deferred inflows of resources											
Pension liability experience		891		1,354	-34.2%	1,423	-4.8				
OPEB liability experience		846		355	138.3%	444	-20.0				
Pension changes of assumptions		20		25	-20.0%	627	-96.0				
OPEB changes of assumptions		16,634		23,631	-29.6%	22,709	4.1				
Pension investment earnings experience		18,745		11,398	64.5%	-					
OPEB investment earnings experience		8,991		3,431	162.1%						
Total liabilities and deferred inflows		239,995		248,247	-3.3%	184,437	34.6				
Net position:											
Net investment in capital assets		267,863		280,188	-4.4%	288,272	-2.8				
Restricted		12,461		11,771	5.9%	10,698	10.0				
Unrestricted		54,282		(2,434)	2330.2%	(36,459)	93.3				
Total Net position	\$	334,606	\$	289,525	15.6%	\$ 262,511	10.3				



#### Assets

#### 2021 Compared to 2020:

As of December 31, 2021, total assets and deferred outflows were \$574.6 million, an increase of \$36.8 million compared to December 31, 2020. The increase is due, in part, to an increase in current assets of \$39.4 million, an increase in other assets of \$13.0 million, and an increase in net utility plant of \$6.4 million, offset in part by a decrease in restricted assets of \$22.8 million due to the drawdown of proceeds related to the Series 2020 Bonds.

#### *2020 Compared to 2019:*

As of December 31, 2020, total assets and deferred outflows were \$537.8 million, an increase of \$90.8 million compared to December 31, 2019. The increase is due, in part, to restricted assets of \$69.3 million due to the issuance of Series 2020 Bonds, an increase in current assets of \$25.3 million, an increase in other assets of \$6.1 million, OPEB liability experience of \$2.1 million, and an increase in net utility plant of \$1.6 million, offset in part by a decrease in pension investment earnings of \$10.7 million and a decrease in OPEB investment earnings of \$3.2 million.

#### Capital Assets and Construction Activities

#### 2021 Compared to 2020:

The Water Division's utility plant assets, net of accumulated depreciation were \$362.2 million as of December 31, 2021, an increase of 1.8% over fiscal year 2020. During 2021, the Water Division expended \$19.3 million on construction activities and equipment purchases, an increase of \$4.4 million or 29.27% compared to fiscal year 2020. Major Water Division construction expenditures include construction of underground reservoirs (\$7.7 million), extensions to serve new customers (\$4.7 million), installation and replacement of new water main (\$3.8 million), various pumping station rehabilitation (\$2.4 million), and other planned and emergency production and distribution system improvements (0.7 million).

#### 2020 Compared to 2019:

The Water Division's utility plant assets, net of accumulated depreciation were \$355.8 million as of December 31, 2020, an increase of 0.5% over fiscal year 2019. During 2020, the Water Division expended \$14.9 million on construction activities and equipment purchases, a decrease of \$2.3 million or 13.27% compared to fiscal year 2019. Major Water Division construction expenditures include extensions to serve new customers (\$4.2 million), planned improvements of the water distribution system (\$2.9 million), emergency distribution capital improvements (\$2.5 million), rehabilitation of various pumping stations (\$2.5 million), the maintenance and construction of various production wells (\$2.4 million), installation and replacement of water main (\$1.5 million), and the purchase of transportation and power operated equipment (\$1.4 million).



#### Liabilities

2021 Compared to 2020:

As of December 31, 2021, total liabilities and deferred inflows were \$240.0 million, representing a decrease of \$8.3 million, or 3.3%, compared to December 31, 2020. This decrease is due primarily due to a decrease in non-current liabilities of \$11.4 million (due largely to decreases in net pension liability and net OPEB liability), a decrease in OPEB changes in assumptions of \$7.0 million, and a decrease in long-term debt of \$5.3 million due to the principal payments made during the year, offset, in part by an increase in pension investment earnings of \$7.3 million, an increase in OPEB investment earnings of \$5.6 million, and an increase in current liabilities of \$2.5 million.

2020 Compared to 2019:

As of December 31, 2020, total liabilities and deferred inflows were \$248.2 million, representing an increase of \$63.8 million, or 34.6%, compared to December 31, 2019. These increases is due in part to an increase in long-term debt of \$75.8 million due to the issuance of Series 2020 Bonds, an increase in pension investment earnings of \$11.4 million, an increase in current liabilities of \$4.1 million, an increase of OPEB investment earnings of \$3.4 million, and an increase in OPEB changes in assumptions of \$0.9 million, offset in part by a decrease in non-current liabilities of \$31.1 million (due largely to decreases in net pension liability and net OPEB liability), and a decrease in pension changes of assumptions of \$0.6 million.

#### Net Position

2021 Compared to 2020:

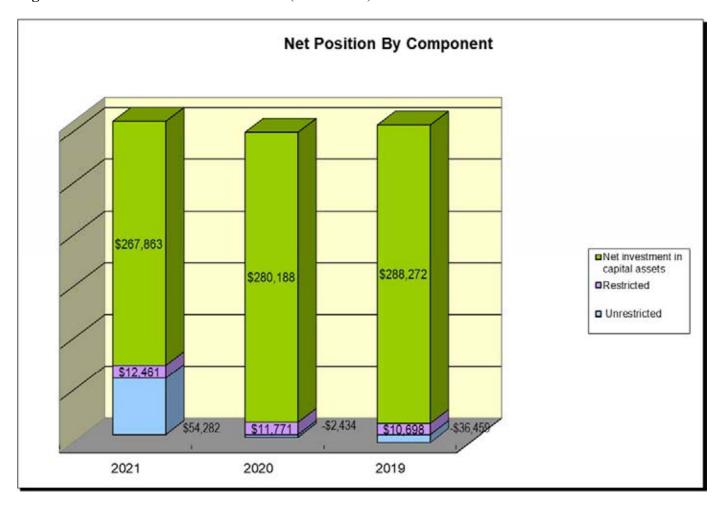
As of December 31, 2021, the Water Division's total net position (total assets and deferred outflows of resources less total liabilities and deferred inflows of resources) was \$334.6 million, an increase of \$45.1 million, or 15.6%, from December 31, 2020. The increase is due primarily to an increase in unrestricted net position of \$56.7 million and an increase in restricted net position of \$0.7 million, partially offset by a decrease in net investment in capital assets of \$12.3 million. Eighty percent of the net position was related to net investment in capital assets.

2020 Compared to 2019:

As of December 31, 2020, the Water Division's total net position (total assets and deferred outflows of resources less total liabilities and deferred inflows of resources) was \$289.5 million, an increase of \$27.0 million, or 10.3%, from December 31, 2019. The increase is due primarily to an increase in unrestricted net position of \$34.0 million and an increase in restricted net position of \$1.1 million, partially offset by a decrease in net investment in capital assets of \$8.1 million as a result of the issuance of the Series 2020 bonds. Ninety-seven percent of the net position was related to net investment in capital assets.



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





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

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

Table 6 Water Division Condensed Statements of Revenues, Expenses and Changes in Net Position Years Ended December 31, 2021, 2020, and 2019 (In Thousands)											
			FY21 - FY20		FY20 - FY19						
	2021	2020	Percentage Change	2019	Percentage Change						
Revenues:	2021	2020	change	2013	change						
Operating revenues	\$ 126,145	\$ 110,654	14.0%	\$ 105,679	4.7%						
Non-operating revenues	1,094	882	24.0%	1,054	-16.3%						
Total revenues	127,239	111,536	14.1%	106,733	4.5%						
Expenses:											
Depreciation expense	11,522	11,353	1.5%	10,635	6.8%						
Other operating expense	62,490	68,367	-8.6%	70,299	-2.7%						
Non-operating expense	3,646	2,302	58.4%	1,820	26.5%						
Total expenses	77,658	82,022	-5.3%	82,754	-0.9%						
Income before contributions in aid											
of construction and transfers	49,581	29,514	68.0%	23,979	23.1%						
Contributions in aid of construction	3,928	4,087	-3.9%	3,345	22.2%						
Reduction of plant costs recovered through	,	,		,							
contributions in aid of construction	(3,928)	(4,087)	3.9%	(3,345)	-22.2%						
Transfers to City of Memphis	(4,500)	(2,500)	-80.0%	(2,500)							
Change in net position	\$ 45,081	\$ 27,014	66.9%	\$ 21,479	25.8%						
Net position, beginning of year	\$ 289,525	\$ 262,511	10.3%	\$ 241,032	8.9%						
Change in net position	45,081	27,014	66.9%	21,479	25.8%						
Net position, end of year	\$ 334,606	\$ 289,525	15.6%	\$ 262,511	10.3%						

#### Change in Net Position

#### 2021 Compared to 2020:

As of December 31, 2021, the change in net position is \$45.1 million, up \$18.1 million from \$27.0 million at December 31, 2020. This increase is due to an increase in operating revenues of \$15.5 million and decrease in other operating expenses of \$5.9 million, offset by an increase in non-operating expense of \$1.3 million and an increase in depreciation expense of \$0.2 million.



#### 2020 Compared to 2019:

As of December 31, 2020, the change in net position is \$27.0 million, up \$5.5 million from \$21.5 million at December 31, 2019. This increase is due to an increase in operating revenues of \$5.0 million and decrease in other operating expenses of \$1.9 million, offset by an increase in depreciation expenses of \$0.7 million.

#### Revenues

2021 Compared to 2020:

Total revenues were \$127.2 million for fiscal year 2021, an increase of \$15.7 million compared to fiscal year 2020. This increase is due to an increase in sales and service revenues of \$14.4 million due primarily to an overall 15% retail rate increase implemented in July 2020 and a 7% retail rate increase implemented in January 2021, and an increase in other revenues of \$0.2 million.

2020 Compared to 2019:

Total revenues were \$111.5 million for fiscal year 2020, an increase of \$4.8 million compared to fiscal year 2019. This increase is due to an increase in sales and service revenues of \$5.9 million due primarily to an overall 15% retail rate increase implemented in July 2020, offset in part by a decrease in other revenues of \$0.2 million.

#### **Expenses**

2021 Compared to 2020:

As of December 31, 2021, total expenses for the Water Division were \$77.7 million, a decrease of \$4.4 million, or 5.3%, compared to fiscal year 2020. This resulted from a decrease in operating expense of \$5.9 million, offset by an increase in depreciation expense of \$0.2 million and an increase in non-operating expense of \$1.3 million.

2020 Compared to 2019:

As of December 31, 2020, total expenses for the Water Division were \$82.0 million, a decrease of \$0.7 million, or 0.9%, compared to fiscal year 2019. This resulted from a decrease in operating expense of \$1.9 million, offset by an increase in depreciation expense of \$0.7 million and an increase in non-operating expense of \$0.5 million.



#### Contributions in aid of construction

2021 Compared to 2020:

Contributions in aid of construction ("CIAC") were \$3.9 million for fiscal year 2021, a decrease of \$0.16 million (3.9%) from fiscal year 2020. This decrease was mainly the result of decreases in donated easements of \$0.61 million, offset by an increase in construction contributions of \$0.46 million.

2020 Compared to 2019:

Contributions in aid of construction ("CIAC") were \$4.1 million for fiscal year 2020, an increase of \$0.7 million (22.2%) from fiscal year 2019. This increase was mainly the result of increases in donated easements of \$0.7 million.

#### Transfers to the City of Memphis

2021 Compared to 2020:

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

2020 Compared to 2019:

The Water Division through an agreement with the City, transfers a payment in the amount of \$2.5 million per year. The agreement is effective through the year 2028.

#### **Additional Financial Information**

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





# Financial Statements



#### Required and Supplemental Information

Memphis Light, Gas and Water Division Years ended December 31, 2021 and 2020 with Independent Auditors' Report



#### STATEMENTS OF NET POSITION DECEMBER 31, 2021 AND 2020 (Dollars in Thousands)



Assets Current assets: Cash and cash equivalents Investments Derivative financial instruments Restricted funds - current Accrued interest receivable Accounts receivable - MLGW services (less allowance for doubtful accounts) Accounts receivable - billing on behalf of other entities Unbilled revenues Unrecovered purchased power/gas cost Gas stored - LNG Gas stored - No Notice Service Inventories Prepayment - insurance Unamortized debt expense - current Meter replacement - current Other current assets	2021		2020	2021	2020	_	2021	 2020
Current assets:  Cash and cash equivalents Investments Derivative financial instruments Restricted funds - current Accrued interest receivable Accounts receivable - MLGW services (less allowance for doubtful accounts) Accounts receivable - billing on behalf of other entities Unbilled revenues Unrecovered purchased power/gas cost Gas stored - LNG Gas stored - No Notice Service Inventories Prepayment - insurance Unamortized debt expense - current Meter replacement - current Other current assets	227,745							
Current assets:  Cash and cash equivalents Investments Derivative financial instruments Restricted funds - current Accrued interest receivable Accounts receivable - MLGW services (less allowance for doubtful accounts) Accounts receivable - billing on behalf of other entities Unbilled revenues Unrecovered purchased power/gas cost Gas stored - LNG Gas stored - No Notice Service Inventories Prepayment - insurance Unamortized debt expense - current Meter replacement - current Other current assets	227.745							
Cash and cash equivalents Investments Derivative financial instruments Restricted funds - current Accrued interest receivable Accounts receivable - MLGW services (less allowance for doubtful accounts) Accounts receivable - billing on behalf of other entities Unbilled revenues Unrecovered purchased power/gas cost Gas stored - LNG Gas stored - No Notice Service Inventories Prepayment - insurance Unamortized debt expense - current Meter replacement - current Other current assets	227,745							
Investments Derivative financial instruments Restricted funds - current Accrued interest receivable Accounts receivable - MLGW services (less allowance for doubtful accounts) Accounts receivable - billing on behalf of other entities Unbilled revenues Unrecovered purchased power/gas cost Gas stored - LNG Gas stored - No Notice Service Inventories Prepayment - insurance Unamortized debt expense - current Meter replacement - current Other current assets	227,745							
Investments Derivative financial instruments Restricted funds - current Accrued interest receivable Accounts receivable - MLGW services (less allowance for doubtful accounts) Accounts receivable - billing on behalf of other entities Unbilled revenues Unrecovered purchased power/gas cost Gas stored - LNG Gas stored - No Notice Service Inventories Prepayment - insurance Unamortized debt expense - current Meter replacement - current Other current assets		\$	124,761	\$ 87,517	\$ 58,673	\$	53,065	\$ 21,456
Restricted funds - current Accrued interest receivable Accounts receivable - MLGW services (less allowance for doubtful accounts) Accounts receivable - billing on behalf of other entities Unbilled revenues Unrecovered purchased power/gas cost Gas stored - LNG Gas stored - No Notice Service Inventories Prepayment - insurance Unamortized debt expense - current Meter replacement - current Other current assets	94,330		90,085	34,890	40,159		22,037	15,527
Accrued interest receivable Accounts receivable - MLGW services (less allowance for doubtful accounts) Accounts receivable - billing on behalf of other entities Unbilled revenues Unrecovered purchased power/gas cost Gas stored - LNG Gas stored - No Notice Service Inventories Prepayment - insurance Unamortized debt expense - current Meter replacement - current Other current assets	-		_	9,245	3,293		_	_
Accounts receivable - MLGW services (less allowance for doubtful accounts)  Accounts receivable - billing on behalf of other entities  Unbilled revenues  Unrecovered purchased power/gas cost  Gas stored - LNG  Gas stored - No Notice Service  Inventories  Prepayment - insurance  Unamortized debt expense - current  Meter replacement - current  Other current assets	75,498		154,002	60,006	72,743		54,181	77,400
for doubtful accounts) Accounts receivable - billing on behalf of other entities Unbilled revenues Unrecovered purchased power/gas cost Gas stored - LNG Gas stored - No Notice Service Inventories Prepayment - insurance Unamortized debt expense - current Meter replacement - current Other current assets	-		_	4	2		-	_
Accounts receivable - billing on behalf of other entities Unbilled revenues Unrecovered purchased power/gas cost Gas stored - LNG Gas stored - No Notice Service Inventories Prepayment - insurance Unamortized debt expense - current Meter replacement - current Other current assets								
Unbilled revenues Unrecovered purchased power/gas cost Gas stored - LNG Gas stored - No Notice Service Inventories Prepayment - insurance Unamortized debt expense - current Meter replacement - current Other current assets	82,251		76,579	33,918	39,917		9,421	10,656
Unbilled revenues Unrecovered purchased power/gas cost Gas stored - LNG Gas stored - No Notice Service Inventories Prepayment - insurance Unamortized debt expense - current Meter replacement - current Other current assets	-		-	11,987	11,376		10,630	10,153
Gas stored - LNG Gas stored - No Notice Service Inventories Prepayment - insurance Unamortized debt expense - current Meter replacement - current Other current assets	53,234		45,653	18,237	17,025		4,643	4,477
Gas stored - LNG Gas stored - No Notice Service Inventories Prepayment - insurance Unamortized debt expense - current Meter replacement - current Other current assets	594		5,285	5,970	-		-	· -
Inventories Prepayment - insurance Unamortized debt expense - current Meter replacement - current Other current assets	_		· -	952	1,968		_	_
Prepayment - insurance Unamortized debt expense - current Meter replacement - current Other current assets	_		_	1,280	-		_	_
Unamortized debt expense - current  Meter replacement - current  Other current assets	49,503		49,113	12,222	11,022		6,155	5,647
Unamortized debt expense - current  Meter replacement - current  Other current assets	-		´ <b>-</b>	1,327	908		-	_
Meter replacement - current Other current assets	168		175	83	86		88	91
Other current assets	1,215		1,192	1,448	1,423		477	452
	3,853		3,260	3,570	3,754		2,455	1,117
	588,391		550,105	282,656	262,349		163,152	146,976
Non-current assets:								
Restricted funds:								
Insurance reserves - injuries and damages	3,940		4,667	4,930	1,667		1,919	1,890
Insurance reserves - casualties and general	22,267		21,645	10,074	10,011		7,726	7,569
Medical benefits	19,574		18,391	8,928	8,389		5,838	5,485
Customer deposits	32,806		31,783	6,941	7,055		2,935	2,544
Interest fund - revenue bonds - series 2014	107		120	0,741	7,033		35	37
Interest fund - revenue bonds - series 2016	125		133	125	133		64	67
Interest fund - revenue bonds - series 2017	274		291	133	141		70	73
Interest fund - revenue bonds - series 2017  Interest fund - revenue bonds - series 2020A	485		493	206	210		215	219
Interest fund - revenue refunding bonds - series 2020A	403		47		210		_	219
Sinking fund - revenue bonds - series 2014	253		248	-			- 55	54
Sinking fund - revenue bonds - series 2014 Sinking fund - revenue bonds - series 2016	130		126	130	126		106	106
Sinking fund - revenue bonds - series 2017	281		273	123	120		81	80
E								
Sinking fund - revenue bonds - series 2020A	217		208	92	89		100	97
Sinking fund - revenue refunding bonds - series 2020B	38		37	42.250	- - 50 505		42 152	-
Construction fund - revenue bonds - series 2020A	37,241		116,573	43,358	59,585		43,153	66,908
Groundwater reserve fund				 	 		1,399	 1,392
Total restricted funds								
	117,779		195,035	75,040	87,526		63,696	86,521
Restricted funds - non-current	117,779 (75,498)	(	195,035 (154,002)	75,040 (60,006)	87,526 (72,743)		63,696 (54,181)	86,521 (77,400)

