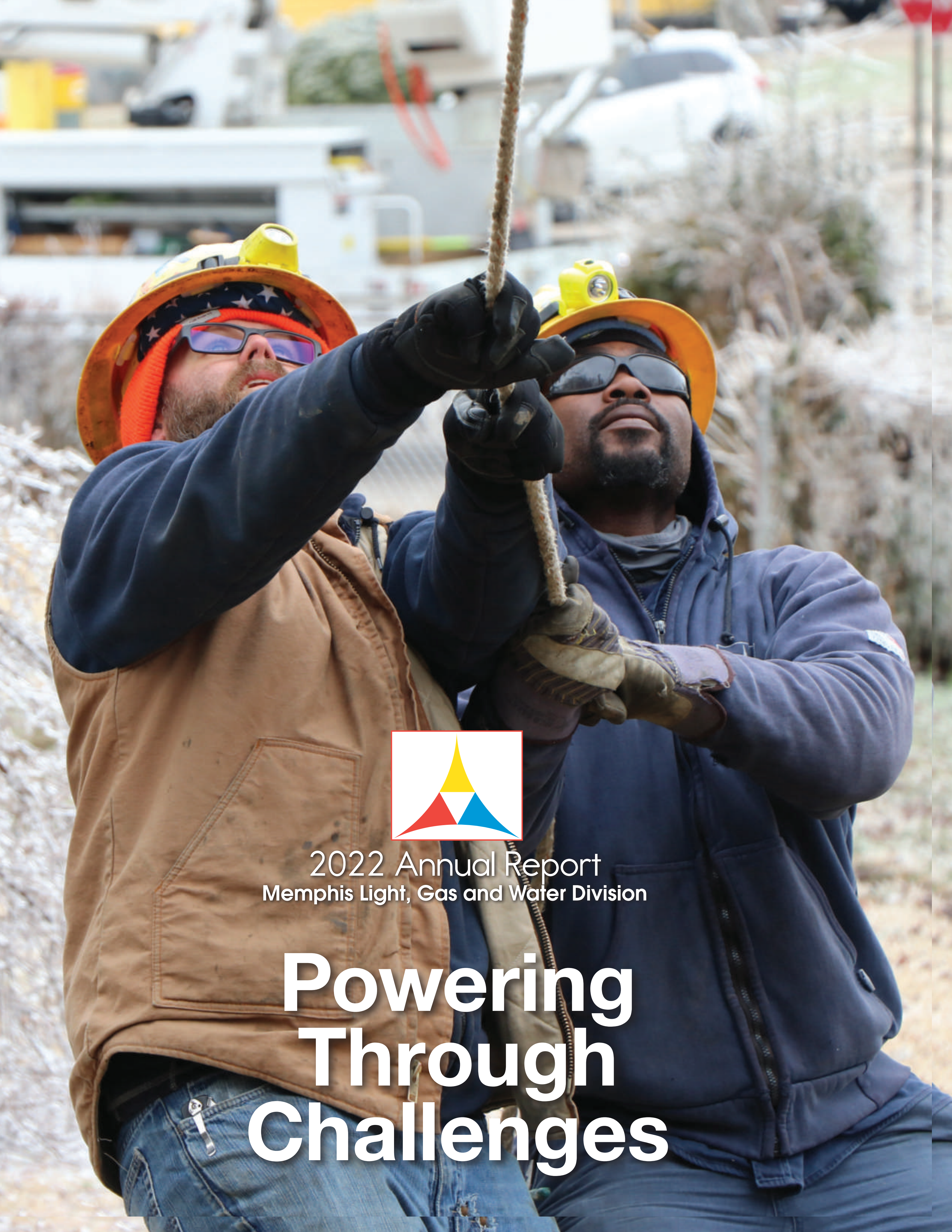

2022 Annual Report

Memphis Light, Gas and Water Division

Powering Through Challenges

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About MLGW

The responsibility to provide excellent service to the citizens of Memphis and Shelby County inspires us every day, informing 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 nearly 437,000 customers enjoy. Each day, we strive to exceed expectations because "serving you is what we do."

Our Suppliers

The Tennessee Valley Authority 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.

2022 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, *Chairman*
Leon Dickson Sr., *Vice Chairman*
Michael E. Pohlman
Cheryl Pesce
Carl Person
Steven Wishnia and Carlee McCullough completed their terms in March, 2022.

Senior Leadership Council

Doug McGowen, *President and CEO*
Dana Jeanes, *Sr. VP, CFO and CAO Secretary-Treasurer*
Alonzo Weaver, *Sr. VP and COO*
Timothy Davis, *VP of Customer Experience and Energy Services*
Gale Jones Carson, *VP of Community and External Affairs*
Cliff DeBerry Jr., *VP of Design, Construction and Delivery*
Von Goodloe, *VP of Shared Services*
Nick Newman, *VP of Engineering and Operations*
Jacqueline Jones, *VP and Chief People Officer*
Cheryl Patterson, *VP and General Counsel*
Lashell Vaughn, *VP and CIO*
Roland McElrath, *VP of Accounting*
Lesa Walton, *Chief Internal Auditing Officer*

President J.T. Young left MLGW in October after nearly five years with the Division. His tenure was marked by many challenges – the pandemic, the February 2021 Ice Storm, and conducting an Integrated Resource Plan – to name a few. Doug McGowen took office on December 12 becoming the 12th President and CEO of MLGW.

Power Reflections of 2022

The conclusion of each year brings time to reflect. In harmony with the Memphis 3.0 Comprehensive Plan to “build up, not out,” Mayor Strickland has done exactly that by appointing a familiar face as our new President and CEO, Doug McGowen. He replaced J.T. Young in December. We also welcomed Timothy Davis as our new Vice President of Customer Experience and Energy Services in August, and two new Commissioners, Cheryl Pesce and Carl Person, in April.

We have faced a great deal of change over the course of the year. In February, we weathered Winter Storm Landon, the fourth-worst storm in MLGW history. During a time of crisis, we pulled together during an eleven-day effort to restore power to 233,640 Memphians. We ended the year with freezing temperatures, a water boil advisory, and our first ever rolling black outs.

The MLGW Board of Commissioners unanimously voted against signing a new 20-year contract in December. This landmark decision was reached after much deliberation. MLGW will remain with TVA on a rolling five-year contract.

The lights illuminating Memphis became a bit less brilliant with the passing of lineman Michael C. “Nilo” Nowlin in August and troubleshooter Michael “Monte” Stewart Sr. in December. Both lost their lives in the line of duty. Michael Stewart began his career here in 2001 while Michael Nowlin joined the Division just three years later in 2004. Our thoughts are with the families of all of the employees who passed this year, and we greatly appreciate the years of service provided by them.

In the spirit of bringing us all closer together, LGWConnect, our new internal employee app, launched on Android and iOS this past June. Like Facebook, LGWConnect allows users to like, comment, and share posts all within the app. Additionally, LGWConnect provides instant access to the Weekly Bulletin, the departmental directory, internal job postings, and even allows users to directly add MLGW events to their calendars. Employees who are connected are better able to serve customers.

Over the course of the year, MLGW donated thousands to United Way of the Mid-South, the American Heart Association and the Mid-South Food Bank. MLGW also teamed up again with Neighborhood Christian Centers for the Power of Warmth program to distribute 100 electric blankets and space heaters to disabled and low-income seniors over 60. Our philanthropy, however, was not only contained within the confines of Shelby County, we donated 500 cases of bottled water in response to the Jackson, Mississippi water crisis.

Numerous awards were given out in recognition of the exceptional work done at MLGW. LaShell Vaughn, Vice President and Chief Information Officer, was featured in Memphis Business Journal’s Women Who Lead recognition and Dana Jeanes, SVP, CFO, CAO and Secretary-Treasurer, was voted Memphis Business Journal’s CFO of the Year in the Public Sector/Government category.

Although 2022 was a year of transition and change, MLGW employees consistently rose to meet each challenge and power through.

Power Supply

Three years of study culminated with MLGW management's recommendation of TVA's Long Term Partnership Proposal (LTPP) to the Board of Commissioners at a special called board meeting on September 1.

TVA's LTPP demonstrated the greatest value and least risk for MLGW customers when compared to all other RFP alternatives. It also provided immediate savings, up to approximately $34 million upon execution of the contract.

The public was invited to comment on the LTPP recommendation via email and at board meetings. MLGW also passed the mic to the community at two separate listening sessions – one in Germantown and one in Midtown - regarding the future of our power supply during the week of October 17.

Audience feedback included Protect Our Aquifer and other environmentalists requesting that MLGW stay with the current five year plan due to economic instability and the newly passed Inflation Reduction Act which encourages investment in renewable energy.

After much deliberation, the MLGW Board of Commissioners unanimously voted against signing a new 20-year contract with TVA in December. In the end, MLGW opted to keep the status quo and continue with the existing rolling five year contract with TVA and keep the door open to future opportunities.

Power of Service

MLGW employees can always be counted on to lend a helping hand when needed and to give generously.

MLGW's Power of Warmth helps keep customers warm. In partnership with Neighborhood Christian Centers Inc., MLGW volunteers once again distributed one hundred each of electric blankets and space heaters to eligible customers through the Power of Warmth program in January.

Operation Feed had a banner year, collecting nearly $50,000 for Mid-South Food Bank – the largest amount since 2007. These donations go towards feeding children, families and seniors.

Mid-South Food Bank distributes an average of 4 million meals a month through a network of 300 partner agencies in 12 counties in West Tennessee, 18 counties in north Mississippi, and one county in Arkansas.

MLGW Employees know the need firsthand after volunteering at many **Mobile Food Pantries** since the pandemic began. In 2022, MLGW held four Mobile Food Pantries in conjunction with Mid-South Food Bank.

MLGW's **United Way campaign** team held the Division's first in-person fundraising campaign since the pandemic from October 24 through November 4. The 2022 MLGW United Way Steering Committee and MLGW campaign were led by chairwoman Beverly Perkins, Corporate Social Responsibility, with co-chairs Tamara Nolen, Corporate Communications and Terica Lamb, Economic and Community Development. Our United Way slogan for this campaign was Mission Possible and employees donated nearly $700,000.

The Power of Sharing Pennies

Share the Pennies is a weatherization and energy-efficiency program funded by participating MLGW customers whose utility bills are rounded up to the next whole dollar amount. The difference is donated to the program to fund weatherization grants for homeowners with limited incomes. The weatherization grants cover energy-efficiency repairs such as attic insulation, window replacement, gas and water leaks, HVAC and water heater replacements and more.

In 2022, the program received nearly $1.7 million in donations; 151 homes were completed during the year. Between 2018 and 2022, 737 total homes have been completed.

To qualify for a Share the Pennies weatherization grant, applicants must own and live in the home to be repaired, meet income guidelines (based on 200 percent of the federal poverty guideline) and fulfill other eligibility requirements. For a full list of eligibility requirements and all types of program repairs, please visit *mifa.org/sharethepennies*.

Power in Diversity

In 2022, MLGW contracted and purchased nearly $97 million dollars with minority-owned, women-owned, and locally-owned small businesses (MWBE/LSBs), accounting for 42% of MLGW total procurement spend of over $242 million.

Through our Sheltered Market Program, we spent over $36 million with certified local small businesses, accounting for 16% of our total procurement spend.

We also celebrated 25 years of Growing Companies and Growing Memphis with our Supplier Diversity program, culminating in an awards presentation at the Halloran Theatre of 20 award recipients of businesses, business advocates and MLGW staff, who help us continue strengthening our local economy through Supplier Diversity.

We also held our annual procurement fair back in person for local MWBE/LSBs and incorporated our new event for small businesses: BOSS UP- Business Owners Strategy Summit, in partnership with Southwest Tennessee Community College & TN Small Business Development Center.

We are proud to serve our business community through MLGW's Supplier Diversity.

Powerful Lessons

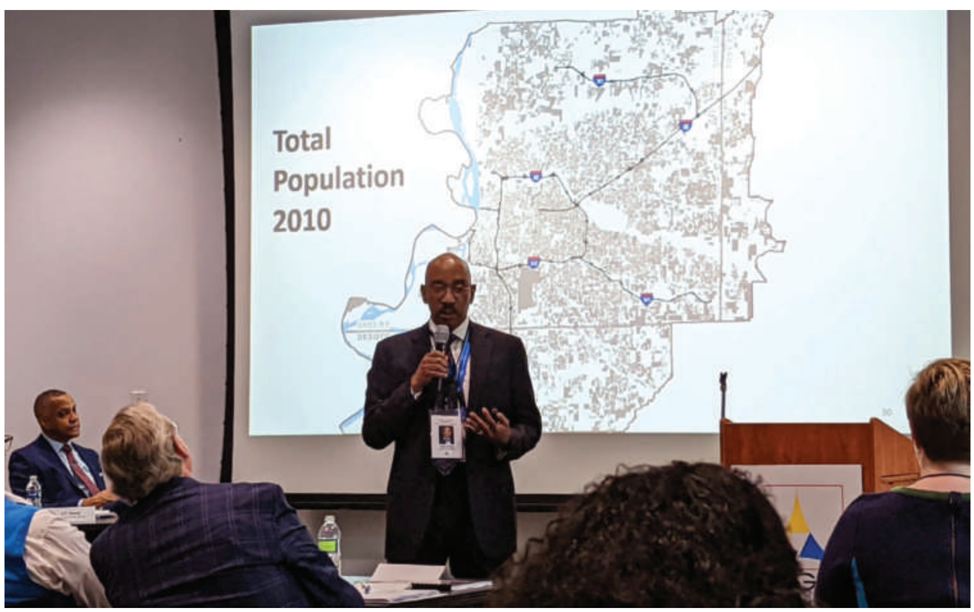
In response to Winter Storm Landon, MLGW launched its Outage Improvement Advisory Team (OIAT) in March 2022. The OIAT was tasked with examining power outages and ways to improve the MLGW power restoration process. The 52-member team consisted of community stakeholders from MLGW, the City of Memphis, Shelby County government, neighborhood associations, non-profits, and surrounding municipalities representing MLGW's 437,000 customers.

Crisis Communications

By mid-June of 2022, the team had a number of take aways: replace aging lines and do more tree trimming for 70,000 customers most prone to winter outages that are mainly within the I-240 loop and upgrade communication to customers to better pinpoint how long outages will last.

"We know that customers are more dependent on their power today than they were five years ago or even a year ago. We are going to work diligently to make sure that we minimize the duration and frequency of those outages - and that's really what this team has helped us understand," said former President and CEO J.T. Young.

MLGW also brought in crisis expert Howard Wu, for a training session, "When a Cross-Industry Crisis Strikes" in May.



MLGW Vice President of Community and External Affairs, Gale Jones Carson, hosted the event, which was attended by about 30 people from MLGW, the Shelby County Emergency Management and Homeland Security office, as well as Collierville and Germantown Fire Departments.

Mr. Wu led a table-top discussion which allowed participants to brainstorm what measures could be taken locally to stay on top of a major event. He stressed that pre-planning is crucial before any crisis strikes. After a crisis has passed, he added that everyone needs to do an after-action check on what can be improved on with 30-, 60- and 90-day follow ups.

Mr. Wu has worked in crisis management with Planned Parenthood and first responding agencies in New York, Los Angeles, Boston, Philadelphia and the District of Columbia. He holds a Master of Science Degree in Threat and Response Management from the University of Chicago.

Restoring Power

The year was bookended by two major storms and, as always, MLGW was up to the challenge.

It was all hands on deck (poles, phones, computers…) for Winter Storm Landon which interrupted power to a total of 233,640 MLGW customers in February. It was the third worst storm in MLGW history, behind the Ice Storm of 1994 and the Tom Lee Storm of 2017. The total cost of the storm event was $23.3 million and this event was a declared disaster event by the Federal Emergency Management Agency (FEMA) in March 2022.

Eighty-nine contract crews from Illinois, Virginia, Tennessee, Alabama, Texas, Louisiana, Kentucky and Oklahoma joined 78 tree trimming and 72 MLGW crews (overhead/service/underground/troubleshooters) for the 11-day restoration. Despite freezing temperatures, significant storm-related debris, and extensive equipment damage hampering the process, crews worked 16-hour shifts to get the job done.

An Arctic blast of cold sent the city of Memphis and Shelby County into a deep freeze the Friday before Christmas. Thousands of customers lost power in the accompanying storm. But it was the extreme cold temperatures and the spike in demand, that lead to even bigger outage issues. TVA began curtailment efforts on December 23 to combat a critical drain on the power supply in its service territory.

For the first time in MLGW history, on Dec. 24, customers experienced rolling blackouts. TVA issued a Step 50 Curtailment requiring all local power companies to drop between 5% and 10% of their total electric load. Mandatory, rolling blackouts interrupted service to MLGW customers for 30 minutes or more at a time. The curtailment ended on December 24.

As electric crews restored power extreme temperatures took their toll on water lines.

Pipes froze when the temperatures fell, and water pressure dropped. By 11 p.m. on December 23, a precautionary boil water advisory was in effect for neighborhoods in the north and southeast parts of MLGW's service area. By Christmas Eve, all MLGW water customers were under the boil advisory.

Pipes burst and leaked, flooding homes and businesses. Fire suppression systems, or sprinkler systems, at multiple commercial facilities also erupted. Powering through the cold and the mud, MLGW crews repaired 45 sprinkler system leaks on private property, over 2,400 leaks in private facilities, as well as 50 water main breaks.

MLGW leadership reached out to commercial partners and residential customers alike asking them to report water leaks at buildings and in the street. By Thursday, December 29, the precautionary boil water advisory was lifted.

The total cost of the storm event was almost $1 million and this event was a declared disaster event by the FEMA in March 2023.

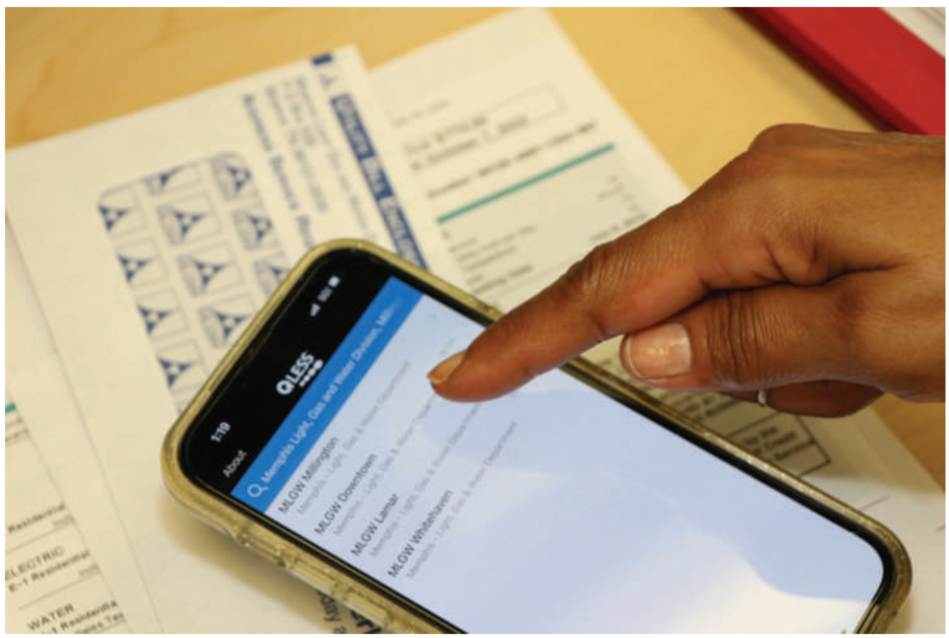
Powering Connections

MLGW looked for ways to improve communication internally and externally, save customers time when visiting Community Offices and make environmentally sound investments in our infrastructure.

American Sign Language (ASL) service began at the May 4 Board of Commissioners meeting thanks to a new partnership with BridgesWEST for the Deaf and Hard of Hearing. The purpose of this partnership was to increase accessible communications for our customers and stakeholders, to stay on trend with city and other government meetings that provide accessible communications and to align with the “MLGW Way.”

Technology

MLGW also turned to new technology to improve internal communication. The **LGW Connect** app launched in June, allowing employees to get all of their good news and Division updates on the go. LGW Connect works like most social media apps, except that it focuses on Division information. Employees can like, share and comment on posts that pop up in their newsfeed, add events to their calendars and save important posts.



Customers are also benefiting from new apps. MLGW rolled out a new online reservation system called QLess when Community Offices reopened in October. The app offers customers flexibility and convenience to see a credit counselor on their schedule. Receptionists can take appointments for customers with access to a smart phone or the internet.

MLGW enabled the digital wallet, **Google Pay**, as a payment option for customers for their utility bills and Gift of Comfort donations. Like other payment methods, there is no fee to the customer or donor. Google Pay is a mobile service that enables users to make contactless payments without using a physical Visa or Mastercard. Google Pay can be accessed through the Google Play store on an Android-enabled device.

Google Pay

Things are about to get a lot brighter for everyone, thanks to the upcoming conversion of all street lighting in the city of Memphis (estimated at approximately 77,000 units) to equivalent LED street luminaires. Perhaps even more exciting is the Lighting Management System being considered. It will offer real-time monitoring, improved customer satisfaction, and additional

energy and maintenance savings.

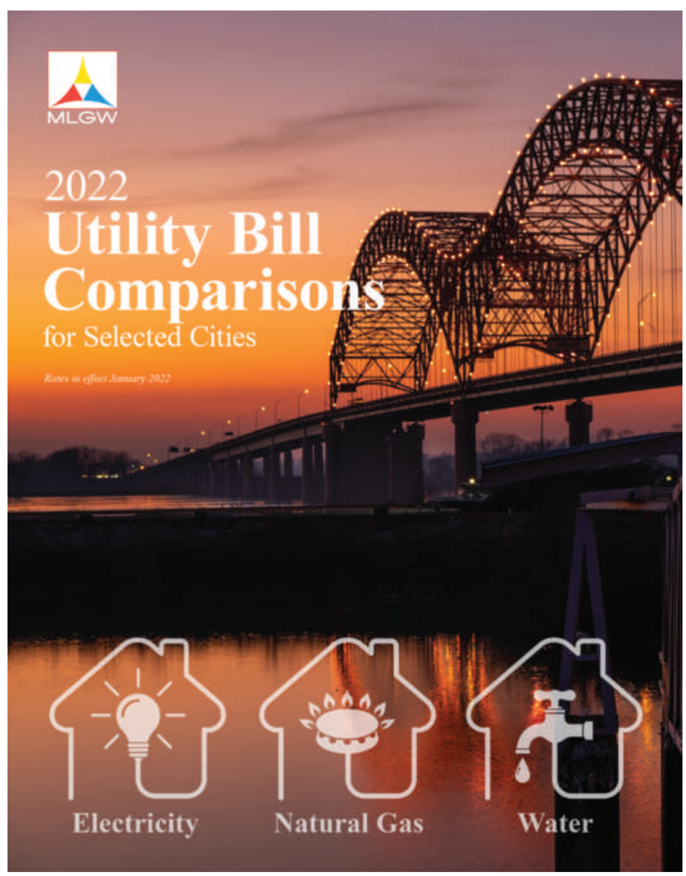
MLGW plugged in to the **Fast Charge TN Network** as one of the recipients of the Tennessee Department of Environment and Conservation (TDEC) grant funding to install direct current fast charging (DCFC) infrastructure for electric vehicles (EVs) along prioritized interstate or major highway corridors across the state.

MLGW proposed to install DC Fast Chargers at two locations, one serving the I-40/I-69 corridor in downtown/medical center area and one serving the I-269 corridor in Collierville.

MLGW already plays an integral role in supplying electricity to EV owners who charge at their homes and businesses, as well as the more than 100 public charging sites in Shelby County.

Powering Up Low Rates

Once again the Comparative Rates Survey showed Memphis has some of the lowest rates in the country. The annual survey compares Memphis' combined electric, gas and water utility rates with other cities around the United States.



Year after year, MLGW proves its value to City and County residents by delivering electricity, natural gas and water services at rates lower than most other municipalities.

The Division surveyed 39 cities to complete the 2022 report. All costs covered in the survey are based on rates published and effective as of January 2022. This year's ranking includes what a homeowner would pay for 1,000 kWh of electricity, 200 ccf (one hundred cubic feet) of gas, and 10 ccf of water.

The 2022 report is available at *mlgw.com/ratessurvey*.

Letter of Transmittal

MEMPHIS LIGHT, GAS AND WATER DIVISION

To the Board of Commissioners and Valued Stakeholders:

We are pleased to submit the Annual Report of Memphis Light, Gas and Water Division (MLGW) for the fiscal year ending on December 31, 2022, 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, 2022, 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, 2022, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of the report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. MLGW's MD&A can be found immediately following the 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. The Board is responsible for supplying the Division's service areas with electricity, gas, and water. Board members serve staggered terms of three years each.

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

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

Local Economy— Memphis and Shelby County are located on the banks of the Mississippi River in the southwestern corner of Tennessee. The Bluff City ranks as the second largest city in the state and the 26th largest in the nation with a population of 628,127 according to the most recent Census data (July 2021). Shelby County has a population of 1,163,000. The Greater Memphis Chamber's strategic plan, called Prosper Memphis 2030, is set to put inclusion front and center as the city develops. The Memphis Business Journal reported that The Chamber is actively recruiting 55 projects worth a total $10.6 billion in capital investments. The pipeline represents 15,000 new jobs with an average wage of $58,000. Over 80% of the pipeline projects are in advanced manufacturing. The City of Memphis unemployment rate went from 5.8% in January to 4% in December.

