

2025 Budget and the Reliability & Resiliency Roadmap



MLGW Board of Commissioners
October 2, 2024

** All dollars in thousands unless otherwise noted.*

*** Numbers presented exclude GASB 68, GASB 75, GASB 87
and GASB 96 impacts.*

2025 Budget Overview - Electric

- Continues the great progress we have made in improving our electric system reliability for the near term, while making us ready for the challenges of tomorrow.
- In addition to continued aggressive vegetation management and robust preventative maintenance, this budget funds the first of our next 5-year infrastructure replacement plans and continues the progress on our grid modernization plan that will yield benefits in reliability and grid resilience for decades to come.
- This budget also supports the expansion of electric capacity to serve through strategic substation expansion projects to relieve some overloaded areas and provide additional service capability in others.
- This effort is complemented by our first ever battery storage installations coming online in 2025, and getting underway with the first phase of design, acquisition/buildout of a new, state of the art operations center that will control our electric, gas, and water systems, and represents a generational improvement over the present outdated facility at Covington Pike.

2025 Budget Overview – Gas & Water

- This budget also funds the continued modernization of our water production, treatment and distribution system with significant investments in improving filtration at 5 of our 10 treatment plants, doubling the number of new wells to increase production for times when we really need additional water, and starting construction on an all-new Allen Pumping station that will serve our customers for the next 50+ years.
- As importantly, this budget allows us to continue the increased pace of lead service line replacements that was already underway, while including funding for the first of year of an aggressive ten-year program to facilitate replacement of lead service lines on both the public and private side of the meter.
- In 2025 we will continue to make significant progress in assuring the safety and integrity of our systems, from improvements at our gate stations and LNG plant all the way through to our end user customers with our gas tap replacement program and an upgrades 5 mile extra high-pressure transmission line that is critical to assuring uninterrupted supply for our customers.

2025 Budget Overview – Staffing & Facilities

- To support this work, with this funding we will break ground and fund the first phase of construction for an expanded North Service Center which will ultimately house more efficient fleet, heavy equipment, and transformer maintenance functions and allow us to dispose of property that has a higher and better use in the heart of downtown's medical district. This budget also funds a complement of approximately 2,700 full and part time employees and contracted partners to help us do the work and provides for a moderate COLA for both represented and non-represented employees of 3.5% and 3.0% respectively, keeping us competitive as we continue our aggressive pace of hiring.



Commitments Kept



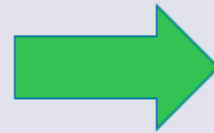
1 Tree Trimming



Tree Trimming | Previous Target (2020-24)

Expected to be 93% complete

- ▶ 5-year target of 7,000 miles (1,400 annually)
- ▶ Completed approximately 1,750 miles from 2020 through August 2023
 - The progress should have been ~5,000 miles



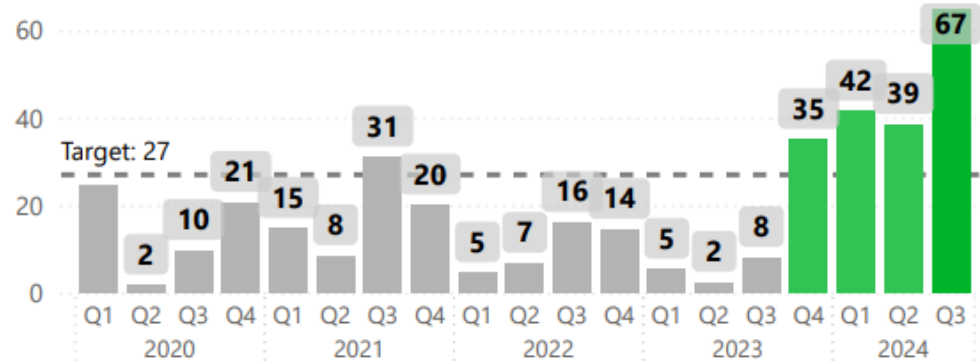
Tree Trimming | New Target

(Sep. 2023-Aug. 2024)

- ▶ Same annual target of 1,400 miles per year starting from September 2023
- ▶ Increased from 1 to 3 contractors
- ▶ New publicly available dashboard

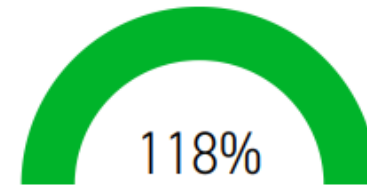
Tree Trimming 2020-2024

Average Weekly Miles Trimmed



Tree Trimming Miles Completed

September 1st, 2023 - August 31st, 2024



118%

1,646.50 Miles Completed

Last Updated: 09/03/2024



2 Replace Outdated Infrastructure

Updated: September 2024



Replace Outdated Infrastructure | 5-Year Targets (2020-2024)

Expected to be 95% complete

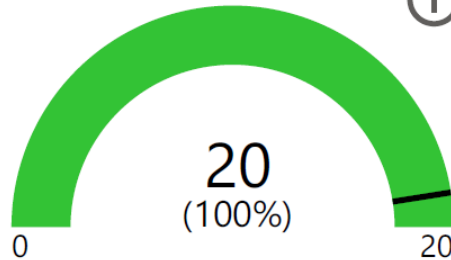
Replace Substation Transformers

Preventing long duration outages due to transformer failures.

Substation Transformer Replacements

20.00 transformers

5-Year Target: 20



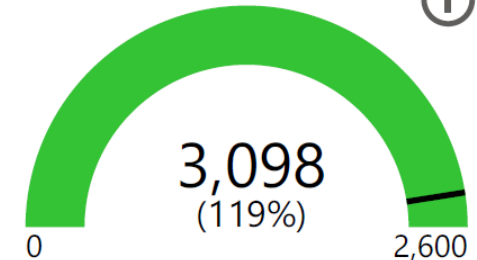
Wood Pole Replacement

Less outages because of pole failures.

Wood Pole Replacements

3,098.00 poles

5-Year Target: 2,600



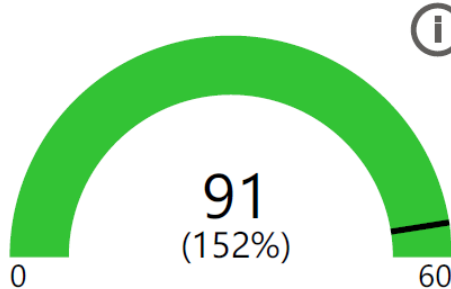
Replace Substation Circuit Breakers

Preventing long duration outages due to circuit breaker failures.

Substation Breaker Replacements

91.00 breakers

5-Year Target: 60



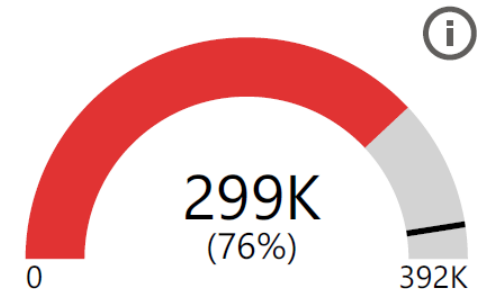
Replace Underground Cable

Preventing long duration outages because of cable failures.

Underground Cable Replacement

298,537.00 feet

5-Year Target: 392,400





Gas Infrastructure Improvements (2020-2024)

Updated: September 2024



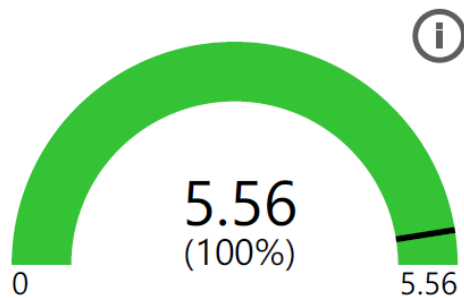
Gas Infrastructure Improvements | 5-Year Targets (2020-2024)

Expected to be 95% complete

Cast Iron Retrofit

5.56 miles

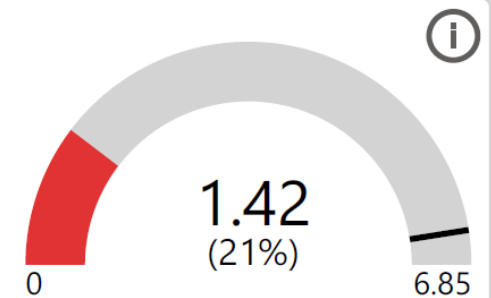
5-Year Target: 5.56



Gas Transmission Pipelines

1.42 miles

5-Year Target: 6.85

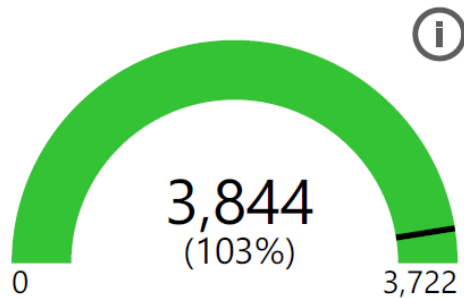


*Construction for the project is delayed until 2025

Coupling Elimination:
Steel Tap Replacement

3,844.00 units

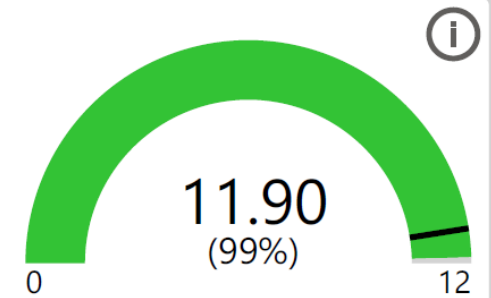
5-Year Target: 3,722



Regulator Stations

11.90 stations installed

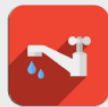
5-Year Target: 12





Water Infrastructure Improvements (2020-2024)