#### STATEMENTS OF NET POSITION DECEMBER 31, 2021 AND 2020 (Dollars in Thousands) (Continued)



	Electric	Division	Gas D	ivision	Water	Division
	2021	2020	2021	2020	2021	2020
Other assets:						
Prepayment - in lieu of taxes	1,631	1,650	37	38	_	_
Unamortized debt expense	1,634	1,802	856	938	889	977
Notes receivable	1,054	1,002	3,972	3,632	1,514	1,750
Meter replacement - long term	14,975	15,859	19,548	20,600	4,977	5,118
Net pension asset - long term	63,587	15,898	24,375	6,094	18,016	4,505
Total other assets	81,827	35,209	48,788	31,302	25,396	12,350
Utility plant						
Plant in service	2,077,574	2,018,497	794,928	782,982	595,771	580,479
Plant held for future use	-	-	212	212	, -	· -
Non-utility plant	15,345	15,345	200	200	-	-
Total utility plant	2,092,919	2,033,842	795,340	783,394	595,771	580,479
Less accumulated depreciation & amortization	(942,892)	(895,191)	(394,640)	(372,999)	(233,565)	(224,643)
Utility plant, net	1,150,027	1,138,651	400,700	410,395	362,206	355,836
Total non-current assets	1,274,135	1,214,893	464,522	456,480	397,117	377,307
Total assets	1,862,526	1,764,998	747,178	718,829	560,269	524,283
Deferred outflows of resources						
Unamortized balance of refunded debt	1,102	1,366	_	-	-	_
Employer pension contribution	14,520	14,702	5,566	5,636	4,114	4,166
Employer OPEB contribution	22,537	20,937	8,639	8,026	6,386	5,932
Pension liability experience	6,651	3,190	2,549	1,224	1,884	904
OPEB liability experience	6,875	8,778	2,635	3,365	1,948	2,487
Total deferred outflows of resources	51,685	48,973	19,389	18,251	14,332	13,489
Total assets and deferred outflows of resources	\$1,914,211	\$ 1,813,971	\$ 766,567	\$ 737,080	\$ 574,601	\$ 537,772

#### STATEMENTS OF NET POSITION FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (Dollars in Thousands) (Continued)



	Electric	e Division	n		Gas D	Divisio	on		Water]	Divi	sion
	2021	20:			2021		2020	20	021		2020
Liabilities											
Current liabilities:				_							
Accounts payable - purchased power and gas	\$ 133,008		25,721	\$	23,114	\$	21,062	\$	-	\$	-
Accounts payable - other payables and liabilities	29,421	2	25,450		3,315		5,655		6,034		3,884
Accounts payable - billing on behalf of other entities	-		-		10,266		9,761		10,436		9,916
Accrued taxes	10.400		1 106		-		4 202		-		2 155
Accrued vacation	10,499	1	1,196		4,044		4,303		2,889		3,155
Bonds payable	10,102	12	9,668		3,795		3,621	· ——	3,763		3,648
Total current liabilities payable from current assets	183,030	1 /	2,035		44,534		44,402		23,122		20,603
Current liabilities payable from restricted assets:											
Insurance reserves - injuries and damages	3,940		4,667		4,930		1,667		1,919		1,890
Medical benefits	8,388		8,968		3,826		4,091		2,502		2,675
Customer deposits	12,794	1	2,395		1,980		2,285		1,145		992
Bonds payable - accrued interest	1,032		1,084		464		484		384		396
Bonds payable - principal	919		892		345		335		342		337
Total current liabilities payable from restricted assets	27,073		28,006		11,545		8,862		6,292		6,290
Total current liabilities	210,103	20	00,041		56,079		53,264	2	29,414		26,893
Non-current liabilities:											
Customer advances for construction	197		2,537		6		170		-		-
Customer deposits	20,012	1	9,388		4,961		4,770		1,790		1,552
LNG deposits	-		_		25		25		_		· -
Reserve for unused sick leave	7,607		7,584		3,126		2,999		2,005		1,964
Revenue bonds - series 2014	25,605	2	28,645		_		_	-	10,180		10,835
Revenue bonds - series 2016	31,580	3	3,135		31,580		33,135		22,805		24,080
Revenue bonds - series 2017	74,550	7	7,925		33,230		34,710		20,400		21,370
Revenue bonds - series 2020A	142,900		5,500		60,830		61,935	(	65,635		66,840
Revenue refunding bonds - series 2020B	28,105	2	28,555		_		-		_		-
Unamortized debt premium	39,547	4	2,953		20,453		22,237		15,349		16,514
Net pension liability	-		_		_		_		· -		-
Net OPEB liability	91,077	12	25,135		34,913		47,968	2	25,805		35,455
Other	1,534		1,606		5,082		4,691		485		2,550
Total non-current liabilities	462,714	51	2,963	-	194,206		212,640	10	64,454		181,160
Total liabilities	672,817	71	3,004	- :	250,285		265,904	19	93,868		208,053
Deferred inflows of resources											
Pension liability experience	3,146		4,779		1,206		1,832		891		1,354
OPEB liability experience	2,985		1,253		1,144		480		846		355
Pension changes of assumptions	70		87		27		33		20		25
OPEB changes of assumptions	58,708	8	3,403		22,505		31,971	-	16,634		23,631
Pension investment earnings experience	66,158		0,230		25,360		15,422		18,745		11,398
OPEB investment earnings experience	31,732		2,108		12,164		4,641		8,991		3,431
Accumulated increase in fair value of	,		_,		,		.,		-,		-,
hedging derivatives	_		_		9,245		3,293		_		_
Total deferred inflows of resources	162,799	14	1,860		71,651		57,672		46,127		40,194
Not position											
Net position Net investment in capital assets	836,867	90	1,294	,	294,764		315,032	2	67,863		280,188
Restricted	33,452		1,294	•	15,151		14,284		12,461		11,771
Unrestricted	208,276		66,745		134,716		84,188		54,282		(2,434)
Total net position	1,078,595		59,107		444,631		413,504		34,606		289,525
	,,		,		,		×= = =	,	,		,
Total liabilities, deferred inflows of resources and net position	\$1.014.211	\$ 1,81	3 071	• •	766,567	\$	737,080	<b>©</b> 5'	74,601	•	537,772
net position	\$1,914,211	φ 1,61	3,7/1	φ	100,307	Φ	131,000	ர 3	77,001	Φ	221,112

#### STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (Dollars in Thousands)



	Electric	Division	Gas D	ivision	Water l	Division
	2021	2020	2021	2020	2021	2020
Operating revenues:						
Sales and service revenues	\$1,285,786	\$1,174,817	\$265,474	\$ 184,305	\$120,717	\$ 106,330
Transported gas revenues	<u>-</u>	- ·	13,920	11,498	_	_
Other revenues	27,034	19,452	16,079	16,938	5,428	4,324
Total operating revenues	1,312,820	1,194,269	295,473	212,741	126,145	110,654
Operating expenses:						
Purchased power and gas for resale	985,215	939,781	151,669	75,183		_
Production	703,213	757,761	131,007	75,165	17,385	15,915
Operation	81,871	112,047	57,744	65,617	33,371	40,948
Maintenance	52,533	41,509	8,643	7,641	11,734	11,504
Depreciation & amortization	59,741	57,996	23,251	22,688	11,522	11,353
Payment in lieu of taxes	6,306	6,620	1,046	1,020	-	-
Total operating expenses	1,185,666	1,157,953	242,353	172,149	74,012	79,720
Operating income	127,154	36,316	53,120	40,592	52,133	30,934
Non-operating revenues (expenses):						
Contributions in aid of construction	18,218	17,502	2,025	2,470	3,928	4,087
Reduction of plant costs recovered through						
contributions in aid of construction	(18,218)	(17,502)	(2,025)	(2,470)	(3,928)	(4,087)
Transmission credits	37,175	36,192	-	-	-	-
Investment and other income	4,067	5,059	58	390	1,094	882
Interest expense	(9,818)	(6,887)	(4,045)	(2,780)	(3,646)	(2,302)
Total non-operating revenues (expenses)	31,424	34,364	(3,987)	(2,390)	(2,552)	(1,420)
Income before transfers	158,578	70,680	49,133	38,202	49,581	29,514
Transfers out - City of Memphis	(39,090)	(38,536)	(18,006)	(18,441)	(4,500)	(2,500)
Change in net position	\$ 119,488	\$ 32,144	\$ 31,127	\$ 19,761	\$ 45,081	\$ 27,014
	0.050.105	Ф. 027.272	0.442.704	Ф 202 742	0.000	Ф 262 711
Net position, beginning of year	\$ 959,107	\$ 926,963	\$413,504	\$ 393,743	\$289,525	\$ 262,511
Change in net position	119,488	32,144	31,127	19,761	45,081	27,014
Net position, end of year	\$1,078,595	\$ 959,107	\$444,631	\$ 413,504	\$334,606	\$ 289,525

#### STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (Dollars in Thousands)



	Electric D	Nivicion	Cas D	ivision	Water D	livision
	 2021	2020	2021	2020	2021	2020
	 2021	2020	2021	2020	2021	2020
Cash flows from operating activities:						
Receipts from customers and users	\$ 1,304,595	\$1,219,574	\$291,107	\$ 198,798	\$ 128,186	\$109,817
Payments to suppliers	(1,002,553)	(975,201)	(178,676)	(93,055)	(34,084)	(30,440)
Payments to/on behalf of employees	(128, 265)	(117,831)	(56,750)	(58,481)	(43,417)	(42,531)
Payments from (to) other Division funds	(3,750)	(6,697)	(2,057)	(1,559)	(3,320)	(4,011)
Payments for taxes	(6,741)	(6,577)	(1,038)	(1,019)	-	-
Net cash provided by operating activities	 163,286	113,268	52,586	44,684	47,365	32,835
Cash flows from noncapital financing activities:						
Transfers to City of Memphis	(39,090)	(38,536)	(18,006)	(18,441)	(4,500)	(2,500)
Net cash used in noncapital financing activities	 (39,090)	(38,536)	(18,006)	(18,441)	(4,500)	(2,500)
Cash flows from capital and related financing activities:						
Purchase and construction of utility plant	(90,724)	(86,003)	(16,807)	(22,525)	(23,489)	(19,295)
Contributions in aid of construction	18,218	17,502	2,025	2,470	3,928	4,087
Proceeds from issuance of long-term debt	-	198,805	-	74,662	-	79,971
Principal payments on long-term debt	(10,560)	(31,160)	(3,955)	(2,765)	(3,985)	(2,750)
Interest payments on debt	(12,824)	(8,861)	(5,759)	(3,847)	(4,731)	(2,686)
Net cash provided by (used in) capital						
and related financing activities	 (95,890)	90,283	(24,496)	47,995	(28,277)	59,327
Cash flows from investing activities:						
Sales and maturities of investments	119,187	34,671	81,821	23,861	59,250	8,422
Purchases of investments	(50,349)	(105,296)	(19,392)	(77,837)	(12,475)	(66,970)
Payments received on notes receivable	-	-	-	-	236	(23)
Investment income earned on investments	 1,667	3,047	1,008	1,634	471	295
Net cash provided by (used in) investing activities	 70,505	(67,578)	63,437	(52,342)	47,482	(58,276)
Increase in cash and cash equivalents	98,811	97,437	73,521	21,896	62,070	31,386
Cash and cash equivalents, beginning of year	 239,022	141,585	84,634	62,738	51,451	20,065
Cash and cash equivalents, end of year	\$ 337,833	\$ 239,022	\$158,155	\$ 84,634	\$ 113,521	\$ 51,451

#### STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (Dollars in Thousands) (Continued)



		Electric I	Divisio	on	Gas D	ivision		Water D	ivision
		2021	2	2020	2021	2020		2021	2020
Reconciliation of operating income to net cash									
provided by operating activities:									
Operating income	\$	127,154	\$	36,316	\$ 53,120	\$ 40,592	\$	52,133	\$ 30,934
Adjustments to reconcile net operating income	Ψ	127,134	Φ	30,310	\$ 33,120	\$ 40,392	J	32,133	\$ 50,954
to net cash provided by operating activities:									
Depreciation of utility plant		61,565		59,721	25,073	24,374		11,965	11,704
Transmission credits		37,175		36,192	23,073	24,374		11,903	11,704
Other income (loss)		2,402		2,014	(951)	(1,180)		623	589
(Increase) decrease in assets:		2,402		2,014	(951)	(1,100)		023	309
		(5 (73)		11.661	4776	(12.157)		1 225	(1.020)
Accounts receivable - MLGW services		(5,672)		11,661	4,776	(12,157)		1,235	(1,928)
Accounts receivable - billing on behalf of other entities		(2.255)		(522)	611	1,435		(477)	(419)
Deferred outflows - Pension		(3,277)		(523)	(1,256)	(201)		(929)	(148)
Deferred outflows - Pension investment earnings experience		18,055		28,336	6,921	10,862		5,116	8,028
Net pension asset		(47,689)		(15,903)	(18,281)	(6,096)		(13,512)	(4,498)
Deferred outflows - OPEB		303		(7,875)	116	(3,019)		86	(2,231)
Deferred outflows - OPEB investment earnings experience		5,582		5,582	2,140	2,140		1,581	1,581
Unbilled revenues		(7,581)		2,138	(1,212)	(3,645)		(166)	(807)
Prepayments - in lieu of taxes		19		21	-	-		-	-
Unrecovered purchased power and gas costs		4,691		5,736	(5,970)	683		-	-
Inventories		(390)		(4,777)	(1,200)	(1,607)		(508)	(755)
Other assets		(168)		116	(5,943)	(1,173)		4	-
Increase (decrease) in liabilities:									
Accounts payable - purchased power and gas		7,287		(11,745)	2,052	4,393		-	-
Accounts payable - other payables and liabilities		3,957		2,417	(2,345)	(257)		2,149	146
Accounts payable - billing on behalf of other entities		-		-	505	1,597		520	1,133
Customer deposits		1,023		3,172	(114)	700		391	305
Insurance reserves		(727)		(415)	3,263	119		29	304
Medical benefit accrual		(580)		1,250	(265)	571		(173)	373
Deferred inflows - Pension		(1,651)		(2,368)	(633)	(908)		(468)	(671)
Deferred inflows - Pension investment earnings experience		7,873		49,741	3,018	19,067		2,231	14,093
Net pension liability		· -		(64,687)	_	(24,797)		_	(18,328)
Deferred inflows - OPEB		(22,964)		2,942	(8,803)	1,128		(6,506)	833
Deferred inflows - OPEB investment earnings experience		14,042		17,655	5,383	6,768		3,979	5,002
Net OPEB liability		(34,058)		(43,748)	(13,056)	(16,770)		(9,650)	(12,395)
Other liabilities		(3,085)		299	5,637	2,065		(2,288)	(10)
Total adjustments		36,132		76,952	(534)	4,092		(4,768)	1,901
Net cash provided by operating activities	\$	163,286	\$	113,268	\$ 52,587	\$ 44,684	\$	47,365	\$ 32,835
Reconciliation of cash and cash equivalents per statements of cash flows to the statements of net position:		,			Ź			,	
Restricted funds	\$	117,779	\$	195,035	\$ 75,040	\$ 87,526	\$	63,696	\$ 86,521
Less investments included in restricted funds	~	(7,691)		(80,774)	(4,402)	(61,565)	•	(3,240)	(56,526)
Cash and cash equivalents included in restricted funds		110,088	_	114,261	70,638	25,961		60,456	29,995
Current assets - cash and cash equivalents		227,745	1	124,761	87,517	58,673		53,065	21,456
Total cash and cash equivalents	\$	337,833		239,022	\$158,155	\$ 84,634	•	113,521	\$ 51,451
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### STATEMENTS OF FIDUCIARY NET POSITION – PENSION TRUST PLAN AND OPEB TRUST DECEMBER 31, 2021 AND 2020 (Dollars in Thousands)



		2021		2020				
		2021			2020			
	Retirement And Pension System	Other Post Employment Benefits Trust	Total Fiduciary Funds	Retirement And Pension System	Other Post Employment Benefits Trust	Total Fiduciary Funds		
ASSETS Cash and cash equivalents	\$ 36,297	\$ 9,558	45,855	\$ 28,735	\$ 4,774	\$ 33,510		
Receivables:								
Interest, dividends and real estate receivable	3,212	1,060	4,273	3,306	603	3,908		
Securities sold and accrued income	11,851	4,594	16,444	22,883	164	23,047		
Miscellaneous receivable	-	_	-	1	-	1		
Employer and employee contributions receivable Collateral held in trust for securities on loan	810	914 486	1,724	519	710 215	1,228 49.087		
Total receivables	74,913 90,786	7,054	75,399 97,840	48,872 75,581	1,692	77,272		
	20,700	7,034	27,040	75,561	1,022			
Investments at fair value:								
Equity Funds:  Common stock - domestic	383,809	132,721	516,530	291,200	120,369	411,569		
Common stock - domestic	114,917	508	115,424	100,222	539	100,761		
Common stock index - domestic	427,160	-	427,160	456,292	-	456,292		
Rights/warrants	-	-	-	6	-	6		
Preferred stock - international	-	-	-	1,944	-	1,944		
Equity mutual fund - international	-	30,398	30,398	-	32,146	32,146		
Equity collective fund - domestic	-	49,101	49,101	-	41,341	41,341		
Equity collective fund - international	-	41,809	41,809	-	43,881	43,881		
Equity commingled fund - international	-	17,991	17,991	-	17,260	17,260		
Equity mutual index fund - domestic	-	91,289	91,289	-	72,137	72,137		
Equity hedge fund - domestic	-	11,387	11,387	-	10,554	10,554		
Fixed Income Funds:  Corporate bond mutual funds - domestic	49,917	51,204	101,121	46,375	34,977	81,352		
Corporate bonds - international	37,607	31,204	37,607	40,634	34,911	40,634		
Convertible bond mutual fund - domestic	57,007	16,894	16,894	-	16,047	16,047		
Corporate convertible bond - international	826	,	826	314	-	314		
Government bonds - domestic	7,728	-	7,728	4,483	-	4,483		
Government bonds - international	48,264	-	48,264	50,864	-	50,864		
Global bond fund - international	59,067	38,409	97,475	62,347	28,234	90,581		
U.S. government agencies	11,896	-	11,896	10,829	-	10,829		
Global government agencies	8,283	-	8,283	6,696	-	6,696		
Asset backed securities - domestic	2,450	-	2,450	10,038	-	10,038		
Asset backed securities - international  Mortgage backed securities - domestic	2,134	-	2,134	3,922 20,603	-	3,922 20,603		
Securitized asset fund	26,745 39,983	-	26,745 39,983	57,574	-	57,574		
Special Strategies Funds:	37,763	_	37,703	37,374	_	37,374		
Private equity funds - domestic*	107,199	66,588	173,788	65,508	53,010	118,518		
Private equity funds - international	14,681	8,789	23,470	5,156	6,459	11,615		
Private debt fund - domestic	-	2,309	2,309	-	2,058	2,058		
Distressed debt funds - domestic	44,585	16,482	61,067	59,177	20,415	79,591		
Distressed debt funds - international	65,480	24,665	90,145	67,151	27,336	94,487		
Multi-asset - domestic	16,040	-	16,040	14,373	-	14,373		
Life settlement funds - domestic	80,564	17,503	98,066	73,203	15,029	88,232		
Real Estate Funds Short-Term Investment	251,552 5 267	76,543	328,095	200,776	52,750	253,526		
Short-Term investment	5,267		5,267	5,080		5,080		
Total investments	1,806,154	694,590	2,500,743	1,654,767	594,542	2,249,309		
Total assets	1,933,237	711,202	2,644,438	1,759,083	601,008	2,360,091		
LIABILITIES								
Collateral subject to return to borrowers	74,913	486	75,399	48,872	215	49,087		
Securities purchased and accrued expenses	12,414	5,454	17,868	32,964	6,539	39,503		
Employer	-	914	914	-	710	710		
Accrued liabilities	2,010		2,010	1,710		1,710		
Total liabilities	89,337	6,854	96,191	83,546	7,464	91,010		
FIDUCIARY NET POSITION RESTRICTED								
FOR PENSIONS AND OPEB	\$ 1,843,900	\$ 704,348	\$ 2,548,247	\$ 1,675,537	\$ 593,544	\$2,269,081		

<sup>\*</sup> Private equity-domestic includes a private equity firm, GPB Holdings II, LP, valued at \$20.0 million as of December 31, 2020 and 2019, the fair market value as of June 30, 2019, the most recent available. As of the date of this report, the Pension Plan has not received the fair market value statements from GPB Holdings II, LP for the years ended December 31, 2020 and 2019. In March 2020, GPB Holdings II, LP issued a distribution of \$1.3 million which did not impact its market value.