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

MLGW has a major impact on the local economy. In 2022, MLGW contracted and purchased nearly $97 million dollars with minority-owned, women-owned and locally-owned small businesses (MWBE/LSBs), accounting for 42% of MLGW total procurement spend of over $242 million.

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

National Economy— According to the Bureau of Economic Analysis, a division of the U.S. Department of Commerce, real gross domestic product (GDP), a key indicator of economic growth, increased 9.2% for all of 2022. Increases in private inventory investment, consumer spending, federal government spending, state and local government spending, and nonresidential fixed investment that were partly offset by decreases in residential fixed investment and exports, contributed to the GDP's growth in 2022.

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

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

Within the Electric Division, areas of focus include replacement of defective underground cable, wood pole management, tree trimming, aging substation equipment, automation of the distribution system, and the hardening of the overhead electric system. MLGW has applied for the Grid Resilience and Innovation Partnerships (GRIP) grant funding. The project proposed could provide grant funding up to $100 million to be used to modernize the electric grid and reduce impacts due to extreme weather and natural disasters.

Within the Gas Division, efforts have shifted toward steel tap replacements. MLGW has applied for Infrastructure Investment & Jobs Act 2021 (IIJA) funding of $59.3 million to assist with Way Forward projects.

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

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,

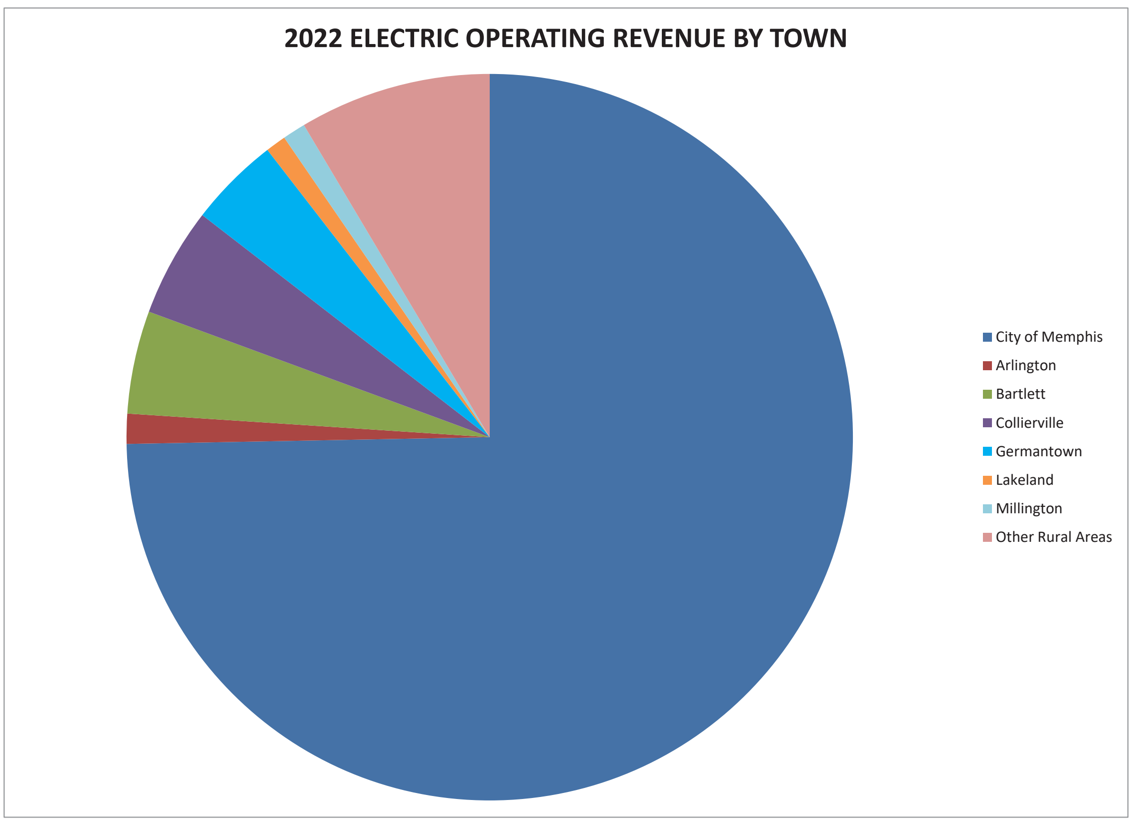
Doug McGowen
President and CEO

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

FINANCIAL HIGHLIGHTS
FOR THE YEARS ENDED
DECEMBER 31, 2022, 2021 AND 2020
(dollars and consumption in thousands)

Operating Statistics by Towns:

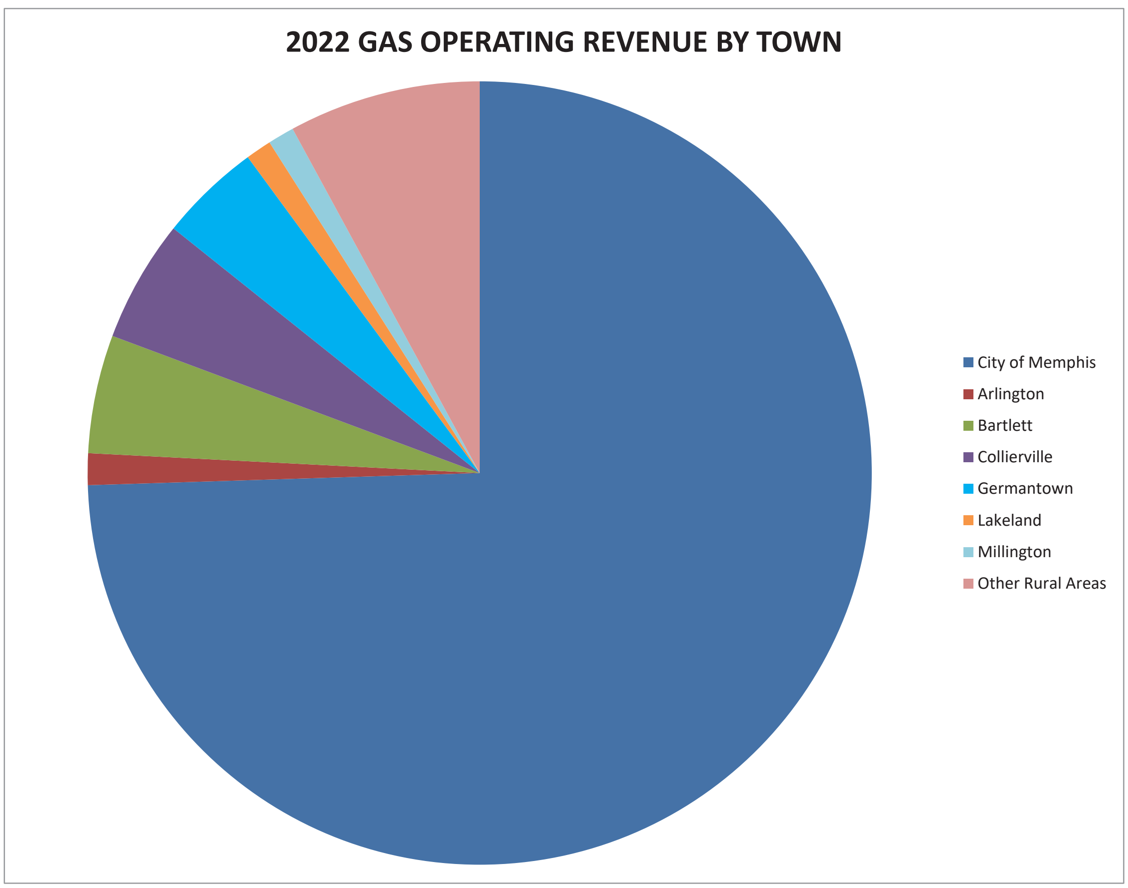
	ELECTRIC AMOUNT			ELECTRIC KWH		
	2022	2021	2020	2022	2021	2020
City of Memphis	$ 1,114,271	$ 983,937	$ 899,347	9,768,296	9,800,375	9,672,364
Arlington	19,881	17,181	15,647	174,840	170,579	163,367
Bartlett	68,280	60,236	55,326	565,771	563,861	547,709
Collierville	72,407	62,226	57,034	626,163	608,983	591,849
Germantown	60,369	52,838	48,010	510,710	505,246	485,149
Lakeland	13,615	11,505	10,370	113,746	109,124	104,312
Millington	15,264	13,712	12,761	125,187	127,041	125,002
Other Rural Areas	127,493	111,185	95,774	1,180,088	1,185,918	1,084,426
Total	$ 1,491,580	$ 1,312,820	$ 1,194,269	13,064,801	13,071,127	12,774,178



FINANCIAL HIGHLIGHTS
FOR THE YEARS ENDED
DECEMBER 31, 2022, 2021 AND 2020
(dollars and consumption in thousands)

Operating Statistics by Towns:

	GAS AMOUNT			GAS MCF		
	2022	2021*	2020	2022	2021	2020
City of Memphis	$ 257,983	$ 219,840	$ 162,634	23,370	24,409	22,870
Arlington	4,516	3,469	2,572	479	451	417
Bartlett	16,904	14,361	10,316	1,729	1,805	1,584
Collierville	17,467	14,483	9,929	1,866	1,912	1,620
Germantown	14,516	12,760	8,288	1,545	1,687	1,387
Lakeland	3,694	3,103	2,096	382	395	333
Millington	3,768	3,031	2,011	390	381	331
Other Rural Areas	27,416	24,062	14,895	2,771	2,992	2,295
Total	$ 346,264	$ 295,109	$ 212,741	32,532	34,032	30,837

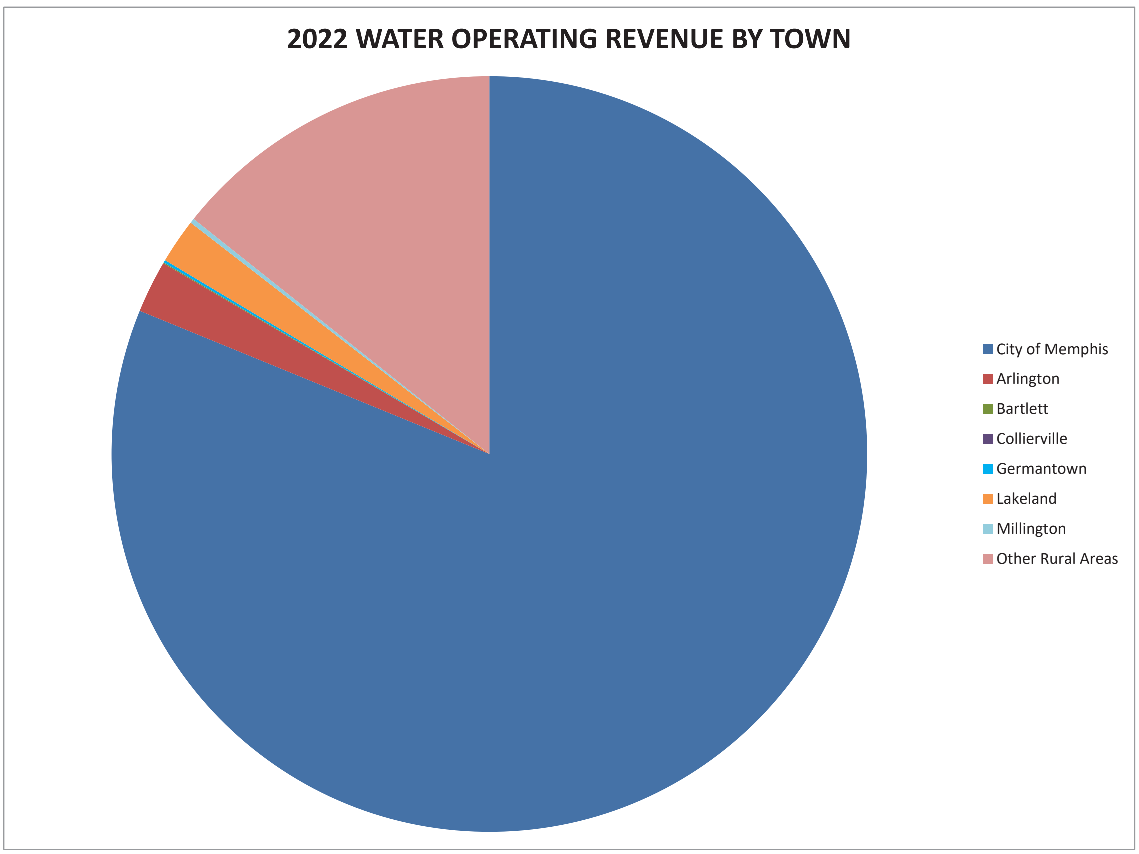


* Total Operating Revenue restated as a result of implementation of GASB Statement No. 87, *Leases* .

FINANCIAL HIGHLIGHTS
FOR THE YEARS ENDED
DECEMBER 31, 2022, 2021 AND 2020
(dollars and consumption in thousands)

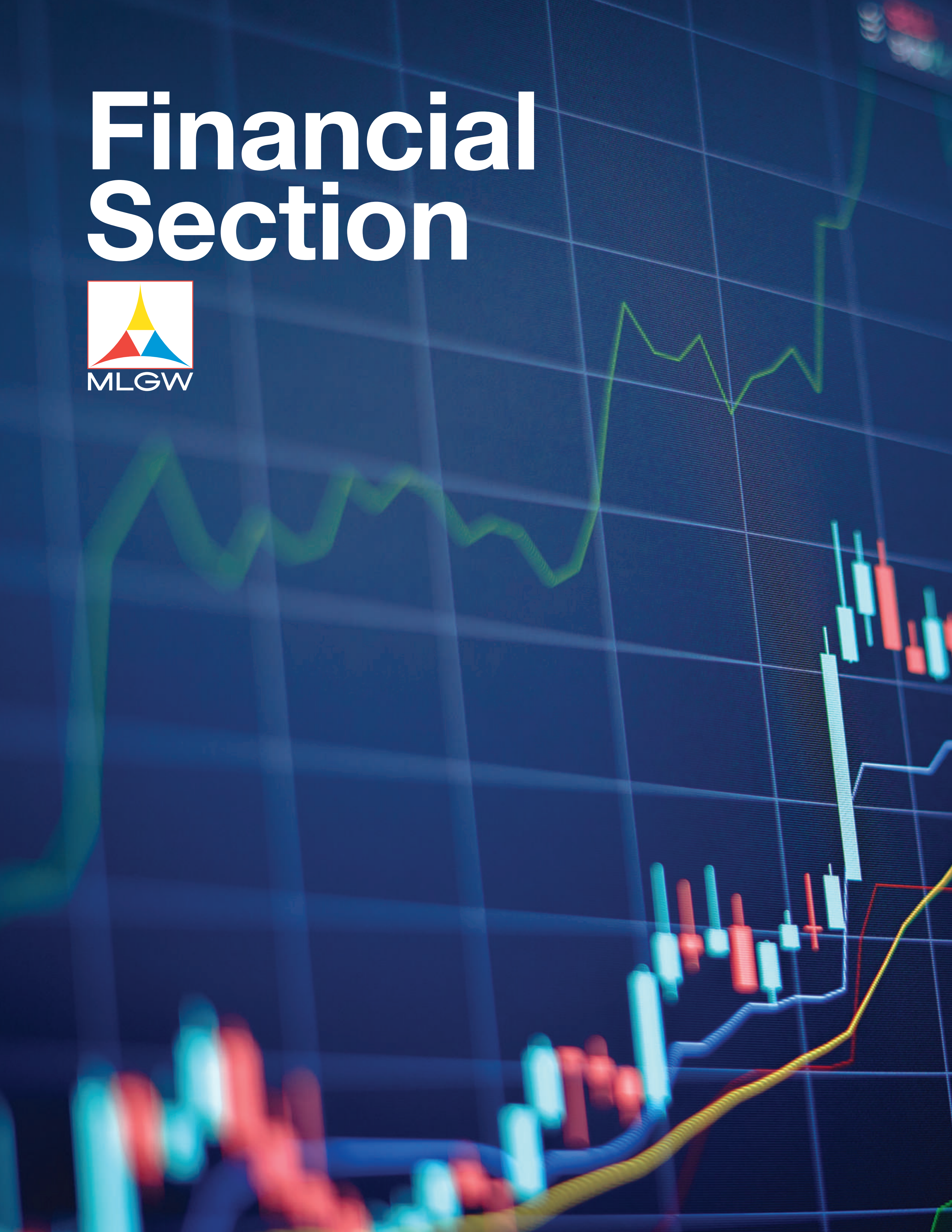
Operating Statistics by Towns:

	WATER AMOUNT			WATER CCF		
	2022	2021	2020	2022	2021	2020
City of Memphis	$ 109,483	$ 102,606	$ 91,276	42,553	42,362	42,674
Resale to Other Municipalities:						
Arlington	3,013	2,768	2,410	707	673	673
Bartlett	53	46	49	4	4	4
Collierville	5	5	4	-	-	-
Germantown	148	130	108	29	25	25
Lakeland	2,583	2,354	1,995	608	590	564
Millington	272	256	223	58	55	54
Other Rural Areas	19,297	17,980	14,589	4,656	4,493	4,136
Total	$ 134,854	$ 126,145	$ 110,654	48,615	48,202	48,130



Financial Section

MLGW



CliftonLarsonAllen LLP
CLAconnect.com

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, 2022 and 2021, 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, 2022 and 2021, 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, 2022 and 2021, and the respective changes in financial positionfor the years then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for Memphis Light, Gas and Water Division Retirement and Pension System and the Memphis Light, Gas and Water Division Other Post Employment Benefits Trust, are based solely on the reports of the other auditors.

Basis for Opinions

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

Emphasis of 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 only that portion of each major fund and the aggregate remaining fund information of the City of Memphis that is attributable to the transactions of MLGW. They do not purport to, and do not, present fairly the financial position of the City of Memphis, as of December 31, 2022 and 2021, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

As disclosed in Note 1, MLGW implemented the provisions of Governmental Accounting Standards Board Statement No. 87 – Leases. The Standard requires lessees to recognize a right-to-use lease asset and corresponding lease liability and lessors to recognize a lease receivable and corresponding deferred inflow of resources for all leases with lease terms greater than twelve months. Our opinion is 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 as required by Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, schedule of changes in long-term debt by individual issue, and schedule of additions and retirements to utility plant (collectively the "Supplementary Information")are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of bonds, principal and interest requirements, , schedule of changes in long-term debt by individual issue and schedule of additions and retirements to utility plant are required by the State of Tennessee Comptroller of the Treasury's Audit Manual. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with

GAAS. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section (comprised of pages 2 – 12, L-1, and H-1), and schedule of current utility rates, but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. The schedule of current utility rates 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 27, 2023, 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

CliftonLarsonAllen LLP

Nashivlle, Tennessee
June 27, 2023

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

- On December 9, 2022, Memphis Mayor Jim Strickland officially swore in Doug McGowen as the 12th President and Chief Executive Officer to lead Memphis Light, Gas and Water Division.

- MLGW concluded the electric power supply alternatives study in December 2022 with the MLGW Board voting unanimously to not sign the Tennessee Valley Authority (TVA) Long Term Partnership Agreement which was recommended by management. This decision concluded almost two years of work related to issuing and evaluating requests for proposals for the components required for MLGW to supply its electric power needs apart from TVA. The decision by the Board will keep MLGW on the current five-year rolling wholesale electric power contract with TVA.

- MLGW launched the Outage Improvement Advisory Team Meetings (OIAT). The OIAT will examine power outages and ways to improve the MLGW power restoration process. The team consists of community stakeholders from MLGW, the City of Memphis, Shelby County government, neighborhood associations non-profits, and surrounding municipalities representing MLGW's 437,000 customers.

- MLGW launched the LGW Connect app in June 2022. LGW Connect works like most social media apps, except that it focuses on Division information.

- MLGW planned to execute a contract directly with Ameresco to convert all street lighting in the City to equivalent light-emitting diode (LED) street luminaires. It will reduce energy use and annual costs associated with streetlights by converting approximately 84,000 existing streetlights to LED technology.

- MGLW was among the recipients of the Tennessee department of Environment and Conversation (TDEC) grant funding to install direct current fast charging (DCFC) infrastructure for electric vehicles (EVs) along prioritized interstate or major highway corridors across the state.

- MLGW continued to be intentional in its efforts to encourage the growth of minority, women, and locally owned small business enterprises by providing opportunities for minority-owned, women-owned, and locally-owned small businesses (MWBE/LSBs) to furnish goods and services through MLGW's Supplier Diversity Program. MLGW spent $96.6 million with MWBE/LSBs during fiscal year 2022.

Overview of the Financial Statements

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

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

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

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	2022	2021	2020
OPERATING REVENUE			
Residential	$ 633,309,772	$ 557,355,166	$ 511,955,144
Commercial - General Service	673,815,211	599,365,896	548,906,983
Industrial	112,883,410	94,592,383	90,996,097
Outdoor Lighting and Traffic Signals	13,061,983	12,563,818	12,011,400
Street Lighting Billing	13,654,743	13,595,316	13,521,840
Interdepartmental	11,057,869	8,841,129	9,381,691
Green Power	(455,410)	(366,080)	(318,619)
Miscellaneous	32,843,267	22,348,400	13,682,377
Accrued Unbilled Revenue	7,317,135	7,580,881	(2,137,521)
Revenue Adjustment for Uncollectibles	(5,907,532)	(3,057,384)	(3,730,264)
TOTAL OPERATING REVENUE	$ 1,491,580,448	$ 1,312,819,525	$ 1,194,269,127
CUSTOMERS			
Residential	376,067	378,516	375,625
Commercial - General Service	43,825	44,033	43,695
Industrial	96	100	105
Outdoor Lighting and Traffic Signals	16,874	17,141	17,182
Interdepartmental	35	37	37
Total Customers	436,897	439,827	436,644
KWH SALES (THOUSANDS)			
Residential	5,291,763	5,257,499	5,109,124
Commercial - General Service	5,799,454	5,820,384	5,615,566
Industrial	1,706,538	1,736,565	1,780,161
Outdoor Lighting and Traffic Signals	87,606	88,059	87,684
Street Lighting Billing	77,974	77,946	78,000
Interdepartmental	101,466	90,674	103,643
Total KWH Sales (Thousands)	13,064,801	13,071,127	12,774,178
OPERATING REVENUE/CUSTOMER			
Residential	$ 1,684.03	$ 1,472.47	$ 1,362.94
Commercial - General Service	15,375.13	13,611.74	12,562.24
Industrial	1,175,868.85	945,923.83	866,629.49
Outdoor Lighting and Traffic Signals	774.09	732.97	699.07
Interdepartmental	315,939.10	238,949.44	253,559.21
OPERATING REVENUE/KWH*			
Residential	$ 0.120	$ 0.106	$ 0.100
Commercial - General Service	0.116	0.103	0.098
Industrial	0.066	0.054	0.051
Outdoor Lighting and Traffic Signals	0.149	0.143	0.137
Street Lighting Billing	0.175	0.174	0.173
Interdepartmental	0.109	0.098	0.091
KWH/CUSTOMER			
Residential	14,071.33	13,889.77	13,601.66
Commercial - General Service	132,332.09	132,182.32	128,517.36
Industrial	17,776,437.50	17,365,650.00	16,953,914.29
Outdoor Lighting and Traffic Signals	5,191.77	5,137.33	5,103.25
Interdepartmental	2,899,028.57	2,450,648.65	2,801,162.16

*See graph on M-6.

STATISTICAL HIGHLIGHTS-GAS DIVISION
Years Ended December 31

CATEGORIES	2022	2021*	2020
OPERATING REVENUE			
Residential	$ 194,154,810	$ 165,728,647	$ 121,563,699
Commercial - General Service	95,910,627	80,812,880	53,839,115
Industrial	2,634,394	2,176,886	1,369,181
Interdepartmental	261,091	221,838	161,353
Transported Gas	11,277,147	13,016,387	11,268,581
Market Gas	15,335,574	10,408,195	6,677,553
Liquefied Natural Gas (LNG)	5,314,986	4,729,204	3,621,673
Compressed Natural Gas (CNG)	536,741	259,932	45,408
Industrial Gas - Other Revenue	17,954,068	0	0
Lease Revenue	654,302	654,302	0
Miscellaneous	1,042,095	16,632,780	11,083,356
Accrued Unbilled Revenue	54,277	1,211,986	3,645,460
Accrued Unbilled Revenue - Other Industrial Gas	2,531,858	0	0
Revenue Adjustment for Uncollectibles	(1,397,743)	(743,964)	(534,818)
TOTAL OPERATING REVENUE	$ 346,264,227	$ 295,109,073	$ 212,740,561
CUSTOMERS			
Residential	290,951	294,231	293,675
Commercial - General Service	21,281	21,543	21,553
Industrial	29	29	30
Interdepartmental	14	13	14
Transported Gas	38	37	39
Market Gas	21	20	21
Subtotal	312,334	315,873	315,332
LNG	4	5	4
CNG (Sales Transactions)	579	422	155
Industrial Gas - Other	1	0	0
Total Customers	312,918	316,300	315,491
MCF SALES			
Residential	19,402,399	20,436,715	18,402,121
Commercial - General Service	10,703,255	10,992,745	9,880,512
Industrial	331,091	374,904	362,159
Interdepartmental	33,296	32,718	35,496
Market Gas	2,061,488	2,194,704	2,156,360
Subtotal	32,531,529	34,031,786	30,836,648
LNG	483,620	584,810	570,753
CNG	37,231	22,082	4,831
Industrial Gas - Other	3,626,288	0	0
Total MCF Sales	36,678,668	34,638,678	31,412,232
OPERATING REVENUE/CUSTOMER			
Residential	$ 667.31	$ 563.25	$ 413.94
Commercial - General Service	4,506.87	3,751.24	2,497.99
Industrial	90,841.17	75,065.04	45,639.37
Interdepartmental	18,649.36	17,064.48	11,525.20
Transported Gas	296,767.04	351,794.26	288,937.97
Market Gas	730,265.42	520,409.75	317,978.72
OPERATING REVENUE/MCF**			
Residential	$ 10.007	$ 8.109	$ 6.606
Commercial - General Service	8.961	7.351	5.449
Industrial	7.957	5.807	3.781
Interdepartmental	7.842	6.780	4.546
Market Gas	7.439	4.742	3.097
MCF/CUSTOMER			
Residential	66.69	69.46	62.66
Commercial - General Service	502.95	510.27	458.43
Industrial	11,416.93	12,927.72	12,071.97
Interdepartmental	2,378.29	2,516.77	2,535.43
Market Gas	98,166.10	109,735.20	102,683.81

*Total Operating Revenue restated as a result of implementation of GASB Statement No. 87, *Leases.*
**See graph on M-6.