Updated: September 2024



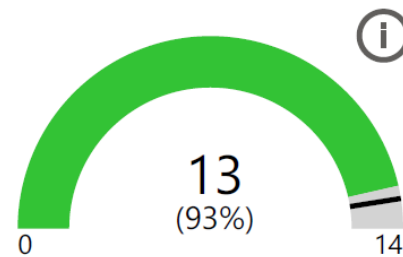
Water Infrastructure Improvements | 5-Year Targets (2020-2024)

Expected to be 95% complete

Production Wells

13.00 new wells

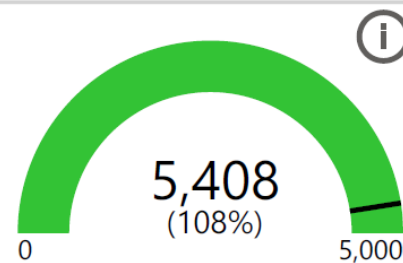
5-Year Target: 14



Lead Service Line Replacements

5,408.00 services

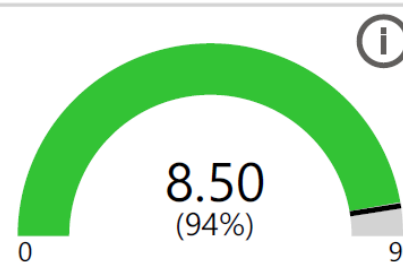
5-Year Target: 5,000



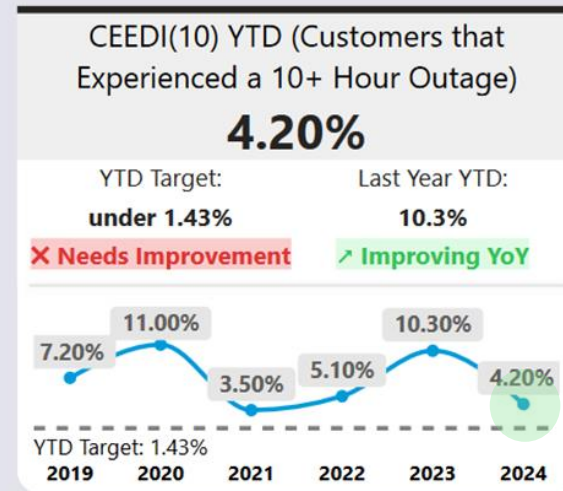
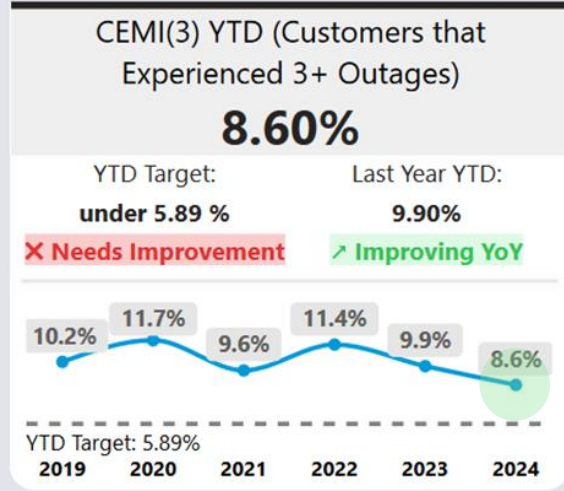
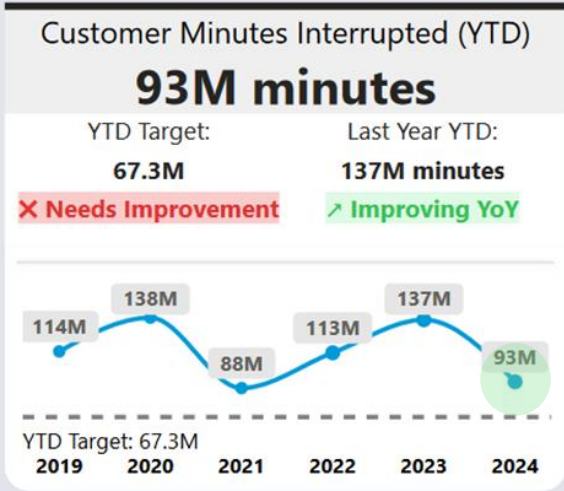
Digital Process Control Systems

8.50 systems installed

5-Year Target: 9

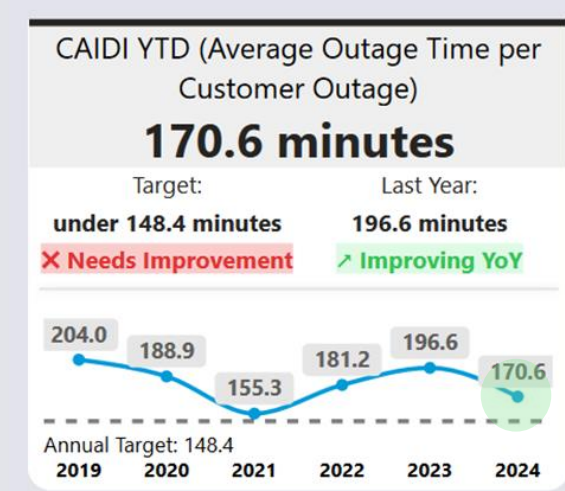
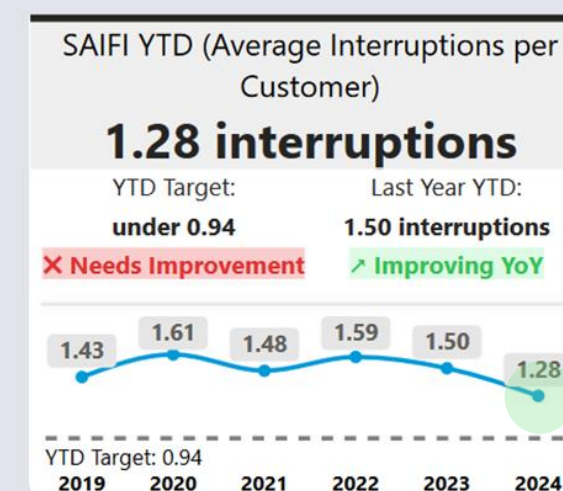
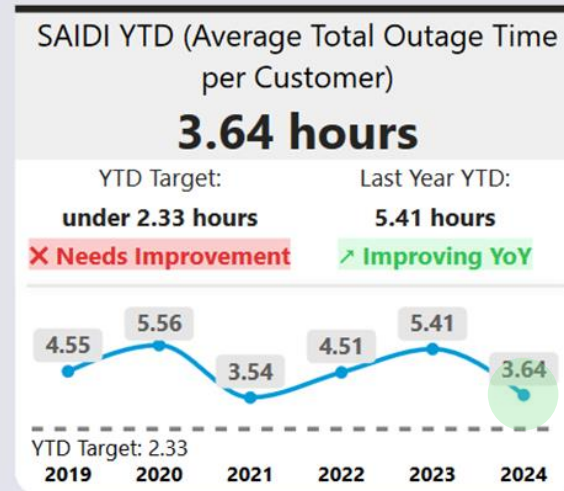


Result: Snapshot of Improvements in Reliability



Note: Reliability data *excludes* major storm events – data is a comparison of day to day, “blue sky” reliability