<sup>\*</sup> Private equity-domestic includes a private equity firm, GPB Holdings II, LP, valued at \$8.0 million as of December 31, 2020 and 2019, the fair market value as of June 30, 2019, the most recent available. As of the date of this report, the OPEB Trust has not received the fair market value statements from GPB Holdings II, LP for the years ended December 31, 2020 and 2019. In March 2020, GPB Holdings II, LP issued a distribution of \$0.5 million which did not impact its market value.

## STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION – PENSION TRUST PLAN AND OPEB TRUST FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (Dollars in Thousands)

						WHAT WE DO
		-7	1		The same	- 250
		2021			2020	
	Retirement And Pension System	Other Post Employment Benefits Trust	Total Fiduciary Funds	Retirement And Pension System	Other Post Employment Benefits Trust	Total Fiduciary Funds
ADDITIONS						
Contributions						
Employer	\$ 24,199	\$ 37,561	\$ 61,760	\$ 24,504	\$ 34,895	\$ 59,399
Member	14,216		14,216	13,828		13,828
Total contributions	38,415	37,561	75,976	38,332	34,895	73,22
nvestment Activities Income						
Net appreciation in fair value of investments	236,242	101,944	338,186	174,507	79,812	254,319
Interest income	12,027	2,787	14,814	11,562	3,183	14,744
Dividend income	4,737	2,658	7,394	6,462	2,646	9,108
Real estate income	4,695	1,132	5,827	4,076	1,007	5,083
Other income	85	9	93	10	3	13
Recovery of losses - class action suit	2		2			
Total investment activities income	257,788	108,530	366,317	196,617	86,651	283,267
ess investment activities expenses	5,385	2,037	7,422	4,433	1,777	6,210
et investment activities income	252,403	106,493	358,895	192,184	84,874	277,058
ecurities Lending Activities:						
Securities lending income	185	12	196	533	25	558
Securities lending expenses:	100		1,0			
Borrower rebates	57	11	68	(216)	(5)	(22
Management fees	(48)	(5)	(53)	(63)	(4)	(6'
Total securities lending expenses	9	6	15	(279)	(9)	(288
Net securities lending activities income	194	18	213	254	16	270
otal investment activities income	252,597	106,511	359,108	192,438	84,890	277,328
otal additions	291,012	144,072	435,085	230,770	119,785	350,555
DEDUCTIONS						
Benefit payments	115,059	32,445	147,504	108,822	29,776	138,598
Contributions refund	6,722	-	6,722	3,004	-	3,004
Administrative expenses	868	823	1,691	779	812	1,591
otal deductions	122,649	33,268	155,917	112,605	30,588	143,193
hange in net position	168,363	110,804	279,167	118,165	89,197	207,363
ET POSITION RESTRICTED						
FOR PENSIONS AND OPEB					_	
Beginning of year	1,675,537	593,544	2,269,081	1,557,372	504,347	2,061,719
End of year	\$ 1,843,900	\$ 704,348	2,548,247	\$ 1,675,537	\$ 593,544	2,269,081



#### 1. Summary of Significant Accounting Policies

#### **Organization**

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

#### **Basis of Presentation**

The financial statements present the Electric, Gas and Water Divisions of MLGW in conformity with accounting principles generally accepted in the United States of America that are applicable to a proprietary fund of a government unit. The accompanying financial statements present the separate financial positions, results of operations, and cash flows of each of the three divisions--Electric, Gas and Water--(the "Divisions") of MLGW, but do not present the financial position, results of operations, or cash flows of MLGW, a division of the City of Memphis. Accordingly, the accompanying disclosures relate separately to the Divisions, as applicable, and not collectively to MLGW. Unless expressly stated, each disclosure, including references to "MLGW" herein, applies solely to each of the separate divisions on an individual basis. The Divisions collectively pool resources for investing purposes and collectively participate in a pension plan and OPEB trust. Accordingly, certain disclosures for investments, the employee retirement system and other post-employment benefits are presented on a combined basis. These statements are not intended to present the financial position of the City, the results of the City's operations or the cash flows of the City's funds, nor do they represent the financial position, results of operations, or cash flows of MLGW's Retirement and Pension System discussed in Note 7 or the Other Postemployment Benefits ("OPEB") Trust discussed in Note 8.

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



#### 1. Summary of Significant Accounting Policies (continued)

#### **Basis of Accounting**

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

Where applicable, the Federal Energy Regulatory Commission's ("FERC") (Electric and Gas Divisions) and the National Association of Regulatory Utility Commissioners' ("NARUC") (Water Division) Uniform Systems of Accounts are used. MLGW is not subject to the jurisdiction of federal or state regulatory commissions.

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

#### **Regulatory Accounting**

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

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



#### 1. Summary of Significant Accounting Policies (continued)

#### **Regulatory Accounting (continued)**

	Electric	Division	Gas D	ivision	Water 1	Division
	2021	2020	2021	2020	2021	2020
Regulatory Assets:						
Current:						
Unrecovered purchased power/gas cost	\$ 594	\$ 5,285	\$ 5,970	\$ -	\$ -	\$ -
Meter replacement	1,215	1,192	1,448	1,423	477	452
Unamortized debt expense	168	175	83	86	88	91
Total current	1,977	6,652	7,501	1,509	565	543
Non-Current:						
Meter replacement	14,975	15,859	19,548	20,600	4,977	5,118
Unamortized debt expense	1,634	1,802	856	938	889	977
Total non-current	16,609	17,661	20,404	21,538	5,866	6,095
Total Regulatory Assets	\$ 18,586	\$ 24,313	\$ 27,905	\$ 23,047	\$ 6,431	\$ 6,638
Regulatory Liabilities: Current:						
Purchased gas adjustment	\$ -	\$ -	\$ -	\$ 1,481	\$ -	\$ -
Total Regulatory Liabilities	\$ -	\$ -	<u>\$ -</u>	\$ 1,481	\$ -	\$ -

#### Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The carrying amounts of cash and cash equivalents, investments, restricted fund investments, accounts receivable and accounts payable are a reasonable estimate of their fair values. The estimated fair values of MLGW's other financial instruments have been determined by MLGW using available market information. All investments are carried at fair value and changes in the fair values of investments are included in investment income in the accompanying Statements of Revenues, Expenses and Changes in Net Position.



#### 1. Summary of Significant Accounting Policies (continued)

#### Fair Value of Financial Instruments (continued)

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

MLGW had the following recurring fair value measurements as of December 31, 2021:

- U.S. Treasury Securities of \$148,199 (Level 1 inputs)
- Commercial Paper of \$227,539; Government Mortgage-backed Securities of \$16,647; and U.S. Government Agencies of \$120,249 (Level 2 inputs)
- Tennessee Local Government Investment Pool of \$96,100 (Level 3 inputs)

MLGW had the following recurring fair value measurements as of December 31, 2020:

- U.S. Treasury Securities of \$139,024 (Level 1 inputs)
- Commercial Paper of \$148,778; Government Mortgage-backed Securities of \$29,728; and U.S. Government Agencies of \$73,921 (Level 2 inputs)

#### Cash and cash equivalents

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

#### Accounts Receivable

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

As of December 31, 2021 and 2020, accounts receivable and allowances for doubtful accounts were as follows:



#### 1. Summary of Significant Accounting Policies (continued)

#### **Accounts Receivable (continued)**

	<b>Electric Division</b>				Gas Division				Water Division			
	2021		2020		2021		2020		2021		2020	
Accounts Receivable	\$	96,357	\$	88,184	\$	46,894	\$	52,047	\$	21,655	\$	21,715
Allowance for doubtful accounts		(14,106)		(11,605)		(990)		(754)		(1,604)		(906)
Total A/R, net of allowance	\$	82,251	\$	76,579	\$	45,904	\$	51,293	\$	20,051	\$	20,809

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

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

	 2021			
Electric	\$ 3,057	\$	3,730	
Gas	744		535	
Water	574		643	

#### **Unbilled Revenues**

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

#### **Inventories and Stored Natural Gas**

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

#### **Restricted Funds and Related Reserves**

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



#### 1. Summary of Significant Accounting Policies (continued)

#### Restricted Funds and Related Reserves (continued)

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

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

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

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

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

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

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

The Water Division maintains a ground water reserve fund in accordance with a five year Agreement entered on July 1, 2018 into by and between MLGW and the University of Memphis (University) on behalf of the Herff College of Engineering's Center for Applied Earth Science and Engineering Research (CAESER). The University was awarded \$1,000 a year to study clay breaches in the Memphis aquifer and their impacts to water quality. A resolution was approved by the City Council on January 9, 2018 to increase Water annual sales revenue by 1.05% to be effective with meters read on Cycle 1 of the January 2018 revenue month to fund the aquifer research. The funds will be used to cover the deliverables in accordance with the Agreement for the groundwater study.



#### 1. Summary of Significant Accounting Policies (continued)

#### Restricted Funds and Related Reserves (continued)

The following table presents restricted net position by each major category at December 31, 2021 and 2020:

		Electric I	ion	Gas Di	visio	n	Water Division				
	2021		2020		2021		2020		2021	2020	
Casualty Insurance	\$	22,267	\$	21,645	\$ 10,074	\$	10,011	\$	7,726	\$	7,569
Medical Benefits and other		11,185		9,423	5,077		4,273		4,735		4,202
Total	\$	33,452	\$	31,068	\$ 15,151	\$	14,284	\$	12,461	\$	11,771

#### **Customer Deposits**

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

#### **Utility Plant**

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

Interest on debt is not capitalized, as it is recovered through current revenues. The amount of interest cost incurred and charged to electric expense in 2021 and 2020 totaled \$9,818 and \$6,887 respectively. The amount of interest cost incurred and charged to gas expense in 2021 and 2020 totaled \$4,045 and \$2,780, respectively. The amount of interest cost incurred and charged to water expense in 2021 and 2020 totaled \$3,646 and \$2,302, respectively.

Depreciation and amortization are computed using the composite method based on estimated service lives of various classes of depreciable property at rates equivalent to annual rates of approximately 2.9% for the electric division, 2.3% for the gas division and 1.9% for the water division. Computations of the estimated service lives are the result of various depreciation studies and comparisons with industry standards.

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



#### 1. Summary of Significant Accounting Policies (continued)

#### **Futures, Options and Swap Contracts**

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

#### **Bond Premiums, Discounts and Issuance Costs**

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

#### **Net Position**

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

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

#### **Revenues and Expenses**

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



#### 1. Summary of Significant Accounting Policies (continued)

#### **Revenues and Expenses (continued)**

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

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

#### **Deferred Outflows and Inflows of Resources**

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

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

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

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

#### **Pensions**

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Memphis Light, Gas and Water Retirement and Pension System (the "MLGW Pension Plan") and additions to and deductions from the MLGW Pension Plan's fiduciary net position have been determined on the same basis as they are reported by the Pension Plan. For that purpose, benefits payments



#### 1. Summary of Significant Accounting Policies (continued)

#### **Pensions (continued)**

(including refunds of employee contribution) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### **Other Postemployment Benefits**

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

#### **Related Parties**

MLGW conducts business with related parties as "arm's length" transactions: generally, MLGW provides utility and related services to and receives payments from these parties in the same manner as other non-related customers. Major related party entities include the City of Memphis government. For the years ending December 31, 2021 and 2020, receivables from related parties for utility construction, pole rentals and utility related services excluding utility bills were \$1,754 and \$1,723, respectively.

As of December 31, 2021, the only free service provided to the City is water for firefighting. Free water service provided to the City for public purposes is estimated to be \$78 for 2021 and \$77 for 2020.

The Electric, Gas and Water Divisions make transfers to the City. See Note 14 (Transfers to City).

#### **Use of Estimates**

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

#### Events occurring after reporting date

Management has evaluated events and transactions that have occurred between December 31, 2021 and June 2, 2022, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.



#### 1. Summary of Significant Accounting Policies (continued)

#### **Recent Accounting Standards**

In June 2017, GASB issued Statement No. 87, *Leases*, originally effective for reporting periods beginning after December 15, 2019. GASB postponed the effective date to reporting periods beginning after June 15, 2021. This Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. MLGW has not elected early implementation of this standard and is in the process of evaluating the impact of this statement on its financial statements.

Effective for fiscal year 2021, MLGW adopted the provisions of GASB issued Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenues Code Section 457 Deferred Compensation Plans-an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Adoption of this Statement did not have any effect on the Divisions' financial statements, because MLGW's 457 Plan assets are not controlled by MLGW. The assets are deposited with and under the control of the third-party provider of MLGW's deferred compensation program.

In October 2021, GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. Adoption of this statement will have no effect on the Division's financial statements.



## 2. Deposits and Investments

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

#### **Custodial Credit Risk**

#### **Deposits**

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

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

The depository bank shall provide collateral for MLGW deposits in accordance with requirements for public funds deposits in Tennessee. The market value of the pledged securities in the collateral pool must equal at least 105% of the value of the deposit secured, less the amount protected by federal deposit insurance. As of December 31, 2021 and December 31, 2020, MLGW deposits with financial institutions were \$162,521 and \$321,509, respectively. For 2021 and 2020, all bank deposits were maintained in collateralized accounts or covered by federal depository insurance and were not exposed to custodial credit risk.

#### Investments

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



#### *Investments* (continued)

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

The following table presents the investments and maturities of MLGW's investment portfolio as of December 31, 2021:

	Remaining Maturities (in Years)												
Investment Type	Fair Value		laturities < 1 year		aturities to 4 years	Matu > 4 y	rities vears						
Tennessee Local Government Investment Pool \$	96,100	\$	96,100	\$	-	\$							
U.S. Treasuries	148,199		67,666		80,533		-						
Federal Agency (Fixed Rate)	136,896		88,185		48,711		-						
Commercial Paper (Rated AA or higher)	227,539		227,539		-		-						
Total Investments \$	608,734	\$	479,490	\$	129,245	\$	-						

The following table presents the investments and maturities of MLGW's investment portfolio as of December 31, 2020:

Remaining Maturities (in Years)

			U		,				
	Fair	M	aturities	M	aturities	Maturities			
Investment Type	Value	< 1 year 1 to 4 years			o 4 years	> 4 years			
U.S. Treasuries	\$ 139,024	\$	61,238	\$	77,786	\$	-		
Federal Agency (Fixed Rate)	103,649		59,011		44,638		-		
Commercial Paper (Rated AA or higher)	148,778		148,778		-		-		
<b>Total Investments</b>	\$ 391,451	\$	269,027	\$	122,424	\$			



#### 2. Deposits and Investments (continued)

#### *Investments* (continued)

Custodial credit risk for investments is the risk that, in the event of failure of the counterparty to a transaction, MLGW will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty, or the counterparty's trust department or agent but not in the name of MLGW. Investments in external investment pools and in money market funds are not exposed to custodial credit risks because their existence is not evidenced by securities that exist in physical or book entry form. To limit its exposure, MLGW's investment policy requires that all securities purchased by MLGW shall be held in safekeeping by a third-party custodial bank or financial institution. None of MLGW's investments at December 31, 2021 and 2020 were exposed to custodial credit risk.

#### **Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment in debt securities. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. MLGW's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, the investment policy states no investment will have a maturity of greater than four years from date of purchase. MLGW had purchased no investments in debt securities that were outside of the policy as of December 31, 2021 and 2020. MLGW uses the segmented time distribution method of disclosure, as shown above, to identify this risk. Some investments can be highly sensitive to changes in interest rates due to their terms or characteristics. In MLGW's investment portfolio, asset-backed and government mortgage-backed securities are most sensitive to changes in interest rates as their repayments can vary significantly with interest rate changes. As of December 31, 2021, these securities represent 2.7% of the total investment portfolio with a fair market value of \$16,647. As of December 31, 2020, these securities represent 7.6% of the total investment portfolio with a fair market value of \$29,728.

#### Credit Risk

Credit risk is the risk that an issuer of a debt security will not fulfill its obligation. This credit risk is measured by the credit quality of investments in debt securities as described by nationally recognized statistical rating organizations. Investments in obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk. As of December 31, 2021, MLGW debt securities that were subject to credit risk were \$227,539, or 37.4% of total investments. These debt securities have a remaining maturity of less than one year. The Tennessee Local Government Investment Pool (LGIP) is a State of Tennessee Treasury Department program that manages state and local governments' short-term investments. Deposits with LGIP may be withdrawn with a maximum of one day's notice and the reported value of the pool is the same as the fair value of pool shares.



# **Credit Risk (continued)**

MLGW's ratings and policy limits as of December 31, 2021 are as follows:

<b>Investment Type</b>	Fair Value		S&P Rating	Moody's Rating
Tennessee Local Government				
Investment Pool	\$	96,100	N/A	N/A
Commoraial Danar		55 A01	AAA	Aaa
Commercial Paper		55,491		
Commercial Paper		43,692	AA+	Aaa
Commercial Paper		58,676	AA-	Aa2
Commercial Paper		18,992	AA-	Aa2*+
Commercial Paper		50,688	AA-	Aa3
Total credit risk debt securities		227,539		
U.S. Treasuries		148,199	AA+u	Aaa
Federal Agency (Fixed Rate)		136,896	AA+	Aaa
U.S. Government and Agencies		285,095		
Total debt securities				
investments	\$	608,734		



# **Credit Risk (continued)**

As of December 31, 2020, MLGW debt securities that were subject to credit risk were \$148,778, or 38% of total investments. These debt securities have a remaining maturity of less than one year.

MLGW's ratings and policy limits as of December 31, 2020 are as follows:

<b>Investment Type</b>	Fair Value	S&P Rating	Moody's Rating
Commercial Paper	\$ 25,197	AAA	Aaa
Commercial Paper	1,500	AA+	Aa1
Commercial Paper	10,000	A+	A1
Commercial Paper	21,796	AA	Aa1
Commercial Paper	24,296	AA	Aa2
Commercial Paper	18,998	AA	Aa3
Commercial Paper	23,795	AA-	Aa1
Commercial Paper	16,798	AA-	(P)Aa3
Commercial Paper	6,398	AA-	Aa3
Total credit risk debt securities	148,778		
U.S. Treasuries	139,024	AA+u	Aaa
Federal Agency (Fixed Rate)	103,649	AA+	Aaa
U.S. Government and Agencies	242,673		
Total debt securities			
investments	\$ 391,451		



#### **Concentration of Credit Risk**

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

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

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

In accordance with GASB Statement No. 40, governments should provide information about investments in any one issuer that represent 5 percent or more of total investments. As of December 31, 2021, the investments in any one issuer of commercial paper that represents 5% or more of MLGW's investments are as follows:

	R	Percentage	
Issuer		of Portfolio	
Koch Industry Inc	\$	45,889	7.54%
National Security		32,193	5.29%
Toronto Dominion		47,778	7.85%
Total	\$	125,860	



# **Concentration of Credit Risk (continued)**

As of December 31, 2020, the investments in any one issuer of commercial paper that represents 5% of more of MLGW's investments are as follows:

	R	Percentage	
Issuer	A	of Portfolio	
Chevron Corp.	\$	24,296	6.21%
Exxon Mobil Corp.		21,796	5.57%
Toronto Dominion Bank		23,795	6.08%
Total	\$	69,887	

## **Restricted and Unrestricted Funds**

Restricted funds, cash and cash equivalents, and investments consisted of the following as of December 31, 2021 and 2020.