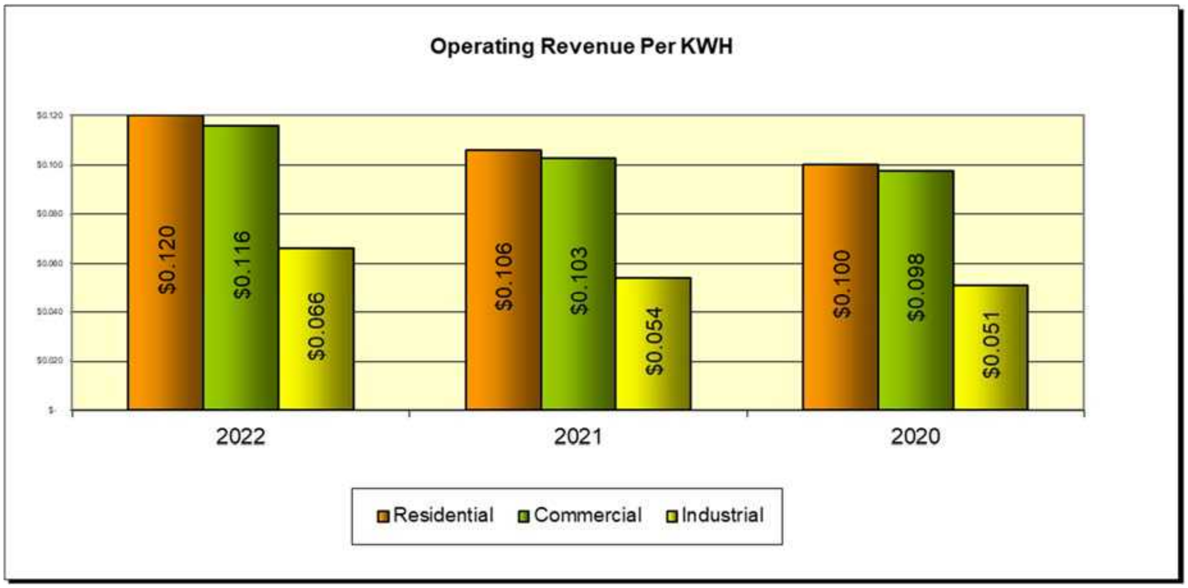
STATISTICAL HIGHLIGHTS- WATER DIVISION
Years Ended December 31

CATEGORIES	2022	2021	2020
OPERATING REVENUE			
Residential	$ 64,517,490	$ 60,858,899	$ 53,945,546
Commercial - General Service	56,511,699	53,388,131	46,227,709
Resale	271,907	147,969	138,298
Fire Protection	7,006,902	6,653,947	5,778,257
Interdepartmental	85,478	78,057	79,779
Miscellaneous	5,681,587	5,425,653	4,320,718
Accrued Unbilled Revenue	1,776,806	166,404	806,638
Revenue Adjustment for Uncollectibles	(998,238)	(573,712)	(642,974)
TOTAL OPERATING REVENUE	$ 134,853,631	$ 126,145,348	$ 110,653,971
CUSTOMERS			
Residential	229,845	232,419	231,864
Commercial - General Service	20,290	20,592	20,629
Resale	9	9	10
Fire Protection	5,421	5,446	5,381
Interdepartmental	56	58	59
Total Customers	255,621	258,524	257,943
METERED WATER (CCF)			
Residential	21,848,436	21,716,461	22,206,588
Commercial - General Service	26,644,388	26,447,175	25,877,822
Resale	94,996	13,963	14,075
Interdepartmental	26,763	24,515	31,495
Total CCF Sales	48,614,583	48,202,114	48,129,980
OPERATING REVENUE/CUSTOMER			
Residential	$ 280.70	$ 261.85	$ 232.66
Commercial - General Service	2,785.20	2,592.66	2,240.91
Resale	30,211.88	16,440.98	13,829.85
Fire Protection	1,292.55	1,221.80	1,073.83
Interdepartmental	1,526.39	1,345.81	1,352.19
OPERATING REVENUE/CCF*			
Residential	$ 2.953	$ 2.802	$ 2.429
Commercial - General Service	2.121	2.019	1.786
Resale	2.862	10.597	9.826
Interdepartmental	3.194	3.184	2.533
CCF/CUSTOMER			
Residential	95.06	93.44	95.77
Commercial - General Service	1,313.18	1,284.34	1,254.44
Resale	10,555.11	1,551.44	1,407.50
Interdepartmental	477.91	422.67	533.81

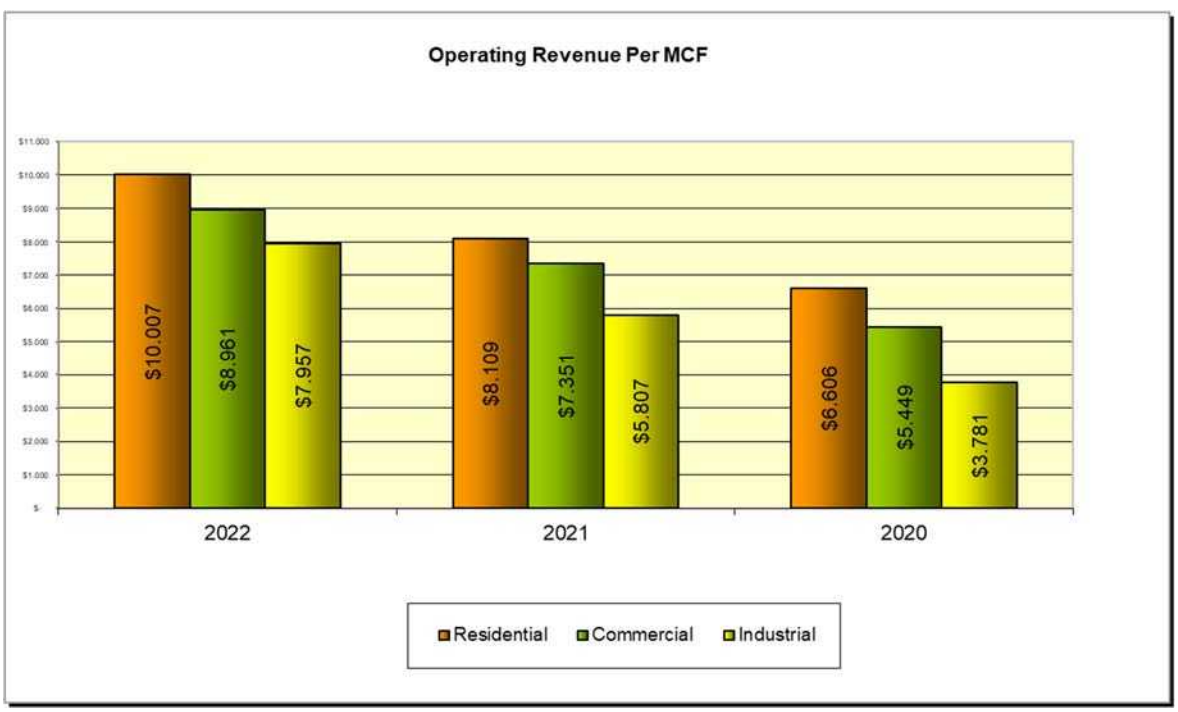
See graph on M-7.

GRAPHS

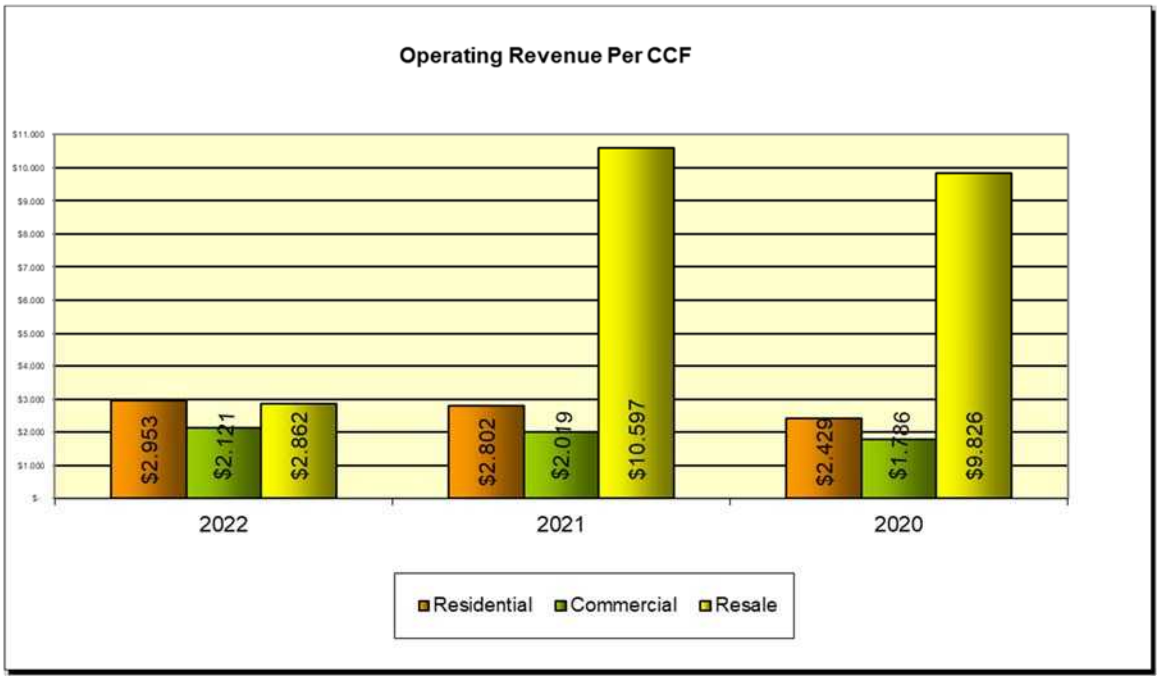
Electric Division



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 $302,740 as of December 31, 2022. MLGW's debt service coverage is 6.82. This coverage is well above the 1.2 required by the Electric Division bond covenant for the senior lien debt. On October 5, 2022, S&P Global Ratings affirmed its A+ long-term rating for the electric system revenue bonds with a stable outlook. On September 20, 2022, Moody's Investor Service reaffirmed its Aa2 long-term rating with a stable outlook.

The Gas Division has total debt outstanding of $125,640 as of December 31, 2022. The Gas Division's debt service coverage is 5.19. This coverage is well above the 1.2 required by the Gas Division bond covenant. On October 5, 2022, S&P Global Ratings affirmed its AA- long-term rating on the gas system revenue bonds with a stable outlook.

The Water Division has debt outstanding of $119,020 as of December 31, 2022. The Water Division's debt service coverage is 5.69. 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

Debt Administration (In Thousands)		
	Outstanding Balance	Coverage
Electric	$302,740	6.82
Gas	$125,640	5.19
Water	$119,020	5.69

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)

	2022	2021	FY22 - FY21 Percentage Change	2020	FY21 - FY20 Percentage Change
Current assets (excluding restricted funds)	$ 568,616	$ 513,995	10.6%	$ 396,103	29.8%
Restricted assets	85,654	117,779	-27.3%	195,035	-39.6%
Other assets	141,206	86,072	64.1%	35,209	144.5%
Utility plant	1,180,919	1,150,027	2.7%	1,138,651	1.0%
Intangible assets - right of use assets	268	549	-51.2%	-	
Total assets	1,976,663	1,868,422	5.8%	1,764,998	5.9%
Deferred outflows of resources					
Employer pension contribution	12,565	14,520	-13.5%	14,702	-1.2%
Employer OPEB contribution	23,028	22,537	2.2%	20,937	7.6%
Pension liability experience	7,965	6,651	19.8%	3,190	108.5%
OPEB liability experience	11,173	6,875	62.5%	8,778	-21.7%
Pension changes of assumptions	20,110	-		-	
OPEB changes of assumptions	15,435	-		-	
Unamortized balance of refunded debt	861	1,102	-21.9%	1,366	
Total assets and deferred outflows	2,067,800	1,920,107	7.7%	1,813,971	5.9%
Current liabilities payable from current assets	205,059	183,311	11.9%	172,035	6.6%
Current liabilities payable from restricted assets	30,537	27,073	12.8%	28,006	-3.3%
Long-term debt	327,517	342,287	-4.3%	356,713	-4.0%
Non-current liabilities	102,992	120,706	-14.7%	156,250	-22.7%
Total liabilities	666,105	673,377	-1.1%	713,004	-5.6%
Deferred inflows of resources					
Leases	4,233	5,252	-19.4%	-	
Pension liability experience	1,512	3,146	-51.9%	4,779	-34.2%
OPEB liability experience	2,263	2,985	-24.2%	1,253	138.2%
Pension changes of assumptions	52	70	-25.7%	87	-19.5%
OPEB changes of assumptions	34,012	58,708	-42.1%	83,403	-29.6%
Pension investment earnings experience	108,482	66,158	64.0%	40,230	64.4%
OPEB investment earnings experience	52,849	31,732	66.5%	12,108	162.1%
Total liabilities and deferred inflows	869,508	841,428	3.3%	854,864	-1.6%
Net position:					
Net investment in capital assets	844,408	836,867	0.9%	891,294	-6.1%
Restricted	34,077	33,452	1.9%	31,068	7.7%
Unrestricted	319,807	208,360	53.5%	36,745	467.0%
Total Net position	$ 1,198,292	$ 1,078,679	11.1%	$ 959,107	12.5%

Assets

2022 Compared to 2021:

As of December 31, 2022, total assets and deferred outflows were $2.1 billion, an increase of $147.7 million, or 7.7% compared to December 31, 2021. This increase is primarily due to an increase in other assets of $55.1 million, an increase in current assets of $54.6 million, and an increase in utility plant of $30.9 million.

2021 Compared to 2020:

As of December 31, 2021, total assets and deferred outflows were $1.9 billion, an increase of $106 million, or 5.9% compared to December 31, 2020. This increase is primarily due to an increase in current assets of $117.9 million, an increase in other assets of $50.9 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 a decrease in construction fund-revenue bonds-series 2020A of $79.3 million.

Capital Assets and Construction Activities

2022 Compared to 2021:

The Electric Division's utility plant assets, net of accumulated depreciation, were $1.18 billion as of December 31, 2022, an increase of 2.7% over fiscal year 2021. During 2022, the Electric Division expended $92.8 million on construction activities and capital purchases, an increase of $21.0 million or 29.2% compared to fiscal year 2021. Major Electric Division construction expenditures include storm restoration ($23.6 million), extensions to serve new customers ($19.7 million), substation and transmission projects ($13.6 million), routine maintenance of the electric distribution system ($13.6 million), telecommunication communication and communication tower projects ($9.9 million), distribution automation upgrades ($9.7 million), the purchase of transformers ($6.4 million), replacement of feeder and defective cable ($5.1 million), streetlight maintenance and installation ($5.0 million), distribution pole replacement ($3.0 million), information technology upgrades ($2.5 million), the purchase of transportation equipment ($2.3 million), additional general plant purchases ($1.6 million), the purchase of meters ($1.3 million), line reconstruction ($1.1 million), and capital security automation upgrades ($1.1 million) in addition to contributions in aid of construction ($31.3 million).

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).

Liabilities

2022 Compared to 2021:

As of December 31, 2022, total liabilities and deferred inflows were $869.5 million, an increase of $28.1 million, or 3.3% compared to December 31, 2021. These increases are due to an increase in pension investment earnings experience of $42.3 million, an increase in current liabilities payable from current assets of $21.7 million, and an increase in OPEB investment earnings experience of $21.1 million, partially offset by a decrease in OPEB changes of assumptions of $24.7 million and a decrease in non-current liabilities of $17.7 million. The decrease in non-current liabilities is due in part to a decrease in net OPEB liability of $18.4 million.

2021 Compared to 2020:

As of December 31, 2021, total liabilities and deferred inflows were $841.4 million, a decrease of $13.4 million, or 1.6% compared to December 31, 2020. These decreases are due to a decrease in non-current liabilities of $35.5 million, a decrease in OPEB changes of assumptions of $24.7 million, a decrease in long-term debt of $14.4 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 $11.3 million, and an increase in leases of $5.3 million, due to the implementation of GASB 87. The decreases in long-term debt are due in part to unamortized debt premium of $3.4 million and principal payments of $10.6 million made during the year.

Net Position

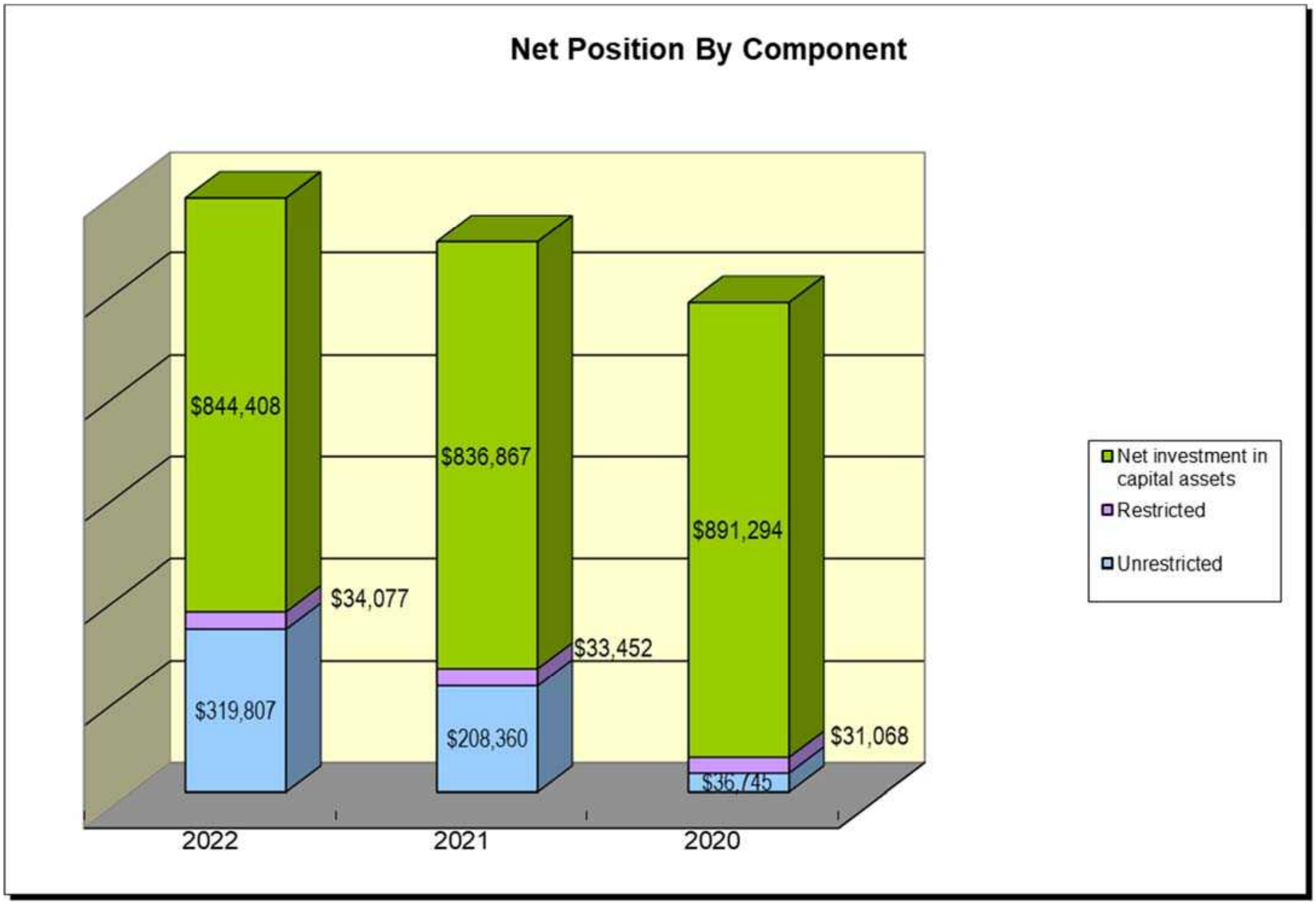
2022 Compared to 2021:

As of December 31, 2022, the Electric Division's total net position (total assets and deferred outflows of resources less total liabilities and deferred inflow of resources) was $1.2 billion, an increase of $119.6 million, or 11.1% compared to December 31, 2021. The increase was primarily due to an increase in unrestricted net position of $111.4 million and an increase in net investment in capital assets of $7.5 million. Seventy percent of the net position was related to net investment in capital assets.

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 $119.6 million, or 12.5% compared to December 31, 2020. The increase was due to an increase in unrestricted net position of $171.6 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.

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, 2022, 2021, and 2020
(In Thousands)

	2022	2021	FY22 - FY21 Percentage Change	2020	FY21 - FY20 Percentage Change
Revenues:					
Operating revenues	$ 1,491,580	$ 1,312,820	13.6%	$ 1,194,269	9.9%
Non-operating revenues	42,548	41,338	2.9%	41,251	0.2%
Total revenues	1,534,128	1,354,158	13.3%	1,235,520	9.6%
Expenses:					
Depreciation expense	60,294	60,023	0.5%	57,996	3.5%
Purchased power	1,151,829	985,215	16.9%	939,781	4.8%
Other operating expense	152,153	140,414	8.4%	160,176	-12.3%
Non-operating expense	9,476	9,844	-3.7%	6,887	42.9%
Total expenses	1,373,752	1,195,496	14.9%	1,164,840	2.6%
Income before contributions in aid of construction and transfers	160,376	158,662	1.1%	70,680	124.5%
Contributions in aid of construction	31,940	18,218	75.3%	17,502	4.1%
Reduction of plant costs recovered through contributions in aid of construction	(31,940)	(18,218)	-75.3%	(17,502)	-4.1%
Transfers to City of Memphis	(40,763)	(39,090)	-4.3%	(38,536)	-1.4%
Change in net position	$ 119,613	$ 119,572	0.0%	$ 32,144	272.0%
Net position, beginning of year	$ 1,078,679	$ 959,107	12.5%	$ 926,963	3.5%
Change in net position	119,613	119,572	0.0%	32,144	272.0%
Net position, end of year	$ 1,198,292	$ 1,078,679	11.1%	$ 959,107	12.5%

Change in Net Position

2022 Compared to 2021:

The change in net position is $119.6 million, up $.04 million from $119.6 million at December 31, 2021. This increase is primarily due to an increase in operating margin (operating revenue less power cost) of $12.1 million, an increase in other income of $1.2 million, and a decrease in debt expense of $0.4 million, offset by an increase in operating expense of $13.7 million.

2021 Compared to 2020:

The change in net position is $119.6 million, up $87.4 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 $19.5 million, partially offset by an increase in debt expense of $2.9 million.

Revenues

2022 Compared to 2021:

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

2021 Compared to 2020:

Total revenues were $1.35 billion for fiscal year 2021, an increase of $118.6 million, or 9.6%, from fiscal year 2020. Operating revenues were $1.31 billion in 2021, an increase of $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 FCA rates and an increase in purchases from TVA, partially offset by the TVA Pandemic Relief Credit. Non-operating revenue decreased $.09 million to $41.2 million in 2021.

Expenses

2022 Compared to 2021:

For fiscal year 2022, total expenses were $1.37 billion, a 14.9%, or $178.3 million increase from fiscal year 2021 total expenses. This increase is primarily due to an increase in purchase power of $166.6 million and an increase in other operating expense of $11.7 million. Purchase power is up due to an increase in purchase volumes of 1.36% and higher fuel cost adjustments.

2021 Compared to 2020:

For fiscal year 2021, total expenses were $1.20 billion, a 2.6%, or $30.7 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 $3 million, and an increase in depreciation expense of $2 million; offset by a decrease in other operating expense of $19.8 million. Purchase power is up due to an increase in purchase volumes of 1.41% and higher fuel cost adjustments.

Contributions in aid of construction

2022 Compared to 2021:

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

2021 Compared to 2020:

Contributions in aid of construction ("CIAC") were $18.2 million for fiscal year 2021, an increase of $0.7 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.

Transfers to the City of Memphis

2022 Compared to 2021:

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

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.