- All metrics show improvements over last 2 years





Electric Overview

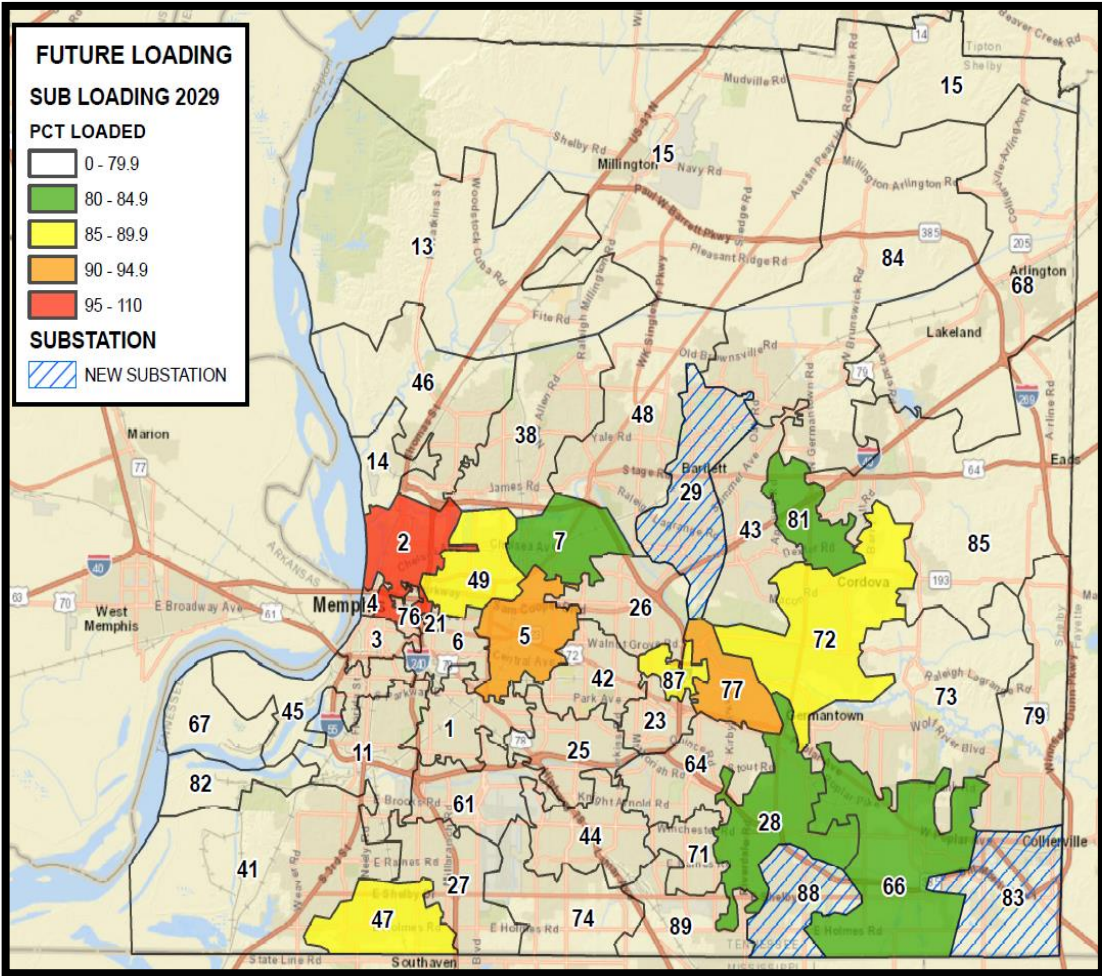
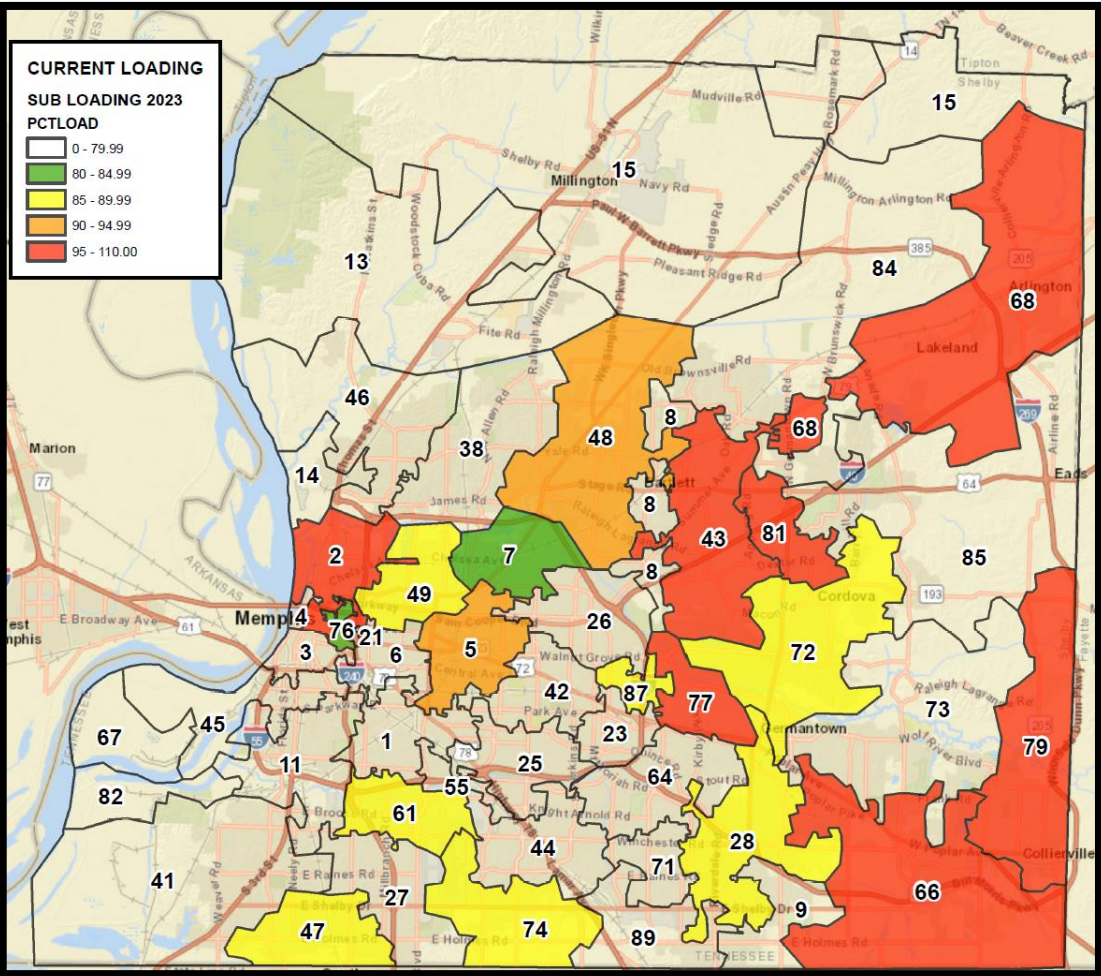
Targeted Infrastructure Replacements

- Substation Transformers, replace 2 per year
- Substation Circuit Breakers, replace 10 per year
- Distribution Poles, replace (600) or truss (1,500) a total of 2,100 per year
- Defective Underground Cable, replace 90,000 feet per year
- Construction for replacement facility for Central Shops at the North Service Center

Targeted Grid Modernization

- Automated switching devices, install (on average) 330 per year
- Install 5G/PLTE communications network
- Install Automated Distribution Management System w/ Fault Location Isolation & Service Restoration (*ADMS w/FLISR*) system to control devices
- Build out new Systems Operation Facility
- Distributed Energy Resources in the form of utility scale batteries

Targeted System/Capacity Growth



Committed Capital

Electric Division (\$000s)	2024 Projected	Material Inventory	2025 Budget Including 2024 Carry-over	Total Committed
Distributive Energy Resources	\$ 17,500		\$ 61,875	\$ 79,375
Substation/Transmission	\$ 59,398		\$ 29,093	\$ 88,491
Distribution	\$ 94,112		\$ 87,314	\$ 181,425
General Plant	\$ 21,039		\$ 51,747	\$ 72,786
Additional Purchases	\$ -	\$ 26,319	\$ -	\$ 26,319
Total	\$ 192,048	\$ 26,319	\$ 230,029	\$ 448,396

Including inventory materials needed to complete projects and budgeted carryovers, we have Committed \$448.4 million to electric improvements in the next two years.



Gas Overview

Targeted Infrastructure Replacements

- Transmission Integrity Management Pipeline project, replace ~5 miles of 18" XHP pipe.
- Steel tap couplings, replace 1000 per year.
- Regulator stations, replace 2 per year.
- Architecture & Engineering acquisition/construction for new Engineering/Operations/SCADA facility (benefits all divisions)



Water Overview

Targeted Infrastructure Replacements

- New Allen Pumping Station construction.
- Pumping Station wells, install 8 new wells per year.
- Pumping Station filter media, replace 5 over next 2 years.
- Distribution MLGW side lead service lines, inspect/replace 1500 per year.
- Begin ten-year plan for customer side lead service lines
 - Replace 255 in 2025 using 100% grant funding.



2025 Budget Details

Budget Overview

- No rate increases proposed for FY 2025 for Gas and Water Divisions.
- Continued focus on improving reliability and resiliency through investments in system.
- Wage increases of 3.0% and 3.5% for Non-Bargaining Unit and Bargaining Unit respectively to maintain a competitive workforce
- Addition of 36 new positions (35.5 FTE)
- Total Regular Labor increase of \$13.4 million or 5.3%
 - Wage increases, \$7.1 million
 - 0.34% of Total Operating Revenue; 0.29% of Total MLGW Operating & Capital Budget
 - Net new positions, \$5.5 million

Position Categories	2025 Labor Budget	2024 Labor Budget	Labor Budget Change	2025 Position Count	2024 Position Count	Position Count Change
Total Authorized Positions	\$ 266,895,132	\$ 253,497,089	\$ 13,398,043	3103	3058	45
Total Budgeted Positions	\$ 241,895,132	\$ 238,497,089	\$ 3,398,043	2774	2837	-63
Total Filled Positions	\$ 227,593,799	\$ 214,836,991	\$ 12,756,808	2623	2533	90

Budget Overview (cont.)