	Electric Division				Gas Division				Water Division				
		2021	2020			2021	2021		2021			2020	
Restricted fund:							•						
Cash and cash equivalents	\$	110,089	\$	114,261	\$	70,638	\$	25,962	\$	60,455	\$	29,996	
Investments		7,690		80,773		4,403		61,563		3,241		56,525	
Total restricted funds	\$	117,779	\$	195,035	\$	75,040	\$	87,526	\$	63,696	\$	86,521	

	<b>Electric Division</b>				Gas Division				Water Division			
		2021	2020		2021		2020		2021		2020	
Unrestricted fund:												
Cash and cash equivalents	\$	227,745	\$	124,761	\$	87,517	\$	58,673	\$	53,065	\$	21,456
Investments		94,330		90,085		34,890		40,159		22,037		15,527
Total unrestricted funds	\$	322,075	\$	214,846	\$	122,407	\$	98,832	\$	75,102	\$	36,983



#### 3. Notes Receivable

In 2002, MLGW and the Valero Refining Group ("Valero") entered into an agreement, whereby MLGW provided for the construction of two pipelines (14" and 20") and leased them to Valero for the purpose of transporting crude oil and refinery products. The lease provided for monthly payments of principal and interest and had an initial term of 15 years, which ended October 31, 2016 and July 31, 2016, for the 14" Pipeline and the 20" Pipeline, respectively.

In November 2016, MLGW and the Valero Refining Group ('Valero") executed the secondary agreement of the expired 15-year initial term lease agreement, whereby Valero will continue to provide monthly payments under a secondary term of 30 years, ending October 31, 2046 for the 14" Pipeline and July 31, 2046 for the 20" Pipeline, subject to any early termination pursuant to the terms of the Pipeline Agreements.

Scheduled lease payments for January – June 2022 total \$428. Effective July 1, 2022 and each July 1 thereafter throughout the Secondary Term, the monthly fee applicable for the previous year for the 20" Pipeline and 14" Pipeline, respectively, shall be adjusted based on the Producer Price Index for Finished Goods ("PPI-FG") formula per the contract.

The Valero lease receivable is included in notes receivables in the accompanying 2021 Gas Division's Statements of Net Position, except for the current portion of \$857, which is included in other current assets.

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

The Arlington note receivable is included in notes receivables in the accompanying 2021 Water Division's Statements of Net Position.



# 4. Utility Plant

Utility plant activity for the years ended December 31, 2021 and 2020 is as follows:

		Beginning Balance		Increases		Decreases		Ending Balance
Year ended December 31, 2021						_		
Electric Division								
Capital assets not being depreciated:								
Land	\$	38,527	\$	59	\$	-	\$	38,586
Land - Non-utility		15,345		-		-		15,345
Construction in progress		78,785		64,246		(50,792)		92,239
Total capital assets not being depreciated		132,657		64,305		(50,792)		146,170
Capital assets being depreciated or amortized:								
Structures and improvements		72,593		431		(46)		72,978
Transmission and distribution plant equipment	1	,624,494		48,984		(6,736)	_ 1	,666,742
General plant equipment		191,398		2,842		(487)	•	193,753
Intangibles: Software		12,700		576		<u> </u>		13,276
Total capital assets being depreciated or amortized	1	,901,185		52,833		(7,269)	1	,946,749
Less accumulated depreciation and amortization		(895,191)		(62,537)		14,836		(942,892)
Total capital assets being depreciated or amortized, net	1	,005,994		(9,704)		7,567	1	,003,857
Total capital assets, net	\$ 1	,138,651	\$	54,601	\$	(43,225)	\$1	,150,027

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# 4. Utility Plant (continued)

Year ended December 31, 2021	Beginning Balance			Increases		Decreases		Ending Balance	
Gas Division									
Capital assets not being depreciated:									
Land	\$	7,312	\$	144	\$	_	\$	7,456	
Construction in progress		23,479		14,261		(11,575)		26,165	
Plant held for future use		212				-		212	
Total capital assets not being depreciated		31,003		14,405		(11,575)		33,833	
Capital assets being depreciated or amortized:									
Structures and improvements		70,123		_		(305)		69,818	
Processing and distribution plant equipment		551,561		9,023		(940)		559,644	
General plant equipment		73,322		2,407		(1,069)		74,660	
Intangibles: Software		57,185		-		-		57,185	
Non-utility plant equipment		200		-		-		200	
Total capital assets being depreciated or amortized		752,391	-	11,430		(2,314)		761,507	
Less accumulated depreciation and amortization		(372,999)		(24,264)		2,623		(394,640)	
Total capital assets being depreciated or amortized, net		379,392		(12,834)		309		366,867	
Total capital assets, net	\$	410,395	\$	1,571	\$	(11,266)	\$	400,700	
		Beginning						Ending	
		Balance	1	ncreases	г	Decreases		Balance	

	В	eginning					Enging		
		Balance	<b>Increases</b>		<b>Decreases</b>		]	Balance	
Year ended December 31, 2021									
Water Division									
Capital assets not being depreciated:									
Land	\$	2,372	\$	277	\$	-	\$	2,649	
Construction in progress		42,908		17,680		(3,708)		56,880	
Total capital assets not being depreciated		45,280		17,957		(3,708)		59,529	
Capital assets being depreciated or amortized:									
Structures and improvements		54,594		-		(46)		54,548	
Pumping, transmission and distribution plant equipment		442,421		794		(1,409)		441,806	
General plant equipment		36,007		1,792		(88)		37,711	
Intangibles: Software		2,177		_		-		2,177	
Total capital assets being depreciated or amortized		535,199		2,586		(1,543)		536,242	
Less accumulated depreciation and amortization		(224,643)		(12,001)		3,079		(233,565)	
Less acquisition adjustment		_		-		-		_	
Total capital assets being depreciated or amortized, net		310,556		(9,415)		1,536		302,677	
Total capital assets, net	\$	355,836	\$	8,542	\$	(2,172)	\$	362,206	



# 4. Utility Plant (continued)

		eginning Salance	Inc	reases	Dec	creases		Ending Balance
Year ended December 31, 2020								
Electric Division								
Capital assets not being depreciated:								
Land	\$	38,537	\$	(10)	\$	-	\$	38,527
Land - Non-utility		15,345		-		-		15,345
Construction in progress		83,461		64,123	(	(68,799)		78,785
Total capital assets not being depreciated		137,343		64,113	(	(68,799)		132,657
Capital assets being depreciated or amortized:								
Structures and improvements		69,881		2,712		-		72,593
Transmission and distribution plant equipment		1,577,455		57,275	(	(10,236)		1,624,494
General plant equipment		184,846		8,208		(1,656)		191,398
Intangibles: Software		12,085		615				12,700
Total capital assets being depreciated or amortized		1,844,267		68,810	(	(11,892)		1,901,185
Less accumulated depreciation and amortization		(850,563)	(	61,792)		17,164		(895,191)
Total capital assets being depreciated or amortized, net		993,704		7,018		5,272		1,005,994
Total capital assets, net	\$	1,131,047	\$	71,131	\$ (	(63,527)	\$	1,138,651
	1	Beginning Balance	<u>Ir</u>	ıcreases	<u>_</u>	ecreases		Ending Balance
Year ended December 31, 2020								
Gas Division								
Capital assets not being depreciated:	¢	7 212	¢.		đ	,		Ф 7.212
Land	\$		\$	20.206	· §			\$ 7,312
Construction in progress		30,673		20,396	)	(27,590)		23,479
Plant held for future use		212		20.207		(27, 500)		212
Total capital assets not being depreciated		38,197		20,396	)	(27,590)		31,003
Capital assets being depreciated or amortized:								
Structures and improvements		68,940		1,183		-		70,123
Processing and distribution plant equipment		531,671		23,950	)	(4,060)		551,561
General plant equipment		71,279		2,494		(451)		73,322
Intangibles: Software		57,185		-		-		57,185
Non-utility plant equipment		200		-		-		200
Total capital assets being depreciated or amortized	·	729,275		27,627		(4,511)		752,391
Less accumulated depreciation and amortization		(351,950)	)	(25,730	)	4,681		(372,999)
Total capital assets being depreciated or amortized, net		377,325		1,897		170		379,392
Total capital assets, net	\$	415,522	\$	22,293	\$	5 (27,420)	_	\$ 410,395



# 4. Utility Plant (continued)

	Beginning Balance		Increases		Decreases		Ending Balance	
Year ended December 31, 2020								
Water Division								
Capital assets not being depreciated:								
Land	\$	2,372	\$	-	\$	-	\$	2,372
Construction in progress		45,391		13,800		(16,283)		42,908
Total capital assets not being depreciated	47,763			13,800	(16,283)			45,280
Capital assets being depreciated or amortized:								
Structures and improvements		53,986		608		-		54,594
Pumping, transmission and distribution plant equipment		428,483		15,049		(1,111)		442,421
General plant equipment		35,733		626		(352)		36,007
Intangibles: Software		2,177		-		-		2,177
Total capital assets being depreciated or amortized		520,379		16,283		(1,463)		535,199
Less accumulated depreciation and amortization		(213,937)		(13,194)		2,488		(224,643)
Less acquisition adjustment		-		-		-		-
Total capital assets being depreciated or amortized, net		306,442		3,089		1,025		310,556
Total capital assets, net	\$	354,205	\$	16,889	\$	(15,258)	\$	355,836

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

MLGW's planned construction program expenditures for 2022 are estimated as follows (unaudited):

Electric Division	\$ 155,782
Gas Division	39,759
Water Division	34,355



## 5. Futures, Options and Swap Contracts

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

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

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

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

#### **Gas Division:**

The Gas Division enters into futures contracts, options on futures contracts and swap contracts as cash flow hedges to manage the risk of volatility in the market price of natural gas on anticipated purchase transactions. The market values of the open derivative positions are reported on the Statements of Net Position as derivative financial instruments. MLGW maintained a margin deposit balance of \$3,500 and \$3,180 with its FCM at December 31, 2021 and 2020, respectively.

The schedule below shows the market values and notional amounts of the open futures contracts and options on futures contracts as of December 31, 2021 and 2020.

<u>December 31, 2021</u>		<u>ber 31, 2021</u>	<u>December 31, 2020</u>				
	<b>Market</b>	<b>Notional</b>	<u>Market</u>	<u>Notional</u>			
Type	<u>Value</u>	<b>Amo unt</b>	<u>Value</u>	<u>Amount</u>			
Futures	\$ -	\$ -	\$ -	\$ -			
Options	9,245	201,701	3,293	342,986			
Total	\$ 9,245	\$ 201,701	\$ 3,293	\$342,986			



# 5. Futures, Options and Swap Contracts (continued)

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

	<b>December 31, 2021</b>	December 31, 2020
Type	<b>Deferred Gains (Losses)</b>	Deferred Gains (Losses)
Futures	\$ -	\$ -
Options	<u>8,204</u>	<u>1,669</u>
Total	<u>\$8,204</u>	<u>\$1,669</u>

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Type	<b>Deferred Gains (Losses)</b>	Deferred Gains (Losses)
Options	<u>(\$218)</u>	<u>(\$326)</u>
Total	<u>(\$218)</u>	<u>(\$326)</u>

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

#### **Electric Division:**

The Electric Division periodically enters into futures contracts, options on futures contracts and swap contracts to manage the risk of volatility in the market price of unleaded and diesel fuel on anticipated purchase transactions. The balance in MLGW's FCM fuel margin at December 31, 2021 and 2020 was (\$0) and (\$0), respectively.

#### 6. Deferred Compensation Plan

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

The plan provides that assets or income of the plan shall be used for the exclusive purpose of providing benefits for participants and their beneficiaries or defraying reasonable expenses of administration of the plan. Since the assets of the amended plan are held in custodial and annuity accounts for the exclusive



## 6. Deferred Compensation Plan (continued)

benefit of plan participants, the related assets of the plan are not reflected in MLGW's Statements of Net Position.

## 7. Employee Retirement System

#### **Plan Description**

Memphis Light, Gas and Water Retirement and Pension System (the "MLGW Pension Plan") is a single employer defined benefit pension plan administered by the MLGW Pension Board. The plan covers permanent, full-time employees and appointed commissioners who opt to participate. MLGW issues a separate audited financial report for the MLGW Pension Plan that includes financial statements and required supplementary information. That report may be obtained by writing to Manager of Insurance and Pension, P. O. Box 430, Memphis, TN 38101.

#### **Benefits Provided**

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

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

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

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



## **Benefits Provided (continued)**

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

The annual retirement allowance shall not exceed 85% of the member's final average compensation. The 2021 and 2020 minimum monthly retirement benefit for all members is the greater of \$50 times the number of full years of service, or \$500.

### **Cost of Living Adjustments**

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

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

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

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

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



#### **Cost of Living Adjustments (continued)**

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

#### **Net Pension Liability (Asset)**

The net pension liability (asset) is the difference between the actuarial present value of projected pension benefit payments attributable to employees' past service and the Plan's fiduciary net position. For 2021, MLGW's net pension liability was measured as of December 31, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2021.

For 2020, MLGW's net pension liability (asset) was measured as of December 31, 2019 and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of January 1, 2020.

#### **Employees Covered**

Plan membership consisted of the following participants as of December 31, 2020 and 2019:

Retirees and beneficiaries receiving benefits	$\frac{2020}{2,678}$	2019 2,680
Participants inactive during year ended December 31 with vested rights	37	37
Active members fully vested	1,051	1,058
Active members not vested Total	1,429 5,195	1,485 5,260



#### 7. Employee Retirement System (continued)

#### **Contributions**

The contribution requirements of pension plan members and MLGW are established and may be amended and approved by the MLGW Pension Board, the MLGW Board of Commissioners and the Memphis City Council. Pension plan members are required to contribute 8% of their annual covered salary. Under Article III, Section 3.2 of the pension plan, MLGW shall contribute to the pension fund such amounts as from time to time are estimated by the actuary. MLGW also funds the 8% pension plan member's contributions on behalf of the president and vice presidents. For 2020, MLGW contributed 14.13% of the annual covered payroll. Employer contributions recognized by the MLGW Pension Plan during 2020 totaled \$24,504. For 2019, MLGW contributed 12.76% of the annual covered payroll. Employer contributions recognized by the MLGW Pension Plan during 2019 totaled \$21,813.

### **Actuarial Assumptions**

The actuarially determined contribution (ADC) is calculated using a January 1 valuation date as of the beginning of the fiscal year prior to the year in which contributions are reported. Therefore, the ADC for the year ended December 31, 2020 is based on the January 1, 2019 actuarial valuation.

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

Inflation 2.50%

Salary increases Inflation plus merit increases that vary by age and service, ranging

from 0.00% to 8.50%

Investment rate of return 7.25% including inflation, net of investment expenses

Cost-of-living 0.75% for ages 56-58 adjustments 1.50% for ages 59-61

1.875% for ages 62 and older, and all disabled participants

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



#### 7. Employee Retirement System (continued)

#### **Actuarial Assumptions (continued)**

The ADC for the year ended December 31, 2019 is based on the January 1, 2018 actuarial valuation. The actuarial assumptions used in the valuation as of January 1, 2020 are based on the results of an experience study for the period January 1, 2014 to December 31, 2018.

Inflation 2.50%

Salary increases Inflation plus merit increases that vary by age and service, ranging

from 0.00% to 8.50%

Investment rate of return 7.25% including inflation, net of investment expenses

Cost-of-living 0.75% for ages 56-58 adjustments 1.50% for ages 59-61

1.875% for ages 62 and older, and all disabled participants

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

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

The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table as of December 31, 2020:



#### **Actuarial Assumptions (continued)**

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	35%	6.65%
International Equity	9%	7.82%
Fixed Income	24%	1.43%
Alternatives	15%	2.55%
Real Estate	15%	3.75%
Short Term Investments	2%	-0.10%
Total	100%	

The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table as of December 31, 2019:

	Target	Long-Term Expected
Asset Class	Allocation	Real Rate of Return
Domestic Equity	39%	6.40%
International Equity	12%	7.54%
Fixed Income	29%	1.62%
Alternatives	8%	3.32%
Real Estate	10%	4.50%
Short Term Investments	2%	0.65%
Total	100%	

#### **Discount Rate**

The discount rate used to measure the total pension liability is 7.25% as of both December 31, 2020 and 2019. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current 8.00% of pay contribution rate and that MLGW contributions will equal the actuarially determined contribution. For this purpose, only employee and employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, the MLGW Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of December 31, 2020 and 2019.



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

The following table presents the net pension liability (asset) of MLGW as of December 31, 2020, calculated using the discount rate of 7.25%, as well as what MLGW's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage-point lower (6.25%) or one percentage-point higher (8.25%) than the current rate:

				Current		
	1% Decrease		Discount		1% Increa	
		(6.25%)		(7.25%)		(8.25%)
Net pension liability (asset) as of December 31, 2020	\$	64,010	\$	(105,979)	\$	(248,687)

The following table presents the net pension liability (asset) of MLGW as of December 31, 2019, calculated using the discount rate of 7.25%, as well as what MLGW's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage-point lower (6.25%) or one percentage-point higher (8.25%) than the current rate:

			Current		
	1% Decrease	Γ	Discount	1%	6 Increase
	 (6.25%)	(	7.25%)		(8.25%)
Net pension liability (asset) as of December 31, 2019	\$ 140,146	\$	(26,497)	\$	(166,270)

#### **Pension Plan's Fiduciary Net Position**

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

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



# **Net Pension Liability (Asset)**

The following table presents the Changes in Net Pension Liability (Asset) for the year-ended December 31, 2020.

	Total Pension Liability	Increase (Decre Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at December 31, 2019	(a) \$ 1,530,875	<b>(b)</b> \$ 1,557,372	(a)-(b) (26,497)
Changes for the Year:			
Service Costs	32,142		32,142
Interest	109,265		109,265
Differences Between Expected and Actual Experience	9,102		9,102
Changes of Assumptions	-		-
Contributions – Employer		24,504	(24,504)
Contributions – Employee		13,828	(13,828)
Net Investment Income		192,438	(192,438)
Benefit Payments / Refunds	(111,826)	(111,826)	
Administrative Expenses		(779)	779
Net Change	\$ 38,683	\$ 118,165	(79,482)
Balance at December 31, 2020	\$ 1,569,558	\$ 1,675,537	\$ (105,979)



# **Net Pension Liability (Asset)**

The following table presents the Changes in Net Pension Liability (Asset) for the year-ended December 31, 2019.

	Total Pension Liability (a)	Increase (Decrease Plan Fiduciary Net Position (b)	se) Net Pension Liability (Asset) (a)-(b)
Balance at December 31, 2018	\$ 1,501,257	\$ 1,393,445	107,812
Changes for the Year:			
Service Costs	31,636		31,636
Interest	110,927		110,927
Differences Between Expected and Actual Experience	(5,040)		(5,040)
Changes of Assumptions	(174)		(174)
Contributions – Employer		21,813	(21,813)
Contributions – Employee		13,462	(13,462)
Net Investment Income		237,314	(237,314)
Benefit Payments / Refunds	(107,731)	(107,731)	
Administrative Expenses		(931)	931
Net Change	\$ 29,618	\$ 163,927	(134,309)
Balance at December 31, 2019	\$ 1,530,875	\$ 1,557,372	\$ (26,497)



# **Pension Expense**

The following table presents the pension expense for the year-ended December 31, 2021 and 2020.