Analysis of the Gas Division's Statements of Net Position

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

Table 3
Gas Division Condensed Statements of Net Position
December 31
(In Thousands)

	2022	2021	FY22 - FY21 Percentage Change	2020	FY21 - FY20 Percentage Change
Current assets (excluding restricted funds)	$ 282,742	$ 222,204	27.3%	$ 189,606	17.2%
Restricted assets	62,080	75,040	-17.3%	87,526	-14.3%
Other assets	80,826	60,748	33.1%	31,302	94.1%
Utility plant	393,636	400,700	-1.8%	410,395	-2.4%
Intangible assets - right of use assets	90	166	-45.8%	-	
Total assets	819,374	758,858	8.0%	718,829	5.6%
Deferred outflows of resources					
Employer pension contribution	4,816	5,566	-13.5%	5,636	-1.2%
Employer OPEB contribution	8,828	8,639	2.2%	8,026	7.6%
Pension liability experience	3,053	2,549	19.8%	1,224	108.3%
OPEB liability experience	4,283	2,635	62.5%	3,365	-21.7%
Pension changes of assumptions	7,709	-		-	
OPEB changes of assumptions	5,917	-		-	
Total assets and deferred outflows	853,980	778,247	9.7%	737,080	5.6%
Current liabilities payable from current assets	90,121	44,609	102.0%	44,402	0.5%
Current liabilities payable from restricted assets	13,067	11,545	13.2%	8,862	30.3%
Long-term debt	140,035	146,093	-4.1%	152,017	-3.9%
Non-current liabilities	37,753	43,377	-13.0%	60,623	-28.4%
Total liabilities	280,976	245,624	14.4%	265,904	-7.6%
Deferred inflows of resources					
Leases	15,431	16,085	-4.1%	-	
Pension liability experience	580	1,206	-51.9%	1,832	-34.2%
OPEB liability experience	867	1,144	-24.2%	480	138.3%
Pension changes of assumptions	20	27	-25.9%	33	-18.2%
OPEB changes of assumptions	13,038	22,505	-42.1%	31,971	-29.6%
Pension investment earnings experience	41,585	25,360	64.0%	15,422	64.4%
OPEB investment earnings experience	20,259	12,164	66.5%	4,641	162.1%
Accumulated decrease in fair value of hedging derivative instruments	2,297	9,245	-75.2%	3,293	180.7%
Total liabilities and deferred inflows	375,053	333,360	12.5%	323,576	3.0%
Net position:					
Net investment in capital assets	277,444	294,764	-5.9%	315,032	-6.4%
Restricted	15,215	15,151	0.4%	14,284	6.1%
Unrestricted	186,268	134,972	38.0%	84,188	60.3%
Total Net position	$ 478,927	$ 444,887	7.7%	$ 413,504	7.6%

Assets

2022 Compared to 2021:

As of December 31, 2022, total assets and deferred outflows were $854 million, an increase of $75.7 million or 9.7%, compared to December 31, 2021. This increase is due, in part, to increases in current assets (excluding restricted funds) of $60.5 million and other assets of $20.1 million, offset, in part, by decreases in restricted assets of $13 million and net utility plant of $7.1 million. Current assets (excluding restricted funds) increased due to cash and cash equivalents of $43.5 million and investments of $21.7 million. Other assets increased due to net pension asset – long term of $21.8 million. Restricted assets decreased $13 million due, in part, to the depletion of the Bond Series 2020 construction fund of $16 million.

2021 Compared to 2020:

As of December 31, 2021, total assets and deferred outflows were $778.2 million, an increase of $41.2 million or 5.6%, compared to December 31, 2020. This increase is due, in part, to increases in current assets (excluding restricted funds) of $32.6 million, and other assets of $29.4 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 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.

Capital Assets and Construction Activities

2022 Compared to 2021:

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

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).

Liabilities

2022 Compared to 2021:

At December 31, 2022, total liabilities and deferred inflows were $375.1 million, representing an increase of $41.7 million, or 12.5%, compared to $333.4 million at December 31, 2021. This increase is due, in part, to the increases current liabilities payable from current assets of $45.5 million and pension investment earnings experience of $16.2 million, offset by decreases in non-current liabilities of $5.6 million and OPEB changes of assumptions of $9.5 million.

2021 Compared to 2020:

At December 31, 2021, total liabilities and deferred inflows were $333.4 million, representing an increase of $9.8 million, or 3.0%, compared to $323.6 million at December 31, 2020. This increase is due, in part, to increases in leases of $16.1 million, due to the implementation of GASB 87, pensions investment earnings experience of $9.9 million, OPEB investment earnings experience of $7.5 million, and current liabilities payable from restricted assets of $2.7 million, offset by decreases in non-current liabilities of $17.2 million and OPEB changes of assumptions of $9.5 million.

Net Position

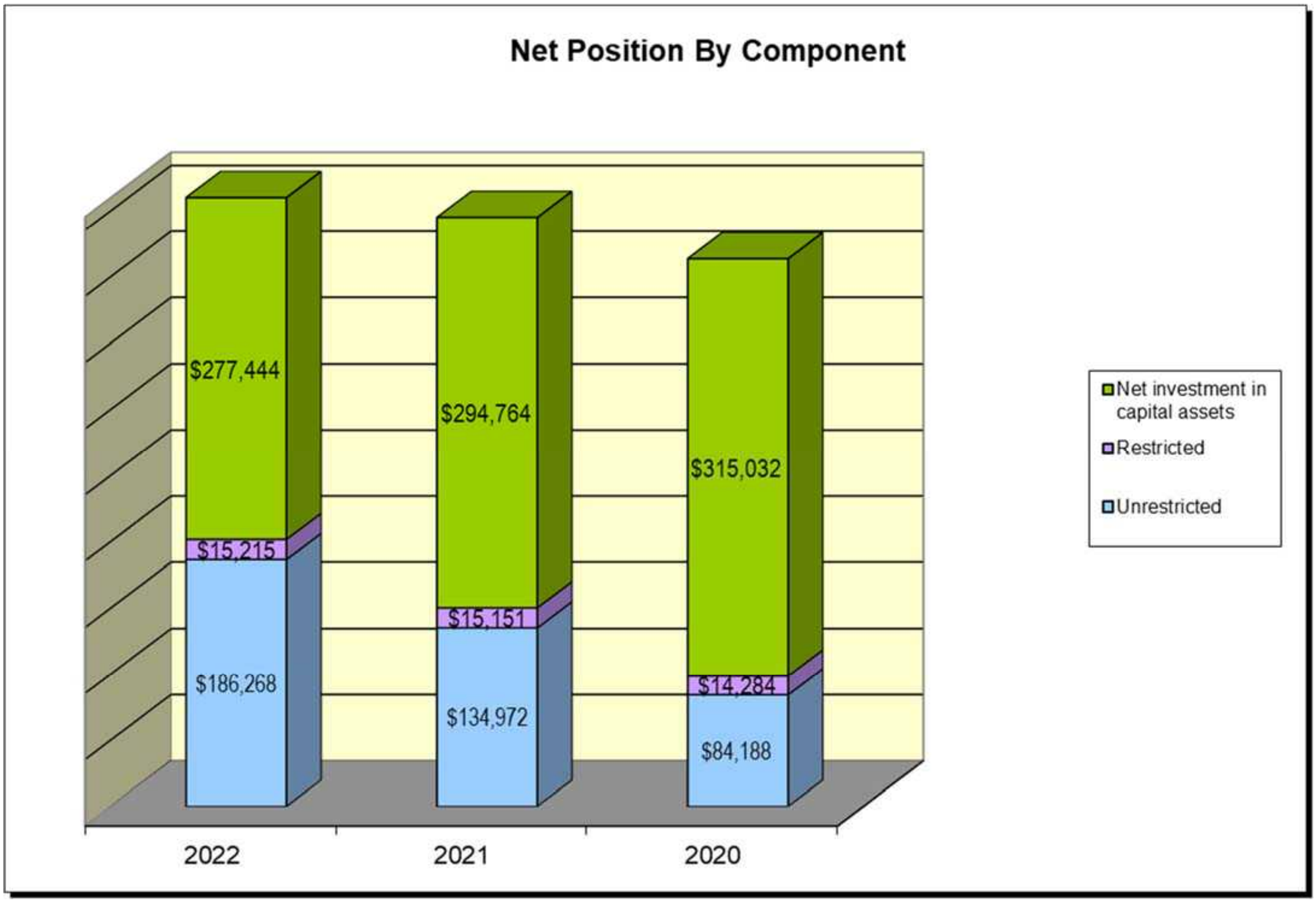
2022 Compared to 2021:

As of December 31, 2022, the Gas Division's total net position (total assets and deferred outflows of resources less total liabilities and deferred inflows of resources) was $478.9 million, an increase of $34 million, or 7.7%, from December 31, 2021. The increase is due primarily to an increase in unrestricted of $51.3 million, offset by a decrease in net investments in capital assets of $17.3 million. Fifty-eight percent of the net position was related to net investment in capital assets.

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 $444.9 million, an increase of $31.4 million, or 7.6%, from December 31, 2020. The increase is due primarily to an increase in unrestricted of $50.8 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.

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, 2022, 2021, and 2020
(In Thousands)

	2022	2021	FY22 - FY21 Percentage Change	2020	FY21 - FY20 Percentage Change
Revenues:					
Sales, service and other operating revenues	$ 333,373	$ 281,189	18.6%	$ 201,243	39.7%
Transported gas revenue	12,891	13,920	-7.4%	11,498	21.1%
Non-operating revenues	(1,292)	682	-289.4%	390	74.9%
Total revenues	344,972	295,791	16.6%	213,131	38.8%
Expenses:					
Depreciation expense	23,511	23,327	0.8%	22,688	2.8%
Purchased gas	197,956	151,669	30.5%	75,183	101.7%
Other operating expense	67,864	67,353	0.8%	74,278	-9.3%
Non-operating expense	3,921	4,053	-3.3%	2,780	45.8%
Total expenses	293,252	246,402	19.0%	174,929	40.9%
Income before contributions in aid of construction and transfers	51,720	49,389	4.7%	38,202	29.3%
Contributions in aid of construction	5,465	2,025	169.9%	2,470	-18.0%
Reduction of plant costs recovered through contributions in aid of construction	(5,465)	(2,025)	-169.9%	(2,470)	18.0%
Transfers to City of Memphis	(17,680)	(18,006)	1.8%	(18,441)	2.4%
Change in net position	$ 34,040	$ 31,383	8.5%	$ 19,761	58.8%
Net position, beginning of year	$ 444,887	$ 413,504	7.6%	$ 393,743	5.0%
Change in net position	34,040	31,383	8.5%	19,761	58.8%
Net position, end of year	$ 478,927	$ 444,887	7.7%	$ 413,504	7.6%

Change in Net Position

2022 Compared to 2021:

The change in net position is $34 million, up $2.7 million from December 31, 2021. This increase is primarily due to an increase in operating margin (operating revenue less gas cost) of $4.9 million and a decrease in non-operating revenues of $2 million.

2021 Compared to 2020:

The change in net position is $31.4 million, up $11.6 million from December 31, 2020. This increase is primarily due to an increase in operating margin (operating revenue less gas cost) of $5.9 million and a decrease in other operating expenses of $6.9 million, offset by an increase in debt expense of $1.3 million.

Revenues

2022 Compared to 2021:

Total revenues were $345 million for fiscal year 2022, an increase of $49.2 million or 16.6% from fiscal year 2021. Sales, service, and other operating revenues were $333.4 million, an increase of $52.2 million, or 18.6%, from 2021 due to higher natural gas prices and a 2% gas rate increase, effective January 2022, partially offset by a 4.41% decrease in sales volume. Purchased gas cost increased $46.3 million, or 30.5% due to an increase in natural gas purchases and higher gas cost per unit. Transported gas revenues decreased $1 million, or 7.4%, and non-operating revenue decreased $2 million, compared to fiscal year 2021.

2021 Compared to 2020:

Total revenues were $295.8 million for fiscal year 2021, an increase of $82.7 million or 38.8% from fiscal year 2020. Sales, service, and other operating revenues were $281.2 million, an increase of $79.8 million, or 39.7%, 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 gas cost per unit. Transported gas revenues increased $2.4 million, or 21.1%, and non-operating revenue increased $0.3 million, compared to fiscal year 2020.

Expenses

2022 Compared to 2021:

For fiscal year 2022, total expenses were $293.3 million as of December 31, 2022, an increase of $46.9 million, 19%, from fiscal year 2021 expenses of $246.4 million. Purchased gas cost was $198 million, up 30.5%, or $46.3 million December 31, 2021, as a result of higher natural gas purchases and higher gas cost per unit. Other operating expense was $67.9 million as of December 31, 2022, an increase of $0.5 million. Depreciation expense was $23.5 million as of December 31, 2022, up $0.2 million, or 0.8%, from December 31, 2021. Non-operating expense was $3.9 million as of December 31, 2022, a decrease of $0.1 million, or 3.3%, from December 31, 2021.

2021 Compared to 2020:

For fiscal year 2021, total expenses were $246.4 million at December 31, 2021, an increase of $71.5 million, or 40.9%, 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 gas cost per unit. Other operating expense was $67.4 at December 31, 2021, a decrease of $7 million, or 9.3% 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 $4.1 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 2.8%, from December 31, 2020.

Contributions in aid of construction

2022 Compared to 2021:

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

2021 Compared to 2020:

Contributions in aid of construction ("CIAC") were $2.0 million for fiscal year 2021, a decrease of $0.5 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.

Transfers to the City of Memphis

2022 Compared to 2021:

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

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.

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)

	2022	2021	FY22 - FY21 Percentage Change	2020	FY21 - FY20 Percentage Change
Current assets (excluding restricted assets)	$ 143,736	$ 109,199	31.6%	$ 69,576	56.9%
Restricted assets	39,391	63,696	-38.2%	86,521	-26.4%
Other assets	41,701	26,465	57.6%	12,350	114.3%
Utility plant	377,761	362,206	4.3%	355,836	1.8%
Intangible assets - right of use assets	67	123	-45.5%	-	
Total assets	602,656	561,689	7.3%	524,283	7.1%
Deferred outflows of resources					
Employer pension contribution	3,560	4,114	-13.5%	4,166	-1.2%
Employer OPEB contribution	6,525	6,386	2.2%	5,932	7.7%
Pension liability experience	2,257	1,884	19.8%	904	108.4%
OPEB liability experience	3,166	1,948	62.5%	2,487	-21.7%
Pension changes of assumptions	5,698	-		-	
OPEB changes of assumptions	4,373	-		-	
Total assets and deferred outflows	628,235	576,021	9.1%	537,772	7.1%
Current liabilities payable from current assets	23,531	23,178	1.5%	20,603	12.5%
Current liabilities payable from restricted assets	6,785	6,292	7.8%	6,290	0.0%
Long-term debt	128,982	134,369	-4.0%	139,639	-3.8%
Non-current liabilities	25,076	30,154	-16.8%	41,521	-27.4%
Total liabilities	184,374	193,993	-5.0%	208,053	-6.8%
Deferred inflows of resources					
Leases	1,032	1,274	-19.0%	-	
Pension liability experience	428	891	-52.0%	1,354	-34.2%
OPEB liability experience	641	846	-24.2%	355	138.3%
Pension changes of assumptions	15	20	-25.0%	25	-20.0%
OPEB changes of assumptions	9,637	16,634	-42.1%	23,631	-29.6%
Pension investment earnings experience	30,737	18,745	64.0%	11,398	64.5%
OPEB investment earnings experience	14,974	8,991	66.5%	3,431	162.1%
Total liabilities and deferred inflows	241,838	241,394	0.2%	248,247	-2.8%
Net position:					
Net investment in capital assets	263,392	267,863	-1.7%	280,188	-4.4%
Restricted	12,651	12,461	1.5%	11,771	5.9%
Unrestricted	110,354	54,303	103.2%	(2,434)	2331.0%
Total Net position	$ 386,397	$ 334,627	15.5%	$ 289,525	15.6%

Assets

2022 Compared to 2021:

As of December 31, 2022, total assets and deferred outflows were $628.2 million, an increase of $52.2 million compared to December 31, 2021. The increase is due, in part, to an increase in current assets of $34.5 million, an increase in net utility plant of $15.6 million, and an increase in other assets of $15.2 million, offset in part by a decrease in restricted assets of $24.3 million due to the drawdown of proceeds related to the Series 2020 Bonds.

2021 Compared to 2020:

As of December 31, 2021, total assets and deferred outflows were $576 million, an increase of $38.2 million compared to December 31, 2020. The increase is due, in part, to an increase in current assets of $39.6 million, an increase in other assets of $14.1 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.

Capital Assets and Construction Activities

2022 Compared to 2021:

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

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).

Liabilities

2022 Compared to 2021:

As of December 31, 2022, total liabilities and deferred inflows were $241.8 million, representing a decrease of $0.4 million, or 0.2%, compared to December 31, 2021. This decrease is due primarily due to a decrease in OPEB changes in assumptions of $7 million, and a decrease in long-term debt of $5.4 million due to the principal payments made during the year, offset, in part by an increase in pension investment earnings of $12 million and an increase in OPEB investment earnings of $6 million.

2021 Compared to 2020:

As of December 31, 2021, total liabilities and deferred inflows were $241.4 million, representing a decrease of $6.9 million, or 2.8%, 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 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, an increase in current liabilities payable from current assets of $2.6 million, and an increase in leases of $1.3 million, due to the implementation of GASB 87.

Net Position

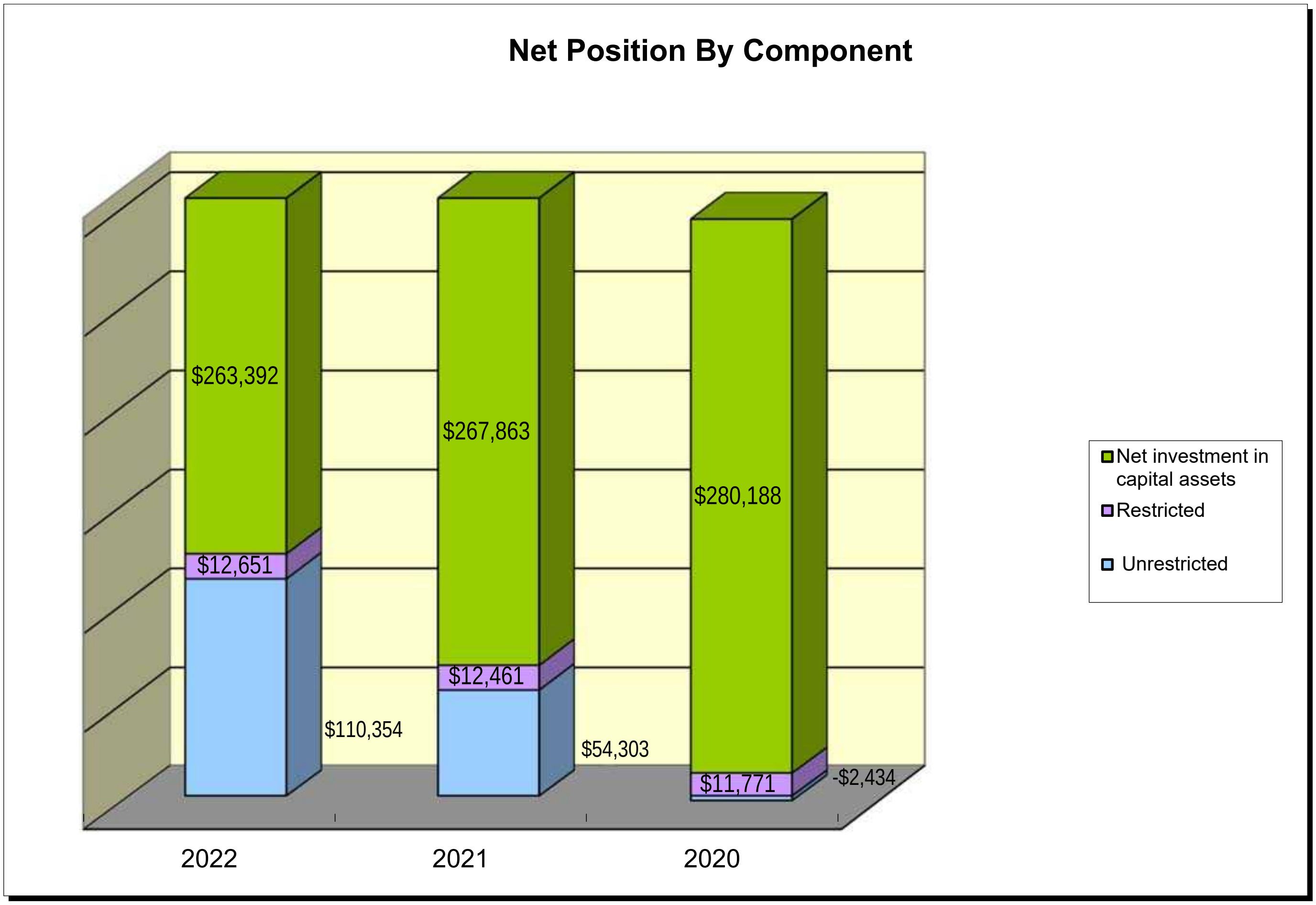
2022 Compared to 2021:

As of December 31, 2022, the Water Division's total net position (total assets and deferred outflows of resources less total liabilities and deferred inflows of resources) was $386.4 million, an increase of $51.8 million, or 15.5%, from December 31, 2021. The increase is due primarily to an increase in unrestricted net position of $56.1 million and an increase in restricted net position of $0.2 million, partially offset by a decrease in net investment in capital assets of $4.5 million. Sixty eight percent of the net position was related to net investment in capital assets.

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.

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, 2022, 2021, and 2020
(In Thousands)

	2022	2021	FY22 - FY21 Percentage Change	2020	FY21 - FY20 Percentage Change
Revenues:					
Operating revenues	$ 134,854	$ 126,145	6.9%	$ 110,654	14.0%
Non-operating revenues	1,803	1,118	61.3%	882	26.8%
Total revenues	136,657	127,263	7.4%	111,536	14.1%
Expenses:					
Depreciation expense	11,583	11,578	0.0%	11,353	2.0%
Other operating expense	65,249	62,431	4.5%	68,367	-8.7%
Non-operating expense	3,555	3,652	-2.7%	2,302	58.6%
Total expenses	80,387	77,661	3.5%	82,022	-5.3%
Income before contributions in aid of construction and transfers	56,270	49,602	13.4%	29,514	68.1%
Contributions in aid of construction	4,364	3,928	11.1%	4,087	-3.9%
Reduction of plant costs recovered through contributions in aid of construction	(4,364)	(3,928)	-11.1%	(4,087)	3.9%
Transfers to City of Memphis	(4,500)	(4,500)	0.0%	(2,500)	-80.0%
Change in net position	$ 51,770	$ 45,102	14.8%	$ 27,014	67.0%
Net position, beginning of year	$ 334,627	$ 289,525	15.6%	$ 262,511	10.3%
Change in net position	51,770	45,102	14.8%	27,014	67.0%
Net position, end of year	$ 386,397	$ 334,627	15.5%	$ 289,525	15.6%

Change in Net Position

2022 Compared to 2021:

As of December 31, 2022, the change in net position is $51.8 million, up $6.7 million from $45.1 million at December 31, 2021. This increase is due to an increase in operating revenues of $8.7 million, offset by an increase in other operating expenses of $2.8 million.

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.

Revenues

2022 Compared to 2021:

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

2021 Compared to 2020:

Total revenues were $127.3 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 $15.5 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 non-operating revenues of $0.2 million.

Expenses

2022 Compared to 2021:

As of December 31, 2022, total expenses for the Water Division were $80.4 million, an increase of $2.7 million, or 3.5%, compared to fiscal year 2021. This resulted from an increase in other operating expense of $2.8 million, offset by a decrease in non-operating expense of $0.1 million.

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.

Contributions in aid of construction

2022 Compared to 2021:

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

2021 Compared to 2020:

Contributions in aid of construction ("CIAC") were $3.9 million for fiscal year 2021, a decrease of $0.2 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.

Transfers to the City of Memphis

2022 Compared to 2021:

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

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.

Economic Factors

MLGW serves the City of Memphis and the Shelby County area that, according to the most recent Census data (July 2021), has a population of 1,163,000. The unemployment rate within the City of Memphis was 4% at December 31, 2022.

Inflationary trends in the region are comparable to national indices.

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.