- Total O&M growth of 3.9% or \$21.8M higher than last year's budget.
- Total capital expenditures of \$382.2M or \$46M higher than last year's budget driven by the New Allen water pumping station project and a large gas transmission pipeline project.
- Continuation of the investment successes of the initial Way Forward Initiative that are helping to improve reliability and resiliency and increasing electric capacity to serve through strategic substation expansion projects.
- The budget funds regularly and reoccurring preventive maintenance items for all three divisions, the next five-years of renewal and replacements and new initiatives.

All Divisions Summary

Category (\$ in Thousands)	Electric	Gas	Water	Total
Operating Revenue	\$1,636,877	\$278,908	\$129,941	\$2,045,726
Purchased Power and Gas	\$1,174,874	\$136,451	\$0	\$1,311,325
O&M Expense	\$335,702	\$134,175	\$116,078	\$585,954
Depreciation & Amortization	\$68,820	\$23,627	\$12,320	\$104,767
PILOT & Taxes	\$54,090	\$17,174	\$5,400	\$76,664
Total Operating Expense	\$1,633,486	\$311,427	\$133,797	\$2,078,710
Total Capital Expenditures	\$230,029	\$74,677	\$77,568	\$382,274
Total Operating & Capital Budgets	\$1,863,515	\$386,104	\$211,365	\$2,460,984
Change in Net Position	\$35,836	(\$29,985)	(\$4,937)	\$914

Electric Division Summary

- Operating margin is \$68.9 million higher than last year's budget due primarily to the approved rate action and projected growth in industrial sales.
- Power costs are projected to be higher due to recent increases in base TVA Power Cost.
- The Change in Net Position Variance (net income) is \$25.0 million higher than last year's budget driven by the higher operating margin offset by the higher operating expenses.
- Capital Expenditures are \$42.7 million lower than last year.

Category	2023 Actual	2024 Proj	2024 Budget	2025 Budget
Operating Revenue	\$1,381,531	\$1,502,000	\$1,498,390	\$1,636,877
Power Cost	\$1,050,251	\$1,116,000	\$1,105,352	\$1,174,874
Operating Margin	\$331,279	\$386,000	\$393,038	\$462,003
Operating Margin Variance			\$68,964	Increase
O&M	\$223,995	\$302,000	\$318,127	\$335,702
Depreciation & Amortization	\$64,222	\$66,324	\$60,842	\$68,820
PILOT & Taxes	\$43,537	\$52,200	\$44,889	\$54,090
Total Operating Expense	\$331,754	\$420,524	\$423,858	\$458,611
Expense Variance			\$34,753	Increase
Other Income	\$56,355	\$56,500	\$53,823	\$52,648
Debt Expense	\$9,317	\$10,144	\$12,224	\$20,203
Change in Net Position	\$46,565	\$11,832	\$10,779	\$35,836
Change in Net Position Variance			\$25,057	Increase
Capital Expenditures	\$210,531	\$192,048	\$272,762	\$230,029
Total Operating & Capital	\$1,592,536	\$1,728,572	\$1,801,972	\$1,863,515

Gas Division Summary

- Operating margin is \$3.5 million lower than last year's budget due to slightly lower sales projections.
- The Change in Net Position Variance (net income) is \$13.8 million lower than last year's budget due primarily to the increase in operating expenses and decreasing operating margin.
- Capital Expenditures are \$38.7 million higher than last year's budget due to a large transmission integrity pipeline replacement project.

Category	2023 Actual	2024 Proj	2024 Budget	2025 Budget
Operating Revenue	\$257,059	\$288,000	\$287,586	\$278,908
Gas Cost	\$104,449	\$139,000	\$141,602	\$136,451
Operating Margin	\$152,611	\$149,000	\$145,984	\$142,457
Operating Margin Variance			(\$3,527)	Decrease
O&M	\$94,731	\$123,000	\$129,797	\$134,175
Depreciation & Amortization	\$25,203	\$23,234	\$24,228	\$23,627
PILOT & Taxes	\$16,497	\$17,226	\$17,486	\$17,174
Total Operating Expense	\$136,431	\$163,460	\$171,511	\$174,976
Expense Variance			\$3,465	Increase
Other Income	\$10,763	\$13,002	\$13,000	\$5,975
Debt Expense	\$3,873	\$3,658	\$3,648	\$3,441
Change in Net Position	\$23,070	(\$5,116)	(\$16,175)	(\$29,985)
Change in Net Position Variance			(\$13,810)	Decrease
Capital Expenditures	\$22,663	\$27,660	\$35,994	\$74,677
Total Operating & Capital	\$263,543	\$330,120	\$349,107	\$386,104

Water Division Summary

- Operating margin is \$0.4 million higher than last year's budget.
- The Change in Net Position Variance (net income) is \$3.3 million lower than last year's budget primarily due to the higher operating expenses and lower Other Income.
- Capital Expenditures are \$50.1 million higher than last year's budget driven by the new Allen Pumping Station construction.

Category	2023 Actual	2024 Proj	2024 Budget	2025 Budget
Operating Revenue	\$130,636	\$131,000	\$129,424	\$129,941
Operating Revenue Variance			\$517	Increase
O&M	\$90,733	\$110,000	\$116,246	\$116,078
Depreciation & Amortization	\$12,911	\$12,052	\$11,954	\$12,320
PILOT & Taxes	\$5,197	\$5,300	\$5,212	\$5,400
Total Operating Expense	\$108,842	\$127,352	\$133,412	\$133,797
Expense Variance			\$385	Increase
Other Income	\$7,903	\$6,000	\$5,696	\$2,237
Debt Expense	\$3,505	\$3,306	\$3,306	\$3,318
Change in Net Position	\$26,192	\$6,342	(\$1,598)	(\$4,937)
Change in Net Position Variance			(\$3,339)	Decrease
Capital Expenditures	\$30,429	\$31,620	\$27,463	\$77,568
Total Operating & Capital	\$139,271	\$158,972	\$160,875	\$211,365

Electric O&M Details

		O and M			
Division Description	LMEO	2024 Budget	2025 Budget	Budget Variance	Variance %
Electric	EQUIPMENT	\$9,042,600	\$9,156,656	\$114,056	1.26%
	LABOR	\$114,736,417	\$118,624,329	\$3,887,912	3.39%
	MATERIAL	\$2,691,474	\$2,794,437	\$102,963	3.83%
	OTHER	\$191,656,509	\$205,126,236	\$13,469,728	7.03%
Electric Total		\$318,127,000	\$335,701,658	\$17,574,658	5.52%

O&M Other Expenditure Type	2025 Budget	2024 Budget	Dollar Variance
Pension Cost-Cash	\$ 19,512,710	\$ 15,778,257	\$ 3,734,453
Tree Trimming Distribution	\$ 35,500,000	\$ 32,499,996	\$ 3,000,004
Contributions in Aid of Const	\$ (1,625,005)	\$ (3,975,738)	\$ 2,350,734
Purchase PC Software	\$ 3,490,974	\$ 1,444,432	\$ 2,046,542
Contracted Svc-Other	\$ 18,709,125	\$ 17,610,195	\$ 1,098,930
Outside Fees	\$ 5,598,997	\$ 4,647,757	\$ 951,240
eAM Outside Purchases	\$ 1,176,333	\$ 251,959	\$ 924,374
Outside Svc-Other Professional	\$ 22,668,336	\$ 21,764,609	\$ 903,727
Injuries-Damages Accrual-Elec	\$ 2,900,001	\$ 2,100,000	\$ 800,001
Material Stores	\$ 1,018,911	\$ 312,030	\$ 706,880
Outside Purchases	\$ 6,777,735	\$ 6,081,096	\$ 696,639
IS Other	\$ 9,730,901	\$ 13,121,123	\$ (3,390,222)
Other Net Increases/(decrease)			\$ (353,574)

Total Variance

\$ 13,469,728

Gas O&M Details

		O and M			
Division Description	LME0	2024 Budget	2025 Budget	Budget Variance	Variance %
Gas	EQUIPMENT	\$2,934,605	\$3,775,351	\$840,746	28.65%
	LABOR	\$45,900,956	\$49,199,711	\$3,298,755	7.19%
	MATERIAL	\$1,814,826	\$2,099,794	\$284,968	15.70%
	OTHER	\$79,146,964	\$79,100,355	(\$46,610)	-0.06%
Gas Total		\$129,797,352	\$134,175,211	\$4,377,859	3.37%

O&M Other Expenditure Type	2025 Budget	2024 Budget	Dollar Variance
eAM Contracted Svcs	\$ 7,266,151	\$ 3,773,431	\$ 3,492,720
Contracted Svc-Other	\$ 19,511,263	\$ 16,375,062	\$ 3,136,201
Outside Svc-Other Professional	\$ 7,537,282	\$ 5,831,543	\$ 1,705,739
Pension Cost-Cash	\$ 8,159,852	\$ 6,598,158	\$ 1,561,694
Purchase PC Software	\$ 1,676,976	\$ 757,561	\$ 919,415
Furniture Fixtures-Gas	\$ 130,903	\$ 231,057	\$ (100,154)
Fuel For Use	\$ 1,258,341	\$ 1,420,886	\$ (162,545)
Outside Fees	\$ 2,625,834	\$ 2,800,146	\$ (174,312)
Property Insurance Premium	\$ 689,638	\$ 908,110	\$ (218,472)
Medical Self Fund-Active	\$ 6,852,689	\$ 7,084,180	\$ (231,491)
Medical Self Fund-Retirees	\$ 7,423,747	\$ 7,674,528	\$ (250,781)
Contributions in Aid of Const	\$ (1,009,646)	\$ (385,902)	\$ (623,744)
IS Other	\$ 3,718,812	\$ 5,009,818	\$ (1,291,006)
Employee Benefits	\$ (4,456,342)	\$ (3,002,024)	\$ (1,454,318)
Rent Miscellaneous-Gas	\$ 1,821,252	\$ 3,316,895	\$ (1,495,643)
Outside Purchases	\$ 3,704,927	\$ 8,536,198	\$ (4,831,271)
Other Net Increases/(decrease)			\$ (28,642)