	2021	2020
Service cost	\$ 32,142	\$ 31,636
Interest on Total Pension Liability	109,265	110,927
Employee contributions	(13,828)	(13,462)
Adminstrative Expenses	779	931
Expected return on assets	(110,217)	(101,756)
Expensed portion of current year period differences between expected and actual experience in Total Pension Liability	1,517	(840)
Expensed portion of current year period assumptions changes	-	(29)
Current year plan changes	-	-
Expensed portion of current year period differences between projected and actual investment earnings	(16,444)	(27,111)
Current year recognition of deferred inflows and outflows established in prior years	(23,497)	15,209
Total expense	\$ (20,283)	\$ 15,505



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

The following table presents the projected deferred outflows of resources and deferred inflows of resources related to pension for the year-ended December 31, 2021.

	Ou	eferred tflows of esources	Deferred Inflows of Resources
Contributions subsequent to measurement date	\$	24,199	\$ -
Net difference between projected and actual earnings on pension plan investments		-	(110,263)
Net difference between expected and actual experience in Total Pension Liability		11,084	(5,243)
Assumption changes Total	\$	35,283	(116) \$ (115,622)

**Note:** The \$24,199 contribution made subsequent to the measurement date will be recognized as a reduction of the net pension liability in 2022.

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

Year Ended December 31:	
2022	\$ (36,594)
2023	(11,377)
2024	(42,287)
2025	(15,796)
2026	1,517
Therafter	-



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

The following table presents the projected deferred outflows of resources and deferred inflows of resources related to pension for the year-ended December 31, 2020.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	\$ 24,504	\$ -
Net difference between projected and actual earnings on pension plan investments	-	(67,050)
Net difference between expected and actual experience in Total Pension Liability	5,318	(7,965)
Assumption changes Total	\$ 29,822	(145) \$ (75,160)

**Note:** The \$24,504 contribution made subsequent to the measurement date will be recognized as a reduction of the net pension liability in 2021.

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

Year Ended December 31:	
2021	\$ (23,496)
2022	(21,667)
2023	3,550
2024	(27,360)
2025	(869)
Therafter	-



## 8. Other Postemployment Benefits

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

MLGW issues a separate audited financial report for the OPEB Trust that includes financial statements and required supplementary information. That report may be obtained by writing to: Manager, General Accounting, P.O. Box 430, Memphis, Tennessee 38101-0430.

## **Plan Description**

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

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

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

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

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



#### **Plan Description (continued)**

Members of the Plan consisted of the following at December 31, 2019 (valuation date):

	Medical	Life
Retired members currently receiving benefits	2,006	2,006
Beneficiaries currently receiving benefits	1,726	-
Vested terminated members entitled to, but not yet receiving benefits	-	-
Active members	2,543	2,543
Total	6,275	4,549

### **Funding Policy and Contributions**

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

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

MLGW contributed \$37,561 and \$34,895 for the years ended December 31, 2021 and 2020, respectively to the OPEB Trust.



## 8. Other Postemployment Benefits (continued)

## **Actuarial Assumptions**

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2014 to December 31, 2018. The plan's measurement date is December 31, 2020.

Inflation 2.50%

Salary increases Inflation plus merit increases based on age and service.

Discount Rate 7.25%

Healthcare costs trend rates

Medical 7.00% grading to 4.50% over 10 years Prescription drug 8.00% grading to 4.50% over 14 years

Administrative costs 3.00%

Mortality rates PRI-2012 Healthy Annuitant Mortality Table, Headcount-Weighted, for males

and females, as appropriate, with adjustments for mortality improvement

using Scale SSA-2019.

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

#### **Investment Rates of Return**

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

The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table as of December 31, 2020:



#### **Investment Rates of Return (continued)**

	Target	<b>Long-Term Expected</b>
Asset Class	Allocation	Real Rate of Return
Domestic Equity	35%	6.65%
International Equity	9%	7.82%
Fixed Income	24%	1.43%
Alternatives	15%	2.55%
Real Estate	15%	3.75%
Short Term Investments	2%	-0.10%
Total	100%	-

The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table as of December 31, 2019:

	Target	Long-Term Expected
Asset Class	Allocation	Real Rate of Return
Domestic Equity	39%	6.40%
International Equity	12%	7.54%
Fixed Income	29%	1.63%
Alternatives	8%	3.32%
Real Estate	10%	4.50%
Short Term Investments	2%	0.65%
Total	100%	_

#### **Discount Rate**

The discount rate used to measure the Total OPEB Liability (TOL) was 7.25% as of December 31, 2020 and December 31, 2019, respectively. The projection of cash flows used to determine the discount rate assumed that MLGW contributions would be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on these assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the TOL as of both December 31, 2020 and December 31, 2019.



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

The following presents the Net OPEB Liability (NOL) of MLGW as of December 31, 2020, calculated using the discount rate of 7.25%, as well as what the Division's NOL would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate. Also, shown is the NOL as if it were calculated using healthcare cost trend rates that were 1-percentage point lower or 1-percentage point higher than the current healthcare trend rates:

		Current	
	1% Decrease	<b>Discount Rate</b>	1% Increase
	(6.25%)	(7.25%)	(8.25%)
Net OPEB Liability (Asset)	\$251,676	\$151,795	\$69,646
	1% Decrease in	<b>Current Health</b>	1% Increase in
	<b>Health Care Cost</b>	Care Cost	<b>Health Care Cost</b>
	Trend Rates	Trend Rates	Trend Rates
Net OPEB Liability (Asset)	\$66,179	\$151,795	\$257,291

The following presents the Net OPEB Liability (NOL) of MLGW as of December 31, 2019, calculated using the discount rate of 7.25%, as well as what the Division's NOL would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate. Also, shown is the NOL as if it were calculated using healthcare cost trend rates that were 1-percentage point lower or 1-percentage point higher than the current healthcare trend rates:

	Current			
	1% Decrease	<b>Discount Rate</b>	1% Increase	
	(6.25%)	(7.25%)	(8.25%)	
Net OPEB Liability (Asset)	\$305,052	\$208,558	\$129,283	
	1% Decrease in	<b>Current Health</b>	1% Increase in	
	<b>Health Care Cost</b>	Care Cost	<b>Health Care Cost</b>	
	Trend Rates	<b>Trend Rates</b>	Trend Rates	
Net OPEB Liability (Asset)	\$131,411	\$208,558	\$303,385	



# 8. Other Postemployment Benefits (continued)

## **OPEB Plan's Fiduciary Net Position**

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

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

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# **Net OPEB Liability**

The following table presents the Changes in Net OPEB Liability for the year-ended December 31, 2020.

	Total OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balance at December 31, 2019	\$ 712,903	\$ 504,345	\$ 208,558
Changes for the Year:			
Service Costs	15,400	-	15,400
Interest	51,713	-	51,713
Differences Between Expected and Actual Experience	(4,090)	-	(4,090)
Contributions – Employer	-	34,895	(34,895)
Net Investment Income	-	84,891	(84,891)
Changes of Assumptions	- (20 555)	-	-
Benefit Payments / Refunds	(29,775)	(29,775)	-
Administrative Expenses	(813)	(813)	
Net Change	\$ 32,435	\$ 89,198	\$ (56,763)
Balance at December 31, 2020	\$ 745,338	\$ 593,543	\$ 151,795



**Net OPEB Liability (continued)** 

## **Plan Changes Since Prior Valuation**

# Benefit Changes:

• There were no material changes in benefit provisions.

## Assumption changes:

• There were no material changes in assumptions.

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# **Net OPEB Liability (continued)**

The following table presents the Changes in Net OPEB Liability for the year-ended December 31, 2019.

	Total OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balance at December 31, 2018	\$ 707,218	\$ 425,748	\$ 281,470
Changes for the Year:			
Service Costs	15,804	-	15,804
Interest	53,030	-	53,030
Differences Between Expected and Actual Experience	15,351	-	15,351
Contributions – Employer	-	33,949	(33,949)
Net Investment Income Changes of Assumptions Benefit Payments / Refunds	- (46,584) (31,146)	76,564 - (31,146)	(76,564) (46,584)
Administrative Expenses	(770)	(770)	<del>-</del>
Net Change	\$ 5,685	\$ 78,597	\$ (72,912)
Balance at December 31, 2019	\$ 712,903	\$ 504,345	\$ 208,558



## **Net OPEB Liability (continued)**

## **Plan Changes Since Prior Valuation**

#### Benefit Changes:

• There were no material changes in benefit provisions.

## Assumption changes:

- The Inflation assumption was changed from 2.75% to 2.50%.
- The Investment Return assumption was lowered from 7.50% to 7.25%.
- The demographic assumptions were updated for the December 31, 2019 OPEB liability based on the five-year experience study ending December 31, 2018.

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#### 8. Other Postemployment Benefits (continued)

#### **OPEB Expense**

The following table presents the OPEB expense for the year-ended December 31, 2021 and 2020.

	2021	2020
Service cost	\$ 15,400	\$ 15,804
Interest on the Total OPEB Liability	51,713	53,030
Expensed portion of current-period difference between expected and actual experience in the Total OPEB Liability	(682)	2,558
Expensed portion of current-period changes of assumptions or other inputs	-	(7,764)
Projected earnings on plan investments	(36,721)	(32,007)
Expensed portion of current-period differences between actual and projected earnings on plan investments	(9,634)	(8,911)
Recognition of beginning of year deferred outflows of resources as OPEB expense	12,473	9,915
Recognition of beginning of year deferred inflows of resources as OPEB expense	(56,814)	(40,139)
Total OPEB expense	\$ (24,265)	\$ (7,514)



#### 8. Other Postemployment Benefits (continued)

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

The following table presents the projected deferred outflows of resources and deferred inflows of resources related to OPEB for the year-ended December 31, 2021.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	\$ 37,561	\$ -
Changes of assumptions or other inputs	-	(97,846)
Net difference between projected and actual earnings on OPEB plan investments	-	(52,887)
Difference between expected and actual experience in the Total OPEB Liability Total	11,459 \$ 49,020	(4,974) \$ (155,707)

NOTE: \$37,561 contribution made subsequent to the measurement date will be recognized as a reduction of net OPEB liability in 2022.

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

#### Year Ended December 31:

2022	\$ (54,656)
2023	(48,432)
2024	(24,955)
2025	(15,524)
2026	(681)
Thereafter	_



#### 8. Other Postemployment Benefits (continued)

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

The following table presents the projected deferred outflows of resources and deferred inflows of resources related to OPEB for the year-ended December 31, 2020.

	Ou	eferred tflows of sources	Deferred Inflows of Resources
Contributions subsequent to measurement date	\$	34,895	\$ _
Changes of assumptions or other inputs		-	(139,005)
Net difference between projected and actual earnings on OPEB plan investments		-	(20,180)
Difference between expected and actual experience in the Total OPEB Liability		14,630	(2,088)
Total	\$	49,525	\$ (161,273)

NOTE: \$34,895 contribution made subsequent to the measurement date will be recognized as a reduction of net OPEB liability in 2021.

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

#### Year Ended December 31:

2021	\$ (44,339)
2022	(44,340)
2023	(38,116)
2024	(14,639)
2025	(5,209)
Thereafter	-



#### 9. Pollution Remediation Obligation

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

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

The schedule below shows the balances as of December 31, 2021 and 2020 for the lead pollution liability from various substations and equipment by Division:

	2021	2020
Electric		
Lead	\$ 653	\$ 719
Total Electric	653	719
Gas		
Lead	250	276
Total Gas	250	276
Water		
Lead	2,831	3,200
Total Water	2,831	3,200
Total Liability	\$ 3,734	\$ 4,195



#### 10. Risk Management

MLGW is exposed to various risks of loss related to active and retiree medical claims; injuries to workers; torts; theft of, damage to, and destruction of assets; errors and omissions; environmental damages; and natural disasters.

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

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

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

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

MLGW is party to various lawsuits filed against it in the normal course of business (see Note 15).

The changes in the self-insurance reserves for medical benefits and injuries and damages for the years ended December 31, 2021 and 2020 are as follows:

	Medical Benefits				<u>Inj</u> i	uries a	and Damas	ges				
	]	Electric		Gas		Water	E	lectric		Gas		Vater
	<u>I</u>	<u>Division</u>	<u>I</u>	<u>Division</u>	Ī	<u>Division</u>	D	ivision	Di	<u>ivision</u>	D	<u>ivision</u>
Balance December 31, 2019	\$	7,718	\$	3,520	\$	2,302	\$	5,082	\$	1,547	\$	1,586
Payments		(40,486)		(18,466)		(12,074)		(2,155)		(654)		(560)
Incurred claims expense		41,736		19,037		12,447		1,740		774		864
Balance December 31, 2020		8,968		4,091		2,675	\$	4,667	\$	1,667	\$	1,890
Payments		(43,333)		(19,766)		(12,924)		(1,366)		(451)		(537)
Incurred claims expense		42,753		19,501		12,751		639		3,715		566
Balance December 31, 2021	\$	8,388	\$	3,826	\$	2,502	\$	3,940	\$	4,931	\$	1,919



#### 11. Bonds

Bonds as of December 31, 2021 and 2020 consist of the following:

	Interest Rates	2021	2020
Electric Division:			
Electric System Revenue Bonds:			
Series 2014, due serially 2020-2034	4.00 - 5.00%	\$ 28,645	\$ 31,565
Series 2016, due serially 2020-2036	4.00 - 5.00%	33,135	34,615
Series 2017, due serially 2020-2037	3.50 - 5.00%	77,925	81,140
Series 2020A, due serially 2021-2050	3.00 - 5.00%	145,500	148,000
Series 2020B, due serially 2021-2034	0.43 - 1.97%	28,555	29,000
Premium on revenue bonds		39,547	42,953
Total		353,307	367,273
Less: current portion of bonds payable		(11,020)	(10,560)
		\$ 342,287	\$ 356,713
Gas Division:			
Gas System Revenue Bonds:			
Series 2016, due serially 2020-2036	4.00 - 5.00%	\$ 33,135	\$ 34,615
Series 2017, due serially 2020-2037	4.00 - 5.00%	34,710	36,120
Series 2020, due serially 2021-2050	3.00 - 5.00%	61,935	63,000
Premium on revenue bonds		 20,453	22,237
Total		150,233	155,972
Less: current portion of bonds payable		 (4,140)	(3,955)
		\$ 146,093	\$ 152,017
Water Division:			
Water System Revenue Bonds:			
Series 2014, due serially 2020-2034	3.00 - 5.00%	\$ 10,835	\$ 11,470
Series 2016, due serially 2020-2036	2.00 - 4.00%	24,080	25,330
Series 2017, due serially 2020-2037	3.00 - 5.00%	21,370	22,310
Series 2020, due serially 2021-2050	3.00 - 5.00%	66,840	68,000
Premium on revenue bonds		15,349	16,514
Total		 138,474	 143,624
Less: current portion of bonds payable		 (4,105)	 (3,985)
		\$ 134,369	\$ 139,639



Principal payments on bonds are due annually on December 1. Debt service requirements as of December 31, 2021 are as follows:

	<b>Electric Division</b>				
	<b>Principal</b>			<u>nterest</u>	
2022		11,020		12,371	
2023		11,490		11,896	
2024		12,045		11,342	
2025		12,625		10,759	
2026 - 2030		72,720		44,204	
2031 - 2035		83,270		28,404	
2036 - 2040		42,135		16,325	
2041 - 2045		30,975		11,121	
2046 - 2050		37,480		4,615	
Total	\$	313,760	\$	151,037	

	<b>Gas Division</b>			<u>n</u>		
	<b>Principal</b>			<u>Interest</u>		
2022		4,140		5,572		
2023		4,335		5,376		
2024		4,555		5,159		
2025		4,780		4,932		
2026 - 2030		27,730		20,825		
2031 - 2035		35,055		13,505		
2036 - 2040		20,045		7,083		
2041 - 2045		13,185		4,734		
2046 - 2050		15,955		1,965		
Total	\$	129,780	\$	69,151		



	Water I	Water Division			
	<b>Principal</b>	<u>Interest</u>			
2022	4,105	4,612			
2023	4,250	4,470			
2024	4,425	4,294			
2025	4,595	4,125			
2026 - 2030	26,025	17,568			
2031 - 2035	30,845	11,673			
2036 - 2040	17,745	6,859			
2041 - 2045	14,260	4,684			
2046 - 2050	16,875	2,078			
Total	\$ 123,125	\$ 60,363			

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

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

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

The estimated fair value of long-term debt for the Electric, Gas, and Water Divisions based on quoted market prices (including accrued interest) are as follows as of December 31, 2021 and 2020:



Electric Division	<u>2021</u> \$387,222	\$410,392
Gas Division	<u>2021</u> \$153,252	2020 \$161,749
Water Division	2021 \$141,244	2020 \$149,516

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

During 2020, the Electric Division issued \$29,000 of Series 2020B revenue refunding bonds to advance refund on a federally taxable basis, a portion of the outstanding Electric System Revenue Bonds, Series 2014 (the "Refundable Bonds") and to pay certain costs of issuance with respect to the Series 2020B Electric System Refunding Bonds. The refunding was undertaken to reduce total future debt service payments. The principal amount of the Refundable Bonds outstanding at December 31, 2020 was \$23,865. The 2020 Series Bonds have a net present value benefit of \$3,362, with a cash savings of \$3,799 over the life of the bonds. The first principal payment was made December 1, 2021, and thereafter will be made annually with a final maturity date of December 1, 2034. The Series 2020B revenue bonds bear interest at annual fixed rates ranging from 0.43% to 1.97%.

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

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



#### 11. Bonds (continued)

During 2018, the remaining principal balance of \$65,305 of Electric Division Series 2008 revenue bonds reached final maturity. During 2018, the remaining principal balance of Series 2010 revenue bonds reached final maturity.

During 2017, the Electric Division issued \$90,000 of Series 2017 revenue bonds to finance the costs of acquiring, expanding and/or improving the Electric Division and to pay certain costs of issuance with respect to the Series 2017 Electric Division Bonds. The first principal payment was made December 1, 2018, and thereafter will be made annually with a final maturity date of December 1, 2037. The Series 2017 revenue bonds bear interest at annual fixed rates ranging from 3.00% to 5.00%.

During 2017, the Gas Division issued \$40,000 of Series 2017 revenue bonds to finance the costs of acquiring, expanding and/or improving the Gas Division and to pay certain costs of issuance with respect to the Series 2017 Gas Division Bonds. The first principal payment was made December 1, 2018, and thereafter will be made annually with a final maturity date of December 1, 2037. The Series 2017 revenue bonds bear interest at annual fixed rates ranging from 3.00% to 5.00%.

During 2017, the Water Division issued \$25,000 of Series 2017 revenue bonds to finance the costs of acquiring, expanding and/or improving the Water Division and to pay certain costs of issuance with respect to the Series 2017 Water Division Bonds. The first principal payment was made December 1, 2018, and thereafter will be made annually with a final maturity date of December 1, 2037. The Series 2017 revenue bonds bear interest at annual fixed rates ranging from 2.00% to 5.00%.

During 2016, the Electric Division issued \$40,000 of Series 2016 revenue bonds to finance the costs of acquiring, expanding and/or improving the Electric Division and to pay certain costs of issuance with respect to the Series 2016 Electric Division Bonds. The first principal payment was made December 1, 2017, and thereafter will be made annually with a final maturity date of December 1, 2036. The Series 2016 revenue bonds bear interest at annual fixed rates ranging from 3.00% to 5.00.

During 2016, the Gas Division issued \$40,000 of Series 2016 revenue bonds to finance the costs of acquiring, expanding and/or improving the Gas Division and to pay certain costs of issuance with respect to the Series 2016 Gas Division Bonds. The first principal payment was made December 1, 2017, and thereafter will be made annually with a final maturity date of December 1, 2036. The Series 2016 revenue bonds bear interest at annual fixed rates ranging from 3.00% to 5.00%.

