MLGW

2026 BUDGET

Preliminary

Leadership

MLGW Board of Commissioners

Micheal E. Pohlman, *Chair*

Carl Person, *Vice Chair*

Cheryl Pesce

Mitch Graves

Leon Dickson Sr.

Advisory Board Members

John Butler

James Lewellen

Senior Leadership Council

Doug McGowen, *President and CEO*
Alonzo Weaver, *SR VP and COO & Chief People Services Officer*
Quinton Clark, *VP of Electric Engineering and Operations*
Rodney Cleek, *VP CFO and Secretary Treasurer*
Timothy Davis, *VP of Customer Experience and Energy Services*
Von Goodloe, *VP of Shared Services*
Ursula Madden, *VP of Corporate Communications*
Jennifer Sink, *VP and General Counsel*
Lesa Walton, *VP of Internal Audit*
Chandrika Winston, *VP of Gas and Water Engineering Operations*

Board of Commissioners & Senior Leadership Council

LEON DICKSON, SR
Board of Commissioners

CARL PERSON
Board of Commissioners
Vice Chair

MICHAEL E. POHLMAN
Board of Commissioners
Chair

CHERYL PESCE
Board of Commissioners

MITCH GRAVES
Board of Commissioners

JOHN BUTLER
Advisory Board Member

JAMES LEWELLEN
Advisory Board Member

DOUG McGOWEN
President and CEO

STACEY FOSTER
Admin Assistant

ALONZO WEAVER
SR VP COO

RODNEY CLEEK
VP CFO Secretary Treasurer

- Treasury Management
- Budget Rates & Grants
- General Accounting
- Payments Payroll and Banking
- Pension

LASHELL VAUGHN
VP Chief Information Officer

- Data Security
- Client Services
- Application Development
- Customer Information Systems
- Enterprise Resource Planning
- Information Technology Development
- Information Technology

VON GOODLOE
VP Shared Services

- Procurement Contracts & Strategic Sourcing
- Performance Engineering
- Corporate Security
- Facilities Management & Maintenance
- Building Services Grounds
- Material & Stores
- Transportation & Fleet Services

JENNIFER SINK
VP General Counsel Compliance Officer

- Legal Services
- Ethics & Compliance

TIMOTHY DAVIS
VP Customer Experience & Energy Services

- Workforce Management Quality Assurance
- Customer Care
- Customer Service Field Ops
- Meter Services
- Payment Services
- Billing Services
- Energy Services
- Business Operations Services Support

URSULA MADDEN
VP Corporate Communications

- Corporate Communications
- Communications Production & Distribution
- Social & Interactive Media Relations
- Corporate Responsibility

LESA WALTON
Chief Internal Auditing Officer

- Internal Audit & Data Analytics
- Internal Audit & Assurance Services

VACANT
VP Chief People Officer

- Human Performance & People Development
- Corporate Safety
- Compensation HRIS
- HR Talent Acquisition, Compensation and Insurance
- Labor Relations

QUINTON CLARK
VP Electric Engineering

- Substation Engineering & Operations
- Electric Distribution System Engineering
- Systems Operations
- Electric Construction

CHANDRIKA WINSTON ROSSER
VP Gas/Water Engineering

- Water Construction & Maintenance
- Gas Engineering & Operations
- Water Engineering & Operations
- Water Quality Assurance
- Commercial & Residential Engineering
- Gas Portfolio Management

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President & Chief Executive's Letter

October 1, 2025

I am proud to present a budget for 2026 that builds on the momentum we have created over the past several years. We are strengthening the reliability of our systems today while preparing Memphis for the energy and infrastructure demands of tomorrow.

This year's budget reflects our continued commitment to modernizing our electric grid, expanding our water and gas systems, and investing in the facilities and workforce that make it all possible. In 2026, we will complete the first phase of our battery storage installations. This milestone marks a transformative step toward grid resilience and energy flexibility. We will also break ground on our new operations center, a state-of-the-art facility that will unify control of our electric, gas, and water systems. It will replace the outdated Covington Pike location with a modern hub designed for the next generation.

On the water side, we are accelerating lead service line replacements through our ten-year program, expanding filtration upgrades across our treatment plants, and continuing construction on the Allen Pumping Station. These efforts will ensure safe, clean water for decades to come. Our gas system will see critical upgrades to high-pressure transmission lines and continued progress on our steel tap replacement program. These improvements will reinforce safety and reliability across the network.

We are also investing in our people and facilities. The expansion of the North Service Center will streamline fleet and equipment maintenance. It will also allow us to repurpose valuable downtown property for higher community use. Our budget supports a dedicated workforce of approximately 2,700 full-time employees and contracted partners. It includes a modest cost-of-living adjustment to maintain competitiveness and support retention.

The Total Operating and Capital Budget for 2026 is $2.7 billion. Of this, approximately $1.4 billion is allocated to purchased power and gas costs. Operations and maintenance expenses total $610 million, and our capital program is budgeted at $299 million. Payments in lieu of taxes to local governments are projected to be $87 million.

This budget is more than numbers. It reflects our values, our vision, and our unwavering commitment to serve Memphis with excellence. We are investing in infrastructure that will stand the test of time, in technology that will make our systems smarter and more resilient, and in people who make it all possible.

Thank you for your continued trust and partnership.

Respectfully,

Doug McGowen
President and CEO

MLGW Overview

Memphis Light, Gas and Water (MLGW) stands as a cornerstone of utility services in Memphis, Tennessee, with a history that reflects the city's growth and technological advancements. Established in 1939, MLGW is the largest three-service public utility in the United States, and operates three separate utilities, as divisions, providing electricity and gas in the City and Shelby County and water to the City in conjunction with other municipal systems in Shelby County. Memphis Light Gas and Water provides services to roughly 447,219 electric customers, 317,337 gas customers, and 261,277 water customers.

Memphis Light, Gas and Water receives electricity from the Tennessee Valley Authority (TVA) and represents approximately 10 percent of TVA's total electric power load. Memphis Light, Gas and Water acts as a pass through of the electric rates, therefore, not realizing any profit on the sale of electricity

Early Beginnings

The roots of MLGW trace back to 1852 with the formation of the Memphis Gas Light Company, which served a population of around 10,000. This early utility company laid the groundwork for future developments in the city's utility infrastructure. A significant milestone occurred in 1887 with the discovery of a pure artesian water supply, leading to the creation of The Artesian Water Company. This discovery was pivotal, as it provided Memphis with a reliable and high-quality water source.

Municipal Ownership and Expansion

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

Modern Developments

Throughout its history, MLGW has been at the forefront of innovation and service delivery. The utility continually upgrades its infrastructure to meet the growing demands of its customers. MLGW's commitment to sustainability and efficiency is evident in its various initiatives, including energy conservation programs and the integration of renewable energy sources.

Community Impact

MLGW's role extends beyond utility services; it is an integral part of the Memphis community. The utility actively engages in community outreach and support programs, contributing to the overall well-being of the region. From providing assistance to low-income households to supporting local events and initiatives, MLGW demonstrates a strong commitment to the community it serves.

Conclusion

Memphis Light, Gas and Water's history is a testament to the city's dedication to providing essential services to its residents. From its early beginnings in the 19th century to its current status as a leading public utility, MLGW has played a crucial role in the development and prosperity of Memphis. As the utility continues to evolve, its focus remains on delivering reliable, efficient, and sustainable services to its customers

Community Engagement

MLGW employees partnered with Habitat for Humanity of Greater Memphis to help build a new home for a local family. Their hands-on support reflects MLGW's commitment to strengthening our community, one nail, one board and one home at a time.

On 9/11 Day of Service, MLGW employees stepped up to show gratitude in a meaningful way by delivering lunch to local first responders who dedicate their lives to protecting our community. It was a heartfelt gesture of appreciation, reminding us that service and unity are the strongest tributes we can offer.

MLGW employees, joined by their family and friends, hit the lanes with purpose at the 39th Annual Bowl-A-Thon. Together, they raised funds to support K–12 students through Junior Achievement of Memphis and the Mid-South. Strikes, spares, and smiles filled the day as the community came together to inspire the next generation.

FAST FACTS

CUSTOMERS

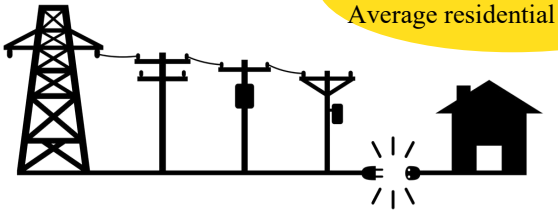
447,219

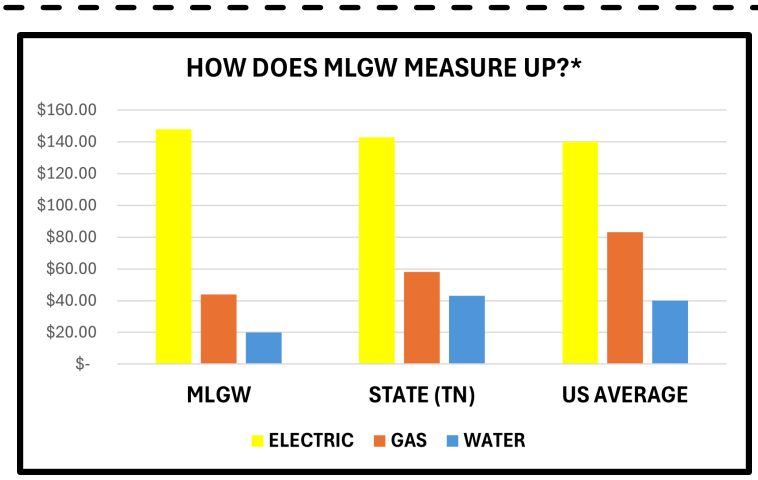
317,337

261,277

MLGW operates one of the largest artesian well systems in the world. It is through this system that MLGW taps into the aquifer and delivers water to customers. MLGW operates 10 water pumping stations and more than 175 wells throughout Shelby County.

$212.88
Average residential utility bill.





USAGE

Average annual use per residential customer:

- **1,3692 kWh of power**
- **616 cubic feet of gas**
- **98 cubic feet of water**

2713 EMPLOYEES

7,339.5 Circuit Miles

4,574 Miles of Gas Mains

3,980 Miles of Water Mains

PROJECTS

- **New substations and substation upgrades**
- **New pumping station and pumping station rehabilitation**
- **Optimize Memphis Neighborhood Initiative Projects**
- **Steel tap replacements**

RANKINGS

- **16th in lowest electric bills**
- **2nd in lowest gas bills**
- **2nd in lowest water bills**

Based on independent study amongst 39 other utility companies of the same size in the US.

2026 BUDGET: $2.7B

*Data from the US Energy Information Administration, American Gas Association and RentCafe, complied by Home Energy ClubSource.

Major Capital Improvement Plan

Items are included in the capital improvement plan based on need and available resources. The Engineering group evaluates the age of existing infrastructure and monitors growth within the service area to determine where system improvements are needed to maintain reliability. Costs are estimated to perform the work and the resulting capital projects are added to the budget.

Some of the more notable projects included in the 2026 capital improvement plan include:

Electric:

• New Substation and substation upgrades	$ 25,500,000
• Distribution Projects	$ 22,144,700

Gas:

• Operations Center Buildout	$ 31,000,000
• Steel Tap Replacements	$ 8,672,500

Water:

• Pumping Stations	$ 33,870,000
• Production Wells	$ 10,650,000
• Lead Service Replacement	$ 10,530,000

New Operations Center

How to Read the Budget Book

INTRODUCTION

We are pleased to submit the 2026 Budget of Memphis Light, Gas and Water Division (MLGW) as required by Memphis City Ordinance #3509. This Budget has been prepared in compliance with this ordinance, which requires conformity to the Federal Energy Regulatory Commission (FERC), the regulations of any other applicable regulatory body, and in accordance with the provisions of the bond resolutions approved by the Memphis City Council.

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

Memphis Light, Gas and Water Division was created by an amendment to the City Charter, adopted March 9, 1939. MLGW operates three separate utilities, as divisions, providing electricity and gas in the City and Shelby County. Water service is provided by MLGW in the City and, together with other municipal systems, in Shelby County. Each division operates as a separate entity for accounting and financial purposes pursuant to the City Charter. For economic reasons, activities common to all three divisions are administered jointly and costs are prorated among the divisions. The 2026 operating and capital budgets are developed simultaneously and are presented together in a combined budget. In this manner, MLGW can accomplish personnel planning and allocate resources to ensure the achievement of each strategic organization of focus.

THE BUDGET PROCESS

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

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

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

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

How to Read the Budget Book

CONTENTS OF THE BUDGET DOCUMENT

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

ALL DIVISIONS

This section supplies a comparison of the Electric, Gas and Water Division's Income, Expense & Change in Net Position and Capital Expenditures Budget for the 2026 Budget.

ELECTRIC

The first page of this section (Page E4) is the *Income, Expense, and Changes in Net Position Comparison* for the Electric Division. It provides a side-by-side view of the 2024 Actual Expenditures, 2025 Budget and the 2026 Budget.

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

The next three pages (4a-4c) provide the detailed account information for each of the line items presented on page 4; for example, the four specific accounts for non-Sales Revenue are Forfeited Discounts, Miscellaneous Service Revenue, Other Operating Revenue and Rent from Gas/Water Property. The sum of these four accounts (Total non-Sales Revenue) is rolled up to page 4. The detail account information provides a comparison of the 2025 Budget, 2026 Budget and the difference between the 2025 Budget and 2026 Budget.

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

The *Capital Expenditures Comparison* (page 6) gives a comparison of the 2024 Actual, 2025 Budget and the 2026 Budget. Again, the last column is the Reference Number that can be used to look up explanations of each line item. The next four pages (7-10) provide information by project for each of the major line items on page 6. Each project listed has the amount that will be spent in the Budget year. Every project has a reference number that can be used to find a description of the project in the Appendix.

The last page of this section is the *Capital Carryover Summary*. Carryover dollars are funds that were budgeted in the previous year that were not utilized due to delays in projects, shortage of resources or commodities ordered but not received. These dollars are a component of the 2026 Budget figures.

How to Read the Budget Book

CONTENTS OF THE BUDGET DOCUMENT (continued)

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

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

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

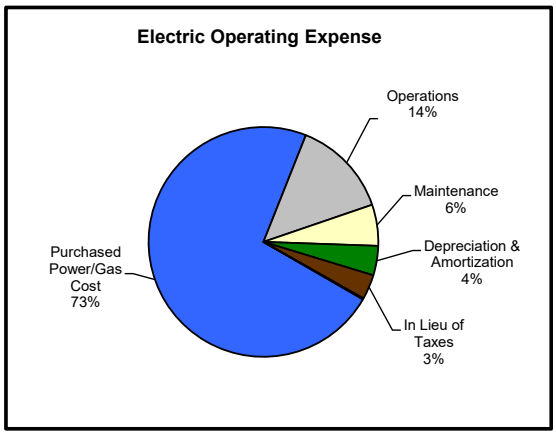
APPENDIX
This section presents a definition and/or explanation of specific line items referenced throughout the Budget document. Each page includes a heading stating what page the information is referencing. For example, Page A1 has a heading of "Notes for Page 3 – Capital Expenditures Budget". This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

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

2026 MLGW
BUDGET HIGHLIGHTS

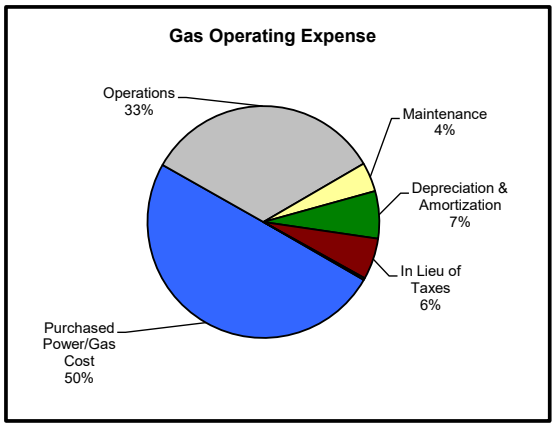
ELECTRIC DIVISION
(In Thousands)

Total Operating Revenue	**$ 1,822,613**
Purchased Power	**$ 1,282,660**
Total O&M Expense	**$ 344,719**
Other Operating Expense	**$ 137,259**
Total Operating Expense	**$ 1,764,638**
Operating Income (Loss)	**$ 57,975**
Change in Net Position	**$ 84,676**
CAPITAL PROGRAM	**$ 192,655**



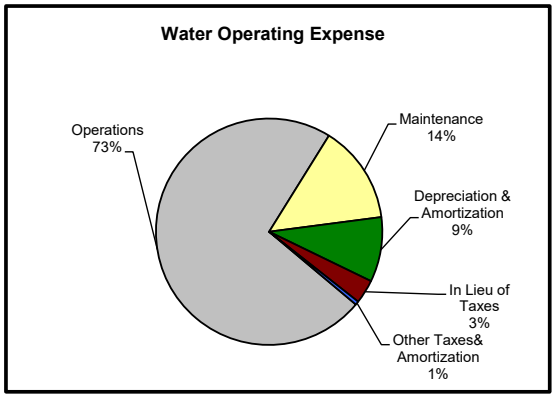
GAS DIVISION
(In Thousands)

Total Operating Revenue	**$ 321,523**
Purchased Gas	**$ 178,744**
Total O&M Expense	**$ 134,448**
Other Operating Expense	**$ 45,290**
Total Operating Expense	**$ 358,482**
Operating Income (Loss)	**$ (36,959)**
Change in Net Position	**$ (37,481)**
CAPITAL PROGRAM	**$ 48,122**



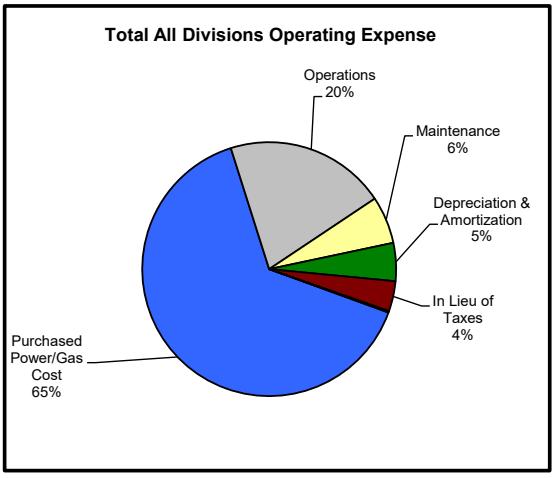
WATER DIVISION
(In Thousands)

Total Operating Revenue	**$ 128,193**
Total O&M Expense	**$ 122,077**
Other Operating Expense	**$ 18,529**
Total Operating Expense	**$ 140,606**
Operating Income (Loss)	**$ (12,413)**
Change in Net Position	**$ (13,843)**
CAPITAL PROGRAM	**$ 58,491**



ALL DIVISIONS
(In Thousands)

TOTAL OPERATING REVENUE	**$ 2,272,329**
TOTAL PURCHASED POWER & GAS	**$ 1,461,404**
TOTAL O&M EXPENSE	**$ 601,243**
TOTAL OTHER OPERATING EXPENSE	**$ 201,079**
TOTAL OPERATING EXPENSE	**$ 2,263,726**
OPERATING INCOME	**$ 8,603**
CHANGE IN NET POSITION	**$ 33,353**
TOTAL CAPITAL PROGRAM	**$ 299,268**



2026 Operations & Maintenance Budget

Area of Responsibility	Category	Electric	Gas	Water	Grand Total
President and Board of Commissioners	Labor	$ 250	$ 96	$ 71	$ 417
	Material	$ -	$ -	$ -	$ -
	Equipment	$ -	$ -	$ -	$ -
	Other	$ 43	$ 16	$ 12	$ 72
	Total	$ 293	$ 112	$ 83	$ 488
Internal Audit	Labor	$ 729	$ 279	$ 207	$ 1,215
	Material	$ 0	$ 0	$ 0	$ 1
	Equipment	$ 4	$ 1	$ 1	$ 6
	Other	$ 208	$ 80	$ 59	$ 346
	Total	$ 941	$ 360	$ 266	$ 1,568
General Counsel	Labor	$ 1,718	$ 658	$ 487	$ 2,863
	Material	$ 0	$ 0	$ 0	$ 1
	Equipment	$ 16	$ 6	$ 5	$ 27
	Other	$ 537	$ 205	$ 152	$ 894
	Total	$ 2,271	$ 870	$ 643	$ 3,784
Finance and Accounting	Labor	$ 3,814	$ 1,544	$ 1,148	$ 6,506
	Material	$ 9	$ 3	$ 3	$ 15
	Equipment	$ -	$ -	$ -	$ -
	Other	$ 2,850	$ 1,143	$ 849	$ 4,843
	Total	$ 6,673	$ 2,691	$ 2,000	$ 11,364
Information Systems and Technology	Labor	$ 10,388	$ 4,350	$ 3,217	$ 17,956
	Material	$ 6	$ 2	$ 2	$ 10
	Equipment	$ 7	$ 3	$ 2	$ 12
	Other	$ 21,518	$ 8,833	$ 6,573	$ 36,924
	Total	$ 31,920	$ 13,188	$ 9,794	$ 54,901
Shared Services	Labor	$ 12,115	$ 5,928	$ 6,200	$ 24,243
	Material	$ 311	$ 121	$ 90	$ 522
	Equipment	$ 666	$ 277	$ 494	$ 1,437
	Other	$ 8,262	$ 3,124	$ 2,965	$ 14,351
	Total	$ 21,355	$ 9,450	$ 9,748	$ 40,553
People Services	Labor	$ 7,932	$ 3,039	$ 2,246	$ 13,218
	Material	$ 9	$ 3	$ 3	$ 15
	Equipment	$ 191	$ 73	$ 54	$ 317
	Other	$ 4,611	$ 1,767	$ 1,306	$ 7,684
	Total	$ 12,743	$ 4,883	$ 3,609	$ 21,234
SVP Chief Operation Officer	Labor	$ 514	$ 197	$ 146	$ 857
	Material	$ -	$ -	$ -	$ -
	Equipment	$ -	$ -	$ -	$ -
	Other	$ 125	$ 48	$ 35	$ 208
	Total	$ 639	$ 245	$ 181	$ 1,064

2026 Operations & Maintenance Budget

Area of Responsibility	Category	Electric	Gas	Water	Grand Total
Electric Engineering and Operations	Labor	$ 67,570	$ 2,993	$ 2,248	$ 72,811
	Material	$ 2,190	$ 41	$ 27	$ 2,258
	Equipment	$ 6,075	$ 112	$ 86	$ 6,273
	Other	$ 90,392	$ 7,050	$ 6,549	$ 103,990
	Total	$ 166,227	$ 10,195	$ 8,910	$ 185,332
Gas and Water Engineering and Operations	Labor	$ 4,054	$ 16,000	$ 12,748	$ 32,802
	Material	$ 74	$ 695	$ 726	$ 1,495
	Equipment	$ 331	$ 1,861	$ 2,309	$ 4,500
	Other	$ 809	($ 16,502	$ 17,075	$ 34,387
	Total	$ 5,267	$ 35,058	$ 32,859	$ 73,184
Customer Experiences and Energy Services	Labor	$ 21,080	$ 17,757	$ 12,091	$ 50,929
	Material	$ 119	$ 103	$ 412	$ 633
	Equipment	$ 916	$ 1,201	$ 713	$ 2,830
	Other	$ 10,592	$ 7,662	$ 5,701	$ 23,955
	Total	$ 32,707	$ 26,723	$ 18,917	$ 78,347
Corporate Communication	Labor	$ 2,519	$ 965	$ 713	$ 4,198
	Material	$ 2	$ 1	$ 0	$ 3
	Equipment	$ 133	$ 51	$ 38	$ 221
	Other	$ 5,718	$ 2,191	$ 1,620	$ 9,529
	Total	$ 8,371	$ 3,208	$ 2,371	$ 13,950
Common	Labor	$ (10,183.20)	$ (4,247.79)	$ (3,390.03)	$ (17,821)
	Material	$ 425.49	$ 209.88	$ 220.42	$ 856
	Equipment	$ 674.88	$ 307.71	$ 321.70	$ 1,304
	Other	$ 92,562.61	$ 38,603.53	$ 43,432.11	$ 174,598
	Total	$ 83,480	$ 34,873	$ 40,584	$ 158,937
Transfers to Capital	Labor	$ -	$ -	$ -	$ -
	Material	$ -	$ -	$ -	$ -
	Equipment	$ -	$ -	$ -	$ -
	Other	$ (28,169)	$ (7,408)	$ (7,888)	$ (43,465)
	Total	$ (28,169)	$ (7,408)	$ (7,888)	$ (43,465)
Grand Total	Labor	$ 122,502	$ 49,559	$ 38,132	$ 210,193
	Material	$ 3,144	$ 1,180	$ 1,483	$ 5,808
	Equipment	$ 9,014	$ 3,891	$ 4,023	$ 16,928
	Other	$ 210,059	$ 79,818	$ 78,438	$ 368,315
	Total	$ 344,719	$ 134,448	$ 122,077	$ 601,243

President & Board of Commissioners

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

The Board of Commissioners ensures that MLGW operates effectively and in the best interests of the customers. It is a five-member board who are nominated by the Mayor of the City of Memphis and confirmed by the Memphis City Council. The MLGW Board also includes two non-voting Advisory Board members.