Total Variance

\$ (46,610)

Water O&M Details

		O and M			
Division Description	LME0	2024 Budget	2025 Budget	Budget Variance	Variance %
Water	EQUIPMENT	\$3,986,101	\$4,244,246	\$258,145	6.48%
	LABOR	\$35,953,924	\$36,075,548	\$121,624	0.34%
	MATERIAL	\$1,259,145	\$2,113,674	\$854,529	67.87%
	OTHER	\$75,046,953	\$73,644,129	(\$1,402,824)	-1.87%
Water Total		\$116,246,124	\$116,077,597	(\$168,527)	-0.14%

O&M Other Expenditure Types	2025 Budget	2024 Budget	Dollar Variance
Pension Cost-Cash	\$ 6,031,194	\$ 4,876,896	\$ 1,154,298
Purchase Fuel-Pwr For Wtr Pump	\$ 8,948,021	\$ 8,036,831	\$ 911,190
eAM Outside Purchases	\$ 1,908,335	\$ 1,017,718	\$ 890,617
Outside Svc-Other Professional	\$ 6,800,958	\$ 5,943,183	\$ 857,775
Purchase PC Software	\$ 1,179,947	\$ 543,612	\$ 636,335
Fuel For Use	\$ 1,516,266	\$ 1,050,218	\$ 466,048
Outside Svc-Temp Employees	\$ 988,256	\$ 757,418	\$ 230,838
IS Other	\$ 2,747,001	\$ 3,710,605	\$ (963,604)
Outside Purchases	\$ 2,633,179	\$ 4,029,170	\$ (1,395,991)
eAM Contracted Svcs	\$ 8,850,280	\$ 10,483,723	\$ (1,633,443)
Contracted Svc-Other	\$ 11,284,952	\$ 13,579,515	\$ (2,294,563)
Other Net Increases/(decrease)			\$ (262,324)

Total Variance **\$ (1,402,824)**

Total Capital Expenditures By Division

Electric Division

2024 Budget	\$272,762
2025 Budget	\$230,029
\$ Change	(\$42,733)
% Change	-15.7%

Gas Division

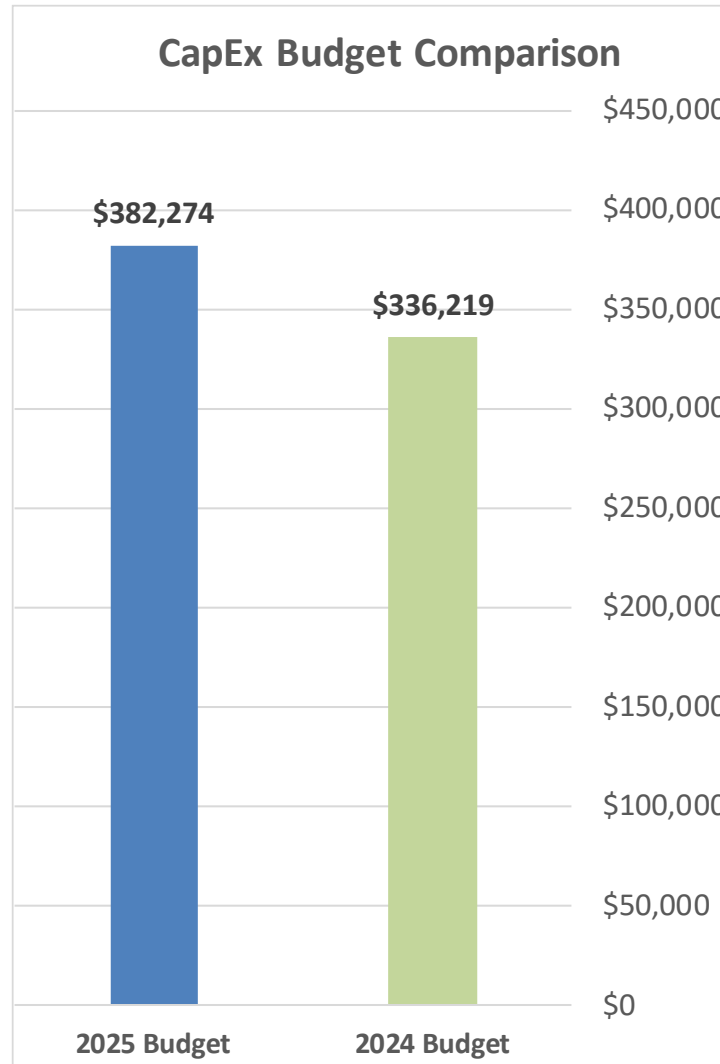
2024 Budget	\$35,994
2025 Budget	\$74,677
\$ Change	\$38,683
% Change	107.5%

Water Division

2024 Budget	\$27,463
2025 Budget	\$77,568
\$ Change	\$50,105
% Change	182.4%

All Divisions

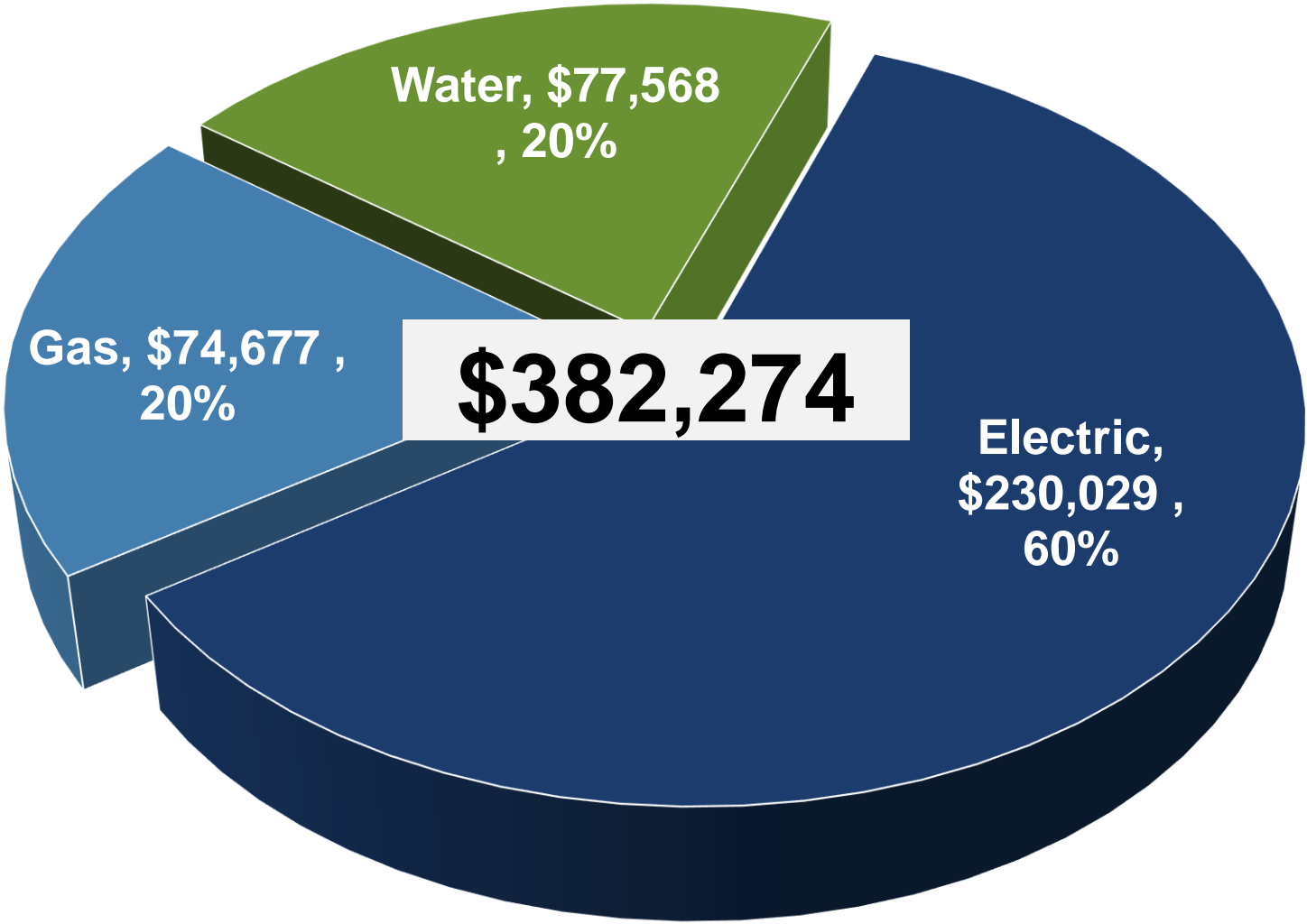
2024 Budget	\$336,219
2025 Budget	\$382,274
\$ Change	\$46,055
% Change	13.7%