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



#### 11. Bonds (continued)

During 2014, the Electric Division issued \$71,000 of Series 2014 revenue bonds to finance the costs of acquiring, expanding and/or improving the Electric Division and to pay certain costs of issuance with respect to the Series 2014 Electric Division Bonds. The first principal payment was made December 1, 2015, and thereafter will be made annually with a final maturity date of December 1, 2034. The Series 2014 revenue bonds bear interest at annual fixed rates ranging from 2.00% to 5.00%.

During 2014, the Water Division issued \$15,000 of Series 2014 revenue bonds to finance the costs of acquiring, expanding and/or improving the Water Division and to pay certain costs of issuance with respect to the Series 2014 Water Division Bonds. The first principal payment was made December 1, 2015, and thereafter will be made annually with a final maturity date of December 1, 2034. The Series 2014 revenue bonds bear interest at annual fixed rates ranging from 2.00% to 5.00%.

MLGW's Electric Division bond covenants require that for Series 2014, 2016, 2017 and 2020 Bonds the ratio of net revenues to principal and interest for any fiscal year will equal at least 120%. The composite electric bonds debt service coverage as of December 31, 2021 was 7.37.

MLGW's Gas Division bond covenants require that for Series 2016, 2017 and 2020 Bonds the ratio of net revenues to principal and interest for any fiscal year will equal at least 120%. The composite gas bonds debt service coverage as of December 31, 2021 was 5.53.

MLGW's Water Division bond covenants require that for Series 2014, 2016, 2017 and 2020 Bonds the ratio of net revenues to principal and interest for any fiscal year will equal at least 120%. The composite water bonds debt service coverage as of December 31, 2021 was 5.41.



Long-term debt activity for the years ended December 31, 2021 and 2020 was as follows:

		eginning Balance	Iı	ıcreas es		ecreases		Ending Balance
Year ended December 31, 2021:								
Electric Division								
Bonds payable:								
Revenue bonds	\$	324,320	\$	-	\$	(10,560)	\$	313,760
Premium on revenue bonds		42,953		-		(3,407)		39,546
Total bonds payable		367,273	\$	_	<u> </u>	(13,967)	\$	353,306
Gas Division								
Bonds payable:								
Revenue bonds	\$	133,735	\$	-	\$	(3,955)	\$	129,780
Premium on revenue bonds		22,237		-		(1,784)		20,453
Total bonds payable	\$	155,972	S	_	\$	(5,739)	\$	150,233
Water Division								
Bonds payable:								
Revenue bonds	\$	127,110	s		\$	(3,985)	\$	123,125
Premium on revenue bonds	3	16,514	3	_	3	(1,165)	9	15,349
Total bonds payable	<u> </u>	143,624	<u> </u>		\$	(5,150)	\$	138,474
F.V.		145,024				(0,100)		130,474
Year ended December 31, 2020:								
Electric Division								
Bonds payable:								
Revenue bonds	\$	178,480	\$	177,000	\$	(31,160)	\$	324,320
Premium on revenue bonds		21,395		27,803		(6,245)		42,953
Total bonds payable	\$	199,875	\$	204,803	\$	(37,405)	\$	367,273
Gas Division								
Bonds payable:								
Revenue bonds	\$	73,500	\$	63,000	\$	(2,765)	\$	133,735
Premium on revenue bonds	•	11,426	•	12,146	•	(1,335)	•	22,237
Total bonds payable	\$	84,926	\$	75,146	\$	(4,100)	\$	155,972
Water Division								
Bonds payable:								
Revenue bonds	\$	61,860	\$	68,000	\$	(2,750)	\$	127,110
Premium on revenue bonds		4,693		12,489		(668)		16,514
Total bonds payable	\$	66,553	\$	80,489	\$	(3,418)	\$	(143,624)



#### 12. Rates and Energy Supplies

#### Rates

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

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

TVA implemented a temporary wholesale rate adjustment effective with the November 2020 revenue month, decreasing the cost of wholesale power (excluding fuel and purchased power) purchased by MLGW by approximately 2.5% in response to the COVID-19 pandemic. The TVA Pandemic Relief Credit is scheduled to expire in the October 2022 revenue month. MLGW implemented changes to retail rate schedules effective with meters read on or after October 29, 2020, to pass along reduced costs of wholesale power to its retail customers. The retail effect across all customer classes was a decrease of approximately 1.6%.

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

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

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

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



#### 12. Rates and Energy Supplies (continued)

#### Rates (continued)

There were no gas rate actions for the 2020-2021 period; however, the City Council has approved a 2.0% rate increase to be effective in January 2022.

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

A temporary, one-year water rate increase was approved on February 19, 2019, by the City Council as part of the 2019 MLGW Budget. This increase was required due to increased operating and capital expenses. MLGW implemented new water rate schedules for meters read on or after March 4, 2019. The retail impact was a 3.0% increase for all customer classes. The increase expired and retail rates returned to their previous levels with meter readings on or after March 3, 2020.

#### **Energy Supplies**

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

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

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

MLGW entered into a natural gas purchase contract with the Tennessee Energy Acquisition Corporation (TEAC) on December 1, 2006, in order to participate in a prepay natural gas opportunity. Natural gas began flowing to MLGW effective January 1, 2007. Effective January 1, 2007 through June 30, 2016, purchase volume for MLGW was 15,000 MMBtu/day for the November through March periods and 16,500 MMBtu/day for the April through October periods. Gas volumes were offered to MLGW for this period at Panhandle Eastern Pipeline Field Zone Index pricing minus \$0.530. Effective July 1, 2016 through December 31, 2026, purchase volume for MLGW increased to 35,000 MMBtu/day for the November through March periods and 26,500 MMBtu/day for the April through October periods. Gas volumes are offered to MLGW at Panhandle Eastern Pipeline Field Zone and Texas Gas Zone 1 Index pricing minus \$0.530. This contract will expire December 31, 2049.



#### 12. Rates and Energy Supplies (continued)

#### **Energy Supplies (continued)**

MLGW entered into a natural gas purchase contract with the Municipal Gas Authority of Georgia (MGAG) on July 24, 2018, in order to participate in a prepay natural gas opportunity. Gas volumes are offered to MLGW at Texas Gas Zone 1 Index minus \$0.4235. Natural gas began flowing to MLGW effective October 1, 2018, at a volume of 3,000 MMBtu/day. The gas volume will increase to 6,000 MMBtu/day effective January 1, 2024. This contract will expire September 1, 2048.

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

MLGW entered into a natural gas purchase contract with the Tennergy Energy Acquisition Corporation (Tennergy) on February 1, 2019, in order to participate in a prepay natural gas opportunity. Gas volumes are offered to MLGW at Texas Gas Zone 1 Index minus \$0.27. Natural gas began flowing to MLGW effective January 1, 2020. Purchase volume for MLGW is 10,000 MMBtu/day for the November through March periods and 5,000 MMBtu/day for the April through October periods of the contract. This contract will expire December 31, 2049.

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

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



#### 13. Federal Grant Contributions

In April 2020, MLGW applied for a Port Security Grant for Security Automation. In September 2020, on behalf of the Department of Homeland Security, FEMA awarded grant contract #EMW-2020-PU-00507 for the Electric Division Security Automation System project under the Port Security Grant Program. The award amount is \$1,000 of which MLGW must contribute a cost match of \$333 of non-Federal funds or 25 percent of the total approved project costs of \$1,333. In 2020, MLGW incurred eligible costs of \$201 and submitted those costs for reimbursement of which the payment of \$201 was received in February 2021. In 2021, MLGW incurred eligible costs of \$374 and submitted those costs for reimbursement of which, \$358 was received in 2021 and \$16 was received January 2022.

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

#### 14. Transfers to City

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

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

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

The Water Division through an agreement with the City, transfers a payment in the amount of \$2,500 per year. This agreement is effective through the year 2028. Additionally, in April 2021, the City and the Water Division reached an agreement for MLGW's Water Division to pay \$2,000, \$2,000, \$2,100, \$2,200, and \$2,300 to the City's general fund for each of MLGW's fiscal years 2021, 2022, 2023, 2024, and 2025, respectively, on or about April 30<sup>th</sup> of said years. MLGW is to continue to make incremental water payments for fiscal years after 2025 at the same \$2,300 level unless the City directs otherwise.



#### 15. Commitments and Contingencies

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

MLGW pays a Transfer to the City and in lieu of taxes to Shelby County Government and the incorporated towns of Shelby County for the Electric and Gas Divisions based on the Tennessee Municipal Electric and Gas System Tax Equivalent Laws of 1987. MLGW pays a Transfer to the City for the Water Division based upon an agreement with the City, which calls for a payment of \$2,500 for each of the fiscal years through 2028. Additionally, in April 2021, the City and the Water Division reached an agreement for MLGW's Water Division to pay \$2,000, \$2,000, \$2,100, \$2,200, and \$2,300 to the City's general fund for each of MLGW's fiscal years 2021, 2022, 2023, 2024, and 2025, respectively, on or about April 30<sup>th</sup> of said years. MLGW is to continue to make incremental water payments for fiscal years after 2025 at the same \$2,300 level unless the City directs otherwise.

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

See Note 12 for discussions of MLGW's power contract with TVA and gas purchase commitments.



# REQUIRED SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) DECEMBER 31, 2021 (Dollars in Thousands)

		2020	2019	2018	2017	2016	2015	2014	2013
Total pension liability	e	32 1.42 &	31 636 6	21 185 6	31 077 &	37 501 6	20 120 &	31 796 6	22 177
	9								23,122
Interest		109,200	110,927	108,432	102,731	102,248	99,940	100,430	98,818
Differences between expected and actual experience		9,102	(5,040)	3,726	4,908	(11,298)	2,275	(16,338)	(14,280)
Changes in assumptions			(174)	•	•	•	•	(22,112)	•
Benefit payments, including refunds of employee contributions		(111,826)	(107,731)	(113,316)	(104,919)	(102,628)	(100,528)	(100,249)	(91,931)
Net change in total pension liability		38,683	29,618	30,027	35,697	20,913	31,825	(6,477)	25,730
Total pension liability – beginning		1,530,875	1,501,257	1,471,230	1,435,533	1,414,620	1,382,794	1,389,271	1,363,542
Total pension liability – ending (a)	S	1,569,558 \$	1,530,875 \$	1,501,257 \$	1,471,230 \$	1,435,533 \$	1,414,620 \$	1,382,794 \$	1,389,271
Plan fiduciary net position									
Contributions – employer	S	24,504 \$	21,813 \$	22,174 \$	22,390 \$	21,390 \$	21,390 \$	26,804 \$	30,706
Contributions – employee		13,828	13,462	13,217	12,959	12,513	12,310	11,729	12,000
Net investment income		192,438	237,314	(39,996)	216,498	108,008	15,231	98,931	185,707
Benefit payments including refunds of employee contributions		(111,826)	(107,731)	(113,316)	(104,919)	(102,628)	(100,528)	(100,249)	(91,931)
Administrative expense		(779)	(931)	(871)	(860)	(730)	(759)	(714)	(657)
Net change in plan fiduciary net position	S	118,165 \$	163,927 \$	(118,792) \$	146,068 \$	38,553 \$	(52,356) \$	36,501 \$	135,825
Other Adjustments							788		1
Plan fiduciary net position – beginning	€9	1,557,372 \$	1,393,445 \$	1,512,237 \$	1,366,169 \$	1,327,616 \$	1,379,184 \$	1,342,683 \$	1,206,858
Plan fiduciary net position – ending (b)	\$	1,675,537 \$	1,557,372 \$	1,393,445 \$	1,512,237 \$	1,366,169 \$	1,327,616 \$	1,379,184 \$	1,342,683
System's net pension liability (asset) – ending (a) – (b)	<del>∽</del>	(105,979) \$	(26,497) \$	107,812 \$	(41,007) \$	69,364 \$	87,004 \$	3,610 \$	46,588
Plan fiduciary net position as a percentage of the total pension		106 75%	101 73%	%28 26	102 79%	95 17%	93 85%	99 74%	%59 96
liability									
Covered payroll	S	173,425 \$	170,946 \$	169,605 \$	167,221 \$	161,926 \$	160,641 \$	152,368 \$	154,759
System's net pension hability (asset) as a percentage of covered payroll		-61.11%	-15.50%	63.57%	-24.52%	42.84%	54.16%	2.37%	30.10%

# Notes to schedule:

Benefit changes: There have been no changes in benefit provisions since GASB 68 implementation.

Change of assumptions: The assumptions were updated for the December 31, 2019 penison liability based on the five-year experience study for the period ending December 31, 2018. Historical data: This schedule will be expanded in future years to include up to ten years of historical data as the required information becomes available.

# REQUIRED SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION DECEMBER 31, 2021 (Dollars in Thousands)



Year Ended December 31	Det Con	uarially ermined tribution ADC)	Con in Ro	Actual tribution elation to ADC	Defi	ibution ciency cess)	Cove	red Payroll	Contributions as a Percentage of Covered Payroll
2012	\$	30,067	\$	30,063	\$	4	\$	154,347	19.48%
2013		30,705		30,706		(1)		154,759	19.84%
2014		26,812		26,804		8		152,368	17.59%
2015		21,390		21,390		-		160,641	13.32%
2016		21,390		21,390		-		161,926	13.21%
2017		22,390		22,390		-		167,221	13.39%
2018		22,174		22,174		-		169,605	13.07%
2019		21,813		21,813				170,946	12.76%
2020		24,504		24,504				173,425	14.13%
2021		24,199		24,199		-		175,790	13.77%

#### SCHEDULE OF NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION DECEMBER 31, 2021



Valuation date January 1, 2021

Actuarial cost method Entry Age Actuarial Cost Method

Amortization method Level percent of payroll, using 0.50% annual increases

**Remaining amortization period** 22 years remaining as of January 1, 2019

Market value of assets less unrecognized returns in each of the last five years.

Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five-year period, further adjusted, if necessary, to be within 30% of the market value.

**Actuarial Assumptions:** 

**Other Information:** 

Asset valuation method

Inflation 2.75%

Salary increases

Inflation plus merit increases that vary by age and service, ranging from 0.00%

to 8.50%

Investment rate of return 7.50%, including inflation, net of pension plan investment expense

Cost-of-living adjustments 0.83% for ages 56-58

1.65% for ages 59-61

2.06% for ages 62 and older, and all disabled participants

The acturially determined contribution (ADC) is calculated using January 1

valuation date as of the beginning of the fiscal year prior to the year in which contributions are reported. Therefore, the ADC for the year ended December

31, 2020 is based on the January 1, 2019 actuarial valuation.

Please see the January 1, 2021 actuarial valuation report for a full listing of assumptions.

# REQUIRED SCHEDULE OF CHANGES IN NET OPEB LIABILITY DECEMBER 31, 2021 (Dollars in Thousands)



	2020	2019	2018	2017
Total OPEB Liability				
Service cost	\$ 15,401	\$ 15,804	\$ 15,381	\$ 19,520
Interest	51,713	53,030	50,559	64,666
Change of benefit terms	-	-	-	(61,896)
Differences between expected and actual experience	(4,090)	15,351	(3,134)	3,674
Changes of assumptions	-	(46,584)	-	(200,370)
Benefit payments, including refunds of member contributions	(30,588)	(31,916)	(28,676)	(29,457)
Net change in Total OPEB Liability	\$ 32,436	\$ 5,685	\$ 34,130	\$(203,863)
Total OPEB Liability - beginning	712,903	707,218	673,088	876,951
(a) Total OPEB Liability - ending	\$ 745,339	\$ 712,903	\$ 707,218	\$ 673,088
Plan Fiduciary Net Position				
Contributions - employer	34,895	33,949	48,972	45,184
Net investment income	84,891	76,564	(14,273)	57,671
Benefit payments, including refunds of member contributions	(29,775)	(31,146)	(27,876)	(28,765)
Administrative expense	(812)	(770)	(801)	(692)
Net change in Plan Fiduciary Net Position	\$ 89,199	\$ 78,597	\$ 6,022	\$ 73,398
Plan Fiduciary Net Position - beginning	504,345	425,748	419,726	346,328
(b) Plan Fiduciary Net Position - ending	\$ 593,544	\$ 504,345	\$ 425,748	\$ 419,726
(c) Net OPEB Liability - ending (a) - (b)	\$ 151,795	\$ 208,558	\$ 281,470	\$ 253,362
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	79.63%	70.75%	60.20%	62.36%
Covered employee payroll	\$ 173,425	\$ 170,946	\$ 169,605	\$ 167,221
Plan Net OPEB Liability as percentage of covered employee payroll	87.53%	122.00%	165.96%	151.51%

**Note:** Historical data: This schedule will be expanded to include up to ten years of historical data as the data becomes available.



	Actuarially	Contributions in Relation to the Actuarially	Contribution		Contributions as a Percentage of Covered
Year Ended	De te rmine d	<b>Determined</b>	Deficiency /	Covered-	Employee
December 31	Contributions	Contributions*	(Excess)	<b>Employee Payroll</b>	Payroll
2012	42,427	39,747	2,680	154,347	25.75%
2013	42,854	43,043	(189)	154,759	27.81%
2014	38,386	42,100	(3,713)	152,368	27.63%
2015	38,187	38,438	(251)	160,641	23.93%
2016	45,289	42,496	2,793	161,926	26.24%
2017	46,978	45,184	1,794	167,221	27.02%
2018	48,270	48,972	(702)	169,605	28.87%
2019	31,701	33,949	(2,248)	170,946	19.86%
2020	32,111	34,895	(2,784)	173,425	20.12%
2021	32,403	37,561	(5,158)	175,790	21.37%

<sup>\*</sup>Starting with 2016, contributions are shown on an accrual basis.

#### SCHEDULE OF NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB DECEMBER 31, 2021



Valuation date January 1, 2021

Actuarial cost method Entry Age Actuarial Cost Method
Amortization method 30-year closed, level salary

**Remaining amortization period** 25 years remaining as of December 31, 2020

Asset valuation method

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

within 20% of the market value of assets.

**Actuarial Assumptions:** 

Inflation 2.50%

Salary increases Inflation plus merit increases that vary by age and service

Investment rate of return 7.25%

Healthcare cost trend rates

Medical 7% grading to 4.50% over 10 years Prescription drug 8% grading to 4.50% over 14 years

Administrative costs 3.00%

Other Information:

The acturially determined contribution (ADC) is calculated using January 1, one year prior to the end of the

fiscal year in which contributions are reported.

Please see the January 1, 2021 actuarial valuation report for a full listing of assumptions.