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Financial Statements

Required and Supplemental Information

MLGW

Memphis Light, Gas and Water Division
Years ended December 31, 2022 and 2021
with Independent Auditors' Report


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STATEMENTS OF NET POSITION
DECEMBER 31, 2022 AND 2021
(Dollars in Thousands)

MLGW
SERVING YOU IS WHAT WE DO

	Electric Division		Gas Division		Water Division	
	2022	2021 As Restated	2022	2021 As Restated	2022	2021 As Restated
Assets						
Current assets:						
Cash and cash equivalents	**$ 231,031**	$ 227,745	**$ 131,041**	$ 87,517	**$ 73,866**	$ 53,065
Investments	**103,335**	94,330	**56,623**	34,890	**33,084**	22,037
Derivative financial instruments	-	-	**2,297**	9,245	-	-
Restricted funds - current	**41,724**	75,498	**45,491**	60,006	**29,528**	54,181
Accrued interest receivable	-	-	**315**	4	-	-
Accounts receivable - MLGW services (less allowance for doubtful accounts)	**90,760**	82,251	**31,801**	33,918	**10,881**	9,421
Accounts receivable - billing on behalf of other entities	-	-	**11,942**	11,987	**10,550**	10,630
Accounts receivable - Other Industrial Gas	-	-	**4,292**	-	-	-
Lease receivable - current	**648**	1,102	**427**	411	**166**	228
Unbilled revenues	**60,551**	53,234	**18,291**	18,237	**6,420**	4,643
Unbilled revenues - Other Industrial Gas	-	-	**2,532**	-	-	-
Unrecovered purchased power/gas cost	**3,279**	594	-	5,970	-	-
Gas stored - LNG	-	-	**7,211**	952	-	-
Gas stored - No Notice Service	-	-	-	1,280	-	-
Inventories	**73,948**	49,503	**12,460**	12,222	**5,828**	6,155
Prepayment - insurance	-	-	**1,015**	1,327	-	-
Unamortized debt expense - current	**161**	168	**79**	83	**84**	88
Meter replacement - current	**1,227**	1,215	**1,464**	1,448	**479**	477
Other current assets	**3,676**	3,853	**952**	2,713	**2,378**	2,455
Total current assets	**610,340**	589,493	**328,233**	282,210	**173,264**	163,380
Non-current assets:						
Restricted funds:						
Insurance reserves - injuries and damages	**4,933**	3,940	**4,893**	4,930	**1,745**	1,919
Insurance reserves - casualties and general	**22,890**	22,267	**10,137**	10,074	**7,882**	7,726
Medical benefits	**21,348**	19,574	**9,738**	8,928	**6,367**	5,838
Customer deposits	**34,491**	32,806	**9,163**	6,941	**3,249**	2,935
Interest fund - revenue bonds - series 2014	**98**	107	-	-	**33**	35
Interest fund - revenue bonds - series 2016	**120**	125	**120**	125	**62**	64
Interest fund - revenue bonds - series 2017	**264**	274	**129**	133	**68**	70
Interest fund - revenue bonds - series 2020A	**483**	485	**206**	206	**214**	215
Interest fund - revenue refunding bonds - series 2020B	**41**	41	-	-	-	-
Sinking fund - revenue bonds - series 2014	**271**	253	-	-	**58**	55
Sinking fund - revenue bonds - series 2016	**140**	130	**140**	130	**113**	106
Sinking fund - revenue bonds - series 2017	**304**	281	**133**	123	**86**	81
Sinking fund - revenue bonds - series 2020A	**232**	217	**99**	92	**108**	100
Sinking fund - revenue refunding bonds - series 2020B	**39**	38	-	-	-	-
Construction fund - revenue bonds - series 2020A	-	37,241	**27,322**	43,358	**17,973**	43,153
Groundwater reserve fund	-	-	-	-	**1,433**	1,399
Total restricted funds	**85,654**	117,779	**62,080**	75,040	**39,391**	63,696
Less restricted funds - current	**(41,724)**	(75,498)	**(45,491)**	(60,006)	**(29,528)**	(54,181)
Restricted funds - non-current	**43,930**	42,281	**16,589**	15,034	**9,863**	9,515

See accompanying notes.

STATEMENTS OF NET POSITION
DECEMBER 31, 2022 AND 2021
(Dollars in Thousands)
(Continued)

	Electric Division		Gas Division		Water Division	
	2022	2021	2022	2021	2022	2021
		As Restated		As Restated		As Restated
Other assets:						
Prepayment - in lieu of taxes	**1,612**	1,631	**37**	37	**-**	-
Unamortized debt expense	**1,473**	1,634	**776**	856	**805**	889
Notes receivable	**-**	-	**-**	-	**1,337**	1,514
Lease receivable - long term	**3,735**	4,245	**15,505**	15,932	**903**	1,069
Meter replacement - long term	**13,922**	14,975	**18,330**	19,548	**4,524**	4,977
Net pension asset - long term	**120,464**	63,587	**46,178**	24,375	**34,132**	18,016
Total other assets	**141,206**	86,072	**80,826**	60,748	**41,701**	26,465
Utility plant						
Plant in service	**2,141,870**	2,077,574	**804,827**	794,928	**618,929**	595,771
Plant held for future use	**-**	-	**212**	212	**-**	-
Non-utility plant	**15,345**	15,345	**200**	200	**-**	-
Total utility plant	**2,157,215**	2,092,919	**805,239**	795,340	**618,929**	595,771
Less accumulated depreciation & amortization	**(976,296)**	(942,892)	**(411,603)**	(394,640)	**(241,168)**	(233,565)
Utility plant, net	**1,180,919**	1,150,027	**393,636**	400,700	**377,761**	362,206
Intangible Assets						
Right of use assets	**830**	830	**242**	242	**179**	179
Less accumulated amortization	**(562)**	(281)	**(152)**	(76)	**(112)**	(56)
Intangible assets, net	**268**	549	**90**	166	**67**	123
Total non-current assets	**1,366,323**	1,278,929	**491,141**	476,648	**429,392**	398,309
Total assets	**1,976,663**	1,868,422	**819,374**	758,858	**602,656**	561,689
Deferred outflows of resources						
Unamortized balance of refunded debt	**861**	1,102	**-**	-	**-**	-
Employer pension contribution	**12,565**	14,520	**4,816**	5,566	**3,560**	4,114
Employer OPEB contribution	**23,028**	22,537	**8,828**	8,639	**6,525**	6,386
Pension liability experience	**7,965**	6,651	**3,053**	2,549	**2,257**	1,884
OPEB liability experience	**11,173**	6,875	**4,283**	2,635	**3,166**	1,948
Pension changes of assumptions	**20,110**	-	**7,709**	-	**5,698**	-
OPEB changes of assumptions	**15,435**	-	**5,917**	-	**4,373**	-
Total deferred outflows of resources	**91,137**	51,685	**34,606**	19,389	**25,579**	14,332
Total assets and deferred outflows of resources	**$ 2,067,800**	$ 1,920,107	**$ 853,980**	$ 778,247	**$ 628,235**	$ 576,021

See accompanying notes.

STATEMENTS OF NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Dollars in Thousands)
(Continued)

MLGW
SERVING YOU IS WHAT WE DO

	Electric Division		Gas Division		Water Division	
	2022	2021 As Restated	2022	2021 As Restated	2022	2021 As Restated
Liabilities						
Current liabilities:						
Accounts payable - purchased power and gas	**$ 153,539**	$ 133,008	**$ 41,863**	$ 23,114	**$ -**	$ -
Accounts payable - other payables and liabilities	**30,136**	29,421	**7,341**	3,315	**6,690**	6,034
Accounts payable - recovered gas cost due to customers	**-**	-	**22,908**	-	**-**	-
Accounts payable - billing on behalf of other entities	**-**	-	**9,879**	10,266	**9,945**	10,436
Accrued vacation	**10,650**	10,499	**4,093**	4,044	**2,955**	2,889
Bonds payable	**10,505**	10,102	**3,963**	3,795	**3,886**	3,763
Lease liability - current	**229**	281	**74**	75	**55**	56
Total current liabilities payable from current assets	**205,059**	183,311	**90,121**	44,609	**23,531**	23,178
Current liabilities payable from restricted assets:						
Insurance reserves - injuries and damages	**4,933**	3,940	**4,893**	4,930	**1,745**	1,919
Medical benefits	**10,161**	8,388	**4,635**	3,826	**3,030**	2,502
Customer deposits	**13,451**	12,794	**2,712**	1,980	**1,267**	1,145
Bonds payable - accrued interest	**1,006**	1,032	**455**	464	**378**	384
Bonds payable - principal	**986**	919	**372**	345	**365**	342
Total current liabilities payable from restricted assets	**30,537**	27,073	**13,067**	11,545	**6,785**	6,292
Total current liabilities	**235,596**	210,384	**103,188**	56,154	**30,316**	29,470
Non-current liabilities:						
Customer advances for construction	**13**	197	**-**	6	**-**	-
Customer deposits	**21,040**	20,012	**6,451**	4,961	**1,982**	1,790
LNG deposits	**-**	-	**25**	25	**-**	-
Reserve for unused sick leave	**7,655**	7,607	**3,154**	3,126	**2,024**	2,005
Revenue bonds - series 2014	**22,445**	25,605	**-**	-	**9,500**	10,180
Revenue bonds - series 2016	**29,950**	31,580	**29,950**	31,580	**21,490**	22,805
Revenue bonds - series 2017	**71,005**	74,550	**31,675**	33,230	**19,400**	20,400
Revenue bonds - series 2020A	**140,195**	142,900	**59,680**	60,830	**64,380**	65,635
Revenue refunding bonds - series 2020B	**27,655**	28,105	**-**	-	**-**	-
Unamortized debt premium	**36,267**	39,547	**18,730**	20,453	**14,212**	15,349
Lease liability - long term	**50**	280	**19**	93	**14**	69
Net OPEB liability	**72,662**	91,077	**27,854**	34,913	**20,588**	25,805
Other	**1,572**	1,533	**250**	253	**468**	485
Total non-current liabilities	**430,509**	462,993	**177,788**	189,470	**154,058**	164,523
Total liabilities	**666,105**	673,377	**280,976**	245,624	**184,374**	193,993
Deferred inflows of resources						
Leases	**4,233**	5,252	**15,431**	16,085	**1,032**	1,274
Pension liability experience	**1,512**	3,146	**580**	1,206	**428**	891
OPEB liability experience	**2,263**	2,985	**867**	1,144	**641**	846
Pension changes of assumptions	**52**	70	**20**	27	**15**	20
OPEB changes of assumptions	**34,012**	58,708	**13,038**	22,505	**9,637**	16,634
Pension investment earnings experience	**108,482**	66,158	**41,585**	25,360	**30,737**	18,745
OPEB investment earnings experience	**52,849**	31,732	**20,259**	12,164	**14,974**	8,991
Accumulated increase in fair value of hedging derivatives	**-**	-	**2,297**	9,245	**-**	-
Total deferred inflows of resources	**203,403**	168,051	**94,077**	87,736	**57,464**	47,401
Net position						
Net investment in capital assets	**844,408**	836,867	**277,444**	294,764	**263,392**	267,863
Restricted	**34,077**	33,452	**15,215**	15,151	**12,651**	12,461
Unrestricted	**319,807**	208,360	**186,268**	134,972	**110,354**	54,303
Total net position	**1,198,292**	1,078,679	**478,927**	444,887	**386,397**	334,627
Total liabilities, deferred inflows of resources and net position	**$ 2,067,800**	$ 1,920,107	**$ 853,980**	$ 778,247	**$ 628,235**	$ 576,021

See accompanying notes.

STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Dollars in Thousands)

	Electric Division		Gas Division		Water Division	
	2022	**2021 As Restated**	**2022**	**2021 As Restated**	**2022**	**2021 As Restated**
Operating revenues:						
Sales and service revenues	**$ 1,461,424**	$ 1,285,786	**$ 291,809**	$ 265,474	**$ 129,172**	$ 120,717
Transported gas revenues	**-**	-	**12,891**	13,920	**-**	-
Other revenues	**30,156**	27,034	**41,564**	15,715	**5,682**	5,428
Total operating revenues	**1,491,580**	1,312,820	**346,264**	295,109	**134,854**	126,145
Operating expenses:						
Purchased power and gas for resale	**1,151,829**	985,215	**197,956**	151,669	**-**	-
Production	**-**	-	**-**	-	**19,343**	17,385
Operation	**82,266**	81,575	**55,955**	57,664	**33,287**	33,312
Maintenance	**63,574**	52,533	**10,905**	8,643	**12,619**	11,734
Depreciation & amortization	**60,294**	60,023	**23,511**	23,327	**11,583**	11,578
Payment in lieu of taxes	**6,313**	6,306	**1,004**	1,046	**-**	-
Total operating expenses	**1,364,276**	1,185,652	**289,331**	242,349	**76,832**	74,009
Operating income	**127,304**	127,168	**56,933**	52,760	**58,022**	52,136
Non-operating revenues (expenses):						
Contributions in aid of construction	**31,940**	18,218	**5,465**	2,025	**4,364**	3,928
Reduction of plant costs recovered through contributions in aid of construction	**(31,940)**	(18,218)	**(5,465)**	(2,025)	**(4,364)**	(3,928)
Transmission credits	**37,948**	37,175	**-**	-	**-**	-
Investment and other income	**4,600**	4,163	**(1,292)**	682	**1,803**	1,118
Interest expense	**(9,476)**	(9,844)	**(3,921)**	(4,053)	**(3,555)**	(3,652)
Total non-operating revenues (expenses)	**33,072**	31,494	**(5,213)**	(3,371)	**(1,752)**	(2,534)
Income before transfers	**160,376**	158,662	**51,720**	49,389	**56,270**	49,602
Transfers out - City of Memphis	**(40,763)**	(39,090)	**(17,680)**	(18,006)	**(4,500)**	(4,500)
Change in net position	**$ 119,613**	$ 119,572	**$ 34,040**	$ 31,383	**$ 51,770**	$ 45,102
Net position, beginning of year	**$ 1,078,679**	$ 959,107	**$ 444,887**	$ 413,504	**$ 334,627**	$ 289,525
Change in net position	**119,613**	119,572	**34,040**	31,383	**51,770**	45,102
Net position, end of year	**$ 1,198,292**	$ 1,078,679	**$ 478,927**	$ 444,887	**$ 386,397**	$ 334,627

See accompanying notes.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Dollars in Thousands)

	Electric Division		Gas Division		Water Division	
	2022	**2021 As Restated**	**2022**	**2021 As Restated**	**2022**	**2021 As Restated**
Cash flows from operating activities:						
Receipts from customers and users	**$ 1,477,968**	$ 1,304,595	**$ 349,173**	$ 291,107	**$ 132,886**	$ 128,186
Payments to suppliers	**(1,199,712)**	(1,002,246)	**(189,168)**	(178,593)	**(38,432)**	(34,021)
Payments to/on behalf of employees	**(131,232)**	(128,265)	**(61,095)**	(56,750)	**(43,270)**	(43,417)
Payments from (to) other Division funds	**(5,986)**	(3,750)	**(2,698)**	(2,057)	**(4,411)**	(3,320)
Payments for taxes	**(6,494)**	(6,741)	**(1,001)**	(1,038)	**-**	-
Net cash provided by operating activities	**134,544**	163,593	**95,211**	52,669	**46,773**	47,428
Cash flows from noncapital financing activities:						
Transfers to City of Memphis	**(40,763)**	(39,090)	**(17,680)**	(18,006)	**(4,500)**	(4,500)
Principal paid on lease liablities	**(281)**	(281)	**(75)**	(76)	**(56)**	(56)
Interest paid on lease liabilities	**(15)**	(26)	**(5)**	(8)	**(4)**	(6)
Net cash used in noncapital financing activities	**(41,059)**	(39,397)	**(17,760)**	(18,090)	**(4,560)**	(4,562)
Cash flows from capital and related financing activities:						
Purchase and construction of utility plant	**(123,395)**	(90,724)	**(21,950)**	(16,807)	**(31,346)**	(23,489)
Contributions in aid of construction	**31,940**	18,218	**5,465**	2,025	**4,364**	3,928
Principal payments on long-term debt	**(11,020)**	(10,560)	**(4,140)**	(3,955)	**(4,105)**	(3,985)
Interest payments on debt	**(12,371)**	(12,824)	**(5,572)**	(5,759)	**(4,612)**	(4,731)
Net cash provided by (used in) capital and related financing activities	**(114,846)**	(95,890)	**(26,197)**	(24,496)	**(35,699)**	(28,277)
Cash flows from investing activities:						
Sales and maturities of investments	**69,198**	119,187	**21,328**	81,821	**14,574**	59,250
Purchases of investments	**(79,120)**	(50,349)	**(43,307)**	(19,392)	**(25,802)**	(12,475)
Payments received on notes receivable	**-**	-	**-**	-	**177**	236
Investment income earned on investments	**1,526**	1,667	**1,041**	1,009	**852**	470
Net cash provided by (used in) investing activities	**(8,396)**	70,505	**(20,938)**	63,438	**(10,199)**	47,481
Increase (decrease) in cash and cash equivalents	**(29,757)**	98,811	**30,316**	73,521	**(3,685)**	62,070
Cash and cash equivalents, beginning of year	**337,833**	239,022	**158,155**	84,634	**113,521**	51,451
Cash and cash equivalents, end of year	**$ 308,076**	$ 337,833	**$ 188,471**	$ 158,155	**$ 109,836**	$ 113,521

See accompanying notes.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Dollars in Thousands)
(Continued)

	Electric Division		Gas Division		Water Division	
	2022	2021 As Restated	2022	2021 As Restated	2022	2021 As Restated
Reconciliation of operating income to net cash provided by operating activities:						
Operating income	**$ 127,305**	$ 127,168	**$ 56,933**	$ 52,760	**$ 58,022**	$ 52,136
Adjustments to reconcile net operating income to net cash provided by operating activities:						
Depreciation and amortization expense	**62,149**	61,857	**25,335**	25,152	**12,009**	12,024
Transmission credits	**37,948**	37,175	**-**	-	**-**	-
Other income (loss)	**3,073**	2,497	**(2,644)**	(327)	**952**	646
(Increase) decrease in assets:						
Accounts receivable - MLGW services	**(8,509)**	(5,672)	**2,206**	4,776	**(1,460)**	1,235
Accounts receivable - billing on behalf of other entities	**-**	-	**(45)**	611	**79**	(477)
Accounts receivable - Other Industrial Gas	**-**	-	**(4,292)**	-	**-**	-
Lease receivable	**963**	(5,347)	**411**	(16,343)	**228**	(1,297)
Deferred outflows - Pension	**(19,469)**	(3,277)	**(7,463)**	(1,256)	**(5,517)**	(929)
Deferred outflows - Pension investment earnings experience	**18,055**	18,055	**6,921**	6,921	**5,116**	5,116
Net pension asset	**(56,877)**	(47,689)	**(21,803)**	(18,281)	**(16,116)**	(13,512)
Deferred outflows - OPEB	**(20,223)**	303	**(7,753)**	116	**(5,729)**	86
Deferred outflows - OPEB investment earnings experience	**5,582**	5,582	**2,140**	2,140	**1,581**	1,581
Unbilled revenues	**(7,317)**	(7,581)	**(54)**	(1,212)	**(1,777)**	(166)
Unbilled revenues - Other Industrial Gas	**-**	-	**(2,532)**	-	**-**	-
Prepayments - in lieu of taxes	**19**	19	**-**	-	**-**	-
Unrecovered purchased power and gas costs	**(2,685)**	4,691	**5,970**	(5,970)	**-**	-
Inventories	**(24,445)**	(390)	**(238)**	(1,200)	**327**	(508)
Other assets	**(89)**	(168)	**3,531**	(5,943)	**-**	4
Increase (decrease) in liabilities:						
Accounts payable - purchased power and gas	**20,531**	7,287	**18,749**	2,052	**-**	-
Accounts payable - other payables and liabilities	**729**	3,957	**4,033**	(2,345)	**661**	2,149
Accounts payable - recovered gas cost due to customers	**-**	-	**22,908**	-	**-**	-
Accounts payable - billing on behalf of other entities	**-**	-	**(387)**	505	**(492)**	520
Customer deposits	**1,685**	1,023	**2,222**	(114)	**314**	391
Insurance reserves	**993**	(727)	**(37)**	3,263	**(174)**	29
Medical benefit accrual	**1,773**	(580)	**809**	(265)	**528**	(173)
Deferred inflows - Leases	**(1,019)**	5,252	**(654)**	16,085	**(243)**	1,274
Deferred inflows - Pension	**(1,652)**	(1,651)	**(633)**	(633)	**(468)**	(468)
Deferred inflows - Pension investment earnings experience	**24,269**	7,873	**9,303**	3,018	**6,876**	2,231
Deferred inflows - OPEB	**(25,418)**	(22,964)	**(9,744)**	(8,803)	**(7,202)**	(6,506)
Deferred inflows - OPEB investment earnings experience	**15,536**	14,042	**5,955**	5,383	**4,402**	3,979
Net OPEB liability	**(18,415)**	(34,058)	**(7,059)**	(13,056)	**(5,217)**	(9,650)
Other liabilities	**52**	(3,084)	**(6,877)**	5,635	**73**	(2,287)
Total adjustments	**7,239**	36,425	**38,278**	(91)	**(11,249)**	(4,708)
Net cash provided by operating activities	**$ 134,544**	$ 163,593	**$ 95,211**	$ 52,669	**$ 46,773**	$ 47,428
Reconciliation of cash and cash equivalents per statements of cash flows to the statements of net position:						
Restricted funds	**$ 85,653**	$ 117,779	**$ 62,079**	$ 75,040	**$ 39,392**	$ 63,696
Less investments included in restricted funds	**(8,608)**	(7,691)	**(4,649)**	(4,402)	**(3,422)**	(3,240)
Cash and cash equivalents included in restricted funds	**77,045**	110,088	**57,430**	70,638	**35,970**	60,456
Current assets - cash and cash equivalents	**231,031**	227,745	**131,041**	87,517	**73,866**	53,065
Total cash and cash equivalents	**$ 308,076**	$ 337,833	**$ 188,471**	$ 158,155	**$ 109,836**	$ 113,521

See accompanying notes.

STATEMENTS OF FIDUCIARY NET POSITION – PENSION TRUST PLAN AND OPEB TRUST
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Dollars in Thousands)

MLGW
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	2022			2021		
	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	$ 22,933	$ 11,288	$ 34,221	$ 36,297	$ 9,558	$ 45,855
Receivables:						
Interest, dividends and real estate receivable	3,194	1,129	4,324	3,212	1,060	4,273
Securities sold and accrued income	3,602	5,354	8,955	11,851	4,594	16,444
Miscellaneous receivable	-	-	-	-	-	-
Employer and employee contributions receivable	842	831	1,673	810	914	1,724
Collateral held in trust for securities on loan	35,968	245	36,213	74,913	486	75,399
Total receivables	43,606	7,559	51,165	90,786	7,054	97,840
Investments at fair value:						
Equity Funds:						
Common stock - domestic	128,092	111,592	239,684	308,432	132,721	441,153
Common stock & mutual funds - international	123,890	60,571	184,460	190,294	90,707	281,001
Common stock index mutual funds - domestic	406,587	127,415	534,002	427,160	140,389	567,549
Fixed Income Funds:						
Corporate bond mutual funds - domestic	42,655	43,464	86,119	49,917	51,204	101,121
Corporate bonds - international	28,527	-	28,527	37,607	-	37,607
Convertible bond mutual fund - domestic	-	13,745	13,745	-	16,894	16,894
Corporate convertible bond - international	328	-	328	826	-	826
Government bonds - domestic	10,820	-	10,820	7,728	-	7,728
Government bonds - international	22,267	-	22,267	48,264	-	48,264
Global bond fund - international	39,390	22,071	61,460	59,067	38,409	97,476
Government agencies - domestic	8,461	-	8,461	11,896	-	11,896
Government agencies - international	6,806	-	6,806	8,283	-	8,283
Asset backed securities - domestic	4,134	-	4,134	2,450	-	2,450
Asset backed securities - international	1,037	-	1,037	2,134	-	2,134
Mortgage backed securities - domestic	18,522	-	18,522	26,745	-	26,745
Fixed income ETF - domestic	34,909	-	34,909	-	-	-
Securitized asset fund	15,500	-	15,500	39,983	-	39,983
Special Strategies Funds:						
Private equity funds - domestic*	105,165	71,857	177,023	87,816	66,588	154,404
Private equity funds - international	18,451	9,885	28,336	14,681	8,789	23,470
Distressed debt funds - domestic	49,924	15,959	65,883	44,585	16,482	61,067
Distressed debt funds - international	39,084	17,102	56,186	65,480	24,665	90,145
Private debt fund - domestic	13,318	7,556	20,874	-	2,309	2,309
Multi-asset - domestic	19,396	-	19,396	16,040	-	16,040
Life settlement funds - domestic	77,171	16,768	93,938	80,564	17,503	98,066
Equity hedge fund - domestic	18,437	9,380	27,817	-	11,387	11,387
Real Estate Funds	290,290	94,745	385,035	270,935	76,543	347,478
Short-Term Investment	796	-	796	5,267	-	5,267
Total investments	1,523,957	622,110	2,146,066	1,806,154	694,590	2,500,743
Total assets	1,590,496	640,957	2,231,452	1,933,237	711,202	2,644,438
LIABILITIES						
Collateral subject to return to borrowers	35,968	245	36,213	74,913	486	75,399
Securities purchased and accrued expenses	870	4,990	5,860	12,414	5,454	17,868
Accrued liabilities	1,567	831	2,398	2,010	914	2,924
Total liabilities	38,405	6,066	44,471	89,337	6,854	96,191
FIDUCIARY NET POSITION RESTRICTED FOR PENSIONS AND OPEB	$ 1,552,091	$ 634,890	$ 2,186,981	$ 1,843,900	$ 704,348	$ 2,548,247

* The Pension System's Private equity-domestic includes a private equity fund, GPB Holdings II, LP, valued at $30.9 million, the fair value at December 31, 2021, which is the most recent available.

* The OPEB Trust's Private equity-domestic includes a private equity firm, GPB Holdings II, LP, valued at $12.2.0 million as of December 31, 2022 and 2021, respectively. The 2022 and 2021 investment value is based on the December 31, 2021 statement, which represented the most recent FMV statement provided by the general partner.

See accompanying notes.