2026 Operations & Maintenance Budget (O&M)	
Category (Thousands of Dollars)	**Total**
Labor	$ 417
Material	$ -
Equipment	$ -
Outside Purchases	$ 15
Outside Services	$ 37
Other Expenditures	$ 19
Grand Total	**$ 488**

Internal Audit

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

2026 Operations & Maintenance Budget (O&M)	
Category (Thousands of Dollars)	**Total**
Labor	$ 1,215
Material	$ 1
Equipment	$ 6
Outside Purchases	$ 80
Outside Services	$ 228
Other Expenditures	$ 38
Grand Total	**$ 1,568**

General Counsel

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

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

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

Ethics and Compliance is responsible overseeing MLGW's corporate-wide ethics compliance and ensuring the compliance of MLGW's utility systems with federal, state and local laws, regulations, and standards

2026 Operations & Maintenance Budget (O&M)	
Category (Thousands of Dollars)	**Total**
Labor	$ 2,863
Material	$ 1
Equipment	$ 27
Outside Purchases	$ 157
Outside Services	$ 654
Other Expenditures	$ 82
Grand Total	**$ 3,784**

Finance & Accounting

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

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

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

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

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

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

2026 Operations & Maintenance Budget (O&M)	
Category (Thousands of Dollars)	**Total**
Labor	$ 6,506
Material	$ 15
Equipment	$ -
Outside Purchases	$ 490
Outside Services	$ 1,364
Other Expenditures	$ 2,989
Grand Total	**$ 11,364**

Information Services & Technology

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

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

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

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

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

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

2026 Operations & Maintenance Budget (O&M)	
Category (Thousands of Dollars)	**Total**
Labor	$ 17,956
Material	$ 10
Equipment	$ 12
Outside Purchases	$ 4,019
Outside Services	$ 14,353
Other Expenditures	$ 18,551
Grand Total	**$ 54,901**

Shared Services

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

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

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

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

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

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

Shared Services

2026 Operations & Maintenance Budget (O&M)	
Category (Thousands of Dollars)	**Total**
Labor	$ 24,243
Material	$ 522
Equipment	$ 1,437
Outside Purchases	$ 4,094
Outside Services	$ 8,498
Other Expenditures	$ 1,759
Grand Total	**$ 40,553**

People Services

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

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

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

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

Corporate Safety is responsible for ensuring a safe working environment by implementing and monitoring safety protocols.

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

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

2026 Operations & Maintenance Budget (O&M)	
Category (Thousands of Dollars)	**Total**
Labor	$ 13,218
Material	$ 15
Equipment	$ 317
Outside Purchases	$ 2,127
Outside Services	$ 4,134
Other Expenditures	$ 1,423
Grand Total	**$ 21,234**

SVP & COO

The SVP and COO area is responsible for overseeing the engineering, design, construction, and operation of MLGW. This includes the Electric Engineering, which focuses on maintaining and enhancing the electrical infrastructure to ensure reliable power delivery. Gas & Water Engineering manages the infrastructure for gas and water services, ensuring safe and efficient distribution to customers. Together, these areas work to provide essential utilities, maintain system integrity, and support the overall operational goals of the organization.

2026 Operations & Maintenance Budget (O&M)	
Category (Thousands of Dollars)	**Total**
Labor	$ 857
Material	$ -
Equipment	$ -
Outside Purchases	$ 128
Outside Services	$ 47
Other Expenditures	$ 32
Grand Total	**$ 1,064**

Electric Engineering & Operations

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

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

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

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

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

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

2026 Operations & Maintenance Budget (O&M)	
Category (Thousands of Dollars)	**Total**
Labor	$ 72,811
Material	$ 2,258
Equipment	$ 6,272
Outside Purchases	$ 8,353
Outside Services	$ 54,850
Other Expenditures	$ 40,788
Grand Total	**$ 185,332**

Gas & Water Engineering & Operations

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

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

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

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

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

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

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

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

Gas & Water Engineering & Operations

2026 Operations & Maintenance Budget (O&M)	
Category (Thousands of Dollars)	**Total**
Labor	$ 32,802
Material	$ 1,495
Equipment	$ 4,500
Outside Purchases	$ 6,902
Outside Services	$ 23,828
Other Expenditures	$ 3,657
Grand Total	**$ 73,184**

Customer Experience & Energy Services

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

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

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

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

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

Customer Experience & Energy Services

2026 Operations & Maintenance Budget (O&M)	
Category (Thousands of Dollars)	**Total**
Labor	$ 50,929
Material	$ 633
Equipment	$ 2,830
Outside Purchases	$ 2,831
Outside Services	$ 20,662
Other Expenditures	$ 462
Grand Total	**$ 78,347**

Corporate Communication

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

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

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

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

2026 Operations & Maintenance Budget (O&M)	
Category (Thousands of Dollars)	**Total**
Labor	$ 4,198
Material	$ 3
Equipment	$ 221
Outside Purchases	$ 1,667
Outside Services	$ 2,151
Other Expenditures	$ 5,710
Grand Total	**$ 13,950**

ALL DIVISIONS

MEMPHIS LIGHT, GAS AND WATER DIVISION
INCOME, EXPENSE, AND CHANGES IN NET POSITION COMPARISON
FOR CALENDAR YEAR OF 2026

ALL DIVISIONS

DESCRIPTION	THOUSANDS OF DOLLARS			
	ELECTRIC DIVISION	GAS DIVISION	WATER DIVISION	TOTAL
OPERATING REVENUE				
Sales Revenue	1,797,973	267,802	124,700	2,190,475
Revenue Adjustment for Uncollectibles	(8,994)	(2,484)	(2,126)	(13,604)
Non-Sales Revenue	33,634	56,205	5,619	95,458
OPERATING REVENUE	1,822,613	321,523	128,193	2,272,329
OPERATING EXPENSE				
Purchased Power	1,282,660	-	-	1,282,660
Purchased Gas	-	150,070	-	150,070
Compressed Natural Gas (CNG)	-	456	-	456
Liquefied Natural Gas (LNG)	-	2,388	-	2,388
Industrial Gas	-	25,830	-	25,830
Production Expense	-	1,869	24,546	26,415
Transmission Expense	7,627	-	-	7,627
Distribution Expense	75,542	40,624	21,599	137,765
Customer Accounts Expense	23,341	16,991	12,012	52,344
Customer Service & Information Expense	2,581	2,193	1,337	6,111
Sales Expense	2,499	421	267	3,187
Administrative & General Expense	130,892	57,686	42,530	231,108
OPERATING EXPENSE	1,525,142	298,529	102,290	1,925,961
MAINTENANCE EXPENSE				
Transmission Expense	3,821	-	-	3,821
Production Expense	-	2,525	4,452	6,976
Distribution Expense	92,973	10,451	10,628	114,052
Administrative & General Expense	5,442	1,688	4,707	11,837
MAINTENANCE EXPENSE	102,237	14,663	19,786	136,687
OTHER OPERATING EXPENSE				
Depreciation Expense	71,671	20,154	13,013	104,838
Payment in Lieu of Taxes	61,559	20,634	4,800	86,993
F.I.C.A. Taxes	2,527	969	716	4,212
Amortization of Legacy Meters	-	-	-	-
Amortization - Right of Use Leases & Subscriptions	1,502	3,534	-	5,036
Amortization - Street Lighting Retrofit	-	-	-	-
OTHER OPERATING EXPENSE	137,259	45,290	18,529	201,079
TOTAL OPERATING EXPENSE	1,764,638	358,482	140,606	2,263,726
INCOME				
Operating Income	57,975	(36,959)	(12,413)	8,603
Other Income	53,228	2,802	1,595	57,624
Reduction of Plant Cost Recovered through CIAC	(17,581)	(3,683)	(21,519)	(42,784)
NET INCOME BEFORE DEBT EXPENSE	93,622	(37,841)	(32,337)	23,443
DEBT EXPENSE				
Interest Expense - Long Term Debt	29,878	4,693	3,930	38,501
Amortization of Debt Discount & Expense	(3,351)	(1,370)	(905)	(5,627)
TOTAL DEBT EXPENSE	26,527	3,323	3,025	32,874
NET INCOME AFTER DEBT EXPENSE	67,095	(41,164)	(35,362)	(9,431)
Contributions in Aid of Construction	17,581	3,683	21,519	42,784
CHANGE IN NET POSITION	84,676	(37,481)	(13,843)	33,353

MEMPHIS LIGHT, GAS AND WATER DIVISION
INCOME, EXPENSE, AND CHANGES IN NET POSITION COMPARISON
FOR CALENDAR YEAR OF 2026

ALL DIVISIONS

DESCRIPTION	THOUSANDS OF DOLLARS			
	ELECTRIC DIVISION	GAS DIVISION	WATER DIVISION	TOTAL
OPERATING REVENUE				
Sales Revenue	**1,797,973**	**267,802**	**124,700**	**2,190,475**
Revenue Adjustment for Uncollectibles	**(8,994)**	**(2,484)**	**(2,126)**	**(13,604)**
Non-Sales Revenue				
Forfeited Discounts	14,252	3,160	1,470	18,882
Miscellaneous Service Revenue	11,253	2,041	2,087	15,381
Cross Connection Revenue	-	-	1,422	1,422
Other Operating Revenue	1,716	660	480	2,856
Compressed Natural Gas (CNG)	-	516	-	516
Liquefied Natural Gas (LNG)	-	4,356	-	4,356
Industrial Gas Revenue	-	26,845	-	26,845
Rent from Electric/Gas/Water Property	6,413	7,862	160	14,435
Transported Gas	-	10,765	-	10,765
Total Non-Sales Revenue	**33,634**	**56,205**	**5,619**	**95,458**
OPERATING REVENUE	**1,822,613**	**321,523**	**128,193**	**2,272,329**
OPERATING EXPENSE				
Purchased Power	**1,282,660**	**-**	**-**	**1,282,660**
Purchased Gas	**-**	**150,070**	**-**	**150,070**
Compressed Natural Gas (CNG)	**-**	**456**	**-**	**456**
Liquified Natural Gas (LNG)	**-**	**2,388**	**-**	**2,388**
Industrial Gas	**-**	**25,830**	**-**	**25,830**
Production Expense				
Chemicals	-	-	2,478	2,478
Fuel or Power Purchased for Pumping	-	-	11,500	11,500
Miscellaneous Expense	-	-	3,279	3,279
Operations Production Water Treatment	-	-	86	86
Operation Labor and Expenses	-	1,709	6,488	8,197
Operation Supervision and Engineering	-	161	347	508
Pumping Labor and Expenses	-	-	368	368
Total Production Expense	**-**	**1,869**	**24,546**	**26,415**
Transmission Expense				
Load Dispatching	854	-	-	854
Miscellaneous Transmission Expenses	1,582	-	-	1,582
Operation Supervision and Engineering	4,739	-	-	4,739
Station Expenses	452	-	-	452
Underground Transmission Line Expenses	-	-	-	-
Total Transmission Expense	**7,627**	**-**	**-**	**7,627**
Distribution Expense				
Customer Installation Expenses	-	6,189	3,127	9,316
Distribution Load Dispatching Expense	1,708	905	-	2,613
Mains and Services	-	7,184	-	7,184
Measuring and Regulating Expenses	-	114	-	114
Meter and House Regulator Expenses	1,068	3,346	1,263	5,677
Miscellaneous Distribution Expenses [1]	50,498	20,480	15,457	86,435
Operation Supervision and Engineering	5,927	2,405	1,149	9,480
Overhead Distribution Line Expense	6,831	-	-	6,831
Rents	-	-	-	-
Services on Customers' Premises	5,949	-	-	5,949
Station Expenses	1,748	-	-	1,748
Storage Facilities	-	-	133	133
Street Lighting and Signal System Expenses	145	-	-	145
Transmission and Distribution Lines	-	-	471	471
UG Distribution	1,668	-	-	1,668
Total Distribution Expense	**75,542**	**40,624**	**21,599**	**137,765**

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

MEMPHIS LIGHT, GAS AND WATER DIVISION
INCOME, EXPENSE, AND CHANGES IN NET POSITION COMPARISON
FOR CALENDAR YEAR OF 2026

ALL DIVISIONS

DESCRIPTION	THOUSANDS OF DOLLARS			
	ELECTRIC DIVISION	GAS DIVISION	WATER DIVISION	TOTAL
OPERATING EXPENSE (Continued)				
Customer Accounts Expense				
Customer Order, Records and Collection Expenses	20,275	12,510	8,752	41,537
Meter Reading Expenses	2,900	4,338	3,121	10,359
Supervision-Customer Accounting and Collection	165	143	140	448
Total Customer Accounts Expense	**23,341**	**16,991**	**12,012**	**52,344**
Customer Service & Information Expense				
Customer Assistance Expenses	1,036	781	586	2,403
Informational and Instructional Advertising Expenses	375	128	440	942
Miscellaneous Customer Service & Informational Expenses	770	956	-	1,726
Supervision-Customer Service and Information	401	328	311	1,040
Total Customer Service & Information Expense	**2,581**	**2,193**	**1,337**	**6,111**
Sales Expense				
Sales Supervision	91	-	-	91
Miscellaneous Sales Expenses	2,408	421	267	3,096
Total Sales Expense	**2,499**	**421**	**267**	**3,187**
Administrative & General Expense				
Administrative and General Salaries	22,944	9,275	6,466	38,685
Administration Expenses Transferred to Capital	(12,270)	(2,534)	(3,408)	(18,212)
Pension Expense	24,908	10,416	7,699	43,023
Other Active & Retiree Benefits	11,071	7,813	4,297	23,181
Other Post Employment Benefits Funding	14,894	6,228	4,603	25,725
Injuries and Damages	3,886	1,537	1,333	6,756
Miscellaneous General Expenses [(2)]	19,000	8,018	6,987	34,005
Office Supplies and Expenses	8,299	3,091	2,230	13,620
Outside Services Employed	28,518	8,397	6,430	43,346
Property Insurance	2,847	1,434	995	5,276
Rents-Miscellaneous	6,796	4,012	4,896	15,703
Total Administrative & General Expense	**130,892**	**57,686**	**42,530**	**231,108**
OPERATING EXPENSE	**1,525,142**	**298,529**	**102,290**	**1,925,961**
MAINTENANCE EXPENSE				
Transmission Expense				
Maintenance of Overhead Transmission Lines	-	-	-	-
Maintenance of Station Equipment	1,600	-	-	1,600
Maintenance of Underground Transmission Lines	681	-	-	681
Maintenance of Structures and Improvements	176	-	-	176
Maintenance Supervision and Engineering	1,364	-	-	1,364
Total Transmission Expense	**3,821**	**-**	**-**	**3,821**
Production Expense				
Maintenance of Holders	-	223	-	223
Maintenance of Other Equipment	-	2,028	-	2,028
Maintenance of Pumping Equipment	-	-	1,458	1,458
Maintenance of Structures and Improvements	-	24	-	24
Maintenance of Water Treatment Equipment	-	-	1,246	1,246
Maintenance of Wells	-	-	1,580	1,580
Maintenance Supervision and Engineering	-	251	168	419
Total Production Expense	**-**	**2,525**	**4,452**	**6,976**

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

MEMPHIS LIGHT, GAS AND WATER DIVISION
INCOME, EXPENSE, AND CHANGES IN NET POSITION COMPARISON
FOR CALENDAR YEAR OF 2026

ALL DIVISIONS

DESCRIPTION	THOUSANDS OF DOLLARS			
	ELECTRIC DIVISION	GAS DIVISION	WATER DIVISION	TOTAL
MAINTENANCE EXPENSE (Continued)				
Distribution Expense				
Maintenance of Hydrants	-	-	854	854
Maintenance of Line Transformers	2,160	-	-	2,160
Maintenance of Mains	-	5,879	-	5,879
Maintenance of Meters	2,392	-	3,779	6,171
Maintenance of Miscellaneous Distribution Plant	1,172	-	41	1,213
Maintenance of Overhead Distribution Lines	52,420	-	-	52,420
Maintenance of Distribution Structures and Improvements	0	-	-	0
Maintenance of Services	-	2,398	2,282	4,680
Maintenance of Station Equipment	2,504	-	-	2,504
Maintenance of Street Lighting and Signal System	6,836	-	-	6,836
Maintenance of Gas Distribution Facilities	-	-	-	-
Maintenance of Transmission and Distribution Mains	-	-	3,672	3,672
Maintenance of Underground Distribution Lines	21,480	-	-	21,480
Maintenance Supervision and Engineering	4,010	103	-	4,113
Measuring and Regulating Equipment Expenses	-	2,070	-	2,070
Total Distribution Expense	**92,973**	**10,451**	**10,628**	**114,052**
Administrative & General Expense				
Maintenance of General Plant	5,072	1,567	2,353	8,992
Facilities Maintenance Expense	370	120	2,355	2,845
Total Administrative & General Expense	**5,442**	**1,688**	**4,707**	**11,837**
MAINTENANCE EXPENSE	**102,237**	**14,663**	**19,786**	**136,687**
OTHER OPERATING EXPENSE				
Depreciation Expense	**71,671**	**20,154**	**13,013**	**104,838**
Payment in Lieu of Taxes	**61,559**	**20,634**	**4,800**	**86,993**
F.I.C.A. Taxes	**2,527**	**969**	**716**	**4,212**
Amortization of Legacy Meters	**-**	**-**	**-**	**-**
Amortization - Right of Use Leases & Subscriptions	**1,502**	**3,534**	**-**	**5,036**
Amortization - Street Lighting Retrofit	**-**	**-**	**-**	**-**
OTHER OPERATING EXPENSE	**137,259**	**45,290**	**18,529**	**201,079**
TOTAL OPERATING EXPENSE	**1,764,638**	**358,482**	**140,606**	**2,263,726**
INCOME				
Operating Income	**57,975**	**(36,959)**	**(12,413)**	**8,603**
Other Income				
Expenses of Merchandising, Jobbing & Contracts	-	(3,300)	(2,979)	(6,279)
Revenues from Merchandising, Jobbing & Contracts	-	1,299	2,979	4,278
Revenues from Non-Utility Property	-	-	-	-
Revenues from Common Transportation Equipment	-	-	-	-
Revenues from Sinking & Other Funds-Interest Income	9,800	2,302	870	12,972
Medicare Part D Refund	83	427	500	1,010
Non-Operating Income - TVA Transmission Credit	40,428	-	-	40,428
Miscellaneous Non-Operating Income	2,917	2,073	225	5,215
Total Other Income	**53,228**	**2,802**	**1,595**	**57,624**
Contributions in Aid of Construction	**(17,581)**	**(3,683)**	**(21,519)**	**(42,784)**
NET INCOME BEFORE DEBT EXPENSE	**93,622**	**(37,841)**	**(32,337)**	**23,443**

MEMPHIS LIGHT, GAS AND WATER DIVISION
INCOME, EXPENSE, AND CHANGES IN NET POSITION COMPARISON
FOR CALENDAR YEAR OF 2026

ALL DIVISIONS

DESCRIPTION	THOUSANDS OF DOLLARS			
	ELECTRIC DIVISION	GAS DIVISION	WATER DIVISION	TOTAL
DEBT EXPENSE				
Interest Expense - Long-Term Debt				
Interest on Ltd - Series 2014	-	-	308	308
Interest on Ltd - Series 2016	1,162	1,162	610	2,934
Interest on Ltd - Series 2017	2,558	1,280	673	4,511
Interest on Ltd - Series 2020	5,764	2,251	2,339	10,355
Interest on Ltd - Series 2024	9,328	-	-	9,328
Interest on Ltd - Series 2025	11,066	-	-	11,066
Total Interest Expense - Long-Term Debt	**29,878**	**4,693**	**3,930**	**38,501**
Amortization of Debt Discount & Expense				
Amortization of Debt Disc & Exp - Series 2014	-	-	(34)	(34)
Amortization of Debt Disc & Exp - Series 2016	(414)	(416)	(125)	(955)
Amortization of Debt Disc & Exp - Series 2017	(640)	(371)	(142)	(1,154)
Amortization of Debt Disc & Exp - Series 2020	(1,320)	(582)	(605)	(2,507)
Amortization of Debt Disc & Exp - Series 2024	(977)	-	-	
Total Amortization of Debt Discount & Expense	**(3,351)**	**(1,370)**	**(905)**	**(4,650)**
TOTAL DEBT EXPENSE	**26,527**	**3,323**	**3,025**	**33,851**
NET INCOME AFTER DEBT EXPENSE	**67,095**	**(41,164)**	**(35,362)**	**(9,431)**
Contributions in Aid of Construction	**17,581**	**3,683**	**21,519**	**42,784**
CHANGE IN NET POSITION	**84,676**	**(37,481)**	**(13,843)**	**33,353**

MEMPHIS LIGHT, GAS AND WATER DIVISION
CAPITAL EXPENDITURES
FOR CALENDAR YEAR OF 2026

ALL DIVISIONS

DESCRIPTION	THOUSANDS OF DOLLARS				REF. NO.
	ELECTRIC DIVISION	GAS DIVISION	WATER DIVISION	TOTAL	
TOTAL 2026 CAPITAL EXPENDITURES	**192,656**	**48,122**	**58,491**	**299,269**	3-1

ELECTRIC DIVISION

MEMPHIS LIGHT, GAS AND WATER DIVISION
INCOME, EXPENSE, AND CHANGES IN NET POSITION COMPARISON
2024 THROUGH 2026

ELECTRIC DIVISION

DESCRIPTION	THOUSANDS OF DOLLARS 2024 ACTUAL	2025 BUDGET	2026 BUDGET	REF. NO.
OPERATING REVENUE				
Sales Revenue	1,472,595	1,613,540	1,797,973	4-1
Revenue Adjustment for Uncollectibles	(7,873)	(7,908)	(8,994)	4-2
Non-Sales Revenue	27,256	31,245	33,634	4-3
OPERATING REVENUE	1,491,978	1,636,877	1,822,613	
OPERATING EXPENSE				
Purchased Power	1,084,669	1,174,874	1,282,660	4-4
Transmission Expense	5,918	6,895	7,627	4-5
Distribution Expense	56,317	74,969	75,542	4-6
Customer Accounts Expense	18,556	22,746	23,341	4-7
Customer Service & Information Expense	2,023	2,696	2,581	4-8
Sales Expense	2,017	2,435	2,499	4-9
Administrative & General Expense*	102,040	124,758	130,892	4-10
OPERATING EXPENSE	1,271,541	1,409,373	1,525,142	
MAINTENANCE EXPENSE				
Transmission Expense	5,111	3,776	3,821	4-11
Distribution Expense	88,990	91,272	92,973	4-12
Administrative & General Expense	5,693	6,060	5,442	4-13
MAINTENANCE EXPENSE	99,794	101,108	102,237	
OTHER OPERATING EXPENSE				
Depreciation Expense	64,561	65,168	71,671	4-14
Payment in Lieu of Taxes	48,881	52,152	61,559	4-15
F.I.C.A. Taxes	2,257	1,938	2,527	4-16
Amortization of Legacy Meters	1,254	1,286	-	4-17
Amortization - Right of Use Leases & Subscriptions	7,543	1,635	1,502	4-18
Amortization - Street Lighting Retrofit	544	731	-	4-19
OTHER OPERATING EXPENSE	125,039	122,910	137,259	
TOTAL OPERATING EXPENSE	1,496,373	1,633,391	1,764,638	
INCOME				
Operating Income	(4,396)	3,486	57,975	4-20
Other Income	55,913	53,720	53,228	4-21
Reduction of Plant Cost Recovered through CIAC	(26,074)	(17,561)	(17,581)	4-22
NET INCOME BEFORE DEBT EXPENSE	25,444	39,645	93,622	
DEBT EXPENSE				
Interest Expense - Existing Long-Term Debt	13,938	25,174	29,878	4-23
Amortization of Debt Discount & Expense	(3,015)	(3,899)	(3,351)	4-24
TOTAL DEBT EXPENSE	10,923	21,275	26,527	
NET INCOME AFTER DEBT EXPENSE	14,522	18,370	67,095	
Contributions in Aid of Construction	26,074	17,561	17,581	4-25
CHANGE IN NET POSITION*	40,595	35,931	84,676	

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

MEMPHIS LIGHT, GAS AND WATER DIVISION
INCOME, EXPENSE, AND CHANGES IN NET POSITION COMPARISON
2025 THROUGH 2026

ELECTRIC DIVISION

DESCRIPTION	THOUSANDS OF DOLLARS		
	2025 BUDGET	2026 BUDGET	DIFFERENCE
OPERATING REVENUE			
Sales Revenue	**1,613,540**	**1,797,973**	**184,433**
Revenue Adjustment for Uncollectibles	**(7,908)**	**(8,994)**	**(1,086)**
Non-Sales Revenue			
Forfeited Discounts	13,029	14,252	1,223
Miscellaneous Service Revenue	10,262	11,253	991
Other Operating Revenue	1,632	1,716	84
Rent from Gas/Water Property	6,322	6,413	91
Total Non-Sales Revenue	**31,245**	**33,634**	**2,389**
OPERATING REVENUE	**1,636,877**	**1,822,613**	**185,736**
OPERATING EXPENSE			
Purchased Power	**1,174,874**	**1,282,660**	**107,786**
Transmission Expense			
Load Dispatching	819	854	35
Miscellaneous Transmission Expenses	1,576	1,582	6
Operation Supervision and Engineering	4,051	4,739	688
Station Expenses	449	452	3
Total Transmission Expense	**6,895**	**7,627**	**732**
Distribution Expense			
Distribution Load Dispatching Expense	1,687	1,708	21
Meter Expenses	948	1,068	120
Miscellaneous Distribution Expenses [1]	50,441	50,498	57
Operation Supervision and Engineering	6,133	5,927	(206)
Overhead Distribution Line Expense	6,437	6,831	394
Services on Customers' Premises	5,895	5,949	54
Station Expenses	1,724	1,748	24
Street Lighting and Signal System Expenses	256	145	(111)
Underground Distribution Line Expenses	1,448	1,668	220
Total Distribution Expense	**74,969**	**75,542**	**573**
Customer Accounts Expense			
Customer Order, Records and Collection Expenses	19,586	20,275	689
Meter Reading Expenses	2,995	2,900	(95)
Supervision-Customer Accounting and Collection	165	165	(0)
Total Customer Accounts Expense	**22,746**	**23,341**	**595**
Customer Service & Information Expense			
Customer Assistance Expenses	1,036	1,036	(0)
Informational and Instructional Advertising Expenses	216	375	159
Miscellaneous Customer Service & Informational Expense	1,041	770	(271)
Supervision-Customer Service and Information	403	401	(2)
Total Customer Service & Information Expense	**2,696**	**2,581**	**(115)**
Sales Expense			
Sales Supervision	98	91	(7)
Miscellaneous Sales Expenses	2,337	2,408	71
Total Sales Expense	**2,435**	**2,499**	**64**