# Supplemental Information





	Series	2014	Series	2016	Series	2017
- -	Principal	Interest	Principal	Interest	Principal	Interest
Electric						
Division:						
2022	2.040	1 202	1 555	1 407	2 275	2 205
2022	3,040	1,282	1,555	1,497	3,375	3,285
2023	3,160	1,160	1,630	1,419	3,545	3,117
2024	3,315	1,002	1,715	1,337	3,720	2,938
2025	3,485	837	1,800	1,252	3,905	2,753
2026	3,655	662	1,890	1,162	4,100	2,558
2027	3,840	480	1,985	1,067	4,305	2,353
2028	3,995	326	2,085	968	4,520	2,138
2029	4,155	166	2,185	864	4,750	1,912
2030	-	-	2,295	755	4,985	1,674
2031	-	-	2,410	640	5,235	1,425
2032	-	_	2,510	543	5,420	1,242
2033	-	-	2,610	443	5,605	1,052
2034	-	-	2,710	339	5,805	858
2035	-	-	2,820	230	6,005	653
2036	-	-	2,935	117	6,215	443
2037	-	-	-	-	6,435	226
Total	\$ 28,645	\$ 5,915	\$ 33,135	\$ 12,633	\$ 77,925	\$ 28,627



_	Series	2020A	Series 2	2020B
	Principal	Interest	Principal	Interest
E14				
Electric Division:				
DIVISIOII:				
2022	2,600	5,819	450	488
2023	2,705	5,715	450	486
2024	2,840	5,579	455	483
2025	2,980	5,437	455	480
2026	3,130	5,288	460	476
2027	3,285	5,132	465	471
2028	3,450	4,968	470	465
2029	3,625	4,795	480	458
2030	3,805	4,614	4,805	451
2031	3,995	4,424	4,885	373
2032	4,195	4,224	4,965	289
2033	4,405	4,014	5,060	199
2034	4,625	3,794	5,155	102
2035	4,855	3,563	-	-
2036	5,000	3,417	-	-
2037	5,150	3,267	-	-
2038	5,305	3,113	-	-
2039	5,465	2,953	-	-
2040	5,630	2,789	-	-
2041	5,800	2,621	-	-
2042	5,970	2,447	-	-
2043	6,150	2,267	-	-
2044	6,400	2,021	-	-
2045	6,655	1,765	-	-
2046	6,920	1,499	-	-
2047	7,195	1,222	-	-
2048	7,485	935	-	-
2049	7,785	635	-	-
2050	8,095	324	-	-
-				
Total	\$ 145,500	\$ 98,641	\$ 28,555	\$ 5,221



_	Series	2016	Series	2017	Series	2020
	Principal	Interest	Principal	Interest	Principal	Interest
Gas						
Division:						
2022	1,555	1,497	1,480	1,598	1,105	2,477
2023	1,630	1,419	1,555	1,525	1,150	2,433
2024	1,715	1,337	1,630	1,446	1,210	2,375
2025	1,800	1,252	1,710	1,365	1,270	2,315
2026	1,890	1,162	1,800	1,280	1,330	2,251
2027	1,985	1,067	1,885	1,190	1,400	2,185
2028	2,085	968	1,980	1,096	1,470	2,115
2029	2,185	864	2,080	996	1,540	2,041
2030	2,295	755	2,185	892	1,620	1,964
2031	2,410	640	2,295	783	1,700	1,883
2032	2,510	543	2,410	669	1,785	1,798
2033	2,610	443	2,530	548	1,875	1,709
2034	2,710	339	2,630	447	1,970	1,615
2035	2,820	230	2,735	342	2,065	1,517
2036	2,935	117	2,845	233	2,130	1,455
2037	-	-	2,960	118	2,195	1,391
2038	_	_	-	-	2,260	1,325
2039	-	_	_	_	2,325	1,257
2040	-	_	_	_	2,395	1,187
2041	-	_	_	_	2,470	1,116
2042	-	_	_	_	2,540	1,041
2043	-	_	_	_	2,620	965
2044	-	_	_	_	2,725	860
2045	-	_	_	_	2,830	751
2046	-	_	_	_	2,945	638
2047	_	_	_	_	3,065	520
2048	_	_	_	_	3,185	398
2049	-	_	-	-	3,315	270
2050	-	-	-	-	3,445	138
Total	\$ 33,135	\$ 12,633	\$ 34,710	\$ 14,528	\$ 61,935	\$ 41,990



	Series	2014	Series	2016	Series	2017
· -	Principal	Interest	Principal	Interest	Principal	Interest
Water						
Division:						
2022	655	419	1,275	770	970	838
2023	680	393	1,315	732	1,000	808
2024	715	359	1,355	693	1,040	768
2025	740	338	1,395	652	1,080	726
2026	765	308	1,435	610	1,135	673
2027	790	285	1,465	581	1,190	616
2028	820	253	1,525	523	1,250	557
2029	855	221	1,585	462	1,300	506
2030	890	186	1,645	398	1,355	455
2031	925	151	1,715	333	1,405	400
2032	960	114	1,765	281	1,455	351
2033	1,000	75	1,820	228	1,515	294
2034	1,040	35	1,870	174	1,575	232
2035	-	_	1,930	117	1,640	169
2036	_	_	1,985	60	1,705	103
2037	_	_	-	_	1,755	53
2031					1,700	33
-						
Total	\$ 10,835	\$ 3,137	\$ 24,080	\$ 6,614	\$ 21,370	\$ 7,550

# SCHEDULE OF BONDS, PRINCIPAL AND INTEREST REQUIREMENTS DECEMBER 31, 2021 (Dollars in Thousands) (Continued)



	Series	2020
	Principal	Interest
Water		
Division:		
2022	1,205	2,585
2023	1,255	2,537
2024	1,315	2,474
2025	1,380	2,408
2026	1,450	2,339
2027	1,525	2,267
2028	1,600	2,191
2029	1,680	2,111
2030	1,765	2,027
2031	1,850	1,938
2032	1,945	1,846
2033	2,040	1,749
2034	2,145	1,647
2035	2,250	1,539
2036	2,315	1,472
2037	2,385	1,402
2038	2,460	1,331
2039	2,530	1,257
2040	2,610	1,181
2041	2,685	1,103
2042	2,765	1,022
2043	2,850	939
2044	2,935	854
2045	3,025	766
2046	3,115	675
2047	3,240	550
2048	3,370	421
2049	3,505	286
2050	3,645	145
Total	\$ 66,840	\$ 43,062

# SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE DECEMBER 31, 2021 (Dollars in Thousands)



Description	Original Amount of Issue	Interest Rate	Date of Issue	Final Maturity Date	0	utstanding 2020	sued 021	Payments/ Matured 2021	R	defunded 2021	o	utstanding 2021
Electric System Revenue Bonds - Series 2014	\$ 71,000	2.0 to 5.0%	6/3/2014	12/1/2029	\$	31,565	\$ -	\$ 2,920	\$	-	\$	28,645
Electric System Revenue Bonds - Series 2016	\$ 40,000	3.0 to 5.0%	9/1/2016	12/1/2036	\$	34,615	\$ -	\$ 1,480	\$	-	\$	33,135
Electric System Revenue Bonds - Series 2017	\$ 90,000	3.0 to 5.0%	9/28/2017	12/1/2037	\$	81,140	\$ -	\$ 3,215	\$	-	\$	77,925
Electric System Revenue Bonds - Series 2020A	\$ 148,000	3.0 to 5.0%	9/22/2020	12/1/2050	\$	148,000	\$ -	\$ 2,500	\$	-	\$	145,500
Electric System Revenue Refunding Bonds - Series 2020B	\$ 29,000	.43 to 1.97%	9/22/2020	12/1/2034	\$	29,000	\$ -	\$ 445	\$	-	\$	28,555
Total Electric System Bonds					\$	324,320	\$ -	\$ 10,560	\$	-	\$	313,760

Description	A	Original Amount of Issue	Interest Rate	Date of Issue	Final Maturity Date	Oı	utstanding 2020	]	Issued 2021	Payments/ Matured 2021	R	Refunded 2021	Oı	utstanding 2021
Gas System Revenue Bonds - Series 2016	\$	40,000	3.0 to 5.0%	9/1/2016	12/1/2036	\$	34,615	\$	-	\$ 1,480	\$	-	\$	33,135
Gas System Revenue Bonds - Series 2017	\$	40,000	3.0 to 5.0%	9/28/2017	12/1/2037	\$	36,120		-	\$ 1,410	\$	-	\$	34,710
Gas System Revenue Bonds - Series 2020	\$	63,000	3.0 to 5.0%	9/22/2020	12/1/2050	\$	63,000	\$	-	\$ 1,065	\$	-	\$	61,935
Total Gas System Bonds						\$	133,735	\$	-	\$ 3,955	\$	-	\$	129,780

Description	A	Original Amount of Issue	Interest Rate	Date of Issue	Final Maturity Date	Ou	utstanding 2020	Issued 2021	Payments/ Matured 2021	]	Refunded 2021	0	utstanding 2021
Water System Revenue Bonds - Series 2014	\$	15,000	2.0 to 5.0%	6/3/2014	12/1/2034	\$	11,470	\$ -	\$ 635	\$	-	\$	10,835
Water System Revenue Bonds - Series 2016	\$	30,000	2.0 to 4.0%	9/1/2016	12/1/2036	\$	25,330	\$ -	\$ 1,250	\$	-	\$	24,080
Water System Revenue Bonds - Series 2017	\$	25,000	2.0 to 5.0%	9/28/2017	12/1/2037	\$	22,310	\$ -	\$ 940	\$	-	\$	21,370
Water System Revenue Bonds - Series 2020	\$	68,000	3.0 to 5.0%	9/22/2020	12/1/2050	\$	68,000	\$ -	\$ 1,160	\$	-	\$	66,840
Total Water System Bonds						S	127,110	\$ 	\$ 3,985	\$		\$	123,125

First 15,000 kWh per month:

Additional kWh per month:



**Electric Division Rate Class Base Charge** Customers All Electric Rate Schedules Are Subject To Adjustment Under The Provisions of the TVA Fuel Cost and Purchased Power Adjustment Rider. 376,258 Residential - Schedule RS Effective meters read on or after January 4, 2021 Service Charge: \$14.36 per month, less Hydro Allocation Credit: \$1.60 Energy Charge: Winter Summer Transition First 500 kWh per month: \$0.07788 \$0.07442 \$0.07240 Additional kWh per month: \$0.07688 \$0.07343 \$0.07140 The above rates are subject to adjustment under the provisions of the TVA Fuel Cost and Purchase Power Adjustment Rider. Time-Of-Use Residential Rate Effective January 1, 2021 73 Schedule RSTOU \$14.36 per month, less Hydro Allocation Credit: \$1.60 Service Charge: Energy Charge: Winter Transition Summer On-Peak kWh per month: \$0.13771 \$0.09331 \$0.06213 \$0.06213 Off-Peak kWh per month: \$0.06213 \$0.06213 The above rates are subject to adjustment under the provisions of the TVA Fuel Cost and Purchase Power Adjustment Rider. Effective meters read on or after January 4, 2021 43,836 General Service - Schedule GSA If (a) the higher of (i) the customer's currently effective contract demand, if Part 1) any, or (ii) its highest billing demand during the latest 12 month period is not more than 50 kW, and (b) customer's monthly energy takings for any month during such period do not exceed 15,000 kWh: \$27.48 per delivery point per month Service Charge: Energy Charge: Summer Winter Transition \$0.08645 \$0.08303 \$0.08098 If (a) the higher of (i) the customer's currently effective contract demand or Part 2) (ii) its highest billing demand during the latest 12 month period is greater than 50 kW but not more than 1,000 kW, or (b) if the customer's billing demand is less than 50 kW and its energy takings for any month during such period exceed 15,000 kWh: Service Charge: \$82.50 per delivery point per month Demand Charge: Summer Winter Transition First 50 kW of billing demand per month: \$0.00 \$0.00 \$0.00 Excess over 50 kW of billing demand per month: \$15.09 \$14.07 \$14.07 Energy Charge:

\$0.09681

\$0.04213

\$0.09474

\$0.04092

\$0.10019

\$0.04532

### SCHEDULE OF CURRENT UTILITY RATES DECEMBER 31, 2021

(Continued)



(				SERVING YOU WHAT WE DO
	1	P. Cl		G i
Electric Division Rate Class (cont.)		Base Charg	ge	Customers
General Service – Schedule GSA (cont.) Part 3)			ective contract demand or its month period is greater than	
Service Charge:	\$330.18 per delivery	point per month		
Demand Charge: First 1,000 kW of billing demand per month: Excess over 1,000 kW of billing demand per Excess of billing demand over the higher of 2,500 kW or the customer's contract demand per month:		Winter \$12.99 \$12.80 \$12.80	\$12.99 \$12.80 \$12.80	
Energy Charge: All kWh per month:	\$0.05085	\$0.04764	\$0.04643	
Manufacturing Power Rate - Part A Schedule MSA	Effective January 1, 2	2021		0
Service Charge:	\$330.18 per delivery	point per month		
Per kW coincident billing demand charge per Per kW maximum billing demand charge per	\$8.30 \$5.82	Winter \$7.35 \$5.72	Transition \$7.35 \$5.72	
Excess per kW charge per month by which billing demand exceeds contract demand:	Summer \$14.20	Winter \$13.15	Transition \$13.15	
On-peak per kWh energy charge: Off-peak per kWh energy charge:	\$0.06766 \$0.04555	\$0.05662 \$0.04657	\$0.04693 \$0.04693	
Time-of-Use General Service Schedule TGS	Effective January 1, 2	2021		11
Service Charge:	\$1,655.26 per delive	ery point per month		
TVA Administrative Charge:	\$350.00 per delivery			
Excess Demand:	Demand amount that			
Off-Peak Block 1:	First 200 hours use of the ratio of metered of			
Off-Peak Block 2:		of on-peak metered dema off-peak energy to metere	- ·	
Off-Peak Block 3:	Over 400 hours use	of on-peak metered dema	and multiplied by	

Over 400 hours use of on-peak metered demand multiplied by the ratio of metered off-peak energy to metered total energy

# SCHEDULE OF CURRENT UTILITY RATES DECEMBER 31, 2021 (Continued)



Customers

Electric Division Rate Class (cont.)			Base	Charge
Time-of-Use General Service Schedule TGS				
(cont.)				
Rates applicable for delivery at:	Transmis TDGSA	sion Voltage TGSB	e: 115 kV ar TGSC	nd up TGSD
Summer				
On-peak billing demand per kW:	\$11.35	\$11.27	\$11.27	\$11.27
Maximum billing demand per kW:	\$5.98	\$5.97	\$5.40	\$5.12
Excess demand per kW:	\$11.35	\$11.27	\$11.27	\$11.27
On-peak energy per kWh:	\$0.08599	\$0.07039	\$0.07039	\$0.06938
Off-peak block 1 per kWh:	\$0.05128	\$0.04457	\$0.04457	\$0.04356
Off-peak block 2 per kWh:	\$0.00726	\$0.00842	\$0.00842	\$0.00624
Off-peak block 3 per kWh:	\$0.00413	\$0.00489	\$0.00489	\$0.00389
Winter				
On-peak billing demand per kW:	\$10.36	\$10.25	\$10.25	\$10.25
Maximum billing demand per kW:	\$5.98	\$5.97	\$5.40	\$5.12
Excess demand per kW:	\$10.36	\$10.25	\$10.25	\$10.25
On-peak energy per kWh:	\$0.07015	\$0.05861	\$0.05861	\$0.05760
Off-peak block 1 per kWh:	\$0.05435	\$0.04686	\$0.04686	\$0.04585
Off-peak block 2 per kWh:	\$0.00726	\$0.00842	\$0.00842	\$0.00624
Off-peak block 3 per kWh:	\$0.00413	\$0.00489	\$0.00489	\$0.00389
Transition				
On-peak billing demand per kW:	\$10.36	\$10.25	\$10.25	\$10.25
Maximum billing demand per kW:	\$5.98	\$5.97	\$5.40	\$5.12
Excess demand per kW:	\$10.36	\$10.25	\$10.25	\$10.25
On-peak energy per kWh:	\$0.05559	\$0.04423	\$0.04423	\$0.04322
Off-peak block 1 per kWh:	\$0.05559	\$0.04423	\$0.04423	\$0.04322
Off-peak block 2 per kWh:	\$0.00726	\$0.00842	\$0.00842	\$0.00624
Off-peak block 3 per kWh:	\$0.00413	\$0.00489	\$0.00489	\$0.00389
Rates applicable for delivery at:	Distril	oution Volta	ge: < 115 k	V
-	TDGSA	TGSB	TGSC	TGSD
Summer				
On-peak billing demand per kW:	\$11.84	\$11.74	\$11.74	\$11.74
Maximum billing demand per kW:	\$6.19	\$6.18	\$5.60	\$5.32
Excess demand per kW:	\$11.84	\$11.74	\$11.74	\$11.74
On-peak energy per kWh:	\$0.08959	\$0.07332	\$0.07332	\$0.07229
Off-peak block 1 per kWh:	\$0.05340	\$0.04639	\$0.04639	\$0.04537
Off-peak block 2 per kWh:	\$0.00750	\$0.00871	\$0.00871	\$0.00646
Off-peak block 3 per kWh:	\$0.00422	\$0.00502	\$0.00502	\$0.00400
Winter				
On-peak billing demand per kW:	\$10.79	\$10.69	\$10.69	\$10.69
Maximum billing demand per kW:	\$6.19			\$5.32
Excess demand per kW:	\$10.79			\$10.69
On-peak energy per kWh:	\$0.07307			\$0.06001
Off-peak block 1 per kWh:	\$0.05660			\$0.04776
Off-peak block 2 per kWh:	\$0.00750		\$0.00871	\$0.00646
Off-peak block 3 per kWh:	\$0.00422			\$0.00400
Transition				
On-peak billing demand per kW:	\$10.79	\$10.69	\$10.69	\$10.69
Maximum billing demand per kW:	\$6.19			\$5.32
Excess demand per kW:	\$10.79			\$10.69
On-peak energy per kWh:	\$0.05788			\$0.04501
Off-peak block 1 per kWh:	\$0.05788	\$0.04603		\$0.04501
Off-peak block 2 per kWh:	\$0.00750		\$0.00871	\$0.00646
Off-peak block 3 per kWh:	\$0.00422			\$0.00400
1				



Electric Division Rate Class (cont.)	Base Charge	Customers
Time-of-Use Manufacturing Service Schedule TMS	Effective January 1, 2021	24
Service Charge:	\$1,655.26 per delivery point per month	
TVA Administrative Charge:	\$350.00 per delivery point per month	
Excess Demand:	Demand amount that exceeds the effective contract demand	
Off-Peak Block 1:	First 200 hours use of on-peak metered demand multiplied by the ratio of metered off-peak energy to metered total energy	
Off-Peak Block 2:	Next 200 hours use of on-peak metered demand multiplied by the ratio of metered off-peak energy to metered total energy	
Off-Peak Block 3:	Over 400 hours use of on-peak metered demand multiplied by the ratio of metered off-peak energy to metered total energy	
Rates applicable for delivery at:	Transmission Voltage: 115 kV and up TDMSA TMSB TMSC TMSD	
Summer		
On-peak billing demand per kW:	\$10.60 \$10.60 \$10.60 \$10.60	
Maximum billing demand per kW: Excess demand per kW:	\$4.15 \$2.78 \$2.20 \$1.92 \$10.60 \$10.60 \$10.60 \$10.60	
On-peak energy per kWh:	\$0.05970 \$0.06206 \$0.06089 \$0.05787	
Off-peak block 1 per kWh:	\$0.03381 \$0.03616 \$0.03498 \$0.03198	
Off-peak block 2 per kWh:	\$0.00540 \$0.00540 \$0.00685 \$0.00443	
Off-peak block 3 per kWh:	\$0.00275 \$0.00275 \$0.00685 \$0.00383	
Winter	0.64 0.64 0.64	
On-peak billing demand per kW:	\$9.61 \$9.61 \$9.61 \$9.61 \$4.15 \$2.78 \$2.20 \$1.92	
Maximum billing demand per kW: Excess demand per kW:	\$4.15 \$2.78 \$2.20 \$1.92 \$9.61 \$9.61 \$9.61 \$9.61	
On-peak energy per kWh:	\$0.04788 \$0.05025 \$0.04907 \$0.04605	
Off-peak block 1 per kWh:	\$0.03613 \$0.03847 \$0.03728 \$0.03425	
Off-peak block 2 per kWh:	\$0.00540 \$0.00540 \$0.00685 \$0.00443	
Off-peak block 3 per kWh:	\$0.00275 \$0.00275 \$0.00685 \$0.00383	
Transition		
Transition On-peak billing demand per kW:	\$9.61 \$9.61 \$9.61 \$9.61	
Maximum billing demand per kW:	\$4.15 \$2.78 \$2.20 \$1.92	
Excess demand per kW:	\$9.61 \$9.61 \$9.61 \$9.61	
On-peak energy per kWh:	\$0.03703 \$0.03936 \$0.03820 \$0.03516	
Off-peak block 1 per kWh:	\$0.03703 \$0.03936 \$0.03820 \$0.03516	
Off-peak block 2 per kWh:	\$0.00540 \$0.00540 \$0.00685 \$0.00443	
Off-peak block 3 per kWh:	\$0.00275 \$0.00275 \$0.00685 \$0.00383	
Rates applicable for delivery at:	Distribution Voltage: < 115 kV	
	TDMSA TMSB TMSC TMSD	
Summer		
On-peak billing demand per kW:	\$11.06 \$11.06 \$11.06 \$11.06	
Maximum billing demand per kW:	\$4.27 \$2.87 \$2.28 \$1.99 \$11.06 \$11.06 \$11.06 \$11.06	
Excess demand per kW: On-peak energy per kWh:	\$11.06 \$11.06 \$11.06 \$11.06 \$0.06220 \$0.06465 \$0.06343 \$0.06030	
Off-peak block 1 per kWh:	\$0.03519 \$0.03764 \$0.03642 \$0.03330	
Off-peak block 2 per kWh:	\$0.00557 \$0.00557 \$0.00708 \$0.00457	
Off-peak block 3 per kWh:	\$0.00280 \$0.00280 \$0.00708 \$0.00394	
- •		

## SCHEDULE OF CURRENT UTILITY RATES DECEMBER 31, 2021 (Continued)



Electric Division Rate Class (cont.)  Base Charge	Customers
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#### Time Of Use Manufacturing Service Schedule TMS (cont.)