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION – PENSION TRUST PLAN AND OPEB TRUST
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Dollars in Thousands)

	2022			2021		
	Retirement And Pension System	**Other Post Employment Benefits Trust**	**Total Fiduciary Funds**	Retirement And Pension System	Other Post Employment Benefits Trust	Total Fiduciary Funds
ADDITIONS						
Contributions						
Employer	**$ 20,941**	**$ 38,381**	**$ 59,322**	$ 24,199	$ 37,561	$ 61,760
Member	**14,657**	**-**	**14,657**	14,216	-	14,216
Total contributions	**35,598**	**38,381**	**73,979**	38,415	37,561	75,976
Investment Activities Income						
Net appreciation in fair value of investments	**(219,604)**	**(82,847)**	**(302,451)**	236,242	101,944	338,186
Interest income	**10,030**	**6,990**	**17,020**	12,027	2,787	14,814
Dividend income	**7,308**	**3,342**	**10,649**	4,737	2,658	7,394
Real estate income	**4,922**	**1,107**	**6,029**	4,695	1,132	5,827
Other income	**53**	**117**	**169**	87	9	96
Total investment activities income (loss)	**(197,291)**	**(71,291)**	**(268,583)**	257,788	108,530	366,317
Less investment activities expenses	**3,784**	**2,307**	**6,091**	5,385	2,037	7,422
Net investment activities income (loss)	**(201,075)**	**(73,598)**	**(274,674)**	252,403	106,493	358,895
Securities Lending Activities:						
Securities lending income	**1,000**	**12**	**1,011**	185	12	196
Securities lending expenses:						
Borrower rebates	**(767)**	**(4)**	**(771)**	57	11	68
Management fees	**(47)**	**(2)**	**(49)**	(48)	(5)	(53)
Total securities lending expenses	**(814)**	**(6)**	**(820)**	9	6	15
Net securities lending activities income	**186**	**6**	**193**	194	18	213
Total investment activities income (loss)	**(200,889)**	**(73,592)**	**(274,481)**	252,597	106,511	359,108
Total additions (reductions)	**(165,291)**	**(35,211)**	**(200,501)**	291,012	144,072	435,085
DEDUCTIONS						
Benefit payments	**118,655**	**33,805**	**152,460**	115,059	32,445	147,504
Contributions refund	**6,978**	**-**	**6,978**	6,722	-	6,722
Administrative expenses	**886**	**442**	**1,328**	868	823	1,691
Total deductions	**126,519**	**34,247**	**160,766**	122,649	33,268	155,917
Change in net position	**(291,810)**	**(69,458)**	**(361,268)**	168,363	110,804	279,167
FIDUCIARY NET POSITION RESTRICTED FOR PENSIONS AND OPEB						
Beginning of year	**1,843,900**	**704,348**	**2,548,248**	1,675,537	593,544	2,269,081
End of year	**$ 1,552,091**	**$ 634,890**	**2,186,981**	$ 1,843,900	$ 704,348	2,548,247

See accompanying notes.

1. Summary of Significant Accounting Policies

Organization

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

Basis of Presentation

The financial statements present the Electric, Gas and Water Divisions of MLGW in conformity with accounting principles generally accepted in the United States of America that are applicable to a proprietary fund of a government unit. The accompanying financial statements present the separate financial positions, results of operations, and cash flows of each of the three divisions--Electric, Gas and Water--(the "Divisions") of MLGW, but do not present the financial position, results of operations, or cash flows of MLGW, a division of the City of Memphis. Accordingly, the accompanying disclosures relate separately to the Divisions, as applicable, and not collectively to MLGW. Unless expressly stated, each disclosure, including references to "MLGW" herein, applies solely to each of the separate divisions on an individual basis. The Divisions collectively pool resources for investing purposes and collectively participate in a pension plan and OPEB trust. Accordingly, certain disclosures for investments, the employee retirement system and other post-employment benefits are presented on a combined basis. These statements are not intended to present the financial position of the City, the results of the City's operations or the cash flows of the City's funds, nor do they represent the financial position, results of operations, or cash flows of MLGW's Retirement and Pension System discussed in Note 9 or the Other Postemployment Benefits ("OPEB") Trust discussed in Note 10.

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.

(Dollars in Thousands)

1. Summary of Significant Accounting Policies (continued)

Regulatory Accounting (continued)

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

	Electric Division		Gas Division		Water Division	
	2022	2021	**2022**	2021	**2022**	2021
Regulatory Assets:						
Current:						
Unrecovered purchased power/gas cost	**$ 3,279**	$ 594	**$ -**	$ 5,970	**$ -**	$ -
Meter replacement	**1,227**	1,215	**1,464**	1,448	**479**	477
Unamortized debt expense	**161**	168	**79**	83	**84**	88
Total current	**4,667**	1,977	**1,543**	7,501	**563**	565
Non-Current:						
Meter replacement	**13,922**	14,975	**18,330**	19,548	**4,524**	4,977
Unamortized debt expense	**1,473**	1,634	**776**	856	**805**	889
Total non-current	**15,395**	16,609	**19,106**	20,404	**5,329**	5,866
Total Regulatory Assets	**$ 20,062**	$ 18,586	**$ 20,649**	$ 27,905	**$ 5,892**	$ 6,431
Regulatory Liabilities:						
Current:						
Purchased gas adjustment	**$ -**	$ -	**$ 3,390**	$ -	**$ -**	$ -
Total Regulatory Liabilities	**$ -**	$ -	**$ 3,390**	$ -	**$ -**	$ -

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, 2022:

- U.S. Treasury Securities of $208,866 (Level 1 inputs)

- Commercial Paper of $210,257; Government Mortgage-backed Securities of $18,620; and U.S. Government Agencies of $209,876 (Level 2 inputs)

- Government Mortgage-backed Securities of $243 (Level 3 inputs)

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)

Cash and cash equivalents

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

Accounts Receivable

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

As of December 31, 2022 and 2021, accounts receivable and allowances for doubtful accounts were as follows:

(Dollars in Thousands)

1. Summary of Significant Accounting Policies (continued)

Accounts Receivable (continued)

	Electric Division		Gas Division		Water Division	
	2022	2021	**2022**	2021	**2022**	2021
Accounts Receivable	**$ 106,522**	$ 96,357	**$ 49,213**	$ 46,894	**$ 23,084**	$ 21,655
Allowance for doubtful accounts	**(15,762)**	(14,106)	**(1,178)**	(990)	**(1,653)**	(1,604)
Total A/R, net of allowance	**$ 90,760**	$ 82,251	**$ 48,035**	$ 45,904	**$ 21,431**	$ 20,051

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:

	2022	2021
Electric	**$ 5,908**	$ 3,057
Gas	**1,397**	744
Water	**998**	574

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

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

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

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

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

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

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

The Water Division maintains a ground water reserve fund in accordance with a five year Agreement entered on July 1, 2018 into by and between MLGW and the University of Memphis (University) on behalf of the Herff College of Engineering's Center for Applied Earth Science and Engineering Research (CAESER). The 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.

(Dollars in Thousands)

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, 2022 and 2021:

	Electric Division		Gas Division		Water Division	
	2022	2021	**2022**	2021	**2022**	2021
Casualty Insurance	**$ 22,890**	$ 22,267	**$ 10,137**	$ 10,074	**$ 7,882**	$ 7,726
Medical Benefits and other	**11,187**	11,185	**5,078**	5,077	**4,769**	4,735
Total	**$ 34,077**	$ 33,452	**$ 15,215**	$ 15,151	**$ 12,651**	$ 12,461

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 2022 and 2021 totaled $9,461 and $9,818, respectively. The amount of interest cost incurred and charged to gas expense in 2022 and 2021 totaled $3,916 and $4,045, respectively. The amount of interest cost incurred and charged to water expense in 2022 and 2021 totaled $3,551 and $3,646, 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 2.8% for the electric division, 2.8% for the gas division and 1.8% for the water division. Computations of the estimated service lives are the result of various depreciation studies and comparisons with industry standards.

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

1. Summary of Significant Accounting Policies (continued)

Leases

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

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

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

Futures, Options and Swap Contracts

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

Bond Premiums, Discounts and Issuance Costs

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

1. Summary of Significant Accounting Policies (continued)

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.

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.

1. Summary of Significant Accounting Policies (continued)

Deferred Outflows and Inflows of Resources (continued)

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

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

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

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

Pensions

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

Other Postemployment Benefits

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

1. Summary of Significant Accounting Policies (continued)

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, 2022 and 2021, receivables from related parties for utility construction, pole rentals and utility related services excluding utility bills were $3,017 and $1,754, respectively.

As of December 31, 2022, 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 $116 for 2022 and $78 for 2021.

The Electric, Gas and Water Divisions make transfers to the City. See Note 16 (Transfers to City).

Prior Period Restatements

In 2022, MLGW implemented GASB Statement No. 87, *Leases*. GASB 87 requires lessee to recognize an intangible right of use asset and a lease liability, and a lessor to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information regarding leasing activities. Accordingly, the accompanying financial statements, as of and for year ended December 31, 2021, have been restated for the change, which did have an immaterial impact on the net position. As a result of the implementation of this provision, MLGW increased Electric, Gas and Water Divisions net position for 2021 by $83, $255, and $20, respectively.

As lessee and as a result of adopting GASB 87, as of December 31, 2021, MLGW's Electric Division recorded total intangible right of use assets of $830 with accumulated amortization of $281 and recognized total lease liabilities of $560, ($281 current). Electric Division also reclassified $296 from operating expenses to $281 as amortization expense and $26 as interest expense.

As lessee and as a result of adopting GASB 87, as of December 31, 2021, MLGW's Gas Division recorded total intangible right of use assets of $242 with accumulated amortization of $76 and recognized total lease liabilities of $169, ($75 current). Gas Division also reclassified $80 from operating expenses to $76 as amortization expense and $8 as interest expense.

As lessee and as a result of adopting GASB 87, as of December 31, 2021, MLGW's Water Division recorded total intangible right of use assets of $179 with accumulated amortization of $56 and recognized total lease liabilities of $125, ($56 current). Water Division also reclassified $59 from operating expenses to $56 as amortization expense and $6 as interest expense.

Related to lease agreements where MLGW is the lessor, as a result of adopting GASB 87, as of December 31, 2021, MLGW's Electric Division recognized lease receivables of $5,347 ($1,102 current), with a corresponding deferred inflow of resources of $5,252. MLGW's Electric Division also reclassified $1,297 from miscellaneous non-operating income shown in investment and other income to $1,163 as miscellaneous non-operating income-right of use assets and $220 as interest income.

1. Summary of Significant Accounting Policies (continued)

Prior Period Restatements (continued)

Related to lease agreements where MLGW is the lessor, as a result of adopting GASB 87, as of December 31, 2021, MLGW's Gas Division recognized lease receivables of $16,343 ($411 current), with a corresponding deferred inflow of resources of $16,085. MLGW's Gas Division also reclassified $1,019 from rent from gas property shown in other operating revenue to $654 as other operating lease revenue and $623 as interest income.

Related to lease agreements where MLGW is the lessor, as a result of adopting GASB 87, as of December 31, 2021, MLGW's Water Division recognized lease receivables of $1,297 ($228 current), with a corresponding deferred inflow of resources of $1,274. MLGW's Water Division also reclassified $272 from miscellaneous non-operating income shown in investment and other income to $243 as miscellaneous non-operating income-right of use assets and $53 as interest income.

Additional disclosures, as well as other reclassifications in the statement of cash flows, also resulted from the adoption of GASB 87.

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, 2022 and June 7, 2023, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

Recent Accounting Standards

Effective for fiscal year 2022, MLGW adopted the provisions of GASB issued Statement No. 87, *Leases.* GASB 87's objectives are to better meet the information needs of financial statement users by improving how governments report leases, enhancing the comparability of financial statements between governments, and enhancing the relevance, reliability, and consistency of information about governments' leasing activities. Statement No. 87 is effective for fiscal years beginning after June 15, 2022. Adoption of this Statement is reflected in the Division's financial statements.

1. Summary of Significant Accounting Policies (continued)

Recent Accounting Standards (continued)

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

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

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

2. Deposits and Investments

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

2. Deposits and Investments (continued)

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, 2022 and December 31, 2021, MLGW deposits with financial institutions were $89,115 and $162,521, respectively. For 2022 and 2021, 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.

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.

(Dollars in Thousands)

2. Deposits and Investments (continued)

Investments (continued)

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

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

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

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

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

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

(Dollars in Thousands)

2. Deposits and Investments (continued)

Investments (continued)

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

Investment Type	Fair Value	Maturities < 1 year	Maturities 1 to 4 years	Maturities > 4 years
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**	$ -

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, 2022 and 2021 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, 2022 and 2021. 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, 2022, these securities represent 2.6% of the total investment portfolio with a fair market value of $18,863. As of December 31, 2021, these securities represent 2.7% of the total investment portfolio with a fair market value of $16,647.

(Dollars in Thousands)

2. Deposits and Investments (continued)

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, 2022, MLGW debt securities that were subject to credit risk were $210,257, or 29.4% of total investments. These debt securities have a remaining maturity of less than one year. The Tennessee Local Government Investment Pool is a non-rated, SEC 2a-7-like fund and the amount stated is based on the pool price per share. The pool is reported at its amortized book value. The LGIP is a TN Treasury Department program that manages state and local governments' short-term investments. The LGIP is commingled with the SPIF. The SPIF Investment Policy states, "For investment purposes, pursuant to T.C.A. §9-4-704, funds in the Local Government Investment Pool ("LGIP") have been commingled with state funds held in the SPIF".

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

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

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

(Dollars in Thousands)

2. Deposits and Investments (continued)

Credit Risk (continued)

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.

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

Investment Type	Fair Value	S&P Rating	Moody's Rating
Tennessee Local Government Investment Pool	$ 96,100	N/A	N/A
Commercial Paper	55,491	AAA	Aaa
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**		

Non-Rating Description	
NA	Not Available

(Dollars in Thousands)

2. Deposits and Investments (continued)

Concentration of Credit Risk

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

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

U.S. Treasuries	100%	maximum
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, 2022, the investments in any one issuer of commercial paper that represents 5% or more of MLGW's investments are as follows:

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

(Dollars in Thousands)

2. Deposits and Investments (continued)

Concentration of Credit Risk (continued)

As of December 31, 2021, the investments in any one issuer of commercial paper that represents 5% of more of MLGW's investments are as follows:

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

Restricted and Unrestricted Funds

Restricted funds, cash and cash equivalents, and investments considered of the following as of December 31, 2022 and 2021:

	Electric Division		Gas Division		Water Division	
	2022	2021	**2022**	2021	**2022**	2021
Restricted fund:						
Cash and cash equivalents	**$ 77,047**	$ 110,088	**$ 57,430**	$ 70,638	**$ 35,970**	$ 60,456
Investments	**8,606**	7,691	**4,649**	4,402	**3,422**	3,240
Total restricted funds	**$ 85,653**	$ 117,779	**$ 62,079**	$ 75,040	**$ 39,392**	$ 63,696

	Electric Division		Gas Division		Water Division	
	2022	2021	**2022**	2021	**2022**	2021
Unrestricted fund:						
Cash and cash equivalents	**$ 231,031**	$ 227,745	**$ 131,041**	$ 87,517	**$ 73,866**	$ 53,065
Investments	**103,335**	94,330	**56,623**	34,890	**33,084**	22,037
Total unrestricted funds	**$ 334,366**	$ 322,075	**$ 187,664**	$ 122,408	**$ 106,950**	$ 75,102

3. Notes Receivable

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

The Arlington note receivable is included in notes receivables in the accompanying 2022 Water Division's Statements of Net Position.

4. Lease Receivables

MLGW leases land, pole space, and other assets to third parties. As of December 31, 2022, remaining lease terms range from two to 24 years, and several leases have an option to extend the lease term after the completion of the contracted term.

The Electric Division had a lease receivable balance as of December 31, 2022 was $4,384, of which $648 is current and $3,735 is long-term on the Statements of Net Position. The lease receivable balance as of December 31, 2021 was $5,347, of which $1,102 was current and $4,245 is long-term on the Statements of Net Position. The Electric Division recognized revenue of $1,639 for the year ended December 31, 2022 and $1,635 for the year ended December 31, 2021. Interest income was not material in either period. Revenue is reported in investment and other income on the Statements of Revenues, Expenses, and Changes in Net Position. There were no material variable lease payments paid or received nor impairment losses in fiscal year 2022 or 2021.

The Gas Division had a lease receivable balance as of December 31, 2022 was $15,932, of which $427 is current and $15,505 is long-term on the Statements of Net Position. The lease receivable balance as of December 31, 2021 was $16,343, of which $411 was current and $15,932 is long-term on the Statements of Net Position. The Gas Division recognized revenue of $654 for the year ended December 31, 2022 and $654 for the year ended December 31, 2021. Interest income was not material in either period. Revenue is reported as other operating revenue on the Statements of Revenues, Expenses, and Changes in Net Position. There were no material variable lease payments paid or received nor impairment losses in fiscal year 2022 or 2021.

The Water Division had a lease receivable balance as of December 31, 2022 was $1,069, of which $166 is current and $903 is long-term on the Statements of Net Position. The lease receivable balance as of December 31, 2021 was $1,297, of which $228 was current and $1,069 is long-term on the Statements of Net Position. The Water Division recognized revenue of $242 for the year ended December 31, 2022 and $242 for the year ended December 31, 2021. Interest income was not material in either period. Revenue is

(Dollars in Thousands)

4. Lease Receivables (continued)

reported in investment and other income on the Statements of Revenues, Expenses, and Changes in Net Position. There were no material variable lease payments paid or received nor impairment losses in fiscal year 2022 or 2021.

MLGW leases pole space to third party telecommunication companies through agreements which classify as regulated leases. The lease rates for these agreements are prescribed by TVA based on TVA's cost recovery model. These regulated lease assets are not subject to exclusive use by any counterparty. MLGW recognized revenue of $2.9 million for the year ended December 31, 2022 and $2.9 million for the year ended December 31, 2021.

The following table summarizes the expected future minimum payments for regulated leases as of December 31, 2022:

Year	Expected Future Minimum Payment
2023	$ 2,917
2024	2,116
2025	2,112
2026	2,111
2027	2,104
2028-2033	11,597
	$ 22,957

(Dollars in Thousands)

5. Lease Liabilities

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

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

	Beginning Balance	Increases	Decreases	Ending Balance
Year ended December 31, 2022				
Electric Division				
Total lease liabilities	$ 560	$ -	$ (281)	$ 279
Less current portion	(281)			(229)
Long-term portion	$ 279			$ 50

	Beginning Balance	Increases	Decreases	Ending Balance
Year ended December 31, 2022				
Gas Division				
Total lease liabilities	$ 169	$ -	$ (75)	$ 94
Less current portion	(75)			(74)
Long-term portion	$ 94			$ 20

	Beginning Balance	Increases	Decreases	Ending Balance
Year ended December 31, 2022				
Water Division				
Total lease liabilities	$ 125	$ -	$ (56)	$ 69
Less current portion	(56)			(55)
Long-term portion	$ 69			$ 14

(Dollars in Thousands)

5. Lease Liabilities (continued)

Changes in lease liabilities are summarized as of December 31, 2021:

	Beginning Balance	Increases	Decreases	Ending Balance
Year ended December 31, 2021				
Electric Division				
Total lease liabilities	$ 830	$ -	$ (270)	$ 560
Less current portion	(270)			(281)
Long-term portion	$ 560			$ 279

	Beginning Balance	Increases	Decreases	Ending Balance
Year ended December 31, 2021				
Gas Division				
Total lease liabilities	$ 242	$ -	$ (73)	$ 169
Less current portion	(73)			(75)
Long-term portion	$ 169			$ 94

	Beginning Balance	Increases	Decreases	Ending Balance
Year ended December 31, 2021				
Water Division				
Total lease liabilities	$ 179	$ -	$ (54)	$ 125
Less current portion	(54)			(56)
Long-term portion	$ 125			$ 69

(Dollars in Thousands)

5. Lease Liabilities (continued)

Maturities and future interest requirements related to the balances of lease liabilities outstanding as of December 31, 2022, are summarized as follows:

Electric Division

	Lease Maturities	Interest Requirments
2023	$ 229	$ 5
2024	50	1
Total	$ 279	$ 6

Gas Division

	Lease Maturities	Interest Requirments
2023	$ 74	$ 2
2024	20	-
Total	$ 94	$ 2

Water Division

	Lease Maturities	Interest Requirments
2023	$ 55	$ 1
2024	14	-
Total	$ 69	$ 1

(Dollars in Thousands)

6. Utility Plant and Intangible Right of Use Assets

Utility plant and intangible right of use assets activity for the years ended December 31, 2022 and 2021 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Year ended December 31, 2022				
Electric Division				
Capital assets not being depreciated:				
Land	$ 38,586	$ -	$ -	$ 38,586
Land - Non-utility	15,345	-	-	15,345
Construction in progress	92,239	80,195	(69,836)	102,598
Total capital assets not being depreciated	146,170	80,195	(69,836)	156,529
Capital assets being depreciated or amortized:				
Structures and improvements	72,978	4,821	-	77,799
Transmission and distribution plant equipment	1,666,742	61,115	(12,195)	1,715,662
General plant equipment	193,753	3,802	(3,705)	193,850
Intangibles: Software	13,276	99	-	13,375
Total capital assets being depreciated or amortized	1,946,749	69,837	(15,900)	2,000,686
Less accumulated depreciation and amortization	(942,892)	(63,172)	29,768	(976,296)
Total capital assets being depreciated or amortized, net	1,003,857	6,665	13,868	1,024,390
Total capital assets, net	$ 1,150,027	$ 86,860	$ (55,968)	$ 1,180,919
Intangible Right of Use Assets				
Office Equipment	$ 630	$ -	$ -	$ 630
Other	200	-	-	200
Total Intangible Right of Use Assets	830	-	-	830
Less accumulated amortization	(281)	(281)	-	(562)
Total Intangible Right of Use Assets, net	$ 549	$ (281)	$ -	$ 268

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(Dollars in Thousands)

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

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

Intangible Right of Use Assets				
Office Equipment	$ 242	$ -	$ -	$ 242
Total Intangible Right of Use Assets	242	-	-	242
Less accumulated amortization	(76)	(76)	-	(152)
Total Intangible Right of Use Assets, net	$ 166	$ (76)	$ -	$ 90

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(Dollars in Thousands)

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

	Beginning Balance	Increases	Decreases	Ending Balance
Year ended December 31, 2022				
Water Division				
Capital assets not being depreciated:				
Land	$ 2,649	$ 7	$ -	$ 2,656
Construction in progress	56,880	24,720	(11,940)	69,660
Total capital assets not being depreciated	59,529	24,727	(11,940)	72,316
Capital assets being depreciated or amortized:				
Structures and improvements	54,548	993	-	55,541
Pumping, transmission and distribution plant equipment	441,806	11,131	(681)	452,256
General plant equipment	37,711	231	(1,303)	36,639
Intangibles: Software	2,177	-	-	2,177
Total capital assets being depreciated or amortized	536,242	12,355	(1,984)	546,613
Less accumulated depreciation and amortization	(233,565)	(12,086)	4,483	(241,168)
Less acquisition adjustment	-	-	-	-
Total capital assets being depreciated or amortized, net	302,677	269	2,499	305,445
Total capital assets, net	$ 362,206	$ 24,996	$ (9,441)	$ 377,761
Intangible Right of Use Assets				
Office Equipment	$ 179	$ -	$ -	$ 179
Total Intangible Right of Use Assets	179	-	-	179
Less accumulated amortization	(56)	(56)	-	(112)
Total Intangible Right of Use Assets, net	$ 123	$ (56)	$ -	$ 67

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(Dollars in Thousands)

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

	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	-	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
Intangible Right of Use Assets				
Office Equipment	$ -	$ 630	$ -	$ 630
Other	-	200	-	200
Total Intangible Right of Use Assets	-	830	-	830
Less accumulated amortization	-	(281)	-	(281)
Total Intangible Right of Use Assets, net	$ -	$ 549	$ -	$ 549

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(Dollars in Thousands)

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

	Beginning Balance	Increases	Decreases	Ending Balance
Year ended December 31, 2021				
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
Intangible Right of Use Assets				
Office Equipment	$ -	$ 242	$ -	$ 242
Total Intangible Right of Use Assets	-	242	-	242
Less accumulated amortization	-	(76)	-	(76)
Total Intangible Right of Use Assets, net	$ -	$ 166	$ -	$ 166

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(Dollars in Thousands)

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

	Beginning Balance	Increases	Decreases	Ending 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
Intangible Right of Use Assets				
Office Equipment	$ -	$ 179	$ -	$ 179
Total Intangible Right of Use Assets	-	179	-	179
Less accumulated amortization	-	(56)	-	(56)
Total Intangible Right of Use Assets, net	$ -	$ 123	$ -	$ 123

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 2023 are estimated as follows (unaudited):

Electric Division	$ 231,923
Gas Division	24,281
Water Division	42,532

(Dollars in Thousands)

7. 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 $4,623 and $3,500 with its FCM at December 31, 2022 and 2021, 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, 2022 and 2021.

	December 31, 2022		December 31, 2021	
Type	**Market Value**	**Notional Amount**	Market Value	Notional Amount
Futures	$ -	$ -	$ -	$ -
Options	2,297	42,450	9,245	201,701
Total	$ 2,297	$ 42,450	$ 9,245	$201,701

(Dollars in Thousands)

7. Futures, Options and Swap Contracts (continued)

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

Type	December 31, 2022 Deferred Gains (Losses)	December 31, 2021 Deferred Gains (Losses)
Futures	$ -	$ -
Options	2,122	8,204
Total	$2,122	$8,204

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

Type	December 31, 2022 Deferred Gains (Losses)	December 31, 2021 Deferred Gains (Losses)
Options	$23,074	($218)
Total	$23,074	($218)

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, 2022 and 2021 was ($0) and ($0), respectively.