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

MEMPHIS LIGHT, GAS AND WATER DIVISION
INCOME, EXPENSE, AND CHANGES IN NET POSITION COMPARISON
2025 THROUGH 2026

ELECTRIC DIVISION

DESCRIPTION	THOUSANDS OF DOLLARS		
	2025 BUDGET	2026 BUDGET	DIFFERENCE
OPERATING EXPENSE (Continued)			
Administrative & General Expense			
Administrative and General Salaries	24,919	22,944	(1,975)
Administration Expenses Transferred to Capital	(9,410)	(12,270)	(2,860)
Pension Expense	19,513	24,908	5,395
Other Active & Retiree Benefits	22,630	11,071	(11,559)
Other Post Employment Benefits Funding	888	14,894	14,006
Injuries and Damages	5,019	3,886	(1,133)
Miscellaneous General Expenses [2]	18,627	19,000	373
Office Supplies and Expenses	7,659	8,299	640
Outside Services Employed	27,166	28,518	1,352
Property Insurance	1,947	2,847	900
Rents-Miscellaneous	5,800	6,796	996
Total Administrative & General Expense	**124,758**	**130,892**	**6,134**
OPERATING EXPENSE	**1,409,373**	**1,525,142**	**115,769**
MAINTENANCE EXPENSE			
Transmission Expense			
Maintenance of Station Equipment	1,537	1,600	63
Maintenance of Underground Transmission Lines	806	681	(125)
Maintenance of Structures and Improvements	24	176	152
Maintenance Supervision and Engineering	1,409	1,364	(45)
Total Transmission Expense	**3,776**	**3,821**	**45**
Distribution Expense			
Maintenance of Line Transformers	2,170	2,160	(10)
Maintenance of Meters	2,141	2,392	251
Maintenance of Miscellaneous Distribution Plant	1,468	1,172	(296)
Maintenance of Overhead Distribution Lines	53,767	52,420	(1,347)
Maintenance of Distribution Structures and Improvements	4	0	(4)
Maintenance of Station Equipment	2,426	2,504	78
Maintenance of Street Lighting and Signal System	7,646	6,836	(810)
Maintenance of Underground Distribution Lines	17,623	21,480	3,857
Maintenance Supervision and Engineering	4,027	4,010	(17)
Total Distribution Expense	**91,272**	**92,973**	**1,701**
Administrative & General Expense			
Maintenance of General Plant	5,776	5,072	(704)
Facilities Maintenance Expense	284	370	86
Total Administrative & General Expense	**6,060**	**5,442**	**(618)**
MAINTENANCE EXPENSE	**101,108**	**102,237**	**1,129**

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

MEMPHIS LIGHT, GAS AND WATER DIVISION
INCOME, EXPENSE, AND CHANGES IN NET POSITION COMPARISON
2025 THROUGH 2026

ELECTRIC DIVISION

DESCRIPTION	THOUSANDS OF DOLLARS		
	2025 BUDGET	2026 BUDGET	DIFFERENCE
OTHER OPERATING EXPENSE			
Depreciation Expense	**65,168**	**71,671**	**6,503**
Payment in Lieu of Taxes	**52,152**	**61,559**	**9,407**
F.I.C.A. Taxes	**1,938**	**2,527**	**589**
Amortization of Legacy Meters	**1,286**	**-**	**(1,286)**
Amortization - Right of Use Leases & Subscriptions	**1,635**	**1,502**	**(133)**
Amortization - Street Lighting Retrofit	**731**	**-**	**(731)**
OTHER OPERATING EXPENSE	**122,910**	**137,259**	**14,349**
TOTAL OPERATING EXPENSE	**1,633,391**	**1,764,638**	**131,247**
INCOME			
Operating Income	**3,486**	**57,975**	**54,489**
Other Income			
Revenues from Sinking & Other Funds - Interest Income	10,464	9,800	(664)
Medicare Part D Refund	1,000	83	(917)
Non-Operating Income - TVA Transmission Credit	39,390	40,428	1,038
Miscellaneous Non-Operating Income	2,866	2,917	51
Total Other Income	**53,720**	**53,228**	**(492)**
Reduction of Plant Cost Recovered through CIAC	**(17,561)**	**(17,581)**	**(20)**
NET INCOME BEFORE DEBT EXPENSE	**39,645**	**93,622**	**53,977**
DEBT EXPENSE			
Interest Expense - Long-Term Debt			
Interest on Ltd - Series 2016	1,252	1,162	(90)
Interest on Ltd - Series 2017	2,754	2,558	(196)
Interest on Ltd - Series 2020	5,917	5,764	(153)
Interest on Ltd - Series 2024	9,626	9,328	(298)
Interest on Ltd - Series 2025	5,625	11,066	5,441
Total Interest Expense - Long-Term Debt	**25,174**	**29,878**	**4,704**
Amortization of Debt Discount & Expense			
Amortization of Debt Disc & Exp - Series 2014	(470)	-	470
Amortization of Debt Disc & Exp - Series 2016	(446)	(414)	32
Amortization of Debt Disc & Exp - Series 2017	(690)	(640)	50
Amortization of Debt Disc & Exp - Series 2020	(1,358)	(1,320)	38
Amortization of Debt Disc & Exp - Series 2024	(935)	(977)	(42)
Total Amortization of Debt Discount & Expense	**(3,899)**	**(3,351)**	**548**
TOTAL DEBT EXPENSE	**21,275**	**26,527**	**5,252**
NET INCOME AFTER DEBT EXPENSE	**18,370**	**67,095**	**48,725**
Contributions in Aid of Construction	**17,561**	**17,581**	**20**
CHANGE IN NET POSITION	**35,931**	**84,676**	**48,745**

MEMPHIS LIGHT, GAS AND WATER DIVISION
SOURCE AND APPLICATION OF FUNDS
2026 BUDGET
(THOUSANDS OF DOLLARS)

ELECTRIC DIVISION

		REF. NO.
SOURCE OF FUNDS:		
FROM OPERATIONS:		
Change in Net Position	84,676	5-1
Non-Cash Charges to Income:		
Depreciation Charged to Operating Income	71,671	5-2
Depreciation Charged to Other Accounts	2,261	5-3
Amortization of Legacy Meters	-	5-4
Amortization - Right of Use Leases & Subscriptions	1,502	5-5
Amortization - Streetlighting Retrofit	-	5-6
TOTAL FUNDS FROM OPERATIONS	160,110	
Salvage	1,813	5-7
Financing: 2025 Debt Proceeds	250,000	5-8
TOTAL FUNDS AVAILABLE	411,923	
APPLICATION OF FUNDS:		
Capital Expenditures	192,655	5-9
Costs of Removal and Other Charges to the Reserve for Depreciation	6,409	5-10
Retirement of Long-Term Debt	15,845	5-11
TOTAL APPLICATION OF FUNDS	214,909	
INCREASE (DECREASE) IN WORKING CAPITAL	197,014	

MEMPHIS LIGHT, GAS AND WATER DIVISION
CAPITAL EXPENDITURES COMPARISON
FOR CALENDAR YEAR OF 2026

ELECTRIC DIVISION

DESCRIPTION	THOUSANDS OF DOLLARS 2024 Actual	2025 BUDGET	2026 BUDGET	REF. NO.
PROUCTION				
ELEC - DISTRIBUTIVE ENERGY RESOURCE	-	51,875	-	6-1
TOTAL - PRODUCTION	-	51,875	-	
SUBSTATION AND TRANSMISSION				
ELEC - SUBSTATION	34,498	19,008	26,805	6-2
ELEC - SUBSTATION TRANSFORMERS REPLACEMENT	3,703	2,473	7,500	6-3
ELEC - SUBSTATION CIRCUIT BREAKERS REPLACEMENT	7,463	3,675	5,200	6-4
ELEC - TRANSMISSION LINES	1,261	5,019	4,564	6-5
CONTRIBUTION IN AID OF CONSTRUCTION - CIAC	-	-	-	6-6
TOTAL - SUBSTATION AND TRANSMISSION	46,925	30,175	44,069	
DISTRIBUTION SYSTEM				
ELEC - RESIDENTIAL SERVICE IN S/D	875	1,705	763	6-7
ELEC - RESIDENTIAL SERVICE NOT IN S/D	2,604	3,103	3,025	6-8
ELEC - RESIDENTIAL S/D	192	1,615	1,762	6-9
ELEC - APARTMENTS	997	601	1,188	6-10
ELEC - GENERAL POWER SERVICE	4,638	4,297	5,534	6-11
ELEC - GENERAL POWER S/D	678	224	1,183	6-12
ELEC - MOBILE HOME PARK	-	326	-	6-13
ELEC - TEMPORARY SERVICE	-	520	389	6-14
ELEC - MULTIPLE-UNIT GENERAL POWER	220	282	302	6-15
ELEC - RELOCATE AT CUSTOMER REQUEST	2,739	1,416	3,670	6-16
ELEC - STREET IMPROVEMENTS	8,414	4,967	6,775	6-17
ELEC - NEW CIRCUITS	3,580	10,117	11,700	6-18
ELEC - LINE RECONSTRUCTION/REMOVE IDLE FACILITIES	2,260	14,202	8,875	6-19
ELEC - DEFECT CABLE/FEEDER CABLE REPLACEMENT	7,139	11,052	16,800	6-20
ELEC - DISTRIBUTION POLES	5,159	2,705	2,500	6-21
ELEC - POLE-DUCT USE AND ESCORTS	14			6-22
ELEC - PMNI MAINTENANCE	-	3,864	-	6-23
ELEC - OMNI MAINTENANCE	-	-	6,000	6-24
ELEC - DISTRIBUTION AUTOMATION	4,721	6,183	15,000	6-25
ELEC - STREET LIGHTS INSTALL	14,351	7,638	3,205	6-26
ELEC - DEMOLITION	165	130	165	6-27
ELEC - STREET LIGHT MAINTENANCE	3,929	2,898	3,750	6-28
ELEC - PLANNED MAINTENANCE	8,617	7,343	9,880	6-29
ELEC - TREE TRIMMING	-	8	-	6-30
ELEC - OPERATIONS MAINTENANCE	(1,184)	-	-	6-31
ELEC - LEASED OUTDOOR LIGHTING	1,505	1,551	6,000	6-32
ELEC - STORM RESTORATION	522	-	-	6-33
ELEC - SHARED USE CONTRACT	-	386	500	6-34
ELEC - DUCT LINE LEASE	-	58	75	6-35
ELEC - EMERGENCY MAINTENANCE	8,438	6,183	8,160	6-36
JT - RESIDENTIAL SERVICE IN S/D	1,065	1,278	865	6-37
JT - RESIDENTIAL SERVICE NOT IN S/D	-	-	-	6-38
JT - RESIDENTIAL S/D	3,620	3,288	4,873	6-39
JT - APARTMENTS	9	17	-	6-40
PCI - CAPACITOR BANKS	-	773	-	6-41
PCI - DIST TRANSFORMERS	10,405	11,593	15,000	6-42
ELEC- METERS	2,431	1,542	1,501	6-43
CONTRIBUTION IN AID OF CONSTRUCTION - CIAC	(23,579)	(17,561)	(17,581)	6-44
TOTAL - DISTRIBUTION SYSTEM	74,524	94,304	121,859	
GENERAL PLANT				
ELEC - BUILDINGS & STRUCTURES	533	9,790	16,187	6-45
ELEC - SECURITY AUTOMATION	919	841	2,088	6-46
ELEC - LAND PURCHASE	439	348	750	6-47
ELEC - FLEET CAPITAL POWER OPERATED EQUIPMENT	2,147	7,558	12,243	6-48
ELEC - TRANSPORTATION EQUIPMENT	2,907	3,773	3,619	6-49
ELEC - LAB & TEST	690	393	356	6-50
ELEC - COMMUNCIATION EQUIPMENT	94	132	176	6-51
ELEC - COMMUNICATION TOWERS	26,882	271	500	6-52
ELEC - TELECOMMUNICATION NETWORK	2,169	12,134	20,300	6-53
ELEC - UTILITY MONITORING	246	4,970	6,659	6-54
ELEC - CIS DEVELOPMENT	1,083	-	3,375	6-55
ELEC - BUSINESS CONTINUITY	-	155	-	6-56
ELEC - DATA PROCESSING EQUIPMENT	-	13,248	18,352	6-57
ELEC - IS/IT PROJECTS	3,772	-	-	6-58
ELEC - CONTINGENCY FUND	-	155	200	6-59
TOTAL - GENERAL PLANT	41,881	53,767	84,805	
TOTAL - ELECTRIC DIVISION CATEGORIES	163,330	230,122	250,733	
Delayed Cost Allocations	(620)	-	(58,077)	6-60
TOTAL - ELECTRIC DIVISION	162,710	230,123	192,656	

MEMPHIS LIGHT, GAS AND WATER DIVISION
SELECT CAPITAL EXPENDITURE BUDGETS
FOR CALENDAR YEAR OF 2026

ELECTRIC DIVISION

DESCRIPTION	IN BUDGET YEAR	REF. NO.
SUBSTATION & TRANSMISSION MAJOR PROJECTS		
SUBSTATION		
Install Substation 68 third 161/23 kV transformer	12,229,986	7-1
Substation Feeder Electromechanical Relay Replacement Program (Distribution	7,500,000	7-2
Replace RTU's various locations	1,700,000	7-3
Sub #49-Install Definite Purpose Capacitor Bank Breakers 49363 &49373	800,000	7-4
Replace Reactor Substation 1	750,000	7-5
AC Service for Breaker Storage Yard @ Substation 33	694,658	7-6
Replace relays various locations	600,000	7-7
Sub 4 Lighting Enhancement Project	550,000	7-8
Sub 4 Fence Replacement Project	500,000	7-9
Replace batteries various locations	480,000	7-10
Replace Switches Various Locations	400,000	7-11
Install JPAX Nodes to Upgrade JMUX SONET Nodes	250,000	7-12
Refurbish Station Service, Transformer Storage AC, Power & Lighting Substation 32	250,000	7-13
Install Transmission Metering Equipment for Transmission Planning Monitoring	50,000	7-14
Seismic Retrofit of Non-Structural Substation Components	50,000	7-15
TOTAL SUBSTATION IMPROVEMENTS	26,804,644	
SUBSTATION TRANSFORMERS		
Replace 161/115kV transformer bank 32643	3,500,000	7-16
Replace 161/23 kV transformer bank 49647	2,000,000	7-17
Contingency Failed Transformers/Procure Spares	2,000,000	7-18
TOTAL SUBSTATION TRANSFORMERS	7,500,000	
SUBSTATION CIRCUIT BREAKERS		
Replace Breakers Various Locations	3,200,000	7-19
Contingency Failed Breakers/Procure Spares	1,200,000	7-20
Replace 12 kV Breakers 1617 and 1631 @ Substation 21	800,000	7-21
TOTAL SUBSTATION CIRCUIT BREAKERS	5,200,000	
TOTAL SUBSTATION	39,504,644	
SUBSTATION/TRANSMISSION PROJECTS		
Storm/Tornado Material Assessment & Storage Solution	1,300,000	7-22
Sub #36 - Install Two (2) New 161kV Breaker Bays, Terminate Ckt. 15621, Add sectionalizi	1,000,000	7-23
Misc. projects (OPGW, structure replacements, etc.)	1,000,000	7-24
OPGW 11-35	454,458	7-25
OPGW 42-23	210,000	7-26
OPGW Sub 15	150,000	7-27
UAV Contract #12134	50,000	7-28
TOTAL SUBSTATION/TRANSMISSION PROJECTS	4,164,458	

MEMPHIS LIGHT, GAS AND WATER DIVISION
SELECT CAPITAL EXPENDITURE BUDGETS
FOR CALENDAR YEAR OF 2026

ELECTRIC DIVISION

DESCRIPTION	IN BUDGET YEAR	REF. NO.
TRANSMISSION - REIMBURSABLE		
TDOT Lamar & Shelby Drive	400,000	8-1
TOTAL TRANSMISSION REIMBURSABLE	400,000	
TRANSMISSION LINES	4,564,458	8-2
TOTAL - SUBSTATION AND TRANSMISSION	44,069,102	
DISTRIBUTION SYS. - MAJOR PROJECTS		
Sub 68 New Ckt Ties	2,675,000	8-3
Sub 84 Ckt Ties	2,000,000	8-4
Sub 74 New Ckt Ties	1,725,000	8-5
Circuit 61301 stepdown transfomer change out	1,500,000	8-6
Sub 68 Cabling (3 ckts)	1,250,000	8-7
Sub 83 Ckt Ties	800,000	8-8
Ckt Ties in Sub 15 & 84 Area	750,000	8-9
Other New circuit ties	500,000	8-10
Other 2025-2029 Projects	500,000	8-11
TOTAL MAJOR NEW CIRCUIT PROJECTS	11,700,000	
MISC. PROJECTS - REIMBURSABLE		
Other Relocate at Customer Request Projects	3,669,700	8-12
TOTAL MISC. PROJECTS - REIMBURSABLE	3,669,700	
STREET IMPROVEMENT PROJECTS		
Lamar Phase 3	2,000,000	8-13
Other 2026-2030 Projects	1,500,000	8-14
CV 22/04 Shelby Dr, Shelby Post to Jasper	600,000	8-15
Hacks Cross Rd Stateline to Shelby Dr	600,000	8-16
LL 09/02 - New Canada Rd (Re-Alignment N of I-40 to US-70)	600,000	8-17
Holmes Road, Malone to US-78/Lamar (CP 04/38)	550,000	8-18
Malone, Holmes to Shelby Drive	400,000	8-19
Elvis Presley Blvd. Middle Section	200,000	8-20
New Allen @ Ridgemont - Round-about	125,000	8-21
SC 15/01: Walnut Grove, Houston Levee to Rocky Point	100,000	8-22
Mudville Road Bridge, over Big Creek Proj.# 100111	100,000	8-23
	6,775,000	
TOTAL DISTRIBUTION SYS. - MAJOR PROJECTS	22,144,700	

MEMPHIS LIGHT, GAS AND WATER DIVISION
SELECT CAPITAL EXPENDITURE BUDGETS
FOR CALENDAR YEAR OF 2026

ELECTRIC DIVISION

DESCRIPTION	IN BUDGET YEAR	REF. NO.
GENERAL PLANT		
PURCHASE OF LAND	750,000	9-1
BUILDINGS & STRUCTURES		
SUBSTATIONS		
Replace Roofs - Various Substations	126,900	9-2
Road Paving Various Substations	217,000	9-3
ELECTRIC & SYSTEMS OPERATIONS		
New ESO Storage Building	3,000,000	9-4
NETTERS BUSINESS OPERATIONS CENTER		
Replace 5 Liebert Units/Roof Condensers & Leak Detection System	1,000,000	9-5
Replace UPS & Emergency Generator	1,000,000	9-6
Replace Cooling Tower Fill Media	500,000	9-7
Repace 7 Air Handlers & Upgrade TRANE Controls	35,000	9-8
NEW BUILDINGS		
Fabrication & Repair Shops Construction	7,125,000	9-9
EV Charging Stations	1,682,750	9-10
Expansion Property Site Development	1,500,000	9-11
TOTAL BUILDINGS & STRUCTURES	16,186,650	
ELEC - SECURITY AUTOMATION	2,088,403	9-12
ELEC - FLEET CAPITAL POWER OPERATED EQUIPMENT	12,243,082	9-13
ELEC - TRANSPORTATION EQUIPMENT	3,618,704	9-14
ELEC - COMMUNCIATION EQUIPMENT	176,225	9-15
LAB & TEST	355,771	9-16

MEMPHIS LIGHT, GAS AND WATER DIVISION
SELECT CAPITAL EXPENDITURE BUDGETS
FOR CALENDAR YEAR OF 2026

ELECTRIC DIVISION

DESCRIPTION	IN BUDGET YEAR	REF. NO.
GENERAL PLANT *(Continued)*		
COMMUNICATION TOWERS		
Microwave/Mobile Radio	500,000	10-1
TOTAL COMMUNICATION TOWERS	500,000	
TELECOMMUNICATION NEWORK		
Distribution Automation Communication Infrastructure	17,000,000	10-2
Smart Meter GateKeepers/Network Improvements	1,200,000	10-3
Fiber optic cable and equipment	800,000	10-4
Fiber optic multiplexers	500,000	10-5
Telecommunication Systems Growth	500,000	10-6
Voice Network	300,000	10-7
TOTAL TELECOMMUNICATIONS NETWORK	20,300,000	
UTILITY MONITORING & CONTROL SYSTEMS		
Systems Backup Control & Communication Plan (CO)	6,659,410	10-8
TOTAL UTILITY MONITORING & CONTROL SYS.	6,659,410	
CUSTOMER INFO SYSTEM DEVELOPMENT		
CIS Replacement	3,375,000	10-9
TOTAL BUSINESS CONTINUITY	3,375,000	
PURCHASE OF DATA PROCESSING EQUIPMENT		
HPE Storage Area Network (SAN) Replacement/Expansion	6,431,689	10-10
Server Blades and Chassis for Compute Systems	4,913,289	10-11
Field Use Laptop (New/Replacements)	1,373,442	10-12
DNS/DHCP System Replacement	1,300,000	10-13
Artifical Intelligence (AI) Infrastruture	1,036,435	10-14
GIS Utility Network Conversion	1,000,000	10-15
SAN Fiber Channel Switches	875,786	10-16
Work Center Wireless (outdoor)	800,000	10-17
Network Security Upgrades and Enchancements	450,000	10-18
Network Hardware Upgrades and Enchancements	100,000	10-19
PC Equipment (Capital)	71,519	10-20
TOTAL PURCHASE OF DATA PROCESSING EQUIPMENT	18,352,160	
CONTINGENCY FUNDS - GENERAL PLANT	200,000	10-21
Total General Plant	84,805,405	

CAPITAL CARRYOVER CATEGORY	CARRYOVER AMOUNT
Telecommunication Network & Communication Towers	10,350,000
Substations, Transmission & Distribution System	7,714,458
Distribution	7,550,000
Power Operated and Transportation Equipment	6,702,528
Purchase of Data Processing Equipment	3,972,604
Utility Monitoring	3,594,410
Buildings & Structures	3,177,600
Security Automation	988,403
TOTAL CAPITAL CARRYOVER SUMMARY	**44,050,003**

*Carryover items constitute the funding necessary for capital projects or purchases not completed during the prior budget year. This would include projects which may have been delayed, large projects requiring multiple years to complete, or commodities ordered but not received. These items are part of the total 2026 Budget.