Rates applicable for delivery at:	Distribution Voltage: < 115 kV						
	TDMSA	TMSB	TMSC	TMSD			
Winter							
On-peak billing demand per kW:	\$10.01	\$10.01	\$10.01	\$10.01			
Maximum billing demand per kW:	\$4.27	\$2.87	\$2.28	\$1.99			
Excess demand per kW:	\$10.01	\$10.01	\$10.01	\$10.01			
On-peak energy per kWh:	\$0.04985	\$0.05233	\$0.05111	\$0.04796			
Off-peak block 1 per kWh:	\$0.03761	\$0.04006	\$0.03882	\$0.03568			
Off-peak block 2 per kWh:	\$0.00557	\$0.00557	\$0.00708	\$0.00457			
Off-peak block 3 per kWh:	\$0.00280	\$0.00280	\$0.00708	\$0.00394			
Transition							
On-peak billing demand per kW:	\$10.01	\$10.01	\$10.01	\$10.01			
Maximum billing demand per kW:	\$4.27	\$2.87	\$2.28	\$1.99			
Excess demand per kW:	\$10.01	\$10.01	\$10.01	\$10.01			
On-peak energy per kWh:	\$0.03856	\$0.04099	\$0.03976	\$0.03662			
Off-peak block 1 per kWh:	\$0.03856	\$0.04099	\$0.03976	\$0.03662			
Off-peak block 2 per kWh:	\$0.00557	\$0.00557	\$0.00708	\$0.00457			
Off-peak block 3 per kWh:	\$0.00280	\$0.00280	\$0.00708	\$0.00394			

#### **Drainage Pumping Station Rate Schedule DPS**

Service Charge:

Service Charge

Energy Charge: All kWh per month: Effective meters read on or after January 4, 2021

\$27.48 per delivery point per month

Summer	Winter	Transition
\$0.04100	\$0.03890	\$0.03653

#### Outdoor Lighting Rate - Schedule LS

Effective meters read on or after January 4, 2021

16,889

3

Part A- Charges for street and park lighting systems, traffic signal systems, and athletic field lighting installations.

Energy Charge:	Summer	Winter	Transition
All kWh per month:	\$0.05201	\$0.05201	\$0.05201

Outdoor Lighting Facilities Charge:

The annual facility charge shall be 10.41% of the installed cost to the Division's electric system of the facility devoted to street and park lighting service specified in this Part A. Such installed cost shall be recomputed on July 1 of each year, or more often if substantial changes in the facilities are made. Each month, one-twelfth of the then total annual facility charge shall be billed to the customer. If any part of the facilities has not been provided at the electric system's expense or if the installed cost of any portion thereof is reflected on the books of another municipality or agency or department, the annual facility charge shall be adjusted to reflect properly the remaining cost to be borne by the electric system.

## SCHEDULE OF CURRENT UTILITY RATES DECEMBER 31, 2021 (Continued)



**Electric Division Rate Class (cont.)** 

**Base Charge** 

Customers

Outdoor Lighting Rate - Schedule LS (cont.)

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

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

Part B - Charges for outdoor lighting for individual customers

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

### SCHEDULE OF CURRENT UTILITY RATES DECEMBER 31, 2021 (Continued)



Gas Division Rate Class **Base Charge** Customers All Gas Rate Schedules Are Subject To Adjustment Under The Provisions of the Purchased Gas Adjustment Rider. 291,393 Residential - Schedules G-1 & G-3 Effective for meters read on or after July 2, 2018 Schedule G-1 is available for domestic use to residential customers in individual private residences or other individual dwelling units situated within the corporate limits of the City of Memphis, Tennessee. Schedule G-3 is available for domestic use to residential customers in individual private residences or other individual dwelling units situated outside the corporate limits of the City of Memphis, Tennessee. Service Charge: \$10.22 per month, plus Commodity Charge: First 100 ccf per month @ \$0.599 per ccf Excess over 100 ccf per month @ \$0.507 per ccf, plus the above rates are subject to adjustment under the provisions of the Purchased Gas Adjustment Rider. Minimum Bill \$10.22 per meter per month Small General Service - Schedule G-7 20,906 Effective for meters read on or after July 2, 2018 This rate schedule is available for gas service to all gas customers except residential. Service Charge: For 0 to 425 cfh meter, \$30.65 Over 426 to 1,400 cfh meter, \$56.19 Over 1,400 cfh meter, \$102.17 per month plus, Commodity Charge: All gas consumed: \$0.542 per ccf per month, plus The above rates are subject to adjustment under the provisions of the Purchased Gas Adjustment Rider. Minimum Bill: The minimum monthly bill shall be \$0.668 for each ccf of the higher of: (1) The maximum daily demand during the preceding eleven months, or (2) The daily contract demand, but in no case less than the Service charge listed above. 408 Large General Service Firm On-peak Effective for meters read on or after July 2, 2018 Schedules G-8 and G-9 This rate schedule is available for gas service to all customers contracting for not less than 100 ccf of maximum daily demand. \$0.256 ccf per month of contract demand or maximum daily demand during Demand Charge: the twelve (12) months ending with the billing month, whichever is higher,

plus

#### SCHEDULE OF CURRENT UTILITY RATES **DECEMBER 31, 2021**

(Continued)



Customers Gas Division Rate Class (cont.) **Base Charge** 

Large General Service Firm On-peak Schedules G-8 and G-9

(cont.)

Commodity Charge: First 200,000 ccf per month @ \$0.499 per ccf

Excess over 200,000 ccf per month @ \$0.403 per ccf, plus

The above rates are subject to adjustment under the provisions of the

Purchased Gas Adjustment Rider.

The minimum bill shall be \$0.924 for each ccf of the higher of: (1) the Minimum Bill:

maximum daily demand during the twelve (12) months ending with the billing

month, or (2) the daily contract demand.

Large General Service Interruptible Off-peak Effective for meters read on or after July 2, 2018

Schedules G-10 and G-12

This rate schedule is available for gas service to all customers contracting for not less than 1,500 ccf of maximum daily demand and providing oil or other alternate fuel facilities approved by the Division as being adequate in design

and capacity.

Service Charge: \$510.83 per month, plus

Commodity Charge: First 200,000 Ccf per month @ \$0.468 per ccf

Excess over 200,000 ccf per month @ \$0.397 per ccf, plus

The above rates are subject to adjustment under the provisions of the

Purchased Gas Adjustment Rider.

The minimum monthly bill shall be \$0.358 for each ccf of the higher of (1) Minimum Bill:

> the maximum daily demand during the twelve months ending with the billing month, or (2) the daily contract demand, but in no event less than the service

charge.

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### SCHEDULE OF CURRENT UTILITY RATES DECEMBER 31, 2021

(Continued)



Water Division Rate Class		Base Charge	Customer			
Residential – Inside City Rate Schedule W-1	Effective meters read on or after January 4, 2021  For water furnished to premises entirely within the corporate limits of the City of Memphis					
Monthly Rate:	All water consumed: \$2.281 per ccf per month					
Minimum Bill:	The minimum monthly installed, as follows:	bill shall be determined by the size of the meter				
	5/8" meter	\$9.65				
	3/4" meter	13.92				
	1" meter	24.69				
	1-1/2" meter	55.55				
	2" meter	98.76				
Residential – Outside City Rate Schedule W-2	Effective meters read or	or after January 4, 2021	26,984			
Schedule W 2	For water furnished to Memphis.	premises outside the corporate limits of the City of				
Monthly Rate: Minimum Bill:	-	.551 per ccf per month bill shall be determined by the size of the meter				
•	The minimum monthly installed, as follows:	bill shall be determined by the size of the meter				
•	The minimum monthly installed, as follows: 5/8" meter	bill shall be determined by the size of the meter \$13.43				
•	The minimum monthly installed, as follows:  5/8" meter 3/4" meter	bill shall be determined by the size of the meter \$13.43 19.31				
•	The minimum monthly installed, as follows:  5/8" meter 3/4" meter 1" meter	bill shall be determined by the size of the meter \$13.43 19.31 34.37				
•	The minimum monthly installed, as follows:  5/8" meter 3/4" meter 1" meter 1-1/2" meter	bill shall be determined by the size of the meter  \$13.43 19.31 34.37 77.29				
•	The minimum monthly installed, as follows:  5/8" meter 3/4" meter 1" meter	bill shall be determined by the size of the meter \$13.43 19.31 34.37				
Minimum Bill:  General Service – Inside City Rate	The minimum monthly installed, as follows:  5/8" meter 3/4" meter 1" meter 1-1/2" meter 2" meter	bill shall be determined by the size of the meter  \$13.43 19.31 34.37 77.29	18,590			
Minimum Bill:	The minimum monthly installed, as follows:  5/8" meter 3/4" meter 1" meter 1-1/2" meter 2" meter	\$13.43 19.31 34.37 77.29 137.38	18,590			
Minimum Bill:  General Service – Inside City Rate	The minimum monthly installed, as follows:  5/8" meter 3/4" meter 1" meter 1-1/2" meter 2" meter	sill shall be determined by the size of the meter  \$13.43 19.31 34.37 77.29 137.38  a or after January 4, 2021 customers within the corporate limits of the City of	18,590			
Minimum Bill:  General Service – Inside City Rate	The minimum monthly installed, as follows:  5/8" meter 3/4" meter 1" meter 1-1/2" meter 2" meter  Effective meters read or	\$13.43 19.31 34.37 77.29 137.38  a or after January 4, 2021 customers within the corporate limits of the City of intial customers.	18,590			
Minimum Bill:  General Service – Inside City Rate Schedule W-7	The minimum monthly installed, as follows:  5/8" meter 3/4" meter 1" meter 1-1/2" meter 2" meter  Effective meters read or  For water service to all Memphis, except reside	\$13.43 19.31 34.37 77.29 137.38  a or after January 4, 2021 customers within the corporate limits of the City of intial customers.	18,590			
Minimum Bill:  General Service – Inside City Rate Schedule W-7	The minimum monthly installed, as follows:  5/8" meter 3/4" meter 1" meter 1-1/2" meter 2" meter  Effective meters read or For water service to all Memphis, except reside  Water consumed per me	\$13.43  19.31  34.37  77.29  137.38  a or after January 4, 2021  customers within the corporate limits of the City of intial customers.  \$2.908 per ccf \$2.473 per ccf	18,590			
Minimum Bill:  General Service – Inside City Rate Schedule W-7	The minimum monthly installed, as follows:  5/8" meter 3/4" meter 1" meter 1-1/2" meter 2" meter  Effective meters read or For water service to all Memphis, except reside  Water consumed per meters and consumed per meter	sill shall be determined by the size of the meter  \$13.43 19.31 34.37 77.29 137.38  a or after January 4, 2021 customers within the corporate limits of the City of intial customers.  onth:  \$2.908 per ccf \$2.473 per ccf \$1.882 per ccf	18,590			
Minimum Bill:  General Service – Inside City Rate Schedule W-7	The minimum monthly installed, as follows:  5/8" meter 3/4" meter 1" meter 1-1/2" meter 2" meter  Effective meters read or For water service to all Memphis, except reside  Water consumed per m  First 30 ccf Next 70 ccf Next 100 ccf Next 400 ccf	\$13.43  19.31  34.37  77.29  137.38  a or after January 4, 2021  customers within the corporate limits of the City of intial customers.  bill shall be determined by the size of the meter  \$2.908 per cef \$2.473 per cef \$1.882 per cef \$1.567 per cef	18,590			
Minimum Bill:  General Service – Inside City Rate Schedule W-7	The minimum monthly installed, as follows:  5/8" meter 3/4" meter 1" meter 1-1/2" meter 2" meter  Effective meters read or For water service to all Memphis, except reside  Water consumed per meters and consumed per meter  First 30 ccf Next 70 ccf Next 100 ccf	sill shall be determined by the size of the meter  \$13.43 19.31 34.37 77.29 137.38  a or after January 4, 2021 customers within the corporate limits of the City of intial customers.  onth:  \$2.908 per ccf \$2.473 per ccf \$1.882 per ccf	18,590			

### SCHEDULE OF CURRENT UTILITY RATES DECEMBER 31, 2021 (Continued)



Water Division Rate Class (cont.)		Customers	
General Service – Inside City Rate Schedule W-7			
(cont.)	771 '' 41 1 11 1	11 1 4 1 1 1 4 1 CA	4
Minimum Bill:		ll be determined by the size of the	meter
	installed, as follows:		
	5/8" meter	\$18.47	
	3/4" meter	21.55	
	1" meter	36.92	
	1-1/2" meter	73.88	
	2" meter	153.98	
	3" meter	307.86	
	4" meter	460.38	
	6" meter	582.39	
	8" meter	704.44	
	10" meter	1,459.23	
	12" meter	2,036.10	
	14" meter	2,799.66	
	Battery of 2-2" meters	307.86	
	Battery of 3-2" meters	460.38	
Schedule W-8	For water service to all custom Memphis, except residential cus	ers outside the corporate limits of the C	City of
	Memphis, except residential cus	tomers.	
Monthly Rate:	Water consumed per month:		
•	First 30 ccf	\$4.370 per ccf	
	Next 70 ccf	\$3.674 per ccf	
	Next 100 ccf	\$2.804 per ccf	
	Next 400 ccf	\$2.351 per ccf	
	Next 5,400 ccf	\$1.845 per ccf	
	Excess over 6,000 ccf	\$1.915 per ccf	
Minimum Dill	The minimum monthly hill she	Il be determined by the size of the	matar
Minimum Bill:	installed, as follows:	in se determined by the size of the	newi
	5/8" meter	\$28.25	
	3/4" meter	32.96	
	1" meter	56.49	
	1-1/2" meter	112.95	
	2" meter	235.35	
	3" meter	470.74	
	4" meter	703.48	
	6" meter	889.96	
	8" meter	1,076.42	

2,229.83

3,111.35

4,275.18

470.74

703.48

10" meter

12" meter

14" meter

Battery of 2-2" meters

Battery of 3-2" meters

# SCHEDULE OF CURRENT UTILITY RATES DECEMBER 31, 2021 (Continued)



Water Division Rate Class (cont.)		Base Charge	Customers				
Residential – Shelby County Water Distribution System - Schedule W-51	Effective meters read on or	19,066					
	For water service within						
		Distribution System at the time of its acquisition on June 30, 1999, for					
		al customers in individual private residences or					
	other individual dwelling un	its.					
Monthly Rate:	All water consumed: \$3.55						
Minimum Bill:	The minimum monthly bil installed, as follows:	I shall be determined by the size of the meter					
	5/8" meter	\$13.43					
	3/4" meter	19.31					
	1" meter	34.37					
	1-1/2" meter	77.29					
	2" meter	137.38					
	Residential customers shall 2" in size.	Residential customers shall be served through a single meter not larger than 2" in size.					
General Service – Shelby County Water Distribution System - Schedule W-57	Effective meters read on or	after January 4, 2021	673				
	For water service within						
	Distribution System at the						
	customers except residenti						
	use.						
Monthly Rate:	Water consumed per mont						
	First 30 ccf	\$4.370 per ccf					
	Next 70 ccf	\$3.674 per ccf					
	Next 100 ccf	\$2.804 per ccf					
	Next 400 ccf	\$2.351 per ccf					
	Next 5,400 ccf Excess over 6,000 ccf	\$1.845 per ccf \$1.915 per ccf					
Minimum Bill:	-	I shall be determined by the size of the meter					
	installed, as follows:						
	5/8" meter	\$28.25					
	3/4" meter	32.96					
	1" meter	56.49					
	1-1/2" meter	112.95					
	2" meter	235.35					
	3" meter	470.74					
	4" meter 6" meter	703.48 889.96					
	8" meter	1,076.42					
	10" meter	2,229.83					
	12" meter	3,111.35					
	1.4"	4 275 10					

14" meter

4,275.18



Type of Coverage	Amount of Coverage		
Property	\$ 600,000		
Crime	2,500		
Excess Insurance for Workers Compensation and Employers Liability	2,000		
Out of State Automobile Travel	1,000		
ravel Accident	1,000		
Commercial Automobile	1,000		
Leased Rental Equipment	300 1,000		

### SCHEDULE OF ADDITIONS AND RETIREMENTS TO UTILITY PLANT FOR THE YEAR ENDED DECEMBER 31, 2021 (Dollars in Thousands)



S-21 from Plant Roll Forward	Electric Division			Gas Division	Water Division		
Utility plant in service, December 31, 2020	\$	1,939,711	\$	759,503	\$	537,572	
Additions - Construction		52,887		11,576		2,839	
Retirements		(7,263)		(2,288)		(1,348)	
Transfers		-		(26)		(169)	
Utility plant in service, December 31, 2021	\$	1,985,335.00	\$	768,765.00	\$	538,894.00	

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



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Electric, Gas and Water Divisions (the "Divisions") of Memphis Light, Gas and Water Division ("MLGW"), enterprise funds of the City of Memphis, Tennessee, and the aggregate remaining fund information of MLGW, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise MLGW's basic financial statements, and have issued our report thereon dated June 20, 2022. Our report includes a reference to other auditors who audited the financial statements of Memphis Light, Gas and Water Division Retirement and Pension System and the Memphis Light, Gas and Water Division Other Post Employment Benefits Trust, as described in our report on Memphis Light, Gas and Water Division's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

#### Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material



Board of Commissioners and Management Memphis Light, Gas and Water Division

weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

#### Report on Compliance and Other Matters

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

#### Purpose of This Report

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

CliftonLarsonAllen LLP

Clifton Larson Allen LLP

Nashville, Tennessee June 20, 2022

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2021 (Dollars in Thousands)



Federal Grantor/Pass-Through Grantor Federal Awards	Number	Contract Number	Begin (Accre Contract Number Defer		ued)			Expenditures		Ending (Accrued) Deferred	
U.S. Department of Homeland Security/ Port Security Grant Program	97.056	EMW-2020-PU-00507	\$	(201)	\$	559	\$	374	\$	(16)	
Total Federal Awards			\$	(201)	\$	559	\$	374	\$	(16)	



#### 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the federal award activity of MLGW under programs of the federal government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a portion of the operations of the MLGW, it is not intended to and does not present the financial position, changes in net assets, or cash flows of MLGW.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* wherein certain types of expenditures are not allowable or are limited as to reimbursement.