8. 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

(Dollars in Thousands)

8. Deferred Compensation Plan (continued)

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

9. 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:

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

(Dollars in Thousands)

9. Employee Retirement System (continued)

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 2022 minimum monthly retirement benefit for all members is the greater of $60 times the full years of service, or $600. The 2021 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:

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

(Dollars in Thousands)

9. Employee Retirement System (continued)

Cost of Living Adjustments (continued)

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

Net Pension Liability (Asset)

The net pension liability (asset) is the difference between the actuarial present value of projected pension benefit payments attributable to employees' past service and the Plan's fiduciary net position. For 2022, MLGW's net pension liability was measured as of December 31, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022.

For 2021, MLGW's net pension liability (asset) was measured as of December 31, 2020 and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of January 1, 2021.

Employees Covered

Plan membership consisted of the following participants as of December 31, 2021 and 2020:

	2021	2020
Retirees and beneficiaries receiving benefits	**2,700**	2,678
Participants inactive during year ended December 31 with vested rights	**34**	37
Active members fully vested	**1,023**	1,051
Active members not vested	**1,403**	1,429
Total	**5,160**	5,195

(Dollars in Thousands)

9. 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 2021, MLGW contributed 13.77% of the annual covered payroll. Employer contributions recognized by the MLGW Pension Plan during 2021 totaled $24,199. For 2020, MLGW contributed 14.13% of the annual covered payroll. Employer contributions recognized by the MLGW Pension Plan during 2020 totaled $24,504.

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, 2021 is based on the January 1, 2020 actuarial valuation.

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

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

(Dollars in Thousands)

9. Employee Retirement System (continued)

Actuarial Assumptions (continued)

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 adjustments	0.75% for ages 56-58 1.50% for ages 59-61 1.875% for ages 62 and older, and all disabled participants

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

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

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

(Dollars in Thousands)

9. Employee Retirement System (continued)

Actuarial Assumptions (continued)

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

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:

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%	

Discount Rate

The discount rate used to measure the total pension liability is 7.00% and 7.25% as of December 31, 2021 and 2020. 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, 2021 and 2020.

(Dollars in Thousands)

9. Employee Retirement System (continued)

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

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

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:

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

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.

(Dollars in Thousands)

9. Employee Retirement System (continued)

Net Pension Liability (Asset)

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

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

(Dollars in Thousands)

9. Employee Retirement System (continued)

Net Pension Liability (Asset)

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

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at December 31, 2019	$ 1,530,875	$ 1,557,372	$ (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)

(Dollars in Thousands)

9. Employee Retirement System (continued)

Pension Expense

The following table presents the pension expense for the year-ended December 31, 2022 and 2021.

	2022	2021
Service cost	**$ 32,463**	$ 32,142
Interest on Total Pension Liability	**111,732**	109,265
Employee contributions	**(14,216)**	(13,828)
Adminstrative Expenses	**868**	779
Expected return on assets	**(118,423)**	(110,217)
Expensed portion of current year period differences between expected and actual experience in Total Pension Liability	**1,029**	1,517
Expensed portion of current year period assumptions changes	**6,703**	-
Changes of Benefit Terms	**4,760**	-
Expensed portion of current year period differences between projected and actual investment earnings	**(26,835)**	(16,444)
Current year recognition of deferred inflows and outflows established in prior years	**(36,595)**	(23,497)
Total expense	**$ (38,514)**	$ (20,283)

(Dollars in Thousands)

9. Employee Retirement System (continued)

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

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

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

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

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

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

(Dollars in Thousands)

9. Employee Retirement System (continued)

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

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

	Deferred Outflows of Resources	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 projected and actual experience in total Pension Liability	11,084	(5,243)
Assumption changes	-	(116)
Total	$ 35,283	$(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
Thereafter		-

10. 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.

(Dollars in Thousands)

10. Other Postemployment Benefits (continued)

Plan Description (continued)

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

	Medical	Life
Retired members currently receiving benefits	2,040	2,040
Beneficiaries currently receiving benefits	1,701	-
Vested terminated members entitled to, but not yet receiving benefits	-	-
Active members	2,426	2,426
Total	6,167	4,466

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 $38,381 and $37,561 for the years ended December 31, 2022 and 2021, respectively to the OPEB Trust.

Actuarial Assumptions

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2014 to December 31, 2018. The plan’s measurement date is December 31, 2021.

(Dollars in Thousands)

10. Other Postemployment Benefits (continued)

Actuarial Assumptions (continued)

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

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

Investment Rates of Return

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

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

(Dollars in Thousands)

10. Other Postemployment Benefits (continued)

Investment Rates of Return (continued)

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

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:

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%	

Discount Rate

The discount rate used to measure the Total OPEB Liability (TOL) was 7.00% and 7.25% as of December 31, 2021 and December 31, 2020, 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, 2021 and December 31, 2020.

(Dollars in Thousands)

10. Other Postemployment Benefits (continued)

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

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

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

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:

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

10. 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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(Dollars in Thousands)

10. Other Postemployment Benefits (continued)

Net OPEB Liability

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

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

10. Other Postemployment Benefits (continued)

Net OPEB Liability (continued)

Plan Changes Since Prior Valuation

Benefit Changes:

- There were no material changes in benefit provisions.

Assumption changes:

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

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(Dollars in Thousands)

10. Other Postemployment Benefits (continued)

Net OPEB Liability (continued)

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	-	-	-
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

10. Other Postemployment Benefits (continued)

Net OPEB Liability (continued)

Plan Changes Since Prior Valuation

Benefit Changes:

- There were no material changes in benefit provisions.

Assumption changes:

- There were no material changes in assumptions.

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(Dollars in Thousands)

10. Other Postemployment Benefits (continued)

OPEB Expense

The following table presents the OPEB expense for the year-ended December 31, 2022 and 2021.

	2022	2021
Service cost	**$ 16,093**	$ 15,400
Interest on the Total OPEB Liability	**54,019**	51,713
Expensed portion of current-period difference between expected and actual experience in the Total OPEB Liability	**2,067**	(682)
Expensed portion of current-period changes of assumptions or other inputs	**5,145**	-
Projected earnings on plan investments	**(43,188)**	(36,721)
Expensed portion of current-period differences between actual and projected earnings on plan investments	**(12,665)**	(9,634)
Recognition of beginning of year deferred outflows of resources as OPEB expense	**12,473**	12,473
Recognition of beginning of year deferred inflows of resources as OPEB expense	**(67,130)**	(56,814)
Total OPEB expense	**$ (33,186)**	$ (24,265)

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(Dollars in Thousands)

10. 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, 2022.

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

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

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

Year Ended December 31:	
2023	$ (53,888)
2024	(30,408)
2025	(20,975)
2026	(6,135)
2027	7,212
Thereafter	-

(Dollars in Thousands)

10. 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, 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	11,459	(4,974)
Total	$ 49,020	$ (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	-

(Dollars in Thousands)

11. 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, 2022 and 2021 for the lead pollution liability from various substations and equipment by Division:

		2022	2021
Electric			
	Lead	**$ 653**	$ 653
Total Electric		**653**	653
Gas			
	Lead	**250**	250
Total Gas		**250**	250
Water			
	Lead	**1,816**	2,831
Total Water		**1,816**	2,831
Total Liability		**$ 2,719**	$ 3,734

(Dollars in Thousands)

12. Risk Management

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

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

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

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

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

MLGW is party to various lawsuits filed against it in the normal course of business (see Note 17).

The changes in the self-insurance reserves for medical benefits and injuries and damages for the years ended December 31, 2022 and 2021 are as follows:

	Medical Benefits			Injuries and Damages		
	Electric Division	Gas Division	Water Division	Electric Division	Gas Division	Water Division
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
Payments	**(39,964)**	**(18,229)**	**(11,919)**	**(1,529)**	**(2,017)**	**(744)**
Incurred claims expense	**41,737**	**19,038**	**12,447**	**2,522**	**1,979**	**570**
Balance -- December 31, 2022	**$ 10,161**	**$ 4,635**	**$ 3,030**	**$ 4,933**	**$ 4,893**	**$ 1,745**

(Dollars in Thousands)

13. Bonds

Bonds as of December 31, 2022 and 2021 consist of the following:

	Interest Rates	2022	2021
Electric Division:			
Electric System Revenue Bonds:			
Series 2014, due serially 2021-2029	4.00 - 5.00%	**$ 25,605**	$ 28,645
Series 2016, due serially 2021-2036	4.00 - 5.00%	**31,580**	33,135
Series 2017, due serially 2021-2037	3.50 - 5.00%	**74,550**	77,925
Series 2020A, due serially 2021-2050	3.00 - 5.00%	**142,900**	145,500
Series 2020B, due serially 2021-2034	0.55 - 1.97%	**28,105**	28,555
Premium on revenue bonds		**36,267**	39,547
Total		**339,007**	353,307
Less: current portion of bonds payable		**(11,490)**	(11,020)
		$ 327,517	$ 342,287
Gas Division:			
Gas System Revenue Bonds:			
Series 2016, due serially 2021-2036	4.00 - 5.00%	**$ 31,580**	$ 33,135
Series 2017, due serially 2021-2037	4.00 - 5.00%	**33,230**	34,710
Series 2020, due serially 2021-2050	3.00 - 5.00%	**60,830**	61,935
Premium on revenue bonds		**18,730**	20,453
Total		**144,370**	150,233
Less: current portion of bonds payable		**(4,335)**	(4,140)
		$ 140,035	$ 146,093
Water Division:			
Water System Revenue Bonds:			
Series 2014, due serially 2021-2034	3.00 - 5.00%	**$ 10,180**	$ 10,835
Series 2016, due serially 2021-2036	2.00 - 4.00%	**22,805**	24,080
Series 2017, due serially 2021-2037	3.00 - 5.00%	**20,400**	21,370
Series 2020, due serially 2021-2050	3.00 - 5.00%	**65,635**	66,840
Premium on revenue bonds		**14,212**	15,349
Total		**133,232**	138,474
Less: current portion of bonds payable		**(4,250)**	(4,105)
		$ 128,982	$ 134,369

(Dollars in Thousands)

13. Bonds (continued)

Principal payments on bonds are due annually on December 1. Debt service requirements as of December 31, 2022 are as follows:

	Electric Division	
	Principal	Interest
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	$ 302,740	$ 138,666

	Gas Division	
	Principal	Interest
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	$ 125,640	$ 63,579

(Dollars in Thousands)

13. Bonds (continued)

	Water Division	
	Principal	Interest
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	$ 119,020	$ 55,751

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, 2022 and 2021:

(Dollars in Thousands)

13. Bonds (continued)

	2022	2021
Electric Division	**$ 321,255**	$ 387,222

	2022	2021
Gas Division	**$ 128,098**	$ 153,252

	2022	2021
Water Division	**$ 131,613**	$ 141,244

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 0.55% 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%.

13. Bonds (continued)

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

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

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

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

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

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

13. Bonds (continued)

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

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

MLGW's Electric Division bond covenants require that for Series 2014, 2016, 2017 and 2020 Bonds the ratio of net revenues to principal and interest for any fiscal year will equal at least 120%. The composite electric bonds debt service coverage as of December 31, 2022 was 6.82.

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, 2022 was 5.19.

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, 2022 was 5.69.

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(Dollars in Thousands)

13. Bonds (continued)

Long-term debt activity for the years ended December 31, 2022 and 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Year ended December 31, 2022:				
Electric Division				
Bonds payable:				
Revenue bonds	**$ 313,760**	**$ -**	**$ (11,020)**	**$ 302,740**
Premium on revenue bonds	**39,547**	**-**	**(3,280)**	**36,267**
Total bonds payable	**$ 353,307**	**$ -**	**$ (14,300)**	**$ 339,007**
Gas Division				
Bonds payable:				
Revenue bonds	**$ 129,780**	**$ -**	**$ (4,140)**	**$ 125,640**
Premium on revenue bonds	**20,453**	**-**	**(1,723)**	**18,730**
Total bonds payable	**$ 150,233**	**$ -**	**$ (5,863)**	**$ 144,370**
Water Division				
Bonds payable:				
Revenue bonds	**$ 123,125**	**$ -**	**$ (4,105)**	**$ 119,020**
Premium on revenue bonds	**15,349**	**-**	**(1,137)**	**14,212**
Total bonds payable	**$ 138,474**	**$ -**	**$ (5,242)**	**$ 133,232**
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)	39,547
Total bonds payable	$ 367,273	$ -	$ (13,967)	$ 353,307
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	$ -	$ (5,739)	$ 150,233
Water Division				
Bonds payable:				
Revenue bonds	$ 127,110	$ -	$ (3,985)	$ 123,125
Premium on revenue bonds	16,514	-	(1,165)	15,349
Total bonds payable	$ 143,624	$ -	$ (5,150)	$ 138,474

14. 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, 2022. The impact was a 1.5% increase for all customer classes.

As part of the MLGW Five-Year Service Improvement Plan proposed with the 2020 Budget, MLGW's Electric Division was granted approval for multi-year rate actions. The increases will be used primarily to fund 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 2023 revenue month. MLGW implemented changes to retail rate schedules effective with meters read on or after October 29, 2020 to pass along reduced costs of wholesale power to its retail customers. The retail effect across all customer classes was a decrease of approximately 1.6%.

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

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.

14. Rates and Energy Supplies (continued)

Rates (continued)

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

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

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

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

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.

14. Rates and Energy Supplies (continued)

Energy Supplies (continued)

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

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

MLGW entered into a natural gas purchase contract with the Municipal Gas Authority of Georgia (MGAG) on July 24, 2018, in order to participate in a prepay natural gas opportunity. 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 August 31, 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.

(Dollars in Thousands)

14. Rates and Energy Supplies (continued)

Energy Supplies **(continued)**

MLGW entered into a natural gas purchase contract with the Public Energy Authority of Kentucky (PEAK) on December 1, 2019, in order to participate in a prepay natural gas opportunity. Gas volumes are offered to MLGW at Texas Gas Zone 1 and Trunkline Z1A Index pricing minus $0.2750. Natural gas began to flow 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.

15. Federal Grant Contributions

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

Electric	2022	2021	2020
Total Expenditures	$0	$374	$201
Eligible Reimbursement	$16	$374	$201
Reimbursement Received	$16	$559	$-
Receivable Balance	$-	($16)	$(201)

In May 2020, MLGW applied for a COVID-19 Response Grant. In April 2022, on behalf of the Department of Homeland Security FEMA awarded grant contract 4514DR-TN for the Division. The award amount is $236 of which is 100% reimbursable. In 2022, MLGW submitted eligible costs of $236 for reimbursement of $236.

(Dollars in Thousands)

15. Federal Grant Contributions (continued)

All Divisions	2022
Total Expenditures	$236
Eligible Reimbursement	$236
Reimbursement Received	$-
Receivable Balance	($236)

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

Electric	2022
Total Expenditures	$ -
Eligible Reimbursement	$1,234
Reimbursement Received	$1,234
Receivable Balance	$ -

Water	2022
Total Expenditures	$ -
Eligible Reimbursement	$1,402
Eligible Reimbursement	($128)
Reimbursement Received	$129
Receivable Balance	($1,145)

16. 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 30th of said years. MLGW is to continue to make incremental water payments for fiscal years after 2025 at the same $2,300 level unless the City directs otherwise.

17. 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 30th of said years. MLGW is to continue to make incremental water payments for fiscal years after 2025 at the same $2,300 level unless the City directs otherwise.

17. Commitments and Contingencies (continued)

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 14 for discussions of MLGW's power contract with TVA and gas purchase commitments.

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REQUIRED SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)
DECEMBER 31, 2022
(Dollars in Thousands)

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

Notes to schedule:

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

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

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, 2022
(Dollars in Thousands)

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Year Ended December 31	Actuarially Determined Contribution (ADC)	Actual Contribution in Relation to ADC	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
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%
2022	20,941	20,941	-	184,710	11.34%

Valuation date	January 1, 2022
Actuarial cost method	Entry Age Actuarial Cost Method
Amortization method	Level percent of payroll, using 0.50% annual increases
Remaining amortization period	21 years remaining as of January 1, 2020
Asset valuation method	Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value basis, and is recognized over a five-year period. The deferred return is further adjusted, if necessary, so that the actuarial value of assets will stay within 30% of the market value of assets.

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

Other Information:	The actuarially determined contribution (ADC) is calculated using January 1 valuation date as of the beginning of the fiscal year prior to the year in which contributions are reported. Therefore, the ADC for the year ended December 31, 2021 is based on the January 1, 2020 actuarial valuation.
	Please see the January 1, 2022 actuarial valuation report for a full listing of assumptions.

REQUIRED SCHEDULE OF CHANGES IN NET OPEB LIABILITY
DECEMBER 31, 2022
(Dollars in Thousands)

	2021	2020	2019	2018	2017
Total OPEB Liability					
Service cost	**$ 16,093**	$ 15,401	$ 15,804	$ 15,381	$ 19,520
Interest	**54,019**	51,713	53,030	50,559	64,666
Change of benefit terms	**-**	-	-	-	(61,896)
Differences between expected and actual experience	**12,400**	(4,090)	15,351	(3,134)	3,674
Changes of assumptions	**30,869**	-	(46,584)	-	(200,370)
Benefit payments, including refunds of member contributions	**(33,268)**	(30,588)	(31,916)	(28,676)	(29,457)
Net change in Total OPEB Liability	**$ 80,113**	$ 32,436	$ 5,685	$ 34,130	$(203,863)
Total OPEB Liability - beginning	**745,339**	712,903	707,218	673,088	876,951
(a) Total OPEB Liability - ending	**$ 825,452**	$ 745,339	$ 712,903	$ 707,218	$ 673,088
Plan Fiduciary Net Position					
Contributions - employer	**37,561**	34,895	33,949	48,972	45,184
Net investment income	**106,511**	84,891	76,564	(14,273)	57,671
Benefit payments, including refunds of member contributions	**(32,445)**	(29,775)	(31,146)	(27,876)	(28,765)
Administrative expense	**(823)**	(812)	(770)	(801)	(692)
Net change in Plan Fiduciary Net Position	**$ 110,804**	$ 89,199	$ 78,597	$ 6,022	$ 73,398
Plan Fiduciary Net Position - beginning	**593,544**	504,345	425,748	419,726	346,328
(b) Plan Fiduciary Net Position - ending	**$ 704,348**	$ 593,544	$ 504,345	$ 425,748	$ 419,726
(c) Net OPEB Liability - ending (a) - (b)	**$ 121,104**	$ 151,795	$ 208,558	$ 281,470	$ 253,362
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	**85.33%**	79.63%	70.75%	60.20%	62.36%
Covered payroll [1]	**$ 175,790**	$ 173,425	$ 170,946	$ 169,605	$ 167,221
Plan Net OPEB Liability as percentage of covered payroll	**68.05%**	87.53%	122.00%	165.96%	151.51%

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

Notes to schedule:

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

Changes of assumptions: Effective with the December 31, 2021 measurement the following assumption changes were made:

- Healthcare claims cost and trend rates were updated to reflect the most recent experience
- The discount rate approved for the December 31, 2021 measurement date was 7.00%. The discount rate for December 31, 2020 measurement date was 7.25%.

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

REQUIRED SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB
DECEMBER 31, 2022
(Dollars in Thousands)

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Year Ended December 31	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions*	Contribution Deficiency / (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
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%
2022	31,406	38,381	(6,975)	184,710	20.78%

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

Valuation date	January 1, 2022
Actuarial cost method	Entry Age Actuarial Cost Method
Amortization method	30-year closed, level salary
Remaining amortization period	23 years remaining as of December 31, 2021 (23 amortization period used for 2022)
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	7.00%
Healthcare cost trend rates	
Medical	7% grading to 4.50% over 10 years
Presciption drug	8% 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.
Other Information:	The actuarially determined contribution (ADC) is calculated as of January 1, one year prior to the end of the fiscal year in which contributions are reported. Please see the January 1, 2022 actuarial valuation report for a full listing of assumptions.

SCHEDULE OF BONDS,
PRINCIPAL AND INTEREST REQUIREMENTS
DECEMBER 31, 2022
(Dollars in Thousands)

	Series 2014		Series 2016		Series 2017	
	Principal	Interest	Principal	Interest	Principal	Interest
Electric Division:						
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	$ 25,605	$ 4,633	$ 31,580	$ 11,136	$ 74,550	$ 25,342

SCHEDULE OF BONDS,
PRINCIPAL AND INTEREST REQUIREMENTS
DECEMBER 31, 2022
(Dollars in Thousands)
(Continued)

	Series 2020A		Series 2020B	
	Principal	Interest	Principal	Interest
Electric Division:				
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	$ 142,900	$ 92,822	$ 28,105	$ 4,733

SCHEDULE OF BONDS,
PRINCIPAL AND INTEREST REQUIREMENTS
DECEMBER 31, 2022
(Dollars in Thousands)
(Continued)

	Series 2016		Series 2017		Series 2020	
	Principal	Interest	Principal	Interest	Principal	Interest
Gas Division:						
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	$ 31,580	$ 11,136	$ 33,230	$ 12,930	$ 60,830	$ 39,513

SCHEDULE OF BONDS,
PRINCIPAL AND INTEREST REQUIREMENTS
DECEMBER 31, 2022
(Dollars in Thousands)
(Continued)

	Series 2014		Series 2016		Series 2017	
	Principal	Interest	Principal	Interest	Principal	Interest
Water Division:						
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	727
2026	765	308	1,435	610	1,135	673
2027	790	285	1,465	581	1,190	616
2028	820	253	1,525	523	1,250	557
2029	855	221	1,585	462	1,300	506
2030	890	186	1,645	398	1,355	455
2031	925	151	1,715	333	1,405	400
2032	960	114	1,765	281	1,455	351
2033	1,000	75	1,820	228	1,515	294
2034	1,040	35	1,870	174	1,575	232
2035	-	-	1,930	117	1,640	169
2036	-	-	1,985	60	1,705	103
2037	-	-	-	-	1,755	53
Total	$ 10,180	$ 2,718	$ 22,805	$ 5,844	$ 20,400	$ 6,712

SCHEDULE OF BONDS,
PRINCIPAL AND INTEREST REQUIREMENTS
DECEMBER 31, 2022
(Dollars in Thousands)
(Continued)

	Series 2020	
	Principal	Interest
Water Division:		
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	$ 65,635	$ 40,477

SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
DECEMBER 31, 2022
(Dollars in Thousands)

Description	Original Amount of Issue	Interest Rate	Date of Issue	Final Maturity Date	Outstanding 2021	Issued 2022	Payments/ Matured 2022	Refunded 2022	Outstanding 2022
Electric System Revenue Bonds - Series 2014	$ 71,000	2.0 to 5.0%	6/3/2014	12/1/2029	$ 28,645	$ -	$ 3,040	$ -	$ 25,605
Electric System Revenue Bonds - Series 2016	$ 40,000	3.0 to 5.0%	9/1/2016	12/1/2036	$ 33,135	$ -	$ 1,555	$ -	$ 31,580
Electric System Revenue Bonds - Series 2017	$ 90,000	3.0 to 5.0%	9/28/2017	12/1/2037	$ 77,925	$ -	$ 3,375	$ -	$ 74,550
Electric System Revenue Bonds - Series 2020A	$ 148,000	3.0 to 5.0%	9/22/2020	12/1/2050	$ 145,500	$ -	$ 2,600	$ -	$ 142,900
Electric System Revenue Refunding Bonds - Series 2020B	$ 29,000	.43 to 1.97%	9/22/2020	12/1/2034	$ 28,555	$ -	$ 450	$ -	$ 28,105
Total Electric System Bonds					**$ 313,760**	$ -	**$ 11,020**	**$ -**	**$ 302,740**

Description	Original Amount of Issue	Interest Rate	Date of Issue	Final Maturity Date	Outstanding 2021	Issued 2022	Payments/ Matured 2022	Refunded 2022	Outstanding 2022
Gas System Revenue Bonds - Series 2016	$ 40,000	3.0 to 5.0%	9/1/2016	12/1/2036	$ 33,135	$ -	$ 1,555	$ -	$ 31,580
Gas System Revenue Bonds - Series 2017	$ 40,000	3.0 to 5.0%	9/28/2017	12/1/2037	$ 34,710	$ -	$ 1,480	$ -	$ 33,230
Gas System Revenue Bonds - Series 2020	$ 63,000	3.0 to 5.0%	9/22/2020	12/1/2050	$ 61,935	$ -	$ 1,105	$ -	$ 60,830
Total Gas System Bonds					**$ 129,780**	**$ -**	**$ 4,140**	**$ -**	**$ 125,640**

Description	Original Amount of Issue	Interest Rate	Date of Issue	Final Maturity Date	Outstanding 2021	Issued 2022	Payments/ Matured 2022	Refunded 2022	Outstanding 2022
Water System Revenue Bonds - Series 2014	$ 15,000	2.0 to 5.0%	6/3/2014	12/1/2034	$ 10,835	$ -	$ 655	$ -	$ 10,180
Water System Revenue Bonds - Series 2016	$ 30,000	2.0 to 4.0%	9/1/2016	12/1/2036	$ 24,080	$ -	$ 1,275	$ -	$ 22,805
Water System Revenue Bonds - Series 2017	$ 25,000	2.0 to 5.0%	9/28/2017	12/1/2037	$ 21,370	$ -	$ 970	$ -	$ 20,400
Water System Revenue Bonds - Series 2020	$ 68,000	3.0 to 5.0%	9/22/2020	12/1/2050	$ 66,840	$ -	$ 1,205	$ -	$ 65,635
Total Water System Bonds					**$ 123,125**	**$ -**	**$ 4,105**	**$ -**	**$ 119,020**

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.				
Residential – Schedule RS	Effective meters read on or after January 4, 2022			360,772
Service Charge:	$14.60 per month, less Hydro Allocation Credit: $1.60			
Energy Charge:	Summer	Winter	Transition	
First 500 kWh per month:	$0.07937	$0.07585	$0.07379	
Additional kWh per month:	$0.07835	$0.07484	$0.07277	
	The above rates are subject to adjustment under the provisions of the TVA Fuel Cost and Purchase Power Adjustment Rider.			
Time-Of-Use Residential Rate Schedule RSTOU	Effective January 1, 2022			71
Service Charge:	$14.60 per month, less Hydro Allocation Credit: $1.60			
Energy Charge:	Summer	Winter	Transition	
On-Peak kWh per month:	$0.14035	$0.09510	$0.06332	
Off-Peak kWh per month:	$0.06332	$0.06332	$0.06332	
	The above rates are subject to adjustment under the provisions of the TVA Fuel Cost and Purchase Power Adjustment Rider.			
General Service – Schedule GSA	Effective meters read on or after January 4, 2022			42,289
Part 1)	If (a) the higher of (i) the customer's currently effective contract demand, if any, or (ii) its highest billing demand during the latest 12 month period is not more than 50 kW, and (b) customer's monthly energy takings for any month during such period do not exceed 15,000 kWh:			
Service Charge:	$28.50 per delivery point per month			
Energy Charge:	Summer	Winter	Transition	
	$0.08783	$0.08435	$0.08226	
Part 2)	If (a) the higher of (i) the customer's currently effective contract demand or (ii) its highest billing demand during the latest 12 month period is greater than 50 kW but not more than 1,000 kW, or (b) if the customer's billing demand is less than 50 kW and its energy takings for any month during such period exceed 15,000 kWh:			
Service Charge:	$85.00 per delivery point per month			
Demand Charge:	Summer	Winter	Transition	
First 50 kW of billing demand per month:	$0.00	$0.00	$0.00	
Excess over 50 kW of billing demand per month:	$15.38	$14.34	$14.34	
Energy Charge:				
First 15,000 kWh per month:	$0.10211	$0.09867	$0.09655	
Additional kWh per month:	$0.04616	$0.04291	$0.04168	

General Service – Schedule GSA (cont.)