This 2025 CapEx budget includes anticipated Grant Contributions of:

- Electric, \$11.7 million
- Water, \$30.3 million

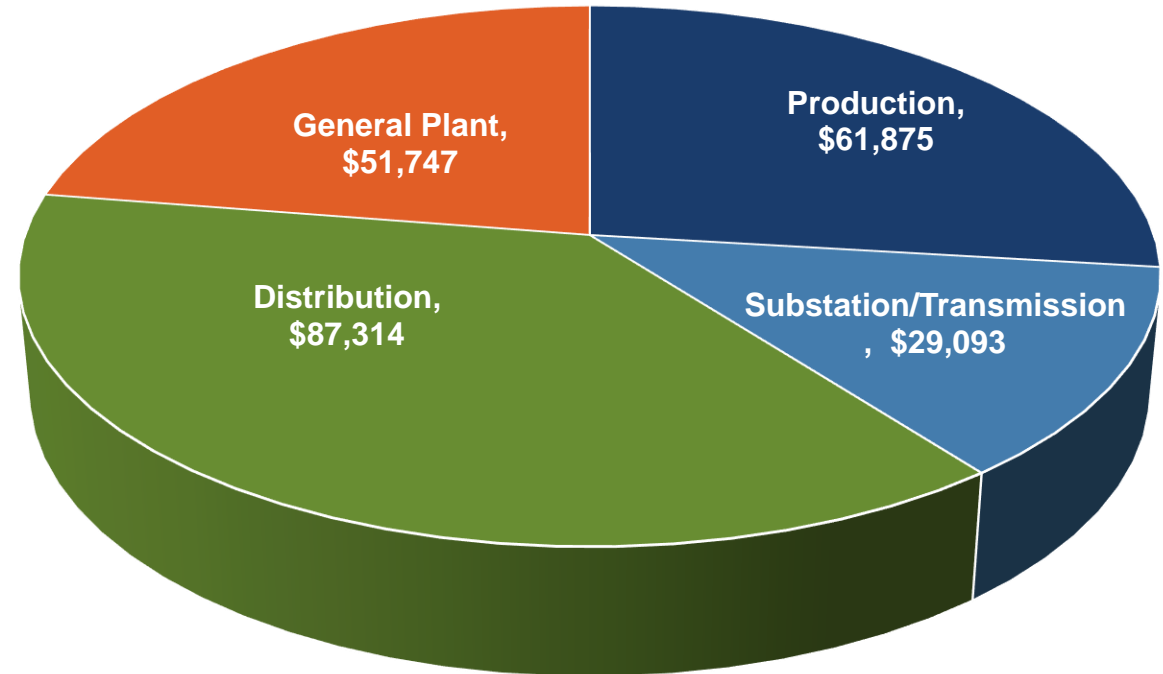
Total 2025 Budgeted Capital By Division



Electric Capital Highlights

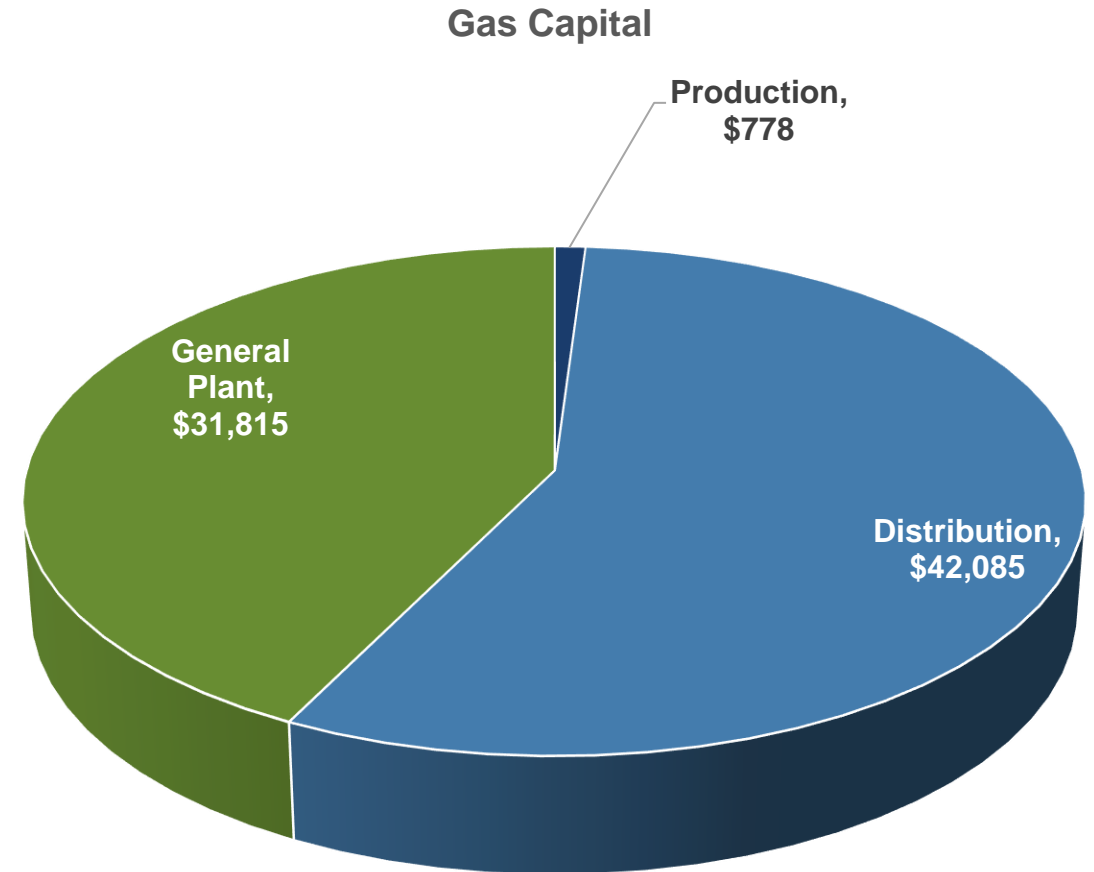
Distributive Energy Resources	\$61,875
Installation & Various Upgrades of Substations	\$19,008
Extensions to Serve New Customers - UG Apts. & Commercial	\$18,152
Line Reconstruction	\$14,202
Data Processing Equipment Upgrades	\$13,403
Communication Towers & Telecommunication Network	\$12,405
Replacement of Distribution Transformers	\$11,593
Replacement of Underground Cable	\$11,052
Purchase of Trans. & Power Operated Equipment	\$11,331
New Electric Circuits	\$10,117
Building & Structure Upgrades	\$9,790
Distribution Automation	\$2,705
Substation Transformer & Circuit Replacements	\$6,149
Transmission Line Upgrades	\$5,019
Utility Monitoring Upgrades	\$4,970
Electric Meters	\$1,542
Security Automation Video & Alarm System	\$841

Electric Capital



Gas Capital Highlights

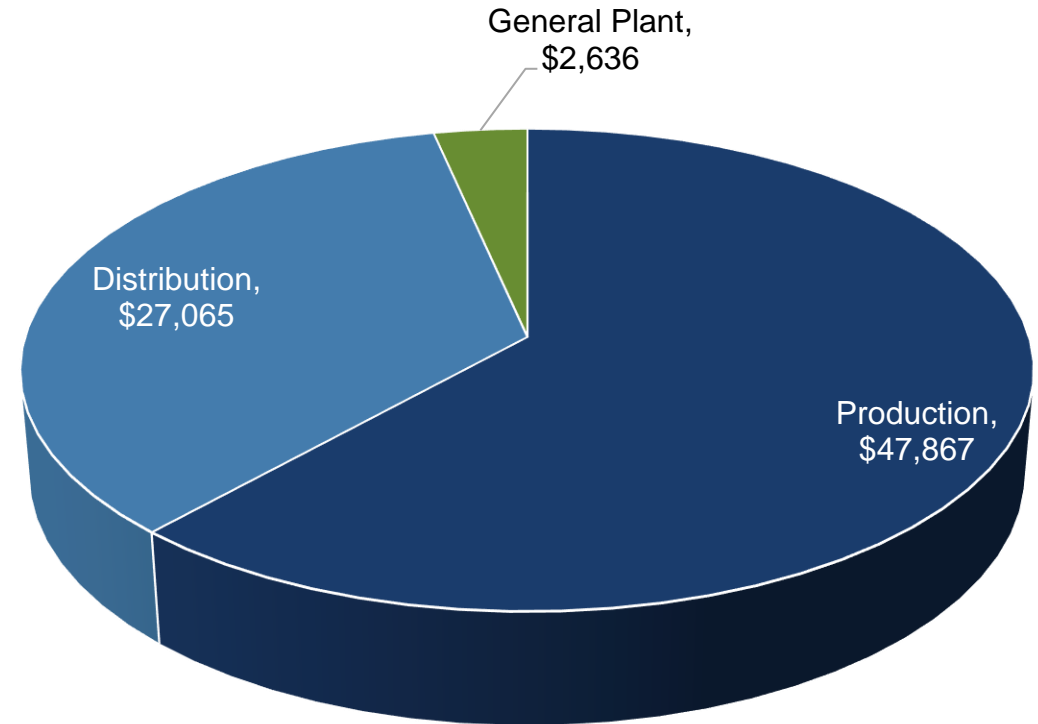
Pipeline Integrity Management	\$24,368
Building Upgrades	\$23,660
Extensions to Serve New Customers	\$8,265
Purch. of Trans. Equip. & Power Operated	\$7,598
New Gas Main & Gas Main Service Replacement	\$6,493
Purchase of Meters	\$3,900
Relocations of Mains - Street Improvements	\$3,705
Regulator Station Upgrades	\$821
LNG Processing Facility Upgrades	\$798
Furniture & Fixture Upgrades	\$493
Security Automation Upgrades	\$353