GAS DIVISION

MEMPHIS LIGHT, GAS AND WATER DIVISION
INCOME, EXPENSE, AND CHANGES IN NET POSITION COMPARISON
2024 THROUGH 2026

GAS DIVISION

DESCRIPTION	THOUSANDS OF DOLLARS 2024 ACTUAL	2025 BUDGET	2026 BUDGET	REF. NO.
OPERATING REVENUE				
Sales Revenue	197,833	231,743	267,802	12-1
Revenue Adjustment for Uncollectibles	(1,826)	(1,388)	(2,484)	12-2
Non-Sales Revenue	40,634	48,553	56,205	12-3
OPERATING REVENUE	236,641	278,908	321,523	
OPERATING EXPENSE				
Production - LNG Plant	1,788	1,870	1,869	12-4
Purchased Gas	85,313	114,047	150,070	12-5
Compressed Natural Gas (CNG)	171	456	456	12-6
Liquefied Natural Gas (LNG)	385	3,084	2,388	12-7
Industrial Gas	13,824	18,864	25,830	12-8
Distribution Expense	32,010	38,828	40,624	12-9
Customer Accounts Expense	13,281	16,567	16,991	12-10
Customer Service & Information Expense	1,736	1,930	2,193	12-11
Sales Expense	300	431	421	12-12
Administrative & General Expense*	47,055	55,851	57,686	12-13
OPERATING EXPENSE	195,860	251,928	298,529	
MAINTENANCE EXPENSE				
Production Expense	852	5,435	2,525	12-14
Distribution Expense	8,951	11,293	10,451	12-15
Administrative & General Expense	1,768	1,970	1,688	12-16
MAINTENANCE EXPENSE	11,571	18,698	14,663	
OTHER OPERATING EXPENSE				
Depreciation Expense	18,744	18,419	20,154	12-17
Payment in Lieu of Taxes	16,380	16,425	20,634	12-18
F.I.C.A. Taxes	865	749	969	12-19
Amortization of Legacy Meters	1,482	1,518	-	12-20
Amortization - Right of Use Leases & Subscriptions	6,315	3,690	3,534	12-21
OTHER OPERATING EXPENSE	43,787	40,801	45,290	
TOTAL OPERATING EXPENSE	251,218	311,427	358,482	
INCOME				
Operating Income	(14,576)	(32,519)	(36,959)	12-22
Other Income	10,364	5,975	2,802	12-23
Reduction of Plant Cost Recovered through CIAC	(4,223)	(10,877)	(3,683)	12-24
NET INCOME BEFORE DEBT EXPENSE	(8,436)	(37,421)	(37,841)	
DEBT EXPENSE				
Interest Expense - Long-Term Debt	5,140	4,932	4,693	12-25
Amortization of Debt Discount & Expense	(1,511)	(1,491)	(1,370)	12-26
TOTAL DEBT EXPENSE	3,629	3,441	3,323	
NET INCOME AFTER DEBT EXPENSE	(12,065)	(40,862)	(41,164)	
Contributions in Aid of Construction	4,223	10,877	3,683	12-27
CHANGE IN NET POSITION*	(7,842)	(29,985)	(37,481)	

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

MEMPHIS LIGHT, GAS AND WATER DIVISION
INCOME, EXPENSE, AND CHANGES IN NET POSITION COMPARISON
2025 THROUGH 2026

GAS DIVISION

DESCRIPTION	THOUSANDS OF DOLLARS		
	2025 BUDGET	2026 BUDGET	DIFFERENCE
OPERATING REVENUE			
Sales Revenue	**231,743**	**267,802**	**36,059**
Revenue Adjustment for Uncollectibles	**(1,388)**	**(2,484)**	**(1,096)**
Non-Sales Revenue			
Forfeited Discounts	3,108	3,160	52
Miscellaneous Service Revenue	2,083	2,041	(42)
Other Operating Revenue	624	660	36
Compressed Natural Gas (CNG)	516	516	-
Liquefied Natural Gas (LNG)	4,824	4,356	(468)
Industrial Gas	19,879	26,845	6,966
Rent from Electric/Water Property	7,228	7,862	634
Transported Gas	10,291	10,765	474
Total Non-Sales Revenue	**48,553**	**56,205**	**7,652**
OPERATING REVENUE	**278,908**	**321,523**	**42,615**
OPERATING EXPENSE			
Purchased Gas	**114,047**	**150,070**	**36,023**
Compressed Natural Gas (CNG)	**456**	**456**	**-**
Liquified Natural Gas (LNG)	**3,084**	**2,388**	**(696)**
Industrial Gas	**18,864**	**25,830**	**6,966**
Production Expense			
Operation Labor and Expenses	1,720	1,709	(11)
Operation Supervision and Engineering	150	161	11
Total Production Expense	**1,870**	**1,869**	**(1)**
Distribution Expense			
Customer Installation Expenses	6,044	6,189	145
Distribution Load Dispatching Expense	884	905	21
Mains and Services	8,035	7,184	(851)
Measuring and Regulating Expenses	67	114	47
Meter and House Regulator Expenses	3,081	3,346	265
Miscellaneous Distribution Expenses [1]	18,256	20,480	2,224
Rents	1	-	(1)
Operation Supervision and Engineering	2,460	2,405	(55)
Total Distribution Expense	**38,828**	**40,624**	**1,796**
Customer Accounts Expense			
Customer Order, Records and Collection Expenses	11,953	12,510	557
Meter Reading Expenses	4,470	4,338	(132)
Supervision-Customer Accounting and Collection	144	143	(1)
Total Customer Accounts Expense	**16,567**	**16,991**	**424**
Customer Service & Information Expense			
Customer Assistance Expenses	780	781	1
Informational and Instructional Advertising Expenses	72	128	56
Miscellaneous Customer Service & Informational Expenses	748	956	208
Supervision-Customer Service and Information	330	328	(2)
Total Customer Service & Information Expense	**1,930**	**2,193**	**263**
Miscellaneous Sales Expenses	431	421	(10)
Total Sales Expense	**431**	**421**	**(10)**

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

MEMPHIS LIGHT, GAS AND WATER DIVISION
INCOME, EXPENSE, AND CHANGES IN NET POSITION COMPARISON
2025 THROUGH 2026

GAS DIVISION

DESCRIPTION	THOUSANDS OF DOLLARS 2025 BUDGET	2026 BUDGET	DIFFERENCE
OPERATING EXPENSE (Continued)			
Administrative & General Expense			
Administrative and General Salaries	10,046	9,275	(771)
Administration Expenses Transferred to Capital	(1,850)	(2,534)	(684)
Pension Expense	8,160	10,416	2,256
Other Active & Retiree Benefits	13,588	7,813	(5,775)
Other Post Employment Benefits Funding	371	6,228	5,857
Injuries and Damages	2,984	1,537	(1,447)
Miscellaneous General Expenses [(2)]	7,646	8,018	372
Office Supplies and Expenses	3,257	3,091	(166)
Outside Services Employed	8,817	8,397	(420)
Property Insurance	969	1,434	465
Rents-Miscellaneous	1,863	4,012	2,149
Total Administrative & General Expense	**55,851**	**57,686**	**1,835**
OPERATING EXPENSE	**251,928**	**298,529**	**46,601**
MAINTENANCE EXPENSE			
Production Expense			
Maintenance of Holders	297	223	(74)
Maintenance of Other Equipment	4,884	2,028	(2,856)
Maintenance of Structures and Improvements	21	24	3
Maintenance Supervision and Engineering	233	251	18
Total Production Expense	**5,435**	**2,525**	**(2,910)**
Distribution Expense			
Maintenance of Mains	6,899	5,879	(1,020)
Maintenance of Meters	-	-	-
Maintenance of Services	2,351	2,398	47
Maintenance Supervision and Engineering	100	103	3
Measuring and Regulating Equipment Expenses	1,943	2,070	127
Total Distribution Expense	**11,293**	**10,451**	**(842)**
Administrative & General Expense			
Maintenance of General Plant	1,887	1,567	(320)
Facilities Maintenance Expense	83	120	37
Total Administrative & General Expense	**1,970**	**1,688**	**(282)**
MAINTENANCE EXPENSE	**18,698**	**14,663**	**(4,035)**
OTHER OPERATING EXPENSE			
Depreciation Expense	**18,419**	**20,154**	**1,735**
Payment in Lieu of Taxes	**16,425**	**20,634**	**4,209**
F.I.C.A. Taxes	**749**	**969**	**220**
Amortization of Legacy Meters	**1,518**	**-**	**(1,518)**
Amortization - Right of Use Leases & Subscriptions	**3,690**	**3,534**	**(156)**
OTHER OPERATING EXPENSE	**40,801**	**45,290**	**4,489**
TOTAL OPERATING EXPENSE	**311,427**	**358,482**	**47,055**

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

MEMPHIS LIGHT, GAS AND WATER DIVISION
INCOME, EXPENSE, AND CHANGES IN NET POSITION COMPARISON
2025 THROUGH 2026

GAS DIVISION

DESCRIPTION	THOUSANDS OF DOLLARS		
	2025 BUDGET	2026 BUDGET	DIFFERENCE
INCOME			
Operating Income	**(32,519)**	**(36,959)**	**(4,440)**
Other Income			
Expenses of Merchandising, Jobbing & Contracts	(3,300)	(3,300)	(0)
Revenues from Merchandising, Jobbing & Contracts	1,302	1,299	(3)
Revenues from Sinking & Other Funds-Interest Income	5,473	2,302	(3,171)
Medicare Part D Refund	1,000	427	(573)
Miscellaneous Non-Operating Income	1,500	2,073	573
Total Other Income	**5,975**	**2,802**	**(3,173)**
Reduction of Plant Cost Recovered through CIAC	**(10,877)**	**(3,683)**	**7,194**
NET INCOME BEFORE DEBT EXPENSE	**(37,421)**	**(37,841)**	**(420)**
DEBT EXPENSE			
Interest Expense - Long-Term Debt			
Interest on Ltd - Series 2016	**1,252**	**1,162**	**(90)**
Interest on Ltd - Series 2017	**1,365**	**1,280**	**(85)**
Interest on Ltd - Series 2020	**2,315**	**2,251**	**(64)**
Total Interest Expense - Long-Term Debt	**4,932**	**4,693**	**(239)**
Amortization of Debt Discount & Expense			
Amortization of Debt Disc & Exp - Series 2016	**(446)**	**(416)**	**30**
Amortization of Debt Disc & Exp - Series 2017	**(396)**	**(371)**	**25**
Amortization of Debt Disc & Exp - Series 2020	**(649)**	**(582)**	**67**
Total Amortization of Debt Discount & Expense	**(1,491)**	**(1,370)**	**121**
TOTAL DEBT EXPENSE	**3,441**	**3,323**	**(118)**
NET INCOME AFTER DEBT EXPENSE	**(40,862)**	**(41,164)**	**(302)**
Contributions in Aid of Construction	**10,877**	**3,683**	**(7,194)**
CHANGE IN NET POSITION	**(29,985)**	**(37,481)**	**(7,496)**

MEMPHIS LIGHT, GAS AND WATER DIVISION
SOURCE AND APPLICATION OF FUNDS
2026 BUDGET
(THOUSANDS OF DOLLARS)

GAS DIVISION

		REF. NO.
SOURCE OF FUNDS:		
FROM OPERATIONS:		
Change in Net Position	(37,481)	13-1
Non-Cash Charges to Income:		
Depreciation Charged to Operating Income	20,154	13-2
Depreciation Charged to Other Accounts	2,115	13-3
Amortization of Legacy Meters	-	13-4
Amortization - Right of Use Leases & Subscriptions	3,534	13-5
TOTAL FUNDS FROM OPERATIONS	(11,678)	
Salvage	238	13-6
TOTAL FUNDS AVAILABLE	(11,440)	
APPLICATION OF FUNDS:		
Capital Expenditures	48,122	13-7
Costs of Removal and Other Charges to the Reserve for Depreciation	149	13-8
Retirement of Long Term Debt	5,020	13-9
TOTAL APPLICATION OF FUNDS	53,291	
INCREASE (DECREASE) IN WORKING CAPITAL	(64,731)	

MEMPHIS LIGHT, GAS AND WATER DIVISION
SELECT CAPITAL EXPENDITURE BUDGETS
FOR CALENDAR YEAR OF 2026

GAS DIVISION

DESCRIPTION	THOUSANDS OF DOLLARS 2024 Actual	2025 BUDGET	2026 BUDGET	REF. NO.
PRODUCTION SYSTEM				
GAS - LNG PROCESSING FACILITIES	52	798	1,106	14-1
GAS - CNG STATIONS	(32)	-	-	
TOTAL PRODUCTION SYSTEM	20	798	1,106	
DISTRIBUTION SYSTEM				
GAS -APARTMENTS	76	71	195	14-2
GAS - RESIDENTIAL SERVICE IN S/D	-	29	16	14-3
GAS - RESIDENTIAL SERVICE NOT IN S/D	854	1,223	2,216	14-4
GAS - RESIDENTIAL S/D	-	-	44	14-5
GAS - LAND PURCHASE	-	82	250	14-7
GAS - GENERAL POWER SERVICE	1,163	4,600	3,207	14-8
GAS - GENERAL POWER S/D	72	-	97	14-9
GAS - MULTIPLE-UNIT GENERAL POWER	33	165	65	14-10
GAS - RELOCATE AT CUSTOMER REQUEST	605	389	810	14-11
GAS - PURCHASE OF METERS	4,454	3,900	8,455	14-12
GAS - STREET IMPROVEMENTS	1,949	3,705	4,615	14-13
GAS - NEW GAS MAIN	602	205	250	14-14
GAS - GAS MAIN/SERVICE REPL (D.O.T.)	3,472	6,287	9,129	14-15
GAS - PLANNED MAINTENANCE	3,515	3,087	3,836	14-16
GAS - TRANSMISSION PIPELINES AND FACILITIES	238	24,368	750	14-17
GAS - REGULATOR STATIONS	1,630	821	670	14-18
GAS - GATE STATIONS	396	-	150	14-19
JT - RESIDENTIAL SERVICE IN S/D	-	617	459	14-20
JT - RESIDENTIAL S/D	1,535	1,166	2,006	14-22
JT - APARTMENTS	12	5	-	14-23
GAS - EMERGENCY MAINTENANCE	858	1,375	1,708	14-24
GAS - DEMOLITION	68	16	70	14-25
CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)	(2,570)	(10,877)	(4,498)	14-26
TOTAL - DISTRIBUTION SYSTEM	18,962	41,234	34,500	
GENERAL PLANT				
GAS - BUILDINGS & STRUCTURES	5,391	23,660	19,930	14-27
GAS - SECURITY AUTOMATION	-	353	450	14-28
GAS - FURNITURE & FIXTURES	-	493	-	14-29
GAS - AUDIOVISUAL	-	48	95	14-30
GAS - FLEET CAPITAL COMMON POWER OPERATED EQUIP	735	1,396	834	14-32
GAS - FLEET CAPITAL COMON TRANSPORTATION EQUIP	2,247	3,463	3,641	14-33
GAS - FLEET GAS POWER OPERATED EQUIPMENT	1,405	519	1,752	14-34
GAS - FLEET GAS TRANSPORTATION EQUIPMENT	265	2,220	2,123	14-35
GAS - AUTOMATED FUELING STRUCTURE	80	-	49	14-36
GAS - TOOLS & EQUIPMENT	143	-	125	14-37
GAS - COMMON TOOLS & EQUIPMENT	179	329	191	14-38
GAS - COMMUNITY OFFICE KIOSKS	-	-	374	14-39
GAS - CONTINGENCY FUNDS		164	200	14-40
TOTAL - GENERAL PLANT	10,445	32,645	29,764	
TOTAL - GAS DIVISION CATEGORIES	29,427	74,677	65,370	
Delayed Cost Allocations	459	-	(17,248)	14-41
TOTAL - GAS DIVISION	29,886	74,677	48,122	

MEMPHIS LIGHT, GAS AND WATER DIVISION
SELECT CAPITAL EXPENDITURE BUDGETS
FOR CALENDAR YEAR OF 2026

GAS DIVISION

DESCRIPTION	IN BUDGET YEAR	REF. NO.
PRODUCTION SYSTEM		
Gas - LNG Processing Facilities	1,106,300	15-1
TOTAL GAS - PRODUCTION SYSTEM	1,106,300	
DISTRIBUTION SYSTEM - MAJOR PROJECTS		
STREET IMPROVEMENTS		
CP 04/38, Holmes Rd, Malone Rd To Lamar Ave	1,200,000	15-2
Projections 2021-2030	782,800	15-3
CP 19/10, Innovation Corridor	711,000	15-4
LL 09/02 Canada Rd, Re-Alignment	625,000	15-5
CV 18/04, Shelby Dr, east of Sycamore Rd to US-72	320,000	15-6
CP 05/15, Malone Rd, Holmes to Shelby	252,000	15-7
SC 19/02, Hacks Cross Rd, Stateline - Shelby Dr.	195,000	15-8
SP 20/12, SR-57/Poplar, from Eastley to SR-385	175,000	15-9
CP 23/21, Morningside Pl - Drainage	111,000	15-10
CP 23/18, Poplar, Angelus to Belvedere - Drainage	82,000	15-11
CP 20/06, Laudeen at Randall - drainage	35,000	15-12
CP 22/20, Peebles Road, east of Third St - Drainage	25,000	15-13
CP 23/07, Scott Street Sewer Interceptor	25,000	15-14
CP 21/09, Bartlett Rd Bridge over Fletcher Creek	20,000	15-15
CP 20/05, Mickey to Millbranch - drainage,	20,000	15-16
CP 20/05, Mickey - Millbranch Drainage,	20,000	15-17
CP 23/16, Wanda Street Storm Drain,	15,000	15-18
Carnes Ave/Hanley School Safety Improvements	1,500	15-19
TOTAL GAS - STREET IMPROVEMENTS	4,615,300	
NEW GAS MAIN		
System Improvement Projections	250,000	15-20
TOTAL GAS - NEW GAS MAIN	250,000	
GAS MAIN/SERVICE REPL (D.O.T.)		
Steel Tap Replacement	8,672,500	15-21
Distribution Integrity Management Program (DIMP)	200,000	15-22
Unplanned Distribution Work	175,000	15-23
Corrosion Control	81,000	15-24
TOTAL GAS -GAS MAIN/SERVICE REPL (D.O.T)	9,128,500	
TRANSMISSION PIPELINES AND FACILITIES		
TIMP Initiative	500,000	15-25
Unplanned Transmission Work	250,000	15-26
TOTAL TRANSMISSION PIPELINES AND FACILITIES	750,000	

MEMPHIS LIGHT, GAS AND WATER DIVISION
SELECT CAPITAL EXPENDITURE BUDGETS
FOR CALENDAR YEAR OF 2026

GAS DIVISION

DESCRIPTION	IN BUDGET YEAR	REF. NO.
DISTRIBUTION SYSTEM - MAJOR PROJECTS *(Continued)*		
REGULATOR STATIONS		
Regulator Station Replacement	670,000	16-1
TOTAL GAS- REGULATOR STATION REPLACEMENT	670,000	
GATE STATIONS		
Gate Station Work	150,000	16-2
TOTAL GAS- GATE STATIONS	150,000	
TOTAL DISTRIBUTION SYS. - MAJOR PROJECTS	15,563,800	
GENERAL PLANT		
BUILDINGS & STRUCTURES		
NORTH SERVICE CENTER		
Generator/Transfer Switch Replacement	1,500,000	16-3
Building #2: (Re-cover 36,000 square foot roof)	936,000	16-4
Building #6: Roof Replacement 23,684 square feet	616,000	16-5
Building #3: (Re-cover 30,650 square foot roof)	30,000	16-6
Building #1 Replace 3 HVAC Package Units	20,000	16-7
TOTAL NORTH SERVICE CENTER	3,102,000	
BRUNSWICK SERVICE CENTER		
Replace Main Building Roof	50,000	16-8
TOTAL BRUNSWICK SERVICE CENTER	50,000	
HICKORY HILL SERVICE CENTER		
HHSC Service Center Roof Replacement	433,784	16-9
Replace Canopy roofs	9,000	16-10
TOTAL HICKORY HILL SERVICE CENTER	442,784	

MEMPHIS LIGHT, GAS AND WATER DIVISION
SELECT CAPITAL EXPENDITURE BUDGETS
FOR CALENDAR YEAR OF 2026

GAS DIVISION

DESCRIPTION	IN BUDGET YEAR	REF. NO.
GENERAL PLANT (Continued)		
ADMINISTRATION BUILDING		
Administration Building Upgrades & renovations (elevator modernization)	300,000	17-1
TOTAL ADMINISTRATION BUILDING	300,000	
CHOCTAW		
New Concrete Wash Bay Area	500,000	17-2
Roof Replacement, Wing B - 14,352 sf	17,000	17-3
Roof Replacement, Wing A - 13,605 sf	16,000	17-4
Roof Replacement, South Canopy - 1,173 sf	1,800	17-5
TOTAL CHOCTAW SERVICE CENTER	534,800	
NEW BUILDING		
Engineering & Operations Building 130,000 sq. ft.	15,500,000	17-6
TOTAL NEW BUILDING	15,500,000	
TOTAL BUILDINGS & STRUCTURES	19,929,584	
GAS - SECURITY AUTOMATION	450,000	17-7
GAS - AUDIOVISUAL	95,400	17-8
GAS - TOOLS & EQUIPMENT COMMON	191,221	17-9
GAS - TOOLS & EQUIPMENT	125,446	17-10
FLEET CAPITAL COMMON POWER OPERATED EQUIP	834,358	17-11
FLEET CAPITAL COMMON TRANSPORTATION EQUIP	3,640,965	17-12
FLEET GAS POWER OPERATED EQUIPMENT	1,752,279	17-13
FLEET GAS TRANSPORTATION EQUIPMENT	2,122,623	17-14
COMMUNITY OFFICE KIOSKS	374,000	17-15
ALTERNATIVE FUELING STRUCTURE	48,600	17-16
CONTINGENCY FUNDS - GENERAL PLANT	200,000	17-17
TOTAL GENERAL PLANT	29,764,476	

CAPITAL CARRYOVER CATEGORY	CARRYOVER AMOUNT
Audiovisual	42,500,000
Buildings & Structures	10,397,784
Distribution System	4,377,500
Power Operated and Transportation Equipment	2,259,893
Production System	972,000
Land Purchase/Property	-
TOTAL CAPITAL CARRYOVER SUMMARY	**60,507,177**

*Carryover items constitute the funding necessary for capital projects or purchases not completed during the prior budget year. This would include projects which may have been delayed, large projects requiring multiple years to complete, or commodities ordered but not received. These items are part of the total 2026 Budget.

WATER DIVISION

MEMPHIS LIGHT, GAS AND WATER DIVISION
INCOME, EXPENSE, AND CHANGES IN NET POSITION COMPARISON
2024 THROUGH 2026

WATER DIVISION

DESCRIPTION	THOUSANDS OF DOLLARS 2024 ACTUAL	2025 BUDGET	2026 BUDGET	REF. NO.
OPERATING REVENUE				
Sales Revenue	131,100	125,524	124,700	19-1
Revenue Adjustment for Uncollectibles	(2,019)	(1,349)	(2,126)	19-2
Non-Sales Revenue	5,536	5,766	5,619	19-3
OPERATING REVENUE	134,617	129,941	128,193	
OPERATING EXPENSE				
Production Expense	17,886	22,817	24,546	19-4
Distribution Expense	20,773	18,484	21,599	19-5
Customer Accounts Expense	9,387	11,695	12,012	19-6
Customer Service & Information Expense	1,137	1,182	1,337	19-7
Sales Expense	174	277	267	19-8
Administrative & General Expense*	31,695	41,072	42,530	19-9
OPERATING EXPENSE	81,052	95,527	102,290	
MAINTENANCE EXPENSE				
Production Expense	4,673	3,318	4,452	19-10
Distribution Expense	12,233	12,606	10,628	19-11
Administrative & General Expense	6,824	4,627	4,707	19-12
MAINTENANCE EXPENSE	23,730	20,551	19,786	
OTHER OPERATING EXPENSE				
Depreciation Expense	12,014	11,835	13,013	19-13
Payment in Lieu of Taxes	4,700	4,800	4,800	19-14
F.I.C.A. Taxes	639	600	716	19-15
Amortization of Legacy Meters	482	484	-	19-16
Amortization - Right of Use Leases & Subscriptions	1,977	-	-	19-17
OTHER OPERATING EXPENSE	19,813	17,719	18,529	
TOTAL OPERATING EXPENSE	124,595	133,797	140,606	
INCOME				
Operating Income	10,022	(3,856)	(12,413)	19-18
Other Income	7,700	2,237	1,595	19-19
Reduction of Plant Cost Recovered through CIAC	(5,185)	(20,256)	(21,519)	19-20
NET INCOME BEFORE DEBT EXPENSE	12,537	(21,875)	(32,337)	
DEBT EXPENSE				
Interest Expense - Existing Long - Term Debt	4,280	4,264	3,930	19-21
Amortization of Debt Discount & Expense	(982)	(946)	(905)	19-22
TOTAL DEBT EXPENSE	3,297	3,318	3,025	
NET INCOME AFTER DEBT EXPENSE	9,239	(25,193)	(35,362)	
Contributions in Aid of Construction	5,185	20,256	21,519	19-23
CHANGE IN NET POSITION*	14,425	(4,937)	(13,843)	

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

MEMPHIS LIGHT, GAS AND WATER DIVISION
INCOME, EXPENSE, AND CHANGES IN NET POSITION COMPARISON
2025 THROUGH 2026

WATER DIVISION

DESCRIPTION	THOUSANDS OF DOLLARS		
	2025 BUDGET	2026 BUDGET	DIFFERENCE
OPERATING REVENUE			
Sales Revenue	**125,524**	**124,700**	**(824)**
Revenue Adjustment for Uncollectibles	**(1,349)**	**(2,126)**	**(777)**
Non-Sales Revenue			
Forfeited Discounts	1,685	1,470	(215)
Miscellaneous Service Revenue	2,081	2,087	6
Cross Connection Revenue	1,409	1,422	13
Other Operating Revenue	456	480	24
Rent from Electric/Gas Property	135	160	25
Total Non-Sales Revenue	**5,766**	**5,619**	**(147)**
OPERATING REVENUE	**129,941**	**128,193**	**(1,748)**
OPERATING EXPENSE			
Production Expense			
Chemicals	2,766	2,478	(288)
Operations Production Water Treatment	84	86	2
Fuel or Power Purchased for Pumping	8,948	11,500	2,552
Miscellaneous Expense	3,626	3,279	(347)
Operation Labor and Expenses	6,686	6,488	(198)
Operation Supervision and Engineering	341	347	6
Pumping Labor and Expenses	366	368	2
Total Production Expense	**22,817**	**24,546**	**1,729**
Distribution Expense			
Customer Installation Expenses	3,058	3,127	69
Meter Expenses	1,655	1,263	(392)
Miscellaneous Distribution Expenses [1]	12,747	15,457	2,710
Operation Supervision and Engineering	934	1,149	215
Storage Facilities	121	133	12
Transmission and Distribution Lines	(31)	471	502
Total Distribution Expense	**18,484**	**21,599**	**3,115**
Customer Accounts Expense			
Customer Order, Records and Collection Expenses	8,333	8,752	419
Meter Reading Expenses	3,222	3,121	(101)
Supervision-Customer Accounting and Collection	140	140	(0)
Total Customer Accounts Expense	**11,695**	**12,012**	**317**
Customer Service & Information Expense			
Customer Assistance Expenses	585	586	1
Informational and Instructional Advertising Expenses	284	440	156
Supervision-Customer Service and Information	313	311	(2)
Total Customer Service & Information Expense	**1,182**	**1,337**	**155**
Sales Expense			
Miscellaneous Sales Expenses	277	267	(10)
Total Sales Expense	**277**	**267**	**(10)**