Part 3) If the higher of the customer's currently effective contract demand or its highest billing demand during the latest 12 month period is greater than 1,000 kW:

Service Charge: $350.00 per delivery point per month

Demand Charge:	Summer	Winter	Transition
First 1,000 kW of billing demand per month:	$14.29	$13.24	$13.24
Excess over 1,000 kW of billing demand per	$14.11	$13.05	$13.05
Excess of billing demand over the higher of 2,500 kW or the customer's contract demand per month:	$14.11	$13.05	$13.05

Energy Charge:			
All kWh per month:	$0.05180	$0.04852	$0.04729

Manufacturing Power Rate - Part A Schedule MSA Effective January 1, 2022 0

Service Charge: $350.00 per delivery point per month

	Summer	Winter	Transition
Per kW coincident billing demand charge per	$8.30	$7.35	$7.35
Per kW maximum billing demand charge per	$6.09	$5.97	$5.97

	Summer	Winter	Transition
Excess per kW charge per month by which billing demand exceeds contract demand:	$14.47	$13.40	$13.40
On-peak per kWh energy charge:	$0.06861	$0.05750	$0.04779
Off-peak per kWh energy charge:	$0.04650	$0.04745	$0.04779

Time-of-Use General Service Schedule TGS Effective January 1, 2022 11

Service Charge: $1,700.00 per delivery point per month

TVA Administrative Charge: $350.00 per delivery point per month

Excess Demand: Demand amount that exceeds the effective contract demand

Off-Peak Block 1: First 200 hours use of on-peak metered demand multiplied by the ratio of metered off-peak energy to metered total energy

Off-Peak Block 2: Next 200 hours use of on-peak metered demand multiplied by the ratio of metered off-peak energy to metered total energy

Off-Peak Block 3: Over 400 hours use of on-peak metered demand multiplied by the ratio of metered off-peak energy to metered total energy

Electric Division Rate Class (cont.)	Base Charge				Customers
Time-of-Use General Service Schedule TGS (cont.)					
Rates applicable for delivery at:	Transmission Voltage: 115 kV and up				
	TDGSA	TGSB	TGSC	TGSD	
Summer					
On-peak billing demand per kW:	$11.56	$11.49	$11.49	$11.49	
Maximum billing demand per kW:	$6.09	$6.08	$5.50	$5.22	
Excess demand per kW:	$11.56	$11.49	$11.49	$11.49	
On-peak energy per kWh:	$0.08762	$0.07172	$0.07172	$0.07069	
Off-peak block 1 per kWh:	$0.05225	$0.04540	$0.04540	$0.04437	
Off-peak block 2 per kWh:	$0.00740	$0.00858	$0.00858	$0.00636	
Off-peak block 3 per kWh:	$0.00421	$0.00497	$0.00497	$0.00395	
Winter					
On-peak billing demand per kW:	$10.56	$10.45	$10.45	$10.45	
Maximum billing demand per kW:	$6.09	$6.08	$5.50	$5.22	
Excess demand per kW:	$10.56	$10.45	$10.45	$10.45	
On-peak energy per kWh:	$0.07147	$0.05971	$0.05971	$0.05868	
Off-peak block 1 per kWh:	$0.05538	$0.04775	$0.04775	$0.04672	
Off-peak block 2 per kWh:	$0.00740	$0.00858	$0.00858	$0.00636	
Off-peak block 3 per kWh:	$0.00421	$0.00497	$0.00497	$0.00395	
Transition					
On-peak billing demand per kW:	$10.56	$10.45	$10.45	$10.45	
Maximum billing demand per kW:	$6.09	$6.08	$5.50	$5.22	
Excess demand per kW:	$10.56	$10.45	$10.45	$10.45	
On-peak energy per kWh:	$0.05665	$0.04507	$0.04507	$0.04404	
Off-peak block 1 per kWh:	$0.05665	$0.04507	$0.04507	$0.04404	
Off-peak block 2 per kWh:	$0.00740	$0.00858	$0.00858	$0.00636	
Off-peak block 3 per kWh:	$0.00421	$0.00497	$0.00497	$0.00395	
Rates applicable for delivery at:	Distribution Voltage: < 115 kV				
	TDGSA	TGSB	TGSC	TGSD	
Summer					
On-peak billing demand per kW:	$12.06	$11.96	$11.96	$11.96	
Maximum billing demand per kW:	$6.31	$6.30	$5.71	$5.42	
Excess demand per kW:	$12.06	$11.96	$11.96	$11.96	
On-peak energy per kWh:	$0.09129	$0.07471	$0.07471	$0.07366	
Off-peak block 1 per kWh:	$0.05441	$0.04726	$0.04726	$0.04622	
Off-peak block 2 per kWh:	$0.00764	$0.00888	$0.00888	$0.00658	
Off-peak block 3 per kWh:	$0.00430	$0.00511	$0.00511	$0.00407	
Winter					
On-peak billing demand per kW:	$11.00	$10.89	$10.89	$10.89	
Maximum billing demand per kW:	$6.31	$6.30	$5.71	$5.42	
Excess demand per kW:	$11.00	$10.89	$10.89	$10.89	
On-peak energy per kWh:	$0.07445	$0.06218	$0.06218	$0.06114	
Off-peak block 1 per kWh:	$0.05767	$0.04972	$0.04972	$0.04867	
Off-peak block 2 per kWh:	$0.00764	$0.00888	$0.00888	$0.00658	
Off-peak block 3 per kWh:	$0.00430	$0.00511	$0.00511	$0.00407	
Transition					
On-peak billing demand per kW:	$11.00	$10.89	$10.89	$10.89	
Maximum billing demand per kW:	$6.31	$6.30	$5.71	$5.42	
Excess demand per kW:	$11.00	$10.89	$10.89	$10.89	
On-peak energy per kWh:	$0.05898	$0.04690	$0.04690	$0.04586	
Off-peak block 1 per kWh:	$0.05898	$0.04690	$0.04690	$0.04586	
Off-peak block 2 per kWh:	$0.00764	$0.00888	$0.00888	$0.00658	
Off-peak block 3 per kWh:	$0.00430	$0.00511	$0.00511	$0.00407	

Electric Division Rate Class (cont.)	Base Charge	Customers
Time-of-Use Manufacturing Service Schedule TMS	Effective January 1, 2022	25
Service Charge:	$1,700.00 per delivery point per month	
TVA Administrative Charge:	$350.00 per delivery point per month	
Excess Demand:	Demand amount that exceeds the effective contract demand	
Off-Peak Block 1:	First 200 hours use of on-peak metered demand multiplied by the ratio of metered off-peak energy to metered total energy	
Off-Peak Block 2:	Next 200 hours use of on-peak metered demand multiplied by the ratio of metered off-peak energy to metered total energy	
Off-Peak Block 3:	Over 400 hours use of on-peak metered demand multiplied by the ratio of metered off-peak energy to metered total energy	

Rates applicable for delivery at:	Transmission Voltage: 115 kV and up			
	TDMSA	TMSB	TMSC	TMSD
Summer				
On-peak billing demand per kW:	$10.80	$10.80	$10.80	$10.80
Maximum billing demand per kW:	$4.23	$2.83	$2.24	$1.96
Excess demand per kW:	$10.80	$10.80	$10.80	$10.80
On-peak energy per kWh:	$0.06082	$0.06323	$0.06204	$0.05896
Off-peak block 1 per kWh:	$0.03445	$0.03684	$0.03564	$0.03258
Off-peak block 2 per kWh:	$0.00549	$0.00549	$0.00698	$0.00451
Off-peak block 3 per kWh:	$0.00280	$0.00280	$0.00698	$0.00389
Winter				
On-peak billing demand per kW:	$9.78	$9.78	$9.78	$9.78
Maximum billing demand per kW:	$4.23	$2.83	$2.24	$1.96
Excess demand per kW:	$9.78	$9.78	$9.78	$9.78
On-peak energy per kWh:	$0.04879	$0.05119	$0.04999	$0.04692
Off-peak block 1 per kWh:	$0.03680	$0.03920	$0.03798	$0.03490
Off-peak block 2 per kWh:	$0.00549	$0.00549	$0.00698	$0.00451
Off-peak block 3 per kWh:	$0.00280	$0.00280	$0.00698	$0.00389
Transition				
On-peak billing demand per kW:	$9.78	$9.78	$9.78	$9.78
Maximum billing demand per kW:	$4.23	$2.83	$2.24	$1.96
Excess demand per kW:	$9.78	$9.78	$9.78	$9.78
On-peak energy per kWh:	$0.03773	$0.04010	$0.03892	$0.03582
Off-peak block 1 per kWh:	$0.03773	$0.04010	$0.03892	$0.03582
Off-peak block 2 per kWh:	$0.00549	$0.00549	$0.00698	$0.00451
Off-peak block 3 per kWh:	$0.00280	$0.00280	$0.00698	$0.00389

Rates applicable for delivery at:	Distribution Voltage: < 115 kV			
	TDMSA	TMSB	TMSC	TMSD
Summer				
On-peak billing demand per kW:	$11.27	$11.27	$11.27	$11.27
Maximum billing demand per kW:	$4.35	$2.93	$2.32	$2.03
Excess demand per kW:	$11.27	$11.27	$11.27	$11.27
On-peak energy per kWh:	$0.06337	$0.06587	$0.06463	$0.06144
Off-peak block 1 per kWh:	$0.03585	$0.03835	$0.03711	$0.03393
Off-peak block 2 per kWh:	$0.00567	$0.00567	$0.00722	$0.00466
Off-peak block 3 per kWh:	$0.00285	$0.00285	$0.00722	$0.00401

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

Time Of Use Manufacturing Service
Schedule TMS
(cont.)

Rates applicable for delivery at:	Distribution Voltage: < 115 kV			
	TDMSA	TMSB	TMSC	TMSD
Winter				
On-peak billing demand per kW:	$10.19	$10.19	$10.19	$10.19
Maximum billing demand per kW:	$4.35	$2.93	$2.32	$2.03
Excess demand per kW:	$10.19	$10.19	$10.19	$10.19
On-peak energy per kWh:	$0.05080	$0.05331	$0.05207	$0.04887
Off-peak block 1 per kWh:	$0.03831	$0.04082	$0.03955	$0.03635
Off-peak block 2 per kWh:	$0.00567	$0.00567	$0.00722	$0.00466
Off-peak block 3 per kWh:	$0.00285	$0.00285	$0.00722	$0.00401
Transition				
On-peak billing demand per kW:	$10.19	$10.19	$10.19	$10.19
Maximum billing demand per kW:	$4.35	$2.93	$2.32	$2.03
Excess demand per kW:	$10.19	$10.19	$10.19	$10.19
On-peak energy per kWh:	$0.03929	$0.04177	$0.04051	$0.03731
Off-peak block 1 per kWh:	$0.03929	$0.04177	$0.04051	$0.03731
Off-peak block 2 per kWh:	$0.00567	$0.00567	$0.00722	$0.00466
Off-peak block 3 per kWh:	$0.00285	$0.00285	$0.00722	$0.00401

Drainage Pumping Station Rate Schedule DPS	Effective meters read on or after January 4, 2022	4
Service Charge:	$28.50 per delivery point per month	

Energy Charge:	Summer	Winter	Transition
All kWh per month:	$0.04200	$0.03985	$0.03743

Outdoor Lighting Rate - Schedule LS	Effective meters read on or after January 4, 2022	15,947

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:	$0.05301	$0.05301	$0.05301

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.

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.

Gas Division Rate Class	Base Charge	Customers
All Gas Rate Schedules Are Subject To Adjustment Under The Provisions of the Purchased Gas Adjustment Rider.		
Residential - Schedules G-1 & G-3	Effective for meters read on or after August 31, 2022	276,000
	Schedule G-1 is available for domestic use to residential customers in individual private residences or other individual dwelling units situated within the corporate limits of the City of Memphis, Tennessee. Schedule G-3 is available for domestic use to residential customers in individual private residences or other individual dwelling units situated outside the corporate limits of the City of Memphis, Tennessee.	
Service Charge:	$10.42 per month, plus	
Commodity Charge:	First 100 ccf per month @ $0.804 per ccf	
	Excess over 100 ccf per month @ $0.711 per ccf, plus the above rates are subject to adjustment under the provisions of the Purchased Gas Adjustment Rider.	
Minimum Bill:	$10.42 per meter per month	
Small General Service - Schedule G-7	Effective for meters read on or after August 31, 2022	19,981
	This rate schedule is available for gas service to all gas customers except residential.	
Service Charge:	For 0 to 425 cfh meter, $31.24 Over 426 to 1,400 cfh meter, $57.26 Over 1,400 cfh meter, $104.12 per month plus,	
Commodity Charge:	All gas consumed: $0.746 per ccf per month, plus	
	The above rates are subject to adjustment under the provisions of the Purchased Gas Adjustment Rider.	
Minimum Bill:	The minimum monthly bill shall be $0.681 for each ccf of the higher of:	
	(1) The maximum daily demand during the preceding eleven months, or	
	(2) The daily contract demand, but in no case less than the Service charge listed above.	
Large General Service Firm On-peak Schedules G-8 and G-9	Effective for meters read on or after August 31, 2022	385
	This rate schedule is available for gas service to all customers contracting for not less than 100 ccf of maximum daily demand.	
Demand Charge:	$0.261 ccf per month of contract demand or maximum daily demand during the twelve (12) months ending with the billing month, whichever is higher, plus	

Gas Division Rate Class (cont.)	Base Charge	Customers
Large General Service Firm On-peak Schedules G-8 and G-9 (cont.)		
Commodity Charge:	First 200,000 ccf per month @ $0.703 per ccf	
	Excess over 200,000 ccf per month @ $0.605 per ccf, plus	
	The above rates are subject to adjustment under the provisions of the Purchased Gas Adjustment Rider.	
Minimum Bill:	The minimum bill shall be $0.942 for each ccf of the higher of: (1) the maximum daily demand during the twelve (12) months ending with the billing month, or (2) the daily contract demand.	
Large General Service Interruptible Off-peak Schedules G-10 and G-12	Effective for meters read on or after August 31, 2022	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:	$520.59 per month, plus	
Commodity Charge:	First 200,000 Ccf per month @ $0.671 per ccf	
	Excess over 200,000 ccf per month @ $0.599 per ccf, 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 $0.365 for each ccf of the higher of (1) the maximum daily demand during the twelve months ending with the billing month, or (2) the daily contract demand, but in no event less than the service charge.	

Water Division Rate Class	Base Charge	Customers
Residential – Inside City Rate Schedule W-1	Effective meters read on or after January 4, 2022 For water furnished to premises entirely within the corporate limits of the City of Memphis	173,905
Monthly Rate:	All water consumed: $2.393 per ccf per month	
Minimum Bill:	The minimum monthly bill shall be determined by the size of the meter installed, as follows: 5/8" meter $10.12 3/4" meter 14.60 1" meter 25.90 1-1/2" meter 58.28 2" meter 103.61	
Residential – Outside City Rate Schedule W-2	Effective meters read on or after January 4, 2022 For water furnished to premises outside the corporate limits of the City of Memphis.	25,894
Monthly Rate:	All water consumed: $3.726 per ccf per month	
Minimum Bill:	The minimum monthly bill shall be determined by the size of the meter installed, as follows: 5/8" meter $14.09 3/4" meter 20.26 1" meter 36.06 1-1/2" meter 81.09 2" meter 144.13	
General Service – Inside City Rate Schedule W-7	Effective meters read on or after January 4, 2022 For water service to all customers within the corporate limits of the City of Memphis, except residential customers.	17,445
Monthly Rate:	Water consumed per month: First 30 ccf $3.051 per ccf Next 70 ccf $2.595 per ccf Next 100 ccf $1.974 per ccf Next 400 ccf $1.644 per ccf Next 5,400 ccf $1.279 per ccf Excess over 6,000 ccf $1.332 per ccf	

Water Division Rate Class (cont.)	Base Charge		Customers
General Service – Inside City Rate Schedule W-7 (cont.)			
Minimum Bill:	The minimum monthly bill shall be determined by the size of the meter installed, as follows:		
	5/8" meter	$19.38	
	3/4" meter	22.61	
	1" meter	38.73	
	1-1/2" meter	77.51	
	2" meter	161.55	
	3" meter	322.99	
	4" meter	483.01	
	6" meter	611.01	
	8" meter	739.06	
	10" meter	1,530.94	
	12" meter	2,136.16	
	14" meter	2,937.25	
	Battery of 2-2" meters	322.99	
	Battery of 3-2" meters	483.01	
General Service – Outside City Rate Schedule W-8	Effective meters read on or after January 4, 2022		806
	For water service to all customers outside the corporate limits of the City of Memphis, except residential customers.		
Monthly Rate:	Water consumed per month:		
	First 30 ccf	$4.585 per ccf	
	Next 70 ccf	$3.855 per ccf	
	Next 100 ccf	$2.942 per ccf	
	Next 400 ccf	$2.467 per ccf	
	Next 5,400 ccf	$1.936 per ccf	
	Excess over 6,000 ccf	$2.009 per ccf	
Minimum Bill:	The minimum monthly bill shall be determined by the size of the meter installed, as follows:		
	5/8" meter	$29.64	
	3/4" meter	34.58	
	1" meter	59.27	
	1-1/2" meter	118.50	
	2" meter	246.92	
	3" meter	493.87	
	4" meter	738.05	
	6" meter	933.70	
	8" meter	1,129.32	
	10" meter	2,339.41	
	12" meter	3,264.26	
	14" meter	4,485.28	
	Battery of 2-2" meters	493.87	
	Battery of 3-2" meters	738.05	

Water Division Rate Class (cont.)	Base Charge	Customers
Residential – Shelby County Water Distribution System - Schedule W-51	Effective meters read on or after January 4, 2022	18,044
	For water service within the area served by the Shelby County Water Distribution System at the time of its acquisition on June 30, 1999, for domestic uses to residential customers in individual private residences or other individual dwelling units.	
Monthly Rate:	All water consumed: $3.726 per ccf per month	
Minimum Bill:	The minimum monthly bill shall be determined by the size of the meter installed, as follows:	

Meter	Minimum Bill
5/8" meter	$14.09
3/4" meter	20.26
1" meter	36.06
1-1/2" meter	81.09
2" meter	144.13

Residential customers shall be served through a single meter not larger than 2" in size.

General Service – Shelby County Water Distribution System - Schedule W-57	Effective meters read on or after January 4, 2022	599
	For water service within the area served by the Shelby County Water Distribution System at the time of its acquisition on June 30, 1999, for all customers except residential customers using service exclusive for domestic use.	
Monthly Rate:	Water consumed per month:	

Water consumed per month	Rate	
First 30 ccf	$4.585	per ccf
Next 70 ccf	$3.855	per ccf
Next 100 ccf	$2.942	per ccf
Next 400 ccf	$2.467	per ccf
Next 5,400 ccf	$1.936	per ccf
Excess over 6,000 ccf	$2.009	per ccf

Minimum Bill: The minimum monthly bill shall be determined by the size of the meter installed, as follows:

Meter	Minimum Bill
5/8" meter	$29.64
3/4" meter	34.58
1" meter	59.27
1-1/2" meter	118.50
2" meter	246.92
3" meter	493.87
4" meter	738.05
6" meter	933.70
8" meter	1,129.32
10" meter	2,339.41
12" meter	3,264.26
14" meter	4,485.28

SCHEDULE OF ADDITIONS AND RETIREMENTS TO UTILITY PLANT
FOR THE YEAR ENDED DECEMBER 31, 2022
(Dollars in Thousands)

MLGW
SERVING YOU IS WHAT WE DO

S-21 from Plant Roll Forward	Electric Division	Gas Division	Water Division
Utility plant in service, December 31, 2021	$ 1,985,335	$ 768,765	$ 538,894
Additions - Construction	69,836	20,254	12,362
Retirements	(15,854)	(7,071)	(1,672)
Transfers	(46)	46	(312)
Utility plant in service, December 31, 2022	**$ 2,039,271**	**$ 781,994**	**$ 549,272**

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, 2022, and the related notes to the financial statements, which collectively comprise MLGW's basic financial statements, and have issued our report thereon dated DATE. Our report includes a reference to other auditors who audited the financial statements of Memphis Light, Gas and Water Division Retirement and Pension System and the Memphis Light, Gas and Water Division Other Post Employment Benefits Trust, as described in our report on Memphis Light, Gas and Water Division's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control Over Financial Reporting

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

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

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

Board of Directors
Memphis Light, Gas and Water

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

CliftonLarsonAllen LLP

Nashville, Tennessee
June 27, 2023

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Memphis Light, Gas and Water's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Memphis Light, Gas and Water's major federal programs for the year ended December 31, 2022. Memphis Light, Gas and Water's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Memphis Light, Gas and Water complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Memphis Light, Gas and Water and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Memphis Light, Gas and Water's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Memphis Light, Gas and Water's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Memphis Light, Gas and Water's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Memphis Light, Gas and Water's compliance with the requirements of each major federal program as a whole.

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

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material noncompliance, 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 Memphis Light, Gas and Water's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- obtain an understanding of Memphis Light, Gas and Water's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Memphis Light, Gas and Water's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Board of Directors
Memphis Light, Gas and Water

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Nashville, TN
June 27, 2023

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022
(Dollars in thousands)

MLGW
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Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying/Grant Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Homeland Security				
Passed through the State of Tennessee Emergency Management Agency:				
Disaster Grants - Public Assistance (Presidentially Declared Disaster)	**97.036**	**4594DR-TN**	**$ -**	**$ 2,507**
Emergency Management Performance Grants	**97.042**	**4514DR-TN**	**-**	**236**
Total U.S. Department of Homeland Security			**-**	**2,743**
Total Expenditures of Federal Awards			**$ -**	**$ 2,743**

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the County under programs of the federal government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of MLGW, it is not intended to and does not present the financial position, changes in net position, or cash flows of MLGW.

2. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

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

3. INDIRECT COST RATE

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

4. DISASTER GRANTS – PRESIDENTIAL DECLARED DISASTERS (97.036)

After a presidentially declared disaster, FEMA provides Disaster Grants – Public Assistance (Presidentially Declared Disaster) (Assistance Listing 97.036) to reimburse for eligible cost associated with disaster recovery. Reimbursements are provided in the form of cost-shared grants. Approximately, $2,507 were incurred in fiscal year 2021.

MEMPHIS LIGHT, GAS AND WATER DIVISION

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2022

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	**Unmodified**			
Internal control over financial reporting:				
Material weakness(es) identified?		yes	X	no
Significant deficiency(ies)		yes	X	none reported
Noncompliance material to financial statements noted?		yes	X	no

Federal Awards

Internal control over major programs:				
Material weakness(es) identified?		yes	X	no
Significant deficiency(ies)		yes	X	none reported
Type of auditors' report issued on compliance for: major programs:	**Unmodified**			
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?		yes	X	no

Identification of major federal programs:

Assistance Listing Number	**Name of Federal Program or Cluster**
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disaster)

Dollar threshold used to distinguish between type A and type B programs: $750,000

Auditee qualified as low-risk auditee?		yes	X	no

Section II - Financial Statement Findings

No findings to report

Section III - Findings and Questioned Costs - Major Federal Programs

No findings to report

MEMPHIS LIGHT, GAS AND WATER DIVISION

Schedule of Prior Year Audit Findings
For the Year Ended December 31, 2022

There were no prior year findings reports.

MLGW

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