Water Capital Highlights

Various Pumping Station Upgrades	\$44,262
Various Production Well Upgrades	\$14,563
Lead Service Replacement	\$8,554
Extensions to Serve New Customers	\$5,191
Relocations of Mains - Street Improvements	\$5,029
Purchase of Meters	\$4,163
Building & Structure Upgrades	\$2,933
Purch. of Trans. Equip. & Power Operated	\$2,225
New Water Main	\$2,169

Water Capital



5 Year Capex Plan Summary

- MLGW plans to invest significant capital into each division.
- The total projected five-year investment for 2025 through 2029 is \$1.7 billion.

<i>*In '000s</i>								
	2024	2024	2025	2026	2027	2028	2029	2025 - 2029
Electric	Estimate	Budget	Projection	Projection	Projection	Projection	Projection	Total
Distributive Energy	\$ 17,500	\$ 120,500	\$ 61,875	\$ 44,375	\$ 44,375	\$ -	\$ -	\$ 150,625
Substation/Transmission	\$ 59,398	\$ 22,921	\$ 29,093	\$ 41,592	\$ 29,487	\$ 39,826	\$ 29,480	\$ 169,478
Distribution	\$ 94,112	\$ 69,322	\$ 87,314	\$ 84,006	\$ 79,842	\$ 87,406	\$ 80,350	\$ 418,919
General Plant	\$ 21,038	\$ 60,019	\$ 51,747	\$ 65,938	\$ 58,512	\$ 37,549	\$ 31,038	\$ 244,784
Total Electric	\$ 192,048	\$ 272,762	\$ 230,029	\$ 235,910	\$ 212,216	\$ 164,782	\$ 140,868	\$ 983,806
	2024	2024	2025	2026	2027	2028	2029	2025 - 2029
Gas	Estimate	Budget	Projection	Projection	Projection	Projection	Projection	Total
Production	\$ 667	\$ 1,808	\$ 778	\$ 1,800	\$ 5,000	\$ 1,200	\$ 1,200	\$ 9,978
Distribution	\$ 18,569	\$ 14,682	\$ 42,085	\$ 15,233	\$ 15,452	\$ 16,985	\$ 17,513	\$ 107,269
General Plant	\$ 8,424	\$ 19,504	\$ 31,815	\$ 55,138	\$ 11,729	\$ 10,762	\$ 11,858	\$ 121,301
	\$ 27,660	\$ 35,994	\$ 74,677	\$ 72,171	\$ 32,181	\$ 28,947	\$ 30,571	\$ 238,547
	2024	2024	2025	2026	2027	2028	2029	2025 - 2029
Water	Estimate	Budget	Projection	Projection	Projection	Projection	Projection	Total
Production	\$ 15,929	\$ 12,986	\$ 47,867	\$ 53,704	\$ 62,303	\$ 79,600	\$ 60,800	\$ 304,274
Distribution	\$ 15,234	\$ 12,536	\$ 27,065	\$ 24,829	\$ 22,733	\$ 22,560	\$ 22,746	\$ 119,933
General Plant	\$ 1,219	\$ 1,941	\$ 2,636	\$ 3,370	\$ 3,015	\$ 2,755	\$ 2,913	\$ 14,689
Total Water	\$ 32,382	\$ 27,463	\$ 77,568	\$ 81,903	\$ 88,051	\$ 104,916	\$ 86,459	\$ 438,896



Cash Flows

Financial Metric Targets

- Days of cash
 - Target minimum of 45 days
 - Government Finance Officers Association (GFOA) best practice recommendation target minimum is 90 days
- Change in net position
 - Target is to have positive change in net position
 - State law prohibits two consecutive years of negative net position for both the gas and water divisions
- Debt Service Coverage
 - Minimum per debt covenants for senior lien is 1.2x
 - Both S&P and Moody's have developed a more stringent coverage calculation when evaluating utilities

Electric Division Cash Flow Projection

Electric Division - 2025 Budget	2022	2023	2024	2025	2026	2027	2028	2029	25-29 Total
22 Ending Cash & Investments	\$334,366	\$156,251	\$158,690	\$263,237	\$254,300	\$163,763	\$266,939	\$239,042	
23 Days Cash of OpExp	86	43	39	61	59	37	60	54	
24 Debt Service Coverage	6.75	6.90	5.41	3.99	4.72	4.58	4.53	4.47	
25 Change in Net Assets (Net Income)	\$41,002	\$46,568	\$11,519	\$35,831	\$83,177	\$70,671	\$91,002	\$81,880	
26 Capital Expenditures	\$92,811	\$210,531	\$192,048	\$230,029	\$235,910	\$212,216	\$164,782	\$164,782	\$1,007,719
27 O&M Expenditures	\$224,453	\$226,103	\$304,421	\$337,640	\$350,707	\$362,255	\$376,730	\$387,175	\$1,814,508
28 Rate Increase %	1.5%		4.0%	4.0%	4.0%	0.0%	2.0%	0.0%	10.3%
29 Rate Increase Revenue	\$20,073		\$56,712	\$62,059	\$64,844	\$0	\$34,036	\$0	\$160,939
30 Debt Issuance			\$195,684	\$250,000	\$0	\$0	\$125,000		\$375,000
31 Average Residential Bill Impact	\$1.92		\$4.83	\$5.03	\$5.23	\$0.00	\$2.76	\$0.00	\$13.02

Gas Division Cash Flow Projection

	Gas Division - 2025 Budget	2022	2023	2024	2025	2026	2027	2028	2029	25-29 Total
21	Ending Cash & Investments	\$157,664	\$194,562	\$200,671	\$135,725	\$74,792	\$73,345	\$93,827	\$109,690	
22	Days Cash of OpExp	183	357	281	187	100	97	120	138	
23	Debt Service Coverage	5.15	8.69	5.85	3.69	3.93	6.03	8.05	7.84	
24	Change in Net Assets (Net Income)	\$3,907	\$23,070	(\$5,702)	(\$29,983)	(\$29,496)	(\$11,075)	\$6,495	\$2,311	
25	Capital Expenditures	\$17,999	\$22,663	\$27,660	\$74,677	\$72,171	\$32,181	\$28,947	\$30,571	\$238,547
26	O&M Expenditures	\$96,993	\$95,539	\$124,207	\$134,924	\$140,430	\$145,152	\$151,296	\$155,410	\$727,212
27	Rate Increase %	2.0%			0.0%	0.0%	10.0%	9.0%	0.0%	19.9%
28	Rate Increase Revenue	\$4,354			\$0	\$0	\$23,426	\$23,308	\$0	\$46,734
29	Debt Issuance									\$0
30	Average Residential Bill Impact	\$0.74				\$0.00	\$4.50	\$4.46	\$0.00	\$8.96
	<i>* May need to obtain exemption from State Comptroller as cash is depleted.</i>									

Water Division Cash Flow Projection

	Water Division - 2025 Budget	2022	2023	2024	2025	2026	2027	2028	2029	25-29 Total
21	Ending Cash & Investments	106,954	124,127	105,121	29,435	37,931	45,872	40,377	30,161	
22	Days Cash of OpExp	424	472	332	88	110	129	110	80	
23	Debt Service Coverage	5.64	5.41	2.97	1.77	1.74	2.82	4.02	5.52	
24	Change in Net Assets (Net Income)	\$29,497	\$26,192	\$5,926	(\$4,794)	\$3,812	\$22,816	\$43,959	\$70,361	
25	Capital Expenditures	\$27,240	\$30,429	\$31,620	\$77,568	\$81,903	\$88,051	\$104,916	\$86,459	\$438,896
26	O&M Expenditures	\$87,522	\$91,330	\$111,034	\$116,632	\$120,920	\$124,705	\$129,452	\$132,869	\$624,577
27	Rate Increase %	5.0%			0.0%	15.0%	15.0%	15.0%	15.0%	74.9%
28	Rate Increase Revenue	\$5,790			\$0	\$18,951	\$21,934	\$25,390	\$29,387	\$95,662
29	Debt Issuance					\$150,000		\$50,000		\$200,000
30	Average Residential Bill Impact (W1)	\$0.91			\$0.00	\$2.88	\$3.31	\$3.80	\$4.37	\$14.36

Budget Schedule

- Preliminary presentation to MLGW Board, 10/2
- MLGW Board vote, 10/16
- MLGW City Council Committee, 11/12
- Full Council Meetings remaining for 2024 thereafter: 11/26, 12/3, 12/17

Budget Summary

- Continuation of the investment successes of the initial Way Forward Initiative that are helping to improve reliability and resiliency and increasing electric capacity to serve through strategic substation expansion projects.
- Total O&M growth of 3.9% or \$21.8M higher than last year's budget.
- Total capital expenditures of \$382.3M or \$46.1M higher than last year's budget driven by the new Allen water pumping station project and a large gas transmission pipeline project.