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

MEMPHIS LIGHT, GAS AND WATER DIVISION
INCOME, EXPENSE, AND CHANGES IN NET POSITION COMPARISON
2025 THROUGH 2026

WATER DIVISION

DESCRIPTION	THOUSANDS OF DOLLARS		
	2025 BUDGET	2026 BUDGET	DIFFERENCE
OPERATING EXPENSE (Continued)			
Administrative & General Expense			
Administrative and General Salaries	7,062	6,466	(596)
Administration Expenses Transferred to Capital	(2,649)	(3,408)	(759)
Pension Expense	6,031	7,699	1,668
Other Active & Retiree Benefits	7,798	4,297	(3,501)
Other Post Employment Benefits	274	4,603	4,329
Injuries and Damages	1,845	1,333	(512)
Miscellaneous General Expenses [(2)]	7,090	6,987	(103)
Office Supplies and Expenses	2,371	2,230	(141)
Outside Services Employed	7,738	6,430	(1,308)
Property Insurance	691	995	304
Rents-Miscellaneous	2,821	4,896	2,075
Total Administrative & General Expense	**41,072**	**42,530**	**1,458**
OPERATING EXPENSE	**95,527**	**102,290**	**6,763**
MAINTENANCE EXPENSE			
Production Expense			
Maintenance of Pumping Equipment	1,098	1,458	360
Maintenance of Water Treatment Equipment	1,742	1,246	(496)
Maintenance of Wells	314	1,580	1,266
Maintenance Supervision and Engineering	164	168	4
Total Production Expense	**3,318**	**4,452**	**1,134**
Distribution Expense			
Maintenance of Hydrants	1,041	854	(187)
Maintenance of Meters	3,114	3,779	665
Maintenance of Miscellaneous Distribution Plant	32	41	9
Maintenance of Services	1,785	2,282	497
Maintenance of Transmission and Distribution Mains	6,634	3,672	(2,962)
Total Distribution Expense	**12,606**	**10,628**	**(1,978)**
Administrative & General Expense			
Maintenance of General Plant	2,141	2,353	212
Facilities Maintenance Expense	2,486	2,355	(131)
Total Administrative & General Expense	**4,627**	**4,707**	**80**
MAINTENANCE EXPENSE	**20,551**	**19,786**	**(765)**
OTHER OPERATING EXPENSE			
Depreciation Expense	**11,835**	**13,013**	**1,178**
Payment in Lieu of Taxes	**4,800**	**4,800**	**-**
F.I.C.A. Taxes	**600**	**716**	**116**
Amortization of Legacy Meters	**484**	**-**	**(484)**
Amortization of Leases	**-**	**-**	**-**
OTHER OPERATING EXPENSE	**17,719**	**18,529**	**810**
TOTAL OPERATING EXPENSE	**133,797**	**140,606**	**6,809**

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

MEMPHIS LIGHT, GAS AND WATER DIVISION
INCOME, EXPENSE, AND CHANGES IN NET POSITION COMPARISON
2025 THROUGH 2026

WATER DIVISION

DESCRIPTION	THOUSANDS OF DOLLARS		
	2025 BUDGET	2026 BUDGET	DIFFERENCE
INCOME			
Operating Income	**(3,856)**	**(12,413)**	**(8,557)**
Other Income			
Revenues from Sinking & Other Funds-Interest Income	1,320	870	(450)
Medicare Part D Refund	500	500	-
Miscellaneous Non-Operating Income	417	225	(192)
Expenses of Merchandising, Jobbing & Contracts	(2,979)	(2,979)	-
Revenues from Merchandising, Jobbing & Contracts	2,979	2,979	-
Total Other Income	**2,237**	**1,595**	**(642)**
Reduction of Plant Cost Recovered through CIAC	**(20,256)**	**(21,519)**	**(1,263)**
NET INCOME BEFORE DEBT EXPENSE	**(21,875)**	**(32,337)**	**(10,462)**
DEBT EXPENSE			
Interest Expense - Long-Term Debt			
Interest on Ltd - Series 2014	359	308	(51)
Interest on Ltd - Series 2016	663	610	(53)
Interest on Ltd - Series 2017	768	673	(95)
Interest on Ltd - Series 2020	2,474	2,339	(135)
Total Interest Expense - Long-Term Debt	**4,264**	**3,930**	**(334)**
Amortization of Debt Discount & Expense			
Amortization of Debt Disc & Exp - Series 2014	(37)	(34)	3
Amortization of Debt Disc & Exp - Series 2016	(133)	(125)	8
Amortization of Debt Disc & Exp - Series 2017	(153)	(142)	11
Amortization of Debt Disc & Exp - Series 2020	(623)	(605)	18
Total Amortization of Debt Discount & Expense	**(946)**	**(905)**	**22**
TOTAL DEBT EXPENSE	**3,318**	**3,025**	**(312)**
NET INCOME AFTER DEBT EXPENSE	**(25,193)**	**(35,362)**	**(10,150)**
Contributions in Aid of Construction	**20,256**	**21,519**	**1,263**
CHANGE IN NET POSITION	**(4,937)**	**(13,843)**	**(8,906)**

MEMPHIS LIGHT, GAS AND WATER DIVISION
SOURCE AND APPLICATION OF FUNDS
2026 BUDGET
(THOUSANDS OF DOLLARS)

WATER DIVISION

		REF. NO,
SOURCE OF FUNDS:		
FROM OPERATIONS:		
Change in Net Position	(13,843)	20-1
Non-Cash Charges to Income:		
Depreciation Charged to Operating Income	13,013	20-2
Depreciation Charged to Other Accounts	495	20-3
Amortization of Legacy Meters	-	20-4
Amortization of Leases	-	20-5
TOTAL FUNDS FROM OPERATIONS	(335)	
Salvage	84	20-6
TOTAL FUNDS AVAILABLE	(251)	
APPLICATION OF FUNDS:		
Capital Expenditures	58,491	20-7
Costs of Removal and Other Charges to the Reserve for Depreciation	1,243	20-8
Retirement of Long-Term Debt	4,785	20-9
TOTAL APPLICATION OF FUNDS	64,519	
INCREASE (DECREASE) IN WORKING CAPITAL	(64,770)	

MEMPHIS LIGHT, GAS AND WATER DIVISION
CAPITAL EXPENDITURES COMPARISON
FOR CALENDAR YEAR OF 2026

WATER DIVISION

DESCRIPTION	THOUSANDS OF DOLLARS 2024 Actual	2025 BUDGET	2026 BUDGET	REF. NO.
PRODUCTION SYSTEM				
WATER - PUMPING STATIONS	9,214	44,262	33,870	21-1
WATER - UNDERGROUND STORAGE RESERVOIRS	127	83	2,500	21-2
WATER - PRODUCTION WELLS	11,036	14,563	10,650	21-3
WATER - LAND PURCHASE	(3)	167	150	21-4
WATER- OPERATIONS MAINTENANCE	(1,583)	1,252	1,500	21-5
Contingency Fund - Production System	-	42	50	21-6
SUBTOTAL - PRODUCTION SYSTEM	18,791	60,369	48,720	
WATER - BUILDINGS & STRUCTURES	465	2,895	4,286	21-7
CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)	-	(15,971)	(20,221)	21-8
TOTAL PROD. SYSTEM - BLDGS. & STRUCT.	**19,256**	**47,293**	**32,785**	
DISTRIBUTION SYSTEM				
WATER - RESIDENTIAL SERVICE IN S/D	176	354	269	21-9
WATER - RESIDENTIAL SERVICE NOT IN S/D	379	509	619	21-10
WATER - RESIDENTIAL S/D	194	334	286	21-11
WATER - APARTMENTS	8	8	9	21-12
WATER - GENERAL POWER SERVICE	2,794	3,740	2,372	21-13
WATER - RELOCATE AT CUSTOMER REQUEST	200	246	272	21-14
WATER - STREET IMPROVEMENTS	6,801	5,029	4,350	21-15
WATER - NEW WATER MAIN	440	2,169	2,499	21-16
WATER- LEAD SERVICE REPLACEMENT	2,662	8,554	10,530	21-17
WATER - STORM RESTORATION	936	-	-	21-18
WATER - PURCHASE OF METERS	542	4,163	10,039	21-19
WATER - PLANNED MAINTENANCE	4,342	3,338	4,000	21-20
WATER - BOOSTER STATIONS	-	416	500	21-21
WATER - EMERGENCY MAINTENANCE	3,441	2,950	3,605	21-22
CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)	(4,006)	(4,285)	(1,298)	21-23
TOTAL - DISTRIBUTION SYSTEM	**18,909**	**27,525**	**38,052**	
GENERAL PLANT				
WATER - BUILDINGS & STRUCTURE	186	38	45	21-24
WATER - SECURITY AUTOMATION	-	43	704	21-25
WATER - TOOLS & EQUIPMENT	52	43	57	21-26
WATER - FLEET CAPITAL POWER OPERATED EQUIP	919	233	1,001	21-27
WATER - FLEET CAPITAL WATER TRANSPORTATION EQUIP	742	1,992	1,641	21-28
WATER -IS/IT PROJEXCTS	-	-	-	21-31
MISCELLAENOUS CAPITAL (SIMULATOR)	-	234	280	21-32
WATER - CONTINGENCY FUND	-	167	200	21-33
TOTAL - GENERAL PLANT	**1,899**	**2,750**	**3,928**	
TOTAL - WATER DIVISION CATEGORIES	**40,063**	**77,568**	**74,765**	
Delayed Cost Allocations	(2,360)	-	(16,274)	21-34
TOTAL - WATER DIVISION	**37,704**	**77,568**	**58,491**	

MEMPHIS LIGHT, GAS AND WATER DIVISION
SELECT CAPITAL EXPENDITURE BUDGETS
FOR CALENDAR YEAR OF 2026

WATER DIVISION

DESCRIPTION	IN BUDGET YEAR	REF. NO.
PRODUCTION SYSTEM		
PUMPING STATIONS		
Allen Pumping Station		
Generator Upgrades	1,510,000	22-1
Total Allen Pumping Station	1,510,000	
Davis Pumping Station		
Filter Media Rehab and Replacement (Station Rehab) (CO)	4,000,000	22-2
Station Rehabilitation (CO)	250,000	22-3
VFD, Motor & Transformer Replacements	100,000	22-4
Total Davis Pumping Station	4,350,000	
Lichterman Pumping Station		
Station Rehabilitation (CO)	250,000	22-5
VFD, Motor & Transformer Replacements	150,000	22-6
Total Lichterman Pumping Station	400,000	
LNG Pumping Station		
Station Rehabilitation	250,000	22-7
Total LNG Pumping Station	250,000	
Mallory Pumping Station		
Filter Media Rehab and Replacement (Station Rehab) (CO)	4,800,000	22-8
Generator Upgrades	1,510,000	22-9
Station Rehabilitation	250,000	22-10
Total Mallory Pumping Station	6,560,000	
McCord Pumping Station		
Filter Media Rehabilitation and Replacement (Station Rehab)	3,000,000	22-11
Station Rehabilitation	400,000	22-12
Total McCord Pumping Station	3,400,000	
Morton Pumping Station		
Filter Media Rehabilitation and Replacement (Station Rehab)	7,000,000	22-13
Station Rehabilitation	250,000	22-14
VFD, Motor & Transformer Replacements	150,000	22-15
Total Morton Pumping Station	7,400,000	

MEMPHIS LIGHT, GAS AND WATER DIVISION
SELECT CAPITAL EXPENDITURE BUDGETS
FOR CALENDAR YEAR OF 2026

WATER DIVISION

DESCRIPTION	IN BUDGET YEAR	REF. NO.
PUMPING STATIONS CONT.		
Palmer Pumping Station		
Station Rehabilitation	250,000	23-1
Total Palmer Pumping Station	250,000	
Shaw Pumping Station		
Filter Media Rehabilitation and Replacement (Station Rehab)	7,000,000	23-2
Station Rehabilitation	250,000	23-3
Total Shaw Pumping Station	7,250,000	
Sheehan Pumping Station		
Medium Voltage Breaker & Switchgear Replacements	850,000	23-4
Station Rehabilitation (CO)	250,000	23-5
Total Sheehan Pumping Station	1,100,000	
Miscellaneous Pumping Facilities		
Engineering Services Contract (CO)	1,100,000	23-6
Water Operations Capital Items (CO)	300,000	23-7
Total Miscellaneous Pumping Facilities	1,400,000	
TOTAL PUMPING STATIONS	33,870,000	
UNDERGROUND STORAGE RESERVOIRS		
Allen Pumping Station	2,500,000	23-8
Total Underground Storage Reservoirs	2,500,000	
PRODUCTION WELLS		
Sheehan Pumping Station - Construct/Replace Well	3,400,000	23-9
Davis Pumping Station - Construct/Replace Well	3,400,000	23-10
McCord Pumping Station - Construct/Replace Well	1,700,000	23-11
Shaw Pumping Station - Construct/Replace Well	1,700,000	23-12
Miscellaneous Pumping Facilities- Abandon Wells	450,000	23-13
TOTAL PRODUCTION WELLS	10,650,000	
OPERATIONS MAINTENANCE	1,500,000	23-14
LAND PURCHASE	150,000	23-15

MEMPHIS LIGHT, GAS AND WATER DIVISION
SELECT CAPITAL EXPENDITURE BUDGETS
FOR CALENDAR YEAR OF 2026

WATER DIVISION

DESCRIPTION	IN BUDGET YEAR	REF. NO.
BUILDINGS AND STRUCTURES		
McCord Pumping Station		
New Mechanical Maintenance and Special Storage Building	3,000,000	24-1
Reroof Main Building (15930 sf)	454,000	24-2
Aerator Bldg: Replace Roof (6825 sf)	200,000	24-3
Allen Pumping Station		
Roof Replacements (design and construction); Pump Room - 32,263 sf, Diesel Bldg - 322 sf, Garage-2,730 sf, and Aerator	325,000	24-4
Mallory Pumping Station		
Roof Replacements (Design/Construction) Filter Building	172,000	24-5
Replace Site Paving	75,000	24-6
Shaw Pumping Station		
Roof Replacement	33,000	24-7
Lichterman Pumping Station		
Roof Replacement-Pump Building	15,000	24-8
Roof Replacement-Aerator Bldg	12,000	24-9
Total Building and Structure	4,286,000	
CONTINGENCY FUND - PRODUCTION SYSTEM	50,000	24-10
CONTRIBUTION IN AID OF CONSTRUCTION	(20,220,992)	24-11
TOTAL PRODUCTION SYSTEM	32,785,008	

MEMPHIS LIGHT, GAS AND WATER DIVISION
SELECT CAPITAL EXPENDITURE BUDGETS
FOR CALENDAR YEAR OF 2026

WATER DIVISION

DESCRIPTION	IN BUDGET YEAR	REF. NO.
DISTRIBUTION SYSTEM - MAJOR PROJECTS		
NEW WATER MAIN		
Collecting Main Installation	1,500,000	25-1
Main Replacement Projects	300,000	25-2
Large Main Extensions	300,000	25-3
Major Valve Replacements/Additions	200,000	25-4
Miscellaneous Projects - Reimbursable	148,679	25-5
Minor Systems Improvements	50,000	25-6
TOTAL NEW WATER MAIN	2,498,679	
STREET IMPROVEMENTS		
City of Lakeland Projects	2,250,000	25-7
City of Memphis Projects	1,350,000	25-8
Shelby County Projects	550,000	25-9
City of Arlington Projects	100,000	25-10
TDOT Projects	100,000	25-11
TOTAL STREET IMPROVEMENTS	4,350,000	
LEAD REPLACEMENT	10,530,000	25-12
TOTAL DISTRIBUTION SYSTEM-MAJOR PROJECTS	17,378,679	
WATER-BUILDING/STRUCTURES	45,000	25-13
WATER - SECURITY AUTOMATION	704,000	25-14
WATER - FLEET CAPITAL POWER OPERATED EQUIP	1,001,191	25-15
WATER - FLEET CAPITAL WATER TRANSPORTATION EQUIP	1,641,240	25-16
WATER - WATER TOOLS AND EQUIPMENT	56,890	25-17
MISCELLAENOUS CAPITAL (SIMULATOR)	280,000	25-18
CONTINGENCY FUNDS	200,000	25-19
TOTAL GENERAL PLANT	3,928,321	

CAPITAL CARRYOVER CATEGORY	CARRYOVER AMOUNT
Production	12,915,000
Street Improvements	4,377,500
Buildings & Structures	3,230,000
Power Transportation Equipment	444,476
Land Purchase/Property	150,000
TOTAL CAPITAL CARRYOVER SUMMARY	**21,116,976**

*Carryover items constitute the funding necessary for capital projects or purchases not completed during the prior budget year. This would include projects which may have been delayed, large projects requiring multiple years to complete, or commodities ordered but not received. These items are part of the total 2026 Budget.

2025 - 2030 CAPITAL IMPROVEMENT PROGRAM

2026 ELECTRIC 5-YEAR CAPITAL IMPROVEMENT PROGRAM

ELECTRIC DIVISION

DESCRIPTION	2025 BUDGET	2026 BUDGET	2027 PROJECTION	2028 PROJECTION	2029 PROJECTION	2030 PROJECTION
PRODUCTION						
Distributive Energy Resource	$ 61,875,000	$ -	$ -	$ -	$ -	$ -
TOTAL - PRODUCTION	**$ 61,875,000**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
SUBSTATION AND TRANSMISSION						
Substation	$ 24,593,078	$ 26,804,644	$ 41,611,056	$ 39,737,413	$ 26,942,413	$ 22,930,000
Substation Circuit Breakers	$ 3,200,000	$ 5,200,000	$ 5,200,000	$ 5,200,000	$ 5,200,000	$ 5,200,000
Substation Transformers	$ 4,756,291	$ 7,500,000	$ 7,487,787	$ 7,500,000	$ 7,500,000	$ 7,500,000
Transmission Lines	$ 6,493,658	$ 4,564,458	$ 1,400,000	$ 1,325,000	$ 1,325,000	$ 1,050,000
CONTRIBUTIONS IN AID OF CONSTRUCTI	$ -	$ -	$ -	$ -	$ -	
TOTAL - SUBSTATION & TRANSMISSI(	**$ 39,043,027**	**$ 44,069,102**	**$ 55,698,843**	**$ 53,762,413**	**$ 40,967,413**	**$ 36,680,000**
DISTRIBUTION SYSTEM						
Apartments	$ 778,058	$ 1,188,487	$ 1,236,027	$ 1,273,107	$ 1,311,301	$ 1,350,640
Def. Cable/Trans Replace	$ 14,300,000	$ 16,800,000	$ 16,800,000	$ 16,800,000	$ 16,800,000	$ 16,800,000
Demolition	$ 168,004	$ 165,000	$ 169,950	$ 175,049	$ 180,300	$ 185,709
Emergency Maintenance	$ 8,000,000	$ 8,160,000	$ 8,323,200	$ 8,489,664	$ 8,659,457	$ 8,832,646
General Power Service	$ 5,559,538	$ 5,534,193	$ 5,743,560	$ 5,906,867	$ 6,075,073	$ 6,248,325
General Power Service S/D	$ 289,771	$ 1,182,639	$ 1,229,945	$ 1,266,843	$ 1,304,848	$ 1,343,994
Mobile Home Park	$ 421,460	$ -	$ -	$ -	$ -	$ -
Leased Outdoor Lighting	$ 2,006,925	$ 6,000,000	$ 16,000,000	$ 16,000,000	$ 11,000,000	$ 1,500,000
Duct Line Lease	$ 75,000	$ 75,000	$ 75,000	$ 75,000	$ 75,000	$ 75,000
Distribution Automation	$ 8,000,000	$ 15,000,000	$ 15,000,000	$ 15,000,000	$ 15,000,000	$ 15,000,000
Line Reconstruction	$ 18,375,000	$ 8,875,000	$ 9,375,000	$ 12,375,000	$ 12,375,000	$ 11,375,000
Multiple-Unit Gen Power	$ 364,766	$ 301,741	$ 313,810	$ 323,224	$ 332,921	$ 342,909
New Circuits	$ 13,090,000	$ 11,700,000	$ 13,000,000	$ 10,345,000	$ 3,150,000	$ 5,400,000
Voltage Conversion	$ -	$ -	$ -	$ 1,000,000	$ 1,000,000	$ 1,000,000
Operations Maintenance	$ -	$ -	$ -	$ -	$ -	
Planned Maintenance	$ 9,500,000	$ 9,880,000	$ 10,275,200	$ 10,686,208	$ 11,113,656	$ 11,558,203
Distribution Pole Replacement	$ 3,500,000	$ 2,500,000	$ 2,000,000	$ 1,500,000	$ 1,500,000	$ 1,500,000
ELEC - OMNI MAINTENANCE	$ 5,000,000	$ 6,000,000	$ 6,000,000	$ 4,000,000	$ 3,000,000	$ 2,000,000
Tree Trimming	$ 10,000	$ -	$ -	$ -	$ -	$ -
Relocate at Customer Req	$ 1,832,364	$ 3,669,700	$ 3,816,488	$ 3,930,983	$ 4,048,912	$ 4,170,379
Residential S/D	$ 2,090,150	$ 1,762,052	$ 1,832,534	$ 1,887,510	$ 1,944,136	$ 2,002,460
Residential Svc in S/D	$ 2,205,854	$ 762,806	$ 793,318	$ 817,118	$ 841,632	$ 866,881
Residential Svc not S/D	$ 4,014,466	$ 3,024,619	$ 3,145,603	$ 3,239,972	$ 3,337,171	$ 3,437,286
JT-Resident S/D	$ 4,254,678	$ 4,873,007	$ 5,067,927	$ 5,219,965	$ 5,376,564	$ 5,537,860
JT-Resident Svc not S/D	$ -	$ -	$ -	$ -	$ -	
JT-Residential Svc in S/D	$ 1,653,057	$ 864,672	$ 899,259	$ 926,237	$ 954,024	$ 982,644
JT-Apartments	$ 21,632	$ -	$ -	$ -	$ -	
Shared Use contract	$ 500,000	$ 500,000	$ 500,000	$ 500,000	$ 20,000	$ 20,000
Storm Restoration	$ -	$ -	$ -	$ -	$ -	
Street Improvements	$ 6,425,920	$ 6,775,000	$ 1,000,000	$ 1,350,000	$ 1,000,000	$ 1,000,000
Street Light Maintenance	$ 3,750,000	$ 3,750,000	$ 3,750,000	$ 3,750,000	$ 3,750,000	$ 3,750,000
Street Lights Install	$ 9,881,797	$ 3,205,069	$ 3,301,221	$ 3,400,258	$ 3,502,266	$ 3,607,334
Temporary Service	$ 672,156	$ 388,745	$ 404,295	$ 416,424	$ 428,917	$ 441,784
Previously Capitalized items - Capacitor	$ 1,000,000	$ -	$ -	$ -	$ -	$ -
Previously Capitalized Items - Transform	$ 15,000,000	$ 15,000,000	$ 15,000,000	$ 15,000,000	$ 15,000,000	$ 15,000,000
Previously Capitalized Items - Meters	$ 1,995,630	$ 1,501,400	$ 1,081,960	$ 1,136,058	$ 1,192,818	$ 1,505,243
Contributions in Aid of Construction	$ (27,561,873)	$ (17,581,383)	$ (14,172,739)	$ (14,708,399)	$ (15,134,801)	$ (15,573,995)
TOTAL - DISTRIBUTION SYSTEM	**$ 117,174,353**	**$ 121,857,747**	**$ 131,961,558**	**$ 132,082,088**	**$ 119,139,195**	**$ 111,260,302**
	$ (1,615,000)	$ -	$ -	$ -	$ -	
GENERAL PLANT						
Purchase of Land	$ 450,000	$ 750,000	$ 450,000	$ 500,000	$ 500,000	$ 650,000
Buildings/Structures	$ 12,666,400	$ 16,186,650	$ 39,580,194	$ 24,560,000	$ 1,000,000	$ 1,072,000
Capital Security Automation	$ 1,088,403	$ 2,088,403	$ 350,000	$ 1,240,000	$ 740,000	$ 1,000,000
Lab and Test	$ 386,882	$ 355,771	$ 373,560	$ 392,238	$ 411,849	$ 432,442
Tools and Equipment	$ -	$ -	$ -	$ -	$ -	
Utility Monitoring	$ 6,430,150	$ 6,659,410	$ 4,225,000	$ 2,900,000	$ 2,975,000	$ 625,000
Communication Equip	$ 171,093	$ 176,225	$ 181,511	$ 186,956	$ 192,564	$ 198,340
Communication Towers	$ 350,000	$ 500,000	$ 375,000	$ 100,000	$ 100,000	$ 100,000
Telecommunication Network	$ 15,700,000	$ 20,300,000	$ 15,400,000	$ 16,100,000	$ 11,100,000	$ 6,100,000
Fleet Capital Power Operated Equipment	$ 4,881,819	$ 12,243,082	$ 12,732,805	$ 13,242,117	$ 13,771,802	$ 14,322,674
Transportation Equipment	$ 9,778,564	$ 3,618,704	$ 3,763,452	$ 3,913,990	$ 4,070,550	$ 4,233,372
Data Processing	$ 17,140,791	$ 18,352,160	$ 10,833,435	$ 7,990,000	$ 4,640,000	$ 7,740,000
IS/IT Projects	$ -	$ -	$ -	$ -	$ -	
CIS Development	$ -	$ 3,375,000	$ 33,750,000	$ 23,625,000	$ 20,250,000	$ -
Business Continuity	$ 200,000	$ -	$ -	$ -	$ -	$ -
Contingency Fund - General Plant	$ 200,000	$ 200,000	$ 200,000	$ 200,000	$ 200,000	$ 200,000
TOTAL - GENERAL PLANT	**$ 69,444,102**	**$ 84,805,405**	**$ 122,214,957**	**$ 94,950,301**	**$ 59,951,765**	**$ 36,673,828**
Delayed Cost Allocations	$ (57,507,296)	$ (58,077,344)	$ (70,233,200)	$ (64,737,014)	$ (52,932,850)	$ (46,200,849)
TOTAL - ELECTRIC DIVISION	**$ 230,029,186**	**$ 192,654,910**	**$ 239,642,158**	**$ 216,057,788**	**$ 167,125,523**	**$ 138,413,281**

2026 GAS 5-YEAR CAPITAL IMPROVEMENT PROGRAM

GAS DIVISION

DESCRIPTION	2025 BUDGET	2026 BUDGET	2027 PROJECTION	2028 PROJECTION	2029 PROJECTION	2030 PROJECTION
PRODUCTION SYSTEM						
LNG - Processing Facilities	$ 972,000	$ 1,106,300	$ 8,500,000	$ 6,500,000	$ 1,000,000	$ 1,000,000
CNG Stations	$ -	$ -	$ -	$ -		
TOTAL PRODUCTION SYSTE	**$ 972,000**	**$ 1,106,300**	**$ 8,500,000**	**$ 6,500,000**	**$ 1,000,000**	**$ 1,000,000**
DISTRIBUTION SYSTEM						
Apartments	$ 86,340	$ 194,646	$ 202,432	$ 208,505	$ 214,760	$ 221,202
Demolition	$ 20,000	$ 70,000	$ 70,000	$ 70,000	$ 70,000	$ 70,000
Emergency Maintenance	$ 1,674,696	$ 1,708,190	$ 1,742,354	$ 1,777,201	$ 1,830,517	$ 1,885,433
Gas Main-Svc Repl (DOT)	$ 7,659,500	$ 9,128,500	$ 9,078,500	$ 9,078,500	$ 9,078,500	$ 9,078,500
Gate Stations	$ -	$ 150,000	$ 5,000,000	$ 150,000	$ 2,000,000	$ 2,000,000
General Power S/D	$ -	$ 97,322	$ 101,215	$ 104,252	$ 107,379	$ 110,601
General Power Service	$ 5,603,255	$ 3,207,717	$ 1,814,026	$ 1,507,947	$ 1,553,185	$ 1,599,781
Multiple-Unit Gen Power	$ 201,380	$ 64,531	$ 67,113	$ 69,126	$ 71,200	$ 73,336
New Gas Main	$ 250,000	$ 250,000	$ 250,000	$ 250,000	$ 250,000	$ 250,000
Trans Pipeline/Facilities	$ 29,685,500	$ 750,000	$ 1,750,000	$ 1,250,000	$ 1,250,000	$ 1,250,000
Purchase of Land	$ 100,000	$ 250,000	$ 250,000	$ 300,000	$ 300,000	$ 400,000
Operations Maintenance	$ -	$ -	$ -	$ -	$ -	
Planned Maintenance	$ 3,760,745	$ 3,835,955	$ 3,912,674	$ 3,990,927	$ 4,110,655	$ 4,233,975
Regulator Stations	$ 1,000,000	$ 670,000	$ 550,000	$ 550,000	$ 550,000	$ 550,000
Relocate at Customer Req	$ 474,075	$ 810,218	$ 842,626	$ 867,905	$ 893,942	$ 920,761
Residential Svc in S/D	$ 35,344	$ 15,731	$ 16,361	$ 16,851	$ 17,357	$ 17,878
Residential Svc not S/D	$ 1,489,657	$ 2,216,466	$ 2,305,125	$ 2,374,279	$ 2,445,507	$ 2,518,872
Residential S/D	$ -	$ 43,600	$ 45,344	$ 46,704	$ 48,105	$ 49,548
Street Improvements	$ 4,513,505	$ 4,615,300	$ 1,000,000	$ 1,000,000	$ 1,000,000	$ 1,000,000
JT-Resident S/D	$ 1,420,626	$ 2,006,052	$ 2,086,294	$ 2,148,883	$ 2,213,349	$ 2,279,750
JT-Resident Svc not S/D	$ -	$ -	$ -	$ -	$ -	
JT-Resident in S/D	$ 751,883	$ 459,164	$ 477,531	$ 491,857	$ 506,612	$ 521,811
JT-Apartments	$ 6,490	$ -	$ -	$ -	$ -	
Previously Capitalized Items - Meters & Metering Equipment	$ 4,751,472	$ 8,454,773	$ 5,811,872	$ 3,688,937	$ 3,829,943	$ 4,158,365
Contributions in Aid of Constr	$ (10,878,509)	$ (4,497,933)	$ (3,155,850)	$ (2,890,026)	$ (2,976,726)	$ (3,066,028)
TOTAL DISTRIBUTION SYSTE	**$ 52,605,959**	**$ 34,500,232**	**$ 34,217,617**	**$ 27,051,848**	**$ 29,364,285**	**$ 30,123,785**
GENERAL PLANT						
Buildings/Structures	$ 28,823,000	$ 19,929,584	$ 20,664,000	$ 2,954,488	$ 1,187,000	$ 456,000
Capital Security Automation	$ 430,000	$ 450,000	$ 60,000	$ 100,000	$ 500,000	$ -
Furniture & Fixtures	$ 600,000	$ -	$ 600,000	$ 625,000	$ 650,000	$ 675,000
Audiovisual	$ 58,547	$ 95,400	$ 125,400	$ 155,400	$ 155,400	$ 155,400
Data Processing Equipment						
Tools and Equipment	$ -	$ 125,446	$ 137,991	$ 151,790	$ 166,969	$ 183,666
Tools and Equipment - Comm	$ 400,444	$ 191,221	$ 210,343	$ 231,377	$ 254,515	$ 279,967
Fleet Capital Transportation & Power Operated Equipment - Gas	$ 3,336,558	$ 3,874,902	$ 4,029,898	$ 4,191,094	$ 4,358,738	$ 4,533,087
Fleet Capital Transportation Equipment & Power Operated Equipment - Common	$ 5,919,758	$ 4,475,323	$ 4,654,336	$ 4,840,509	$ 5,034,130	$ 5,235,495
Automated Fueling Structure	$ -	$ 48,600	$ -	$ -	$ -	
IS/IT Projects	$ -	$ -	$ -	$ -	$ -	
Community Office Kiosks		$ 374,000				
Contingency Fund - General P	$ 200,000	$ 200,000	$ 200,000	$ 200,000	$ 200,000	$ 200,000
TOTAL - GENERAL PLANT	**$ 39,768,307**	**$ 29,764,476**	**$ 30,681,968**	**$ 13,449,658**	**$ 12,506,752**	**$ 11,718,615**
Allowance for Late Deliveries	$ (18,669,253)	$ (17,249,314)	$ (19,022,034)	$ (13,916,103)	$ (13,270,641)	$ (13,452,771)
TOTAL - GAS DIVISION	**$ 74,677,013**	**$ 48,121,694**	**$ 54,377,551**	**$ 33,085,403**	**$ 29,600,396**	**$ 29,389,629**

2026 WATER 5-YEAR CAPITAL IMPROVEMENT PROGRAM

DESCRIPTION	2025 BUDGET	2026 BUDGET	2027 PROJECTION	2028 PROJECTION	2029 PROJECTION	2030 PROJECTION
PRODUCTION SYSTEM						
Production Wells	$ 7,789,004	$ 10,650,000	$ 10,650,000	$ 10,650,000	$ 10,650,000	$ 10,650,000
Pumping Stations	$ 21,195,000	$ 33,870,000	$ 34,750,000	$ 53,050,000	$ 33,450,000	$ 14,500,000
Underground Storage Reservoirs	$ 300,000	$ 2,500,000	$ 2,500,000	$ -	$ 4,250,000	$ 14,000,000
Purchase of Land	$ 150,000	$ 150,000	$ 150,000	$ 150,000	$ 150,000	$ 250,000
Operations Maintenance	$ 1,500,000	$ 1,500,000	$ 1,500,000	$ 1,500,000	$ 1,500,000	$ 1,500,000
Contingency Fund - Production system	$ 50,000	$ 50,000	$ 50,000	$ 50,000	$ 50,000	
Contributions in Aid of Construction	$ (11,791,856)	$ (20,220,992)	$ -	$ -	$ -	
SUBTOTAL - PRODUCTION SYSTEM	**$ 19,192,148**	**$ 28,499,008**	**$ 49,600,000**	**$ 65,400,000**	**$ 50,050,000**	**$ 40,900,000**
SUBTOTAL - BLDGS. AND STRUCTURES	$ 1,061,000	$ 4,286,000	$ 3,912,000	$ 750,000	$ 334,000	$ 1,576,000
TOTAL PROD. SYSTEM w/BLDGS & STRUCT.	**$ 20,253,148**	**$ 32,785,008**	**$ 53,512,000**	**$ 66,150,000**	**$ 50,384,000**	**$ 42,476,000**
DISTRIBUTION SYSTEM						
Apartments	$ 6,338	$ 8,819	$ 9,171	$ 9,447	$ 9,730	$ 10,022
Emergency Maintenance	$ 3,464,932	$ 3,604,916	$ 3,677,014	$ 3,750,554	$ 3,825,565	$ 3,902,077
General Power Service	$ 3,672,298	$ 2,371,852	$ 2,466,726	$ 2,540,727	$ 2,616,949	$ 2,695,458
New Water Main	$ 2,468,730	$ 2,498,679	$ 2,248,653	$ 2,248,626	$ 2,248,598	$ 2,248,570
Lead Service Replacement	$ 2,800,000	$ 10,530,000	$ 10,530,000	$ 10,530,000	$ 10,530,000	$ 10,530,000
Planned Maintenance	$ 3,000,000	$ 4,000,000	$ 4,000,000	$ 4,000,000	$ 4,000,000	$ 4,000,000
Booster Stations	$ 500,000	$ 500,000	$ 500,000	$ 500,000	$ 500,000	$ 500,000
Relocate at Customer Req	$ 285,366	$ 272,335	$ 283,228	$ 291,725	$ 300,477	$ 309,491
Residential S/D	$ 598,049	$ 285,905	$ 297,341	$ 306,261	$ 315,448	$ 324,912
Residential Svc in S/D	$ 291,197	$ 268,957	$ 279,716	$ 288,107	$ 296,750	$ 305,653
Residential Svc not S/D	$ 405,532	$ 619,075	$ 643,838	$ 663,153	$ 683,048	$ 703,539
Street Improvements	$ 4,250,000	$ 4,350,000	$ 2,200,000	$ 2,050,000	$ 2,050,000	$ 2,050,000
WATER - STORM RESTORATION	$ -	$ -	$ -	$ -		
Previously Capitalized Items - Meters	$ 1,036,079	$ 10,039,308	$ 10,541,271	$ 11,068,316	$ 11,621,732	$ 12,202,819
Contributions in Aid of Construction	$ (3,227,323)	$ (1,298,083)	$ (1,344,006)	$ (1,379,826)	$ (1,416,721)	$ (1,454,723)
TOTAL - DISTRIBUTION SYSTEM	**$ 19,551,198**	**$ 38,051,763**	**$ 36,332,952**	**$ 36,867,090**	**$ 37,581,576**	**$ 38,327,818**
GENERAL PLANT						
Buildings/Structures	$ -	$ 45,000	$ 900,000	$ -	$ -	$ -
Capital Security Automation	$ 44,280	$ 704,000	$ 950,000	$ 220,000	$ -	$ -
Fleet Capital Power Operated Equipment	$ 1,034,466	$ 1,001,191	$ 1,041,239	$ 1,082,888	$ 1,126,204	$ 1,171,252
Transportation Equipment	$ 1,749,035	$ 1,641,240	$ 1,706,890	$ 1,775,165	$ 1,846,172	$ 1,920,019
TOOLS & EQUIPMENT	$ -	$ 56,890	$ 62,579	$ 68,837	$ 75,721	$ 83,293
IS/IT Projects Water	$ -	$ -	$ -	$ -		
Contingency Fund - General Plant	$ 200,000	$ 200,000	$ 200,000	$ 200,000	$ 200,000	$ 200,000
Miscellaneous Request (Simulator)	$ -	$ 280,000				
TOTAL - GENERAL PLANT	**$ 3,027,781**	**$ 3,928,321**	**$ 4,860,708**	**$ 3,346,890**	**$ 3,248,097**	**$ 3,374,564**
Delayed Cost Allocations	$ (15,369,178)	$ (16,274,234)	$ (20,315,196)	$ (22,701,823)	$ (19,728,923)	$ (18,381,312)
TOTAL - WATER DIVISION	**$ 27,462,949**	**$ 58,490,858**	**$ 74,390,464**	**$ 83,662,157**	**$ 71,484,750**	**$ 65,797,070**

NOTES FOR PAGE 4–INCOME & EXPENSE COMPARISON

Operating Revenue

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

Operating Expense

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

Maintenance Expense

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

NOTES FOR PAGE 4–INCOME & EXPENSE COMPARISON (Continued)

Other Operating Expense

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

Income

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

Debt Expense

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

NOTES FOR PAGE 5– SOURCES AND APPLICATION OF FUNDS

Source of Funds

5-1	**Change in Net Position**	Please see Budget page 4c.
5-2	**Depreciation Charged to Operating Income**	Please see Appendix 4-14.
5-3	**Depreciation Charged to Other Accounts**	Depreciation charged to other accounts is the annual depreciation for transportation and power operated equipment. Depreciation on these plant items is charged to a clearing account and used in the equipment rate calculations.
5-4	**Amortization of Legacy Meters**	Non-cash expense related to amortization charges related to meter expenditures.
5-5	**Amortization of Right of Use Leases & Subscriptions**	Non-cash expense related to amortization charges related to lease and software expenditures.
5-6	**Amortization of Streetlighting Retrofit**	Non-cash expense related to amortization charges related to streetlighting retrofit expenditures.
5-7	**Salvage**	Salvage is the amount received for property retired from plant in service. The property may be sold for scrap or returned to stores inventory for reuse.
5-8	**Debt Issuance**	Expected debt issuance in the Electric Division for the 2025 budget year.

Application of Funds

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

NOTES FOR PAGE 6–CAPITAL EXPENDITURES

Production System

6-1	**Distributive Energy Resource**	Please see Appendix 7-1

Substation and Transmission

6-2	**Substation**	Please see Appendix 7-2 through 7-16.
6-3	**Substation Transformers Replacement**	Please see Appendix 7-17 through 7-18.
6-4	**Substation Circuit Breakers Replacement**	Please see Appendix 7-19 through 7-23.
6-5	**Transmission Lines**	Please see Appendix 8-1 through 8-8.
6-6	**Contributions in Aid of Construction**	Contributions in aid of construction are the donations or contributions of cash, services, or property from states, municipalities, or other governmental agencies, individuals, and others for construction purposes. Please see Appendix 8-12.

Distribution Svstem
Major Projects

6-7	**Residential Service in S/D**	All subdivisions that are fed internally by overhead electric primary lines.
6-8	**Residential Service Not in S/D**	Property not in subdivisions fed internally by overhead electric primary lines.
6-9	**Residential S/D**	Other property not in subdivisions fed internally by overhead electric primary lines.
6-10	**Apartments**	All apartments and mobile home communities that are fed internally by overhead electric primary lines.
6-11	**General Power Service**	Commercial properties that are fed internally by overhead or underground electric primary lines
6-12	**General Power S/D**	Commercial properties in subdivisions that are fed internally by overhead or underground electric primary lines
6-13	**Mobile Home Park**	All apartments and mobile home communities that are fed internally by overhead electric primary lines. No expenditures for the 2024 budget year.
6-14	**Temporary Service**	Services used for temporary construction.
6-15	**Multiple Unit General Power**	Commercial properties and apartments that are fed internally by overhead or underground electric primary lines
6-16	**Relocate At Customer Request**	This budget category provides for the expenses incurred at customers request for facilities to be relocated.
6-17	**Street Improvements**	This budget category provides for the expenses incurred when City, State and Federal Street Improvements dictate that facilities must be relocated. Please see Appendix 8-26 through 8-38.
6-18	**New Circuits**	Please see Appendix 8-11 through 8-23.
6-19	**Line Reconstruction/Remove Idle Facilities**	This category describes projects whereby existing distribution lines are improved and/or removed. These projects can include instances where existing circuits are rebuilt to create ties to other circuits to improve reliability to customers; conductors are upgraded to increase the current carrying ability of the circuit; devices such as switches, voltage regulators, capacitors, or reclosers are added to a circuit to improve voltage/reliability; or existing idle facilities are removed to decrease losses.
6-20	**Defect Cable/Feeder Cable Replacement**	This category describes the systematic retrofitting of the Division's Underground Residential Distribution system. The cable is replaced as it reaches end-of-life as determined by in service failures. Obsolete transformers and other distribution hardware are also replaced in this category. Cable replacement was initiated in 1982.
6-21	**Distribution Poles**	The budget includes utility poles used to support overhead power lines and various other public utilities, such as electrical cable, fiber optic cable, and related equipment such as transformers and street lights.
6-22	**PMNI Maintenance**	This category is the Planned Maintenance Neighborhood Initiative program developed to make improvements in the various historical Memphis communities to improve reliability and resiliency.
6-23	**Distribution Automation**	To install communications and hardware to allow for remote/automated operation to provide for more advanced restoration capabilities.

NOTES FOR PAGE 6–CAPITAL EXPENDITURES (Continued)

Major Projects (Continued)

6-24	**Street Lights Install**	The budget includes work necessary to provide street light maintenance in existing subdivisions, along roadways, Memphis city annexations, and adjustments to lights in existing developments requested by the cities throughout the year.
6-25	**Demolition**	The budget includes demolition work.
6-26	**Street Light Maintenance**	The budget includes work necessary to provide street light maintenance in existing subdivisions, along roadways, Memphis city annexations, and adjustments to lights in existing developments requested by the cities throughout the year.
6-27	**Planned Maintenance**	Construction in minor work that arises daily. These are mainly calls that go through the Control Room, to include pole knockdowns, gas, and water leaks, etc.
6-28	**Tree Trimming**	Trim or remove trees interfering with overhead lines.
6-29	**Operations Maintenance**	No expenditures planned for the 2024 budget year.
6-30	**Leased Outdoor Lighting (LOL)**	LOL provides area and security lighting for residential, commercial and industrial customers in Memphis and Shelby County. LOL customers pay aid-to-construction for the installation of lighting fixtures and a monthly flat rate energy and facility fee. Services provided through LOL include engineering design of lighting systems to meet customer needs as well as building codes and standards. Installation and maintenance are handled through Distribution Support, using Division personnel and contracted labor.
6-31	**Storm Restoration**	This category shows actual expenditures for previous years related to storm restoration efforts. MLGW does not budget for unexpected storm related expenses. These storms are generally large enough to cause major damage to our electric distribution system. Funds expensed in this category are reimbursable by the Federal Emergency Management Agency.
6-32	**Shared Use Contract**	To account for small cell pole attachments.
6-33	**Duct Line Lease**	To account for leasing available duct line for fiber cable.
6-34	**Emergency Maintenance**	Emergency maintenance is minor capital unplanned work that arises daily. These are mainly calls that go through the Control Room, such as pole knockdowns, gas or water leaks, etc.
6-35	**JT-Residential Service in S/D**	All subdivisions that are fed internally by underground electric primary lines and all subdivisions and apartments that are joint trench (underground electric primary and gas in the same trench).
6-36	**JT-Residential Service Not in S/D**	All subdivisions that are fed internally by underground electric primary lines and all subdivisions and apartments that are joint trench (underground electric primary and gas in the same trench).
6-37	**JT-Residential S/D**	All subdivisions that are fed internally by underground electric primary lines and all subdivisions and apartments that are joint trench (underground electric primary and gas in the same trench).
6-38	**JT-Apartments**	All subdivisions that are fed internally by underground electric primary lines and all subdivisions and apartments that are joint trench (underground electric primary and gas in the same trench).
6-39	**PCI-Capacitor Banks**	Enhances the electrical supply quality and power systems efficiency
6-40	**PCI- Dist. Transformers**	Purchase, receive, test and stock overhead type transformers for the Overhead Electric Distribution System--inventory levels are closely managed based on growth, new construction, history, voltage conversions and failures.
6-41	**Elec Meters**	The Electric Meter Area's capital budget for the purchase of electric metering equipment along with installation of revenue metering at the gate stations.
6-42	**Contributions in Aid of Construction**	Contributions in aid of construction are the donations or contributions of cash, services, or property from states, municipalities, or other governmental agencies, individuals, and others for construction purposes.

General Plant

6-43	**Buildings and Structures**	Please see Appendix 9-14 through 10-6.
6-44	**Security Automation**	Please see Appendix 10-7.
6-45	**Land Purchase**	Please see Appendix 9-13.
6-46	**Fleet Capital Power Operated**	Please see Appendix 10-8.
6-47	**Transportation Equipment**	Please see Appendix 10-9.
6-48	**Lab & Test**	Please see Appendix 10-11.
6-49	**Communication Equipment**	Please see Appendix 10-10.
6-50	**Communication Towers**	Please see Appendix 10-12.
6-51	**Telecommunication Network**	Please see Appendix 10-13 through 10-18.
6-52	**Utility Monitoring**	Please see Appendix 11-1.
6-53	**Business Continuity**	Please see Appendix 11-2
6-54	**Data Processing Equipment**	Please see Appendix 11-3 through 11-13.
6-55	**IS/IT Projects**	No expenditures planned for the 2025 budget year.
6-56	**Customer Information System (CIS) Development**	No expenditures planned for the 2025 budget year.
6-57	**Contingency Fund**	Please see Appendix 11-14.
6-58	**Delayed Cost Allocations**	These are funds budgeted in the current year for items that may arrive late from the previous year's budget.

NOTES FOR PAGE 7–CAPITAL EXPENDITURES BUDGET

Production

7-1	**Generation/Solar/Battery Storage**	Provides cheaper power, a better-quality grid, and cleaner power with lower emissions—oil reciprocating engines. Energy produced at one time for use at a later time to reduce imbalances between energy demand and production.

Substation & Transmission

Substation

7-2	**Install Substation 83 161/23kV Facilities**	**Description/Location**	Various locations
		Purpose/Necessity	Substation 83 161/23kV Facilities build
7-3	**Substation Feeder Electromechanical Relay Replacement Program**	**Description/Location**	Various locations
		Purpose/Necessity	Replacement of protective relays to improve system coordination and align with reclosers and ADMS deployment. Protects circuits from overcurrent, ground, faults, phase loss, overload, and other detrimental conditions
7-4	**Replace RTU's various locations**	**Description/Location**	Replace RTU's various locations
		Purpose/Necessity	Replace failed breakers
7-5	**Replace relays various locations**	**Description/Location**	Replace relays various locations
		Purpose/Necessity	Replace failed breakers
7-6	**Replace definite purpose capacitor bank breakers**	**Description/Location**	Substation 49
		Purpose/Necessity	Replace fused capacitor switches with breakers for more efficient operation/protection of system in the area.
7-7	**Replace Reactor Substation 1**	**Description/Location**	To change out aging infrastructure
		Purpose/Necessity	Replace reactor various locations
7-8	**Substation 38 Install Capacitor Bank 38273 & PCB 38271**	**Description/Location**	Various locations
		Purpose/Necessity	To change out aging infrastructure
7-9	**Replace batteries various locations**	**Description/Location**	Replace batteries various locations
		Purpose/Necessity	To change out aging infrastructure
7-10	**Replace switches various locations**	**Description/Location**	Replace switches at various locations
		Purpose/Necessity	To change out aging infrastructure
7-11	**Install JPAX Nodes to Upgrade JMUX SONET Nodes**	**Description/Location**	Install JPAX Nodes
		Purpose/Necessity	Various locations
7-12	**Substation 76 Install third 115/12 KV transformer**	**Description/Location**	Installation of transformer in the Pinch District
		Purpose/Necessity	Pinch District
7-13	**Install 161 kV CVT on Circuit 05697 @ Substation 5**	**Description/Location**	Install 161 kV CVT on Circuit Breaker 05697
		Purpose/Necessity	Substation 5
7-14	**Substation 34 Implement Breaker Fail Scheme**	**Description/Location**	Substation 34 Implement Breaker Fail Scheme
		Purpose/Necessity	Install relay settings to improve substation equipment protection and system in the event of a fault.
7-15	**Install Transmission Metering Equipment for Transmission Planning Monitoring**	**Description/Location**	Transmission Metering Equipment
		Purpose/Necessity	Transmission Metering Equipment
7-16	**Seismic Retrofit of Non-Structural Substation Components**	**Description/Location**	Various locations
		Purpose/Necessity	Nonstructural anchorage, bracing or restraints for nonstructural control and metering equipment in substation control and oil buildings and in the electric operations/SCADA building. (2007 Multi-Hazard Risk Assessment)

NOTES FOR PAGE 7–CAPITAL EXPENDITURES BUDGET (Continued)

Substation/Transmission Projects (Continued)

Substation Transformers

7-17	**Replace 161/23 kV transformer bank 49647**	**Description/Location**	Substation 49
		Purpose/Necessity	Replacement of failed transformers at substations
7-18	**Replace 115/12 kV transformer bank 6157**	**Description/Location**	Substation 26
		Purpose/Necessity	Replacement of failed transformers at substations

Substation Circuit Breakers

7-19	**Replace breakers various locations**	**Description/Location**	Replace breakers various locations
		Purpose/Necessity	Replace failed breakers
7-20	**Replace 12 kV Breaker 1705, 1709, 1711, 1713, & 1739 @ Substation 11**	**Description/Location**	Replace failed breakers
		Purpose/Necessity	Substation 11
7-21	**Replace 12 kV Breaker 42235 @ Substation 42**	**Description/Location**	Replace 12 kV Breaker 42235 @ Substation 42
		Purpose/Necessity	Replace failed breakers
7-22	**Replace 23 kV Breaker 48309 @ Substation 48**	**Purpose/Necessity**	Replace 23 kV Breaker 48309 @ Substation 48
		Purpose/Necessity	Replace failed breakers
7-23	**Replace 23 kV Breaker 48351 @ Substation 4**	**Description/Location**	Replace 23 kV Breaker 48351 @ Substation 4
		Purpose/Necessity	Replace failed breakers

NOTES FOR PAGE 8–CAPITAL EXPENDITURES BUDGET

Substation/Transmission Projects (Continued)

Substation/Transmission Projects

8-2	**Structure #1641 Bank Stabilization (USACE Section 14 Funding)**	**Description/Location**	Structure #1641 Bank Stabilization
		Purpose/Necessity	Bank Stabilization to prevent Tower #1641 from falling into Wolf River.
8-2	**Structure #1613 Bank Stabilization (USACE Section 14 Funding)**	**Description/Location**	Structure #1613 Bank Stabilization
		Purpose/Necessity	Bank Stabilization to prevent Tower #1613 from falling into Wolf River.
8-3	**Misc. projects (OPGW, structure replacements, etc.)**	**Description/Location**	Misc. projects (OPGW, structure replacements, etc.)
		Purpose/Necessity	Install small fiber communication jobs, structure replacements/upgrades and bank stabilization at various locations.
8-4	**OPGW 11-35**	**Description/Location**	OPGW 11 - 35
		Purpose/Necessity	Install fiber communication between Substations 11 & 35.
8-5	**Sub 84 Cut-in**	**Description/Location**	Substation 84
		Purpose/Necessity	Substation 84 Cut-in
8-6	**OPGW 42-23**	**Description/Location**	OPGW 42 - 23
		Purpose/Necessity	Install fiber communication between Substations 42 & 23.
8-7	**OPGW Sub 15**	**Description/Location**	OPGW 15
		Purpose/Necessity	Install fiber communication Substation 15.
8-8	**UAV Contract #12134**	**Description/Location**	Various MLGW transmission line locations
		Purpose/Necessity	Use UAV drones to inspect MLGW transmission lines and perform post-storm assessment.

Transmission - Reimbursable

8-9	**TDOT Lamar & Shelby Drive**	**Description/Location**	TDOT Lamar & Shelby Drive
		Purpose/Necessity	Lamar & Shelby Drive

Distribution System - Major Projects

New Circuits Out of Substations

8-10	**Sub 68 New Ckt Ties**	**Description/Location**	Install multiple circuit ties for station 68 circuits.
		Purpose/Necessity	Reliability and switching flexibility
8-11	**Sub 84 Ckt Ties**	**Description/Location**	Install multiple circuit ties for station 84 circuits.
		Purpose/Necessity	Reliability and switching flexibility
8-12	**Sub 83 Ckt Ties**	**Description/Location**	Install multiple circuit ties for station 83 circuits.
		Purpose/Necessity	Reliability and switching flexibility
8-13	**Ckt Ties Sub 15 & 84 Areas**	**Description/Location**	Install multiple circuit ties substations 15 & 84
		Purpose/Necessity	Reliability and switching flexibility
8-14	**Substation 83 MH/DL (6 ckts)**	**Description/Location**	Sub 83 (Hwy 72 and Quinn Rd)
		Purpose/Necessity	To install manhole/duct line for new distribution circuits at Sub 83 to provide increased capacity and resiliency on the distribution system.
8-15	**Other New Circuits**	**Description/Location**	Install multiple circuit ties for station circuits.
			Reliability and switching flexibility
8-16	**Other 2025 - 2029 Projects**	**Description/Location**	Install multiple circuit ties for Other Projects.
		Purpose/Necessity	Reliability and switching flexibility
8-17	**Kellogg's Alternate CKT Upgrade**	**Description/Location**	Kellogg's Alternate CKT upgrade
		Purpose/Necessity	Reliability and switching flexibility
8-18	**Sub 68 Cabling (3 ckts)**	**Description/Location**	Install multiple circuit ties for station 68 circuits.
		Purpose/Necessity	Reliability and switching flexibility
8-19	**Sub 83 Cabling (6 ckts)**	**Description/Location**	Install multiple circuit ties for station 83 circuits.
		Purpose/Necessity	Reliability and switching flexibility
8-20	**Circuit 61301 stepdown transformer change out**	**Description/Location**	Circuit 61301 stepdown transformer change out
		Purpose/Necessity	Reliability and switching flexibility
8-21	**Sub 76 Cabling**	**Description/Location**	Install multiple circuit ties for station 76 circuits.
		Purpose/Necessity	Reliability and switching flexibility

Miscellaneous Reimbursable Projects

8-22	**Other Relocate at Customer Request Projects**	**Description/Location**	Downtown area
		Purpose/Necessity	Relocating/improving electric facilities in conjunction with the proposed improvements in various areas at customers request.

NOTES FOR PAGE 9–CAPITAL EXPENDITURES BUDGET

Street Improvement Projects

9-1	**SP 97/09: TDOT SR-1/US - 70 Summer Avenue, from Macon to Elmore Road**	**Description/Location**	'SP 97/09: TDOT SR-1/US - 70 Summer Avenue, from Macon to Elmore Road
		Purpose/Necessity	Relocate utilities for proposed street improvement project by TDOT or municipalities
9-2	**Elvis Presley Blvd. North and Middle Section**	**Description/Location**	Elvis Presley Corridor-North and Middle Section
		Purpose/Necessity	Relocate utilities for proposed street improvement project by TDOT or municipalities
9-3	**Other Projections 2023-2027**	**Description/Location**	Other Projections 2023-2027
		Purpose/Necessity	Relocate utilities for proposed street improvement project by TDOT or municipalities
9-4	**Hacks Cross Rd, Stateline to Shelby Dr**	**Description/Location**	Hacks Cross Road, Stateline to Shelby Drive
		Purpose/Necessity	Relocate utilities for proposed street improvement project by TDOT or municipalities.
9-5	**Holmes Road, Malone to US-78/Lamar (CP 04/38)**	**Description/Location**	Holmes Road, Malone to US-78/Lamar (CP 04/38)
		Purpose/Necessity	Relocate utilities for proposed street improvement project by TDOT or municipalities
9-6	**Malone, Holmes to Shelby Drive**	**Description/Location**	Malone, Holmes to Shelby Drive
		Purpose/Necessity	Relocate utilities Malone, Holmes to Shelby Drive
9-7	**LL 09/02 - New Canada Rd. (Re-Alignment N of I-40 to US-70)**	**Description/Location**	LL 09/02 - New Canada Rd. (Re-Alignment N of I-40 to US-70)
		Purpose/Necessity	Relocate utilities for proposed street improvement project by TDOT or municipalities
9-8	**SR-57/Poplar, from Eastley to SR-385**	**Description/Location**	SR-57/Poplar, from Eastley to SR-385
		Purpose/Necessity	Relocate utilities for proposed street improvement project by TDOT or municipalities
9-9	**Carnes Ave/ Hanley School Safety Improvements**	**Description/Location**	Carnes Avenue
		Purpose/Necessity	Relocate utilities for proposed street improvement project by TDOT or municipalities
9-10	**Tonto Road - Drainage Project**	**Description/Location**	Tonto Road - Drainage Project
		Purpose/Necessity	Relocate utilities for proposed street improvement project by TDOT or municipalities
9-11	**Scott Street Sewer Interceptor**	**Description/Location**	Scott Street Sewer Interceptor
		Purpose/Necessity	Relocate utilities for proposed street improvement project by TDOT or municipalities
9-12	**Lillian Drive - Drainage (MSQ2)**	**Description/Location**	Lillian Drive - Drainage (MSQ2)
		Purpose/Necessity	Relocate utilities for proposed street improvement project by TDOT or municipalities

NOTES FOR PAGE 9–CAPITAL EXPENDITURES BUDGET (Continued)

General Plant

Buildings and Structures

9-13	**Purchase of Land**	**Description/Location**	Land purchase or the acquisition of land rights for distribution and transmission line facilities.
		Purpose/Necessity	To accommodate electric facilities, transmission lines, feeder circuits, etc.
Substations			
9-14	**Replace Roofs - Various Substations**	**Description/Location**	Various Substations
		Purpose/Necessity	This project was identified in the Master Roof Plan to be replaced at this time due to increased maintenance, potential leaking, and projected life expectancy.

Electrical & Systems Operations

9-15	**ESO - Drainage and pavement upgrade**	**Description/Location**	Electric Systems Operations
		Purpose/Necessity	Pavement upgrade
9-16	**Radio Tower Bldg**	**Description/Location**	Replace 874 square foot roof
		Purpose/Necessity	This project is to address roof maintenance and extend the life of the building.
9-17	**Replace UPS**	**Description/Location**	UPS Battery Replacement
		Purpose/Necessity	Replacement of UPS batteries to maintain energy runtime for critical computer system.

NOTES FOR PAGE 10–CAPITAL EXPENDITURES BUDGET

General Plant

Buildings and Structures Continued

Netters Business Operations Center

10-1	**Replace 5 Liebert CRAC Units/Roof Condensers & Leak detection System**	**Description/Location**	Netters Business Operations Center
		Purpose/Necessity	Replace 5 Liebert CRAC units/roof condensers and leak detection system
10-2	**Replace Cooling Tower Fill Media**	**Description/Location**	Netters Business Operations Center
		Purpose/Necessity	Replace cooling tower fill media
10-3	**Roof Replacement**	**Purpose/Necessity**	This project is to address roof maintenance and extend the life of the building.
		Description/Location	Netters Business Operations Center

New Buildings

10-4	**Fabrication & Repair Shops Construction**	**Description/Location**	Repair Shops
		Purpose/Necessity	Building upgrades
10-5	**EV Charging Stations**	**Description/Location**	Electric Vehicle charging stations
		Purpose/Necessity	Electric Vehicle charging stations
10-6	**Expansion Property Site Development**	**Description/Location**	Expansion property north of Choctaw
		Purpose/Necessity	Purchased property (Choctaw); site development which includes fencing, automatic gate, roads and stored items.

General Plant (Continued)

10-7	**Security Automation**	**Description/Location**	Various Locations
		Purpose/Necessity	Installation and upgrade of security features for various substations.
10-8	**Fleet Capital Power Operated Equipment**	**Description/Location**	Division equipment used for work in and around Shelby County.
		Purpose/Necessity	To purchase approved budget items, in order to provide equipment for crews to complete job assignments. Replacements are evaluated based on age, actual operational usage, projected usage, repair cost and frequency, parts availability, and effectiveness to meet areas needs. Additions are evaluated based on justification request and proper approval.
10-9	**Transportation Equipment**	**Description/Location**	Division equipment used for work in and around Shelby County.
		Purpose/Necessity	To purchase approved budget items, in order to provide equipment for crews to complete job assignments. Replacements are evaluated based on age, actual operational usage, projected usage, repair cost and frequency, parts availability, and effectiveness to meet areas needs. Additions are evaluated based on justification request and proper approval.
10-10	**Communication Equipment**	**Description/Location**	Control Area for Communication Equipment
		Purpose/Necessity	To satisfy the Division needs for Electric Communication Equipment for the Budget. The replacement policy is broken down into the following categories: 1. Lost or Stolen; 2. Damaged Beyond Repair; 3. Not Repairable/No Abuse; 4. Obsolete
10-11	**Lab & Test**	**Description/Location**	Control Area for Lab & Test Equipment
		Purpose/Necessity	To satisfy the Division needs for Electric Laboratory Equipment. The replacement policy is broken down into the following categories: 1. Lost or Stolen; 2. Damaged Beyond Repair; 3. Not Repairable/No Abuse; 4. Obsolete

Communication Towers

10-12	**Microwave/Mobile Radio**	**Description/Location**	Reconfigure microwave loop for Netters radio tower
		Purpose/Necessity	Installation of Netters radio tower requires reconfiguration of microwave loop

Telecommunication Network

10-13	**Distribution Automation Communication Infrastructure**	**Description/Location**	Wireless and fiber infrastructure across Shelby County
		Purpose/Necessity	Upgrading communications infrastructure, wireless and fiber, to provide a reliable and resilient network for operation of Distribution Automation by Electric Operations during electrical service interruptions.
10-14	**Voice Network**	**Description/Location**	Replace Administration Building telephone switch
		Purpose/Necessity	Replace obsolete switch; reconfigure voice system to have three "master" switches that provide service to all MLGW facilities instead of separate switches at each location.
10-15	**Smart Meter/SCADA Network Improvements**	**Description/Location**	Memphis and Shelby County
		Purpose/Necessity	Installation of **D**istribution **A**utomated Switches to improve responsiveness and aid in reducing customer minutes interrupted. Projected to install over 1100 automated distribution switches over a five year period.
10-16	**Fiber Optic Multiplexers**	**Description/Location**	Purchase and install fiber optic end equipment (places light on the optical fibers and "makes them work") at various locations.
		Purpose/Necessity	Enable communications over proposed fiber optic cable.
10-17	**Telecommunication Systems Growth**	**Description/Location**	Telecom systems growth - various locations. This is to cover unplanned and unforeseen Telecom expenditures that typically occur.
		Purpose/Necessity	Previous Telecom budgets had separate line items for systems growth in Mobile Radio, Fiber Optic, Microwave, Voice Recorder, Video Conferencing, Audio Conferencing, Voice System etc. This item consolidates the separate items.
10-18	**Fiber Optic Cable and Equipment**	**Description/Location**	Install fiber optic cable at various locations.
		Purpose/Necessity	Provide fiber optic communications to specified facilities.

NOTES FOR PAGE 11–CAPITAL EXPENDITURES BUDGET

Utility Monitoring & Control Systems

11-1	**Systems Backup Control & Communication Plan (CO)**	**Description/Location**	SCADA and CARES Systems long-term development
		Purpose/Necessity	Support long-term development of SCADA and CARES systems which involves implementation of backup system, upgrade of SCADA communications systems which includes relocating communication paths from ESO to fiber ring.

Business Continuity

11-2	**Business Continuity/Disaster Recovery Site**	**Description/Location**	DR/BC Recovery Site
		Purpose/Necessity	This is a multi-year project upgrade disaster recovery systems to include an out-region location

Purchase of Data Processing Equipment

11-3	**Server Blades and Chassis for Computer Systems**	**Description/Location**	Server Blades and Chassis for Computer Systems
		Purpose/Necessity	Houses essential hardware components, such as a central processing unit (CPU), memory, storage, and networking interfaces.
11-4	**SAN Fiber Channel Switches**	**Description/Location**	SAN Fiber Channel Switches
		Purpose/Necessity	Use in a dedicated storage area network (SAN), inspects a data packet header, determines the computing devices of origin and destination and forwards the packet to the intended system.
11-5	**Storge Area Network (SAN) Replacement/Expansion**	**Description/Location**	Storage Area Network Replacement
		Purpose/Necessity	To replace three (3) 9-year-old Storage Area Network (SAN) arrays at two data centers. These arrays consist of about 1.9 Peta Bytes (PB) of data which host data and virtual server environments.
11-6	**Work Center Wireless (outdoor)**	**Description/Location**	Work Center Wireless (outdoor)
		Purpose/Necessity	To expand MLGW's wireless outdoor network at North, South, Hickory Hill and Brunswick service centers.
11-7	**Replace Virtual Desktop Environment Storage System**	**Description/Location**	Replace Virtual Desktop Environment Storage System
		Purpose/Necessity	To replace and upgrade the current virtual desktop infrastructure which has reached end of support life.
11-8	**Field Use Laptop Replacements**	**Description/Location**	Field Use Laptop Replacements
		Purpose/Necessity	Replacement cycle of Crew reporting Toughbooks.
11-9	**DNS/DHCP System Replacement**	**Description/Location**	Virtual Server Infrastructure
		Purpose/Necessity	Add additional server blade capacity to existing farm which will increase capacity for up to 1000 virtual servers running across 2 data centers.
11-10	**Network Core Upgrade and Enhancements**	**Description/Location**	Wireless Networking
		Purpose/Necessity	Increase coverage area and reliability of the wireless network by adding new access points, replacing or upgrading end-of-life equipment.
11-11	**Corporate Wireless Upgrades and Enhancements**	**Description/Location**	Add and expand Wireless Network for business needs
		Purpose/Necessity	Add and expand Wireless Network at multiple locations for business needs and access to the corporate network.
11-12	**New\Replacement Servers**	**Description/Location**	Annual New/Replacement Servers
11-13	**PC Equipment (Capital)**	**Description/Location**	PC equipment (above $5,000 unit cost) requested for various reasons
11-14	**Contingency Fund - General Plant**	This is an estimated budget amount to cover unforeseen emergency items that may arise in the current year.	

NOTES FOR PAGE 13–INCOME & EXPENSE COMPARISON

Operating Revenue

13-1	**Sales Revenue**	This account includes projected revenue from the sale of natural gas to the residential, commercial, industrial, and interdepartmental customer classes.
13-2	**Revenue Adjustment for Uncollectible**	Per Governmental Accounting Standards Board (GASB) 34 requirements, bad debt expense must be shown as a reduction of revenue. This is the amount that will not be collected due to customers inability to pay.
13-3	**Non-Sales Revenue**	This account includes revenue from forfeited discounts (extra charges for payments received after net due date), plus rent charged for Gas Division property that is used by the Electric and Water Divisions, other miscellaneous revenue (e.g., fees for connecting/disconnecting service), and charges for transporting gas, CNG and LNG within the MLGW system for those industrial customers who arrange for purchase of their gas from suppliers other than MLGW.

Operating Expense

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

Maintenance Expense

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

NOTES FOR PAGE 13–INCOME & EXPENSE COMPARISON (Continued)

Other Operating Expense

13-17	**Depreciation Expense**	The purpose of depreciation is to allocate the original cost of a fixed asset over its estimated useful life. In a utility environment, the annual depreciation rate also takes into account the estimated salvage and cost of removal upon retirement.
13-18	**Payment in Lieu of Taxes**	Payment in lieu of taxes is the amount paid to the municipalities in which MLGW has plant. The formula for payment in lieu of taxes is based on the Municipal Electric System Tax Equivalent Law of 1987 and the Municipal Gas Equivalent Law which became effective July 1, 1988. The tax formula has two parts -- net investment and revenue. The net investment includes plant in service
13-19	**F.I.C.A. Taxes**	This represents the 1.45% Medicare portion of Social Security Tax that is required to be paid on all MLGW employees hired after 03-31-1986.
13-20	**Amortization of Legacy Meters**	This account includes amortization charges related to expenditures on meters.
13-21	**Amortization-Right of Use Leases & Subscriptions**	Non-cash expense related to amortization charges related to lease and software expenditures.

Income

13-22	**Operating Income**	Operating income is equal to operating revenue less total operating expense.
13-23	**Other Income**	This consists primarily of investment income and property rentals. It does not include any sales of electricity, gas or water.
13-24	**Reduction of Plant Recovered through CIAC**	Contributions in aid of construction are the donations or contributions of cash, services, or property from states, municipalities, or other governmental agencies, individuals, and others for construction purposes.

Debt Expense

13-25	**Interest Expense -Long Term Debt**	Bond interest payments due 06-01 and 12-01 per the bond debt schedules are funded in equal monthly installments.
13-26	**Amortization of Debt Discount & Expense**	This represents the spreading of bond issuance costs over the life span of the bond series rather than recognizing such costs all at the time of sale.
13-27	**Contributions in Aid of Construction**	Contributions in aid of construction are the donations or contributions of cash, services, or property from states, municipalities, or other governmental agencies, individuals, and others for construction purposes.

NOTES FOR PAGE 14–SOURCES AND APPLICATION OF FUNDS

Source of Funds

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

Applications of Funds

14-7	**Capital Expenditures**	Please see Budget page 15.
14-8	**Costs of Removal and Other Charges to the Reserve for Depreciation**	Cost of removal is the cost associated with demolishing, dismantling, tearing down or otherwise removing utility plant, including the cost of transportation and labor.
14-9	**Retirement of Long-Term Debt**	Bond principal amounts due 12-01 per the bond debt schedules are funded in equal monthly installments during 2025.

NOTES FOR PAGE 15–CAPITAL EXPENDITURES BUDGET

Production System

15-1	**LNG Processing Facilities**	LNG Processing Facilities- Purchase and installation of regeneration heating equipment, replacement of existing 20 year old equipment.

Distribution System

15-2	**Apartments**	This budget category provides for the expenses incurred by the Gas Division for developer requests for gas facilities located in a subdivision.
15-3	**Residential Service in S/D**	This budget category provides for the expenses incurred by the Gas Division for customer requests for service located in a subdivision.
15-4	**Residential Service Not in S/D**	This budget category provides for the expenses incurred by the Gas Division for customer requests for service not located in a subdivision.
15-5	**Residential S/D**	This budget category provides for the expenses incurred by the Gas Division for developer requests for gas facilities located in a subdivision.
15-6	**Operations Maintenance**	Construction in minor work that arises daily. These are mainly calls that go through the Control Room, to include pole knockdowns, gas, and water leaks, etc.
15-7	**Land Purchase**	This budget category provides for the purchase of land rights that will be needed for Capital Budget Projects.
15-8	**General Power Service**	This budget category provides for the expenses incurred by the Gas Division for customer requests for new General Power Service.
15-9	**General Power S/D**	This budget category provides for the expenses incurred by the Gas Division for customer requests for new General Power Service located in a subdivision.
15-10	**Multiple-Unit General Power**	This budget category provides for the expenses incurred by the Gas Division for customer requests for multiple units of new General Power Service by the same customer and general location.
15-11	**Relocate At Customer Request**	This budget category provides for the expenses incurred by the Gas Division for customer requests to relocate existing gas facilities.
15-12	**Purchase of Meters**	This budget category provides for the expenses incurred from buying new gas meters and reconditioning existing gas meters.
15-13	**Street Improvements**	This budget category provides for the expenses incurred when City, State and Federal Street Improvements dictate that facilities must be relocated. Please see Appendix 15-2 through 15-19.
15-14	**New Gas Main**	This budget category provides for the expenses incurred for the installation of miscellaneous new gas mains and facilities.
15-15	**Gas Main/Service Reply (D.O.T.)**	This budget category provides for replacement of old cast iron main that requires excessive maintenance and that has a history of leaking. This is a 30 year project that began in 1991 and was requested by the TN Regulatory Authority to replace 330 miles an was completed in 2021. This budget category also provides for replacement of steel taps and associated services, if needed, that have a history of leaking. This is a program initiated by DIMP findings.
15-16	**Planned Maintenance**	Construction in minor work that arises daily. These are mainly calls that go through the Control Room, to include pole knockdowns, gas, and water leaks, etc.
15-17	**Transmission Pipelines and Facilities**	This budget category provides for the expenses incurred for maintenance of cased gas transmission crossings required by regulatory changes, minor repair of transmission pipelines from scheduled inspections, and minor transmission improvements.
15-18	**Regulator Stations**	This budget line item provides for the expenses incurred from upgrading obsolete regulator station equipment. The DOT Code mandates that regulators must be maintained to operate within the design parameters of the gas distribution system.
15-19	**Gate Stations**	This budget line item provides for the expenses related to gas piping systems that are discovered to be unsafe due to corrosion defects, aged facilities, third party damages, or necessary relocations due to erosion problems for transmission as well as distribution.
15-20	**JT-Residential Service in S/D**	This budget category provides for the expenses incurred by the Gas Division for customer requests for gas facilities in a joint trench subdivision.

Distribution System (Continued)

15-21	**JT-Residential Service not in S/D**	This budget category provides for the expenses incurred by the Gas Division for developer requests for gas facilities in a joint trench subdivision.
15-22	**JT-Residential S/D**	This budget category provides for the expenses incurred by the Gas Division for developer requests for gas facilities in a joint trench subdivision.
15-23	**JT-Apartments**	This budget category provides for the expenses incurred by the Gas Division for developer requests for gas facilities in a joint trench apartment development.
15-24	**Emergency Maintenance**	This budget line item provides for emergency repair work when leaks and cut facilities require immediate repair.
15-25	**Demolition**	The budget includes demolition work.
15-26	**Contributions in Aid of Construction**	This budget line item provides for the payment that was predicted to be received from the developer and/or customer for the requested gas facilities to serve their development, businesses and/or new homes.

NOTES FOR PAGE 15–CAPITAL EXPENDITURES BUDGET (Continued)

General Plant

15-27	**Buildings and Structures**	Please see Appendix 17-2 through 18-5.
15-28	**Security Automation**	Please see Appendix 18-6.
15-29	**Purchase of Furniture & Fixtures**	Please see Appendix 18-7.
15-30	**Audiovisual**	Please see Appendix 18-8.
15-31	**IS/IT Projects**	No expenditures planned for the 2025 budget year.
15-32	**Fleet Capital Common Power Operated Equip**	Please see Appendix 18-10.
15-33	**Fleet Capital Common Transportation Equip**	Please see Appendix 18-11.
15-34	**Fleet Gas Power Operated Equipment**	Please see Appendix 18-12.
15-35	**Fleet Gas Transportation Equipment**	Please see Appendix 18-13.
15-36	**Automated Fueling Structure**	No expenditures planned for the 2025 budget year.
15-37	**Tools & Equipment**	No expenditures planned for the 2025 budget year.
15-38	**Common Tools & Equipment**	Please see Appendix 18-9
15-39	**Contingency Funds**	Please see Appendix 18-14.
15-40	**Delayed Cost Allocations**	These are funds budgeted in the current year for items that may arrive late from the previous year's budget.

NOTES FOR PAGE 16–CAPITAL EXPENDITURES BUDGET

Production System

16-1	**LNG Processing Facilities**	**Description/Location**	Projects related to Capital Maintenance of the Capleville Liquefied Natural Gas Facility.
		Purpose/Necessity	Projects related to Capital Maintenance of the Capleville Liquefied Natural Gas Facility.

Distribution System- Major Projects

Street Improvements

16-2	**Holmes Rd, Malone Rd to Lamar Ave.**	**Description/Location**	Holmes Rd, Malone Rd to Lamar Ave
		Purpose/Necessity	Expenses incurred when City, State and Federal Street Improvements dictate that facilities must be relocated for the drainage, elevation changes and/or new sewer facilities.
16-3	**SP 97/09, SR-1/Summer Ave, from Macon Rd To Elmore Rd**	**Description/Location**	Summer Ave, from Macon Rd To Elmore Rd
		Purpose/Necessity	Expenses incurred when City, State and Federal Street Improvements dictate that facilities must be relocated for the drainage, elevation changes and/or new sewer facilities.
16-4	**CP 19/10, Innovation Corridor, WO1252099, in design**	**Description/Location**	Innovation Corridor
		Purpose/Necessity	Expenses incurred when City, State and Federal Street Improvements dictate that facilities must be relocated for the drainage, elevation changes and/or new sewer facilities.
16-5	**LL 09/02 Canada Rd, Re-Alignment**	**Description/Location**	Canada Rd, Re-Alignment
		Purpose/Necessity	Expenses incurred when City, State and Federal Street Improvements dictate that facilities must be relocated for the drainage, elevation changes and/or new sewer facilities.
16-6	**CV 18/04, Shelby Dr, east of Sycamore Rd to US-72**	**Description/Location**	Shelby Dr, east of Sycamore Rd to US-72
		Purpose/Necessity	Expenses incurred when City, State and Federal Street Improvements dictate that facilities must be relocated for the drainage, elevation changes and/or new sewer facilities.
16-7	**CP 05/15, Malone Rd, Holmes to Shelby**	**Description/Location**	Malone Rd, Holmes to Shelby
		Purpose/Necessity	Expenses incurred when City, State and Federal Street Improvements dictate that facilities must be relocated for the drainage, elevation changes and/or new sewer facilities.
16-8	**CP 16/16 Elvis Presley Middle Seg**	**Description/Location**	Elvis Presley Middle Seg
		Purpose/Necessity	Expenses incurred when City, State and Federal Street Improvements dictate that facilities must be relocated for the drainage, elevation changes and/or new sewer facilities.
16-9	**SC 19/02, Hacks Cross Rd, Stateline - Shelby Dr**	**Description/Location**	Hacks Cross Rd, Stateline - Shelby Dr
		Purpose/Necessity	Expenses incurred when City, State and Federal Street Improvements dictate that facilities must be relocated for the drainage, elevation changes and/or new sewer facilities.
16-10	**SP 20/12, SR-57/Poplar, from Eastley to SR-385**	**Description/Location**	Poplar, from Eastley to SR-385
		Purpose/Necessity	Expenses incurred when City, State and Federal Street Improvements dictate that facilities must be relocated for the drainage, elevation changes and/or new sewer facilities.
16-11	**CP 23/21, Morningside Pl - Drainage**	**Description/Location**	Morningside Pl - Drainage
		Purpose/Necessity	Expenses incurred when City, State and Federal Street Improvements dictate that facilities must be relocated for the drainage, elevation changes and/or new sewer facilities.
16-12	**CP 23/18, Poplar, Angelus to Belvedere - Drainage**	**Description/Location**	Poplar, Angelus to Belvedere - Drainage
		Purpose/Necessity	Expenses incurred when City, State and Federal Street Improvements dictate that facilities must be relocated for the drainage, elevation changes and/or new sewer facilities.
16-13	**CP 20/03, Tchulahoma at Blue Bonnet**	**Description/Location**	Tchulahoma at Blue Bonnet
		Purpose/Necessity	Expenses incurred when City, State and Federal Street Improvements dictate that facilities must be relocated for the drainage, elevation changes and/or new sewer facilities.

NOTES FOR PAGE 16–CAPITAL EXPENDITURES BUDGET (Continued)

Street Improvements (Continued)

16-14	**CP 22/20, Peebles Road, east of Third St - Drainage**	**Description/Location**	Peebles Road, east of Third St - Drainage
		Purpose/Necessity	Expenses incurred when City, State and Federal Street Improvements dictate that facilities must be relocated for the drainage, elevation changes and/or new sewer facilities.
16-15	**CP 23/07, Scott Street Sewer Interceptor**	**Description/Location**	Scott Street Sewer Interceptor
		Purpose/Necessity	Expenses incurred when City, State and Federal Street Improvements dictate that facilities must be relocated for the drainage, elevation changes and/or new sewer facilities.
16-16	**CP 21/09, Bartlett Rd Bridge over Fletcher Creek**	**Description/Location**	Bartlett Rd Bridge over Fletcher Creek
		Purpose/Necessity	Expenses incurred when City, State and Federal Street Improvements dictate that facilities must be relocated for the drainage, elevation changes and/or new sewer facilities.
16-17	**CP 23/16, Wanda Street Storm Drain**	**Description/Location**	Wanda Street Storm Drain
		Purpose/Necessity	Expenses incurred when City, State and Federal Street Improvements dictate that facilities must be relocated for the drainage, elevation changes and/or new sewer facilities.
16-18	**CP 20/05, Mickey to Millbranch - Drainage**	**Description/Location**	Mickey to Millbranch - Drainage
		Purpose/Necessity	Expenses incurred when City, State and Federal Street Improvements dictate that facilities must be relocated for the drainage, elevation changes and/or new sewer facilities.
16-19	**Carnes Ave/Hanley School Safety Improvements**	**Description/Location**	Carnes Ave
		Purpose/Necessity	Expenses incurred when City, State and Federal Street Improvements dictate that facilities must be relocated for the drainage, elevation changes and/or new sewer facilities.

New Gas Main

16-20	**System Improvement Projections**	**Description/Location**	System Improvement Projections
		Purpose/Necessity	Expenses incurred when City, State and Federal Street Improvements dictate that facilities must be relocated for the drainage, elevation changes and/or new sewer facilities.

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

16-21	**Steel Tap Rep Replacement**	**Description/Location**	Location(s) vary due to system prioritization needs and City paving schedules.
		Purpose/Necessity	This budget category provides for replacement of steel couplings on steel service taps that requires excessive maintenance and has a history of leaking.
16-22	**Distribution Integrity Management Program (DIMP)**	**Description/Location**	Locations vary due to system needs.
		Purpose/Necessity	Planned work to address risks to the distribution system, undocumented mains.
16-23	**Unplanned Distribution Work**	**Description/Location**	Locations vary due to system needs.
		Purpose/Necessity	This budget category provides for the expenses incurred from replacing steel services, valves or mains with new PE services, valves and mains due to a CP issue that must be addressed in that calendar year.
16-24	**Corrosion Control**	**Description/Location**	Locations vary due to system needs.
		Purpose/Necessity	This budget category provides for the expenses incurred from replacing steel services, valves or mains with new PE services, valves and mains due to a CP issue that must be addressed in that calendar year.

NOTES FOR PAGE 16–CAPITAL EXPENDITURES BUDGET (Continued)

Transmission Pipelines and Facilities

16-25	**18" XXHP Pipeline Replacement @ Weaver to Gill**	**Description/Location**	18" XXHP Pipeline Replacement @ Weaver to Gill
		Purpose/Necessity	This budget line item provides for the expenses related to gas piping systems that are discovered to be unsafe due to corrosion defects, aged facilities, third party damages, or necessary relocations due to erosion problems for transmission as well as distribution.
16-26	**18" XXHP Pipeline Replacement @ Covington Pike & LNRR**	**Description/Location**	18" XXHP Pipeline Replacement @ Covington Pike & LNRR
		Purpose/Necessity	This budget line item provides for the expenses related to gas piping systems that are discovered to be unsafe due to corrosion defects, aged facilities, third party damages, or necessary relocations due to erosion problems for transmission as well as distribution.
16-27	**Unplanned Transmission Work**	**Description/Location**	various locations
		Purpose/Necessity	Pressure tests and other work on transmission piping required by PHMSA to confirm MAOP, Replace sections of transmission pipeline in MCA, Install pig launchers and receivers.

NOTES FOR PAGE 17–CAPITAL EXPENDITURES BUDGET

Regulator Stations

17-1	**Regulator Station Replacement**	**Description/Location**	Regulator station replacement
		Purpose/Necessity	Regulator stations are used to reduce the pressure of the gas to the appropriate operating pressure for each system

General Plant
Buildings and Structures
South Service Center

17-2	**Paving Upgrade - Employee Parking Lot**	**Description/Location**	South Service Center
		Purpose/Necessity	This project was identified in the Master Plan. All asphalt drives, parking areas are in very bad shape. Also, there is a need to pave areas for safe movement of material.

General Plant
Buildings and Structures
North Service Center

17-3	**Asphalt Paving & Concrete Slabs/ Drives - Phase 2**	**Description/Location**	North Service Center
		Purpose/Necessity	This project was identified in the Master Plan. All asphalt drives, parking areas are in very bad shape. Also, there is a need to pave areas for safe movement of material.
17-4	**Building #1 Replace 3 HVAC Package Units**	**Description/Location**	North Service Center
		Purpose/Necessity	This project is for replacing three HVAC package units.
17-5	**Generator/Transfer Switch Replacement**	**Description/Location**	North Service Center
		Purpose/Necessity	This project is for replacing Generator /Transfer Switch
17-6	**AC Installation Building #6**	**Description/Location**	North Service Center
		Purpose/Necessity	This project is for AC installation.
17-7	**Building #2: (Re-cover 36,000 square foot roof)**	**Description/Location**	North Service Center
		Purpose/Necessity	This project is for roof improvements.
17-8	**Building #3: (Re-cover 30,650 square foot roof)**	**Description/Location**	North Service Center
		Purpose/Necessity	This project is for roof improvements.
17-9	**Building #6: Roof Replacement 23,684 square feet**	**Description/Location**	North Service Center
		Purpose/Necessity	This project is for roof replacement.

NOTES FOR PAGE 17–CAPITAL EXPENDITURES BUDGET (Continued)

General Plant (Continued)
Buildings and Structures
BRUNSWICK SERVICE CENTER

17-10	**Paving Upgrade - Phase 2**	**Description/Location**	Brunswick Service Center
		Purpose/Necessity	All roof replacement projects are targeted in the Facilities master plan based on expected life expectancy and existing maintenance issues.

HICKORY HILL SERVICE CENTER

17-11	**HHSC Service Center Roof Replacement**	**Description/Location**	HICKORY HILL SERVICE CENTER
		Purpose/Necessity	All roof replacement projects are targeted in the Facilities master plan based on expected life expectancy and existing maintenance issues.
17-12	**Paving Upgrade - Phase 2 - Employee Parking Lot**	**Description/Location**	HICKORY HILL SERVICE CENTER
		Purpose/Necessity	All roof replacement projects are targeted in the Facilities master plan based on expected life expectancy and existing maintenance issues.
17-13	**Replace Canopy roofs**	**Description/Location**	HICKORY HILL SERVICE CENTER
		Purpose/Necessity	All roof replacement projects are targeted in the Facilities master plan based on expected life expectancy and existing maintenance issues.

NOTES FOR PAGE 18–CAPITAL EXPENDITURES BUDGET

ADMINISTRATION BUILDING

18-1	**Administration Building Upgrades & renovations (elevator modernization)**	**Description/Location**	Administration Building
		Purpose/Necessity	Elevator upgrades

CHOCTAW

18-2	**New Concrete Wash Bay Area**	**Description/Location**	CHOCTAW
		Purpose/Necessity	This project is for a new concrete wash bay area
18-3	**Security Fencing Choctaw property**	**Description/Location**	CHOCTAW
		Purpose/Necessity	Security Fencing around Choctaw and new property.

LNG Capleville

18-4	**Metal Storage Building (50' x 100')**	**Description/Location**	LNG Capleville
		Purpose/Necessity	Metal storage building

NEW BUILDINGS

18-5	**Engineering & Operations Building 130,000 sq. ft.**	**Description/Location**	New Building
		Purpose/Necessity	This project is for a new Building
18-6	**Security Automation**	**Description/Location**	Division security automation equipment used for work in and around Shelby County.
		Purpose/Necessity	Security Automation
18-7	**FURNITURE & FIXTURES**	**Description/Location**	
		Purpose/Necessity	FURNITURE & FIXTURES
18-8	**Audiovisual**	**Description/Location**	Division audiovisual equipment used for work in and around Shelby County.
		Purpose/Necessity	To purchase approved budget items, in order to provide equipment for employees to complete job assignments. Tools are considered replacements for the following reasons: I. Damaged beyond repair; ii. Worn from time/age/use, cost does not justify repair; iii. Lost/Stolen report submitted in a timely manner; iv. No longer suited for work being done, replace with a new model; v. Safety hazard; vi. Repair cost is at or above 50% of cost of new tool; vii. High occurrence of maintenance that creates excessive downtime.

NOTES FOR PAGE 18–CAPITAL EXPENDITURES BUDGET (Continued)			
18-9	**TOOLS & EQUIPMENT COMMON**	**Description/Location**	Division tools/equipment common used for work in and around Shelby County.
		Purpose/Necessity	To purchase approved budget items, in order to provide equipment for employees to complete job assignments. Tools are considered replacements for the following reasons: I. Damaged beyond repair; ii. Worn from time/age/use, cost does not justify repair; iii. Lost/Stolen report submitted in a timely manner; iv. No longer suited for work being done, replace with a new model; v. Safety hazard; vi. Repair cost is at or above 50% of cost of new tool; vii. High occurrence of maintenance that creates excessive down time.
18-10	**Fleet Capital Common Power Operated Equipment**	**Description/Location**	Division vehicles/equipment used for work in and around Shelby County.
		Purpose/Necessity	To purchase approved budget items, in order to provide equipment for employees to complete job assignments. Tools are considered replacements for the following reasons: I. Damaged beyond repair; ii. Worn from time/age/use, cost does not justify repair; iii. Lost/Stolen report submitted in a timely manner; iv. No longer suited for work being done, replace with a new model; v. Safety hazard; vi. Repair cost is at or above 50% of cost of new tool; vii. High occurrence of maintenance that creates excessive downtime.
18-11	**Fleet Capital Common Transportation Equipment**	**Description/Location**	Division vehicles/equipment used for work in and around Shelby County.
		Purpose/Necessity	To purchase approved budget items, in order to provide equipment for employees to complete job assignments. Tools are considered replacements for the following reasons: I. Damaged beyond repair; ii. Worn from time/age/use, cost does not justify repair; iii. Lost/Stolen report submitted in a timely manner; iv. No longer suited for work being done, replace with a new model; v. Safety hazard; vi. Repair cost is at or above 50% of cost of new tool; vii. High occurrence of maintenance that creates excessive downtime.
18-12	**Fleet Gas Power Operated Equipment**	**Description/Location**	Division vehicles/equipment used for work in and around Shelby County.
		Purpose/Necessity	To purchase approved budget items, in order to provide equipment for employees to complete job assignments. Tools are considered replacements for the following reasons: I. Damaged beyond repair; ii. Worn from time/age/use, cost does not justify repair; iii. Lost/Stolen report submitted in a timely manner; iv. No longer suited for work being done, replace with a new model; v. Safety hazard; vi. Repair cost is at or above 50% of cost of new tool; vii. High occurrence of maintenance that creates excessive downtime.
18-13	**Fleet Gas Transportation Equipment**	**Description/Location**	Division vehicles/equipment used for work in and around Shelby County.
		Purpose/Necessity	To purchase approved budget items, in order to provide equipment for employees to complete job assignments. Tools are considered replacements for the following reasons: I. Damaged beyond repair; ii. Worn from time/age/use, cost does not justify repair; iii. Lost/Stolen report submitted in a timely manner; iv. No longer suited for work being done, replace with a new model; v. Safety hazard; vi. Repair cost is at or above 50% of cost of new tool; vii. High occurrence of maintenance that creates excessive downtime.

18-14	**Contingency Fund - General Plant**	This is an estimated budget amount to cover unforeseen emergency items that may arise in the current year.

NOTES FOR PAGE 20–INCOME & EXPENSE COMPARISON

Operating Revenue

20-1	**Sales Revenue**	This account includes projected revenue from the sale of water to the residential, commercial, resale, and interdepartmental customer classes, as well as revenue from fire protection services.
20-2	**Revenue Adjustment for Uncollectible**	Per Governmental Accounting Standards Board (Water) 34 requirements, bad debt expense must be shown as a reduction of revenue. This is the amount that will not be collected due to customers inability to pay.
20-3	**Non-Sales Revenue**	This account includes revenue from forfeited discounts (charges for payments received after net due date), plus rent charged for Water Division property that is used by the Electric and Water Divisions, and other miscellaneous revenue (e.g., fees for connecting/disconnecting service).

Operating Expense

20-4	**Production Expense**	This account includes the cost of labor and expenses incurred in the general supervision and operation of the water source of supply facilities, the power production and pumping facilities, and the water treatment expenses. Also included is the fuel used in the production of power to operate the pumps, all chemicals used in the treatment of water and miscellaneous expenses including general clerical labor, building services, general operating supplies and care of grounds.
20-5	**Distribution Expense**	This account includes the cost of labor and expenses incurred in the operation of distribution reservoirs and tanks, meter expenses, customer installation expenses and miscellaneous expenses including preparing maps and prints, general clerical support, operating records, service interruption, trouble records, and other miscellaneous labor.
20-6	**Customer Accounts Expense**	This account includes the cost of labor and expenses incurred in the reading of customer meters, in customer applications, orders, contracts, credit investigations, billing and accounting, collections and complaints.
20-7	**Customer Service and Information Expense**	This account includes the cost of labor and expenses incurred in customer service and informational activities, the purpose of which is to encourage safe and efficient use of the utility's services, to promote the conservation of the utility's services and to assist customers in answering specific inquiries as to the proper and economic use of the utility's services.
20-8	**Sales Expense**	This account includes the cost of labor, materials and expenses incurred in promotional, demonstrating and selling activities, advertising designed to promote or retain the use of utility services and miscellaneous sales expense. Included are exhibitions, displays, lectures, engineering and technical advice, advertising in newspapers, periodicals, billboards, radio, etc., postage on direct mail advertising, printing booklets, bulletins, etc.
20-9	**Administrative and General Expense**	This account includes the compensation of board members, executives, and other administrative and general employees of the utility not chargeable directly to a particular operating function. It also includes the cost of insurance to protect the utility against physical plant losses, cost of reserve accruals to protect the utility against injuries and damage claims of employees or others, such as liability, property damage, casualty, and employee liability. Employee pensions and benefits including payments to pension funds, life insurance, group medical expenses, payments for accident, sickness, hospital and death benefits, and expenses in connection with educational and wellness activities are also included in this account. In accordance with Water 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pension, MLGW must recognize all postemployment benefits, such as medical insurance and life insurance, when earned, effective budget year 2007.

Maintenance Expense

20-10	**Production Expense**	This account includes the labor and expenses incurred in the maintenance of structures and improvements, collecting and impounding reservoirs, maintenance of wells, the maintenance of observation wells, the maintenance of structures and improvements used in connection with pumping, maintenance of power production equipment used directly in pumping operations, the maintenance of pumping equipment, maintenance of structures and improvements to the water treatment plant, and water treatment plant equipment.
20-11	**Distribution Expense**	This account includes the labor and expenses incurred in the maintenance of the distribution system including structures and improvements, mains, services, meters, meter testing equipment, fire hydrants, and miscellaneous plant.
20-12	**Administrative & General Expense**	Please see Appendix 20-9.

NOTES FOR PAGE 20–INCOME & EXPENSE COMPARISON (Continued)

Other Operating Expense

20-13	**Depreciation Expense**	The purpose of depreciation is to allocate the original cost of a fixed asset over its estimated useful life. In a utility environment, the annual depreciation rate also takes into account the estimated salvage and cost of removal upon retirement.
20-14	**Payment In Lieu of Taxes**	MLGW and the City of Memphis have agreed on a P.I.L.O.T. in the amount of $2,500,000 to be made on an annual basis to the City from the revenues of the Water Division through fiscal years 2028.
20-15	**F.I.C.A. Taxes**	This represents the 1.45% Medicare portion of Social Security Tax that is required to be paid on all MLGW employees hired after 03-31-1986.
20-16	**Amortization of Legacy Meters**	This account includes amortization charges related to expenditures on meters.
20-17	**Amortization-Right of Use Leases & Subscriptions**	This account includes amortization charges related to expenditures on leases and software.

Income

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

Debt Expense

20-21	**Interest Expense – Existing Long-Term Debt**	Bond interest payments due 06-01- and 12-01 per the bond debt schedules are funded in equal monthly installments.
20-22	**Amortization of Debt Discount & Expense**	This represents the spreading of bond issuance costs over the life span of the bond series rather than recognizing such costs all at the time of sale.
20-23	**Contributions in Aid of Construction**	Contributions in aid of construction are the donations or contributions of cash, services, or property from states, municipalities, or other governmental agencies, individuals, and others for construction purposes.

NOTES FOR PAGE 21–INCOME & EXPENSE COMPARISON

Source of Funds

21-1	**Change in Net Position**	Please see page 20.
21-2	**Depreciation Charged to Operating Income**	Please see page 20.
21-3	**Depreciation Charged to Other Accounts**	Depreciation charged to other accounts is the annual depreciation for transportation and power operated equipment. Depreciation on these plant items is charged to a clearing account and used in the equipment rate calculations.
21-4	**Amortization of Legacy Meters**	Non-cash expense related to employee pension expenses related to meter expenditures.
21-5	**Amortization of Leases**	This account includes non-cash amortization charges related to expenditures on leases.
21-6	**Salvage**	Salvage is the amount received for property retired from plant in service. The property may be sold for scrap or returned to stores inventory for reuse.

Application of Funds

21-7	**Capital Expenditures**	Please see page 22.
21-8	**Costs of Removal and Other Charges to the Reserve for Depreciation**	Cost of removal is the cost associated with demolishing, dismantling, tearing down or otherwise removing utility plant, including the cost of transportation and labor.
21-9	**Retirement of Long-Term Debt**	Bond principal amounts due 12-01 per the bond debt schedules are funded in equal monthly installments during.

NOTES FOR PAGE 22–CAPITAL EXPENDITURES BUDGET

Production System

22-1	**Pumping Stations**	Please see Appendix 23-1 to 24-9.
22-2	**Underground Storage Reservoirs**	Please see Appendix 24-10
22-3	**Production Wells**	Please see Appendix 24-11 to 24-15
22-4	**Land Purchase**	Please see Appendix 23-17
22-5	**Operations Maintenance**	Please see Appendix 24-6
22-6	**Contingency Fund - Production**	Please see Appendix 26-7
22-7	**Buildings and Structures - Production System**	Please see Appendix 25-1 to 25-5
22-8	**Contributions in Aid of Construction**	Contributions in aid of construction are the donations or contributions of cash, services, or property from states, municipalities, or other governmental agencies, individuals, and others for construction purposes.

Distribution System

22-9	**Residential Service in S/D**	This budget category provides for the expenses incurred by the Water Division for customer requests for service located in a subdivision.
22-10	**Residential Service not in S/D**	This budget category provides for the expenses incurred by the Water Division for customer requests for service not located in a subdivision.
22-11	**Residential S/D**	This budget category provides for the expenses incurred by the Water Division for developer requests for Water facilities located in a subdivision.
22-12	**Apartments**	This budget category provides for the expenses incurred by the Water Division for developer requests for Water facilities for new apartment developments.
22-13	**General Power Service**	This budget category provides for the expenses incurred by the Water Division for customer requests for new General Power Service.
22-14	**Relocate At Customer Request**	This budget category provides for the expenses incurred to relocate at the customer's request.
22-15	**Street Improvements**	This budget category provides for the expenses incurred when City, State and Federal Street Improvements dictate that facilities must be relocated. Please see Appendix 23-14 through 23-17.
22-16	**New Water Main**	This budget category provides for the expenses incurred for the installation of miscellaneous new water mains and facilities.
22-17	**Lead