Questions



Appendix

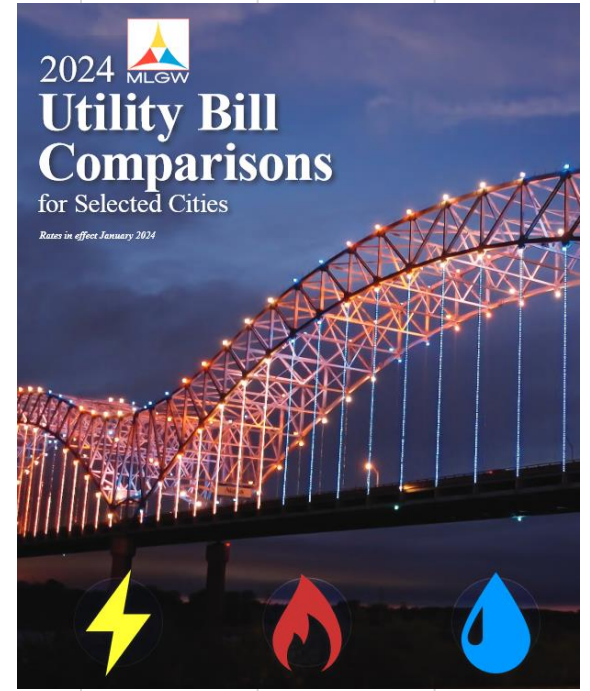
Position Additions

■ Addition of 36 new positions (35.5 FTE)

- **18** Engineering Operations & Construction Division (*15 Engineers, 1 Engineering Supervisor, 1 Transformer Repairer Apprentice, & 1 Crew Leader Transformer Repairer*)
- **6** Information Technology & Services Division (*2 Business System Analyst 4, 2 Computer Software Specialist 3, 1 Senior Information Technology Business Consultant, & 1 Information Services Supervisor*)
- **6** People Services Division (*1 Compensation Associate, 1 Workforce Development Coordinator, 1 Safety Equipment Tester, 1 Safety Training Specialist Driver Trainer, 1 Training Associate, & 1 People Development Supervisor*)
- **3** Corporate Communications Division (*1 Administrative Assistant 3, 1 Communication Specialist, & 1 Senior Communication Specialist*)
- **2** Customer Experience and Energy Services Division (*1 Project Coordinator & 1 Billing Services Supervisor*)
- **1** Shared Services Division (*1 Engineer 1*)

National Residential Combined Bill Comparison*

Even with the TVA and MLGW increases, MLGW would remain the lowest in the survey.



*Simulated Bill based on 1,000 kWh electricity, 200 ccf natural gas and 10 ccf water with rates effective January 2024.

Electric Reliability & Resiliency Budget Roadmap

Action		Description	Outcome	2020 - 2023	2024 Projected	2025	2026 - 2028	Total
				\$ in Millions				
1. Tree Trimming		Trees are the leading cause of MLGW outages.	Reduced Vegetation/Tree limb-caused outages.	\$ 42.5	\$ 35.0	\$ 45.6	\$ 136.8	\$ 259.9
2. Replace Outdated Infrastructure	Add Manpower	MLGW Staff	More support staff & engineers to design the work			\$ 1.4	\$ 15.5	\$ 16.9
		Contracted Capacity	More crews to complete the work	\$ 33.0	\$ 11.0	\$ 11.0	\$ 33.0	\$ 88.0
	Replace Substation Transformers	Substation equipment needs to be maintained and components need to be replaced periodically to extend asset life	Preventing long duration outages because of transformer failures.	\$ 23.7	\$ 7.5	\$ 4.8	\$ 14.5	\$ 50.4
	Replace Substation Circuit Breakers	Substation equipment needs to be maintained and components need to be replaced periodically to extend asset life	Preventing long duration outages because of circuit breaker failures	\$ 17.8	\$ 6.6	\$ 4.4	\$ 12.0	\$ 40.8
	Wood Pole Replacement	Inspect, rate and replace rotted or end of life poles	Less outages due to pole failures	\$ 14.6	\$ 5.0	\$ 3.5	\$ 10.5	\$ 33.6
	Pole Trussing	Reinforcing of poles that allow loads to bypass decayed or damaged groundline area of the pole to sound wood foundation below ground.	Increases longevity of wood poles.	\$ -	\$ -	\$ 1.5	\$ 4.5	\$ 6.0
	Replace Underground Cable	Replace 1960-1980 vintage underground cable	Prevent long duration outages because of cable failures.	\$ 18.2	\$ 10.0	\$ 12.5	\$ 37.5	\$ 78.2
3. Grid Modernization	Install DA Switches & Other Related	Enable distribution automation and segmentation of the system	Distribution automation reduces customers impacted by each outage, speeds up restoration time after an outage, and gives more options for balancing the system.	\$ 34.7	\$ 6.5	\$ 8.0	\$ 68.5	\$ 117.7
	PLTE	Radio spectrum and radio system equipment to control modern grid systems	Enables communication with all DA Switches, crews, dispatch, and communication systems	\$ -	\$ 27.0	\$ -	\$ -	\$ 27.0
	ADMS w/FLISR	Advanced system operations hardware and software to manage modern grid	Automatic load balancing, switch operation, power rerouting and fault location and isolation	\$ -	\$ -	\$ 4.0	\$ 10.0	\$ 14.0
	Upgrade Sys Ops/USC	Modernize system operations to incorporate capability of ADMS, DES, and generation	Supports modern Grid operations, back up and capability	\$ -	\$ -	\$ 25.0	\$ 50.0	\$ 75.0
	Distributive Energy Resources	Battery/Storage: Distribution level energy storage assets	Peek shaving capability, resilience, continued economic development	\$ -	\$ 17.5	\$ 61.9	\$ 88.8	\$ 168.2
Generation/Solar: Electric Generation assets to meet short and long term energy demands		Continued economic and community development; resilience						
Value	Significantly improved reliability, clean energy, peak shaving, and resilience in the face of increased demand			\$ 184.6	\$ 126.1	\$ 183.5	\$ 481.5	\$ 975.6

GASB Definitions

- **GASB Statement 68 – Accounting and Financial Reporting for Pensions**

- The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions by establishing standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures.

- **GASB Statement 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions**

- The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB) by establishing standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures.

- **GASB Statement 87 – Leases**

- This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

- **GASB Statement 96 – Subscription-Based Information Technology Arrangements (SBITAs)**

- This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments) by defining a SBITA, establishing that a SBITA results in an intangible asset and corresponding liability, providing capitalization criteria for outlays, and requiring note disclosures regarding a SBITA.

Example Budget Formulation of LMEO Allocated to FERC Accounts

- The majority of the O&M costs for this example Area are allocated to the Administrative and General FERC accounts because this area's function is primarily A&G.
- The EGW/OCA FERC allocation split is based on the Exp Type and Org (Area) for Admin Type areas and reported compatible work units for work order reporting areas (like Construction) for capital expenditures.

Project Name	Task Name	Area	LMEO	Expenditure Type	OCA	Ferc Account	Account Description	2025 Budget			2025 Budget				
								Electric	Gas	Water	Electric	Gas	Water		
Budget Financial PI R2024	Admin Expense	0320210 Budget and Financial Planning	LABOR	Absent-Other	O and M	4019200	Administrative & General Salaries	\$15,520	\$5,941	\$4,389	60.0%	23.0%	17.0%		
				Absent-Sick	O and M	4019200	Administrative & General Salaries	\$4,034	\$1,538	\$1,137	60.1%	22.9%	16.9%		
				Overtime	O and M	4019200	Administrative & General Salaries	\$62	\$22	\$16	62.0%	22.0%	16.0%		
				Straight Time	O and M	4019200	Administrative & General Salaries	\$272,200	\$104,336	\$77,114	60.0%	23.0%	17.0%		
			LABOR Total							\$291,816	\$111,837	\$82,656	60.0%	23.0%	17.0%
			OTHER	Employee Recognition	O and M	4019300	Misc General Expenses	\$254	\$85	\$61	63.5%	21.3%	15.3%		
				Outside Fees	O and M	4019210	Office Supplies & Expenses	\$1,203	\$458	\$339	60.2%	22.9%	17.0%		
				Outside Purchases	O and M	4019210	Office Supplies & Expenses	\$912	\$336	\$252	60.8%	22.4%	16.8%		
			OTHER Total							\$2,369	\$879	\$652	60.7%	22.5%	16.7%
			Grand Total							\$294,185	\$112,716	\$83,308	60.0%	23.0%	17.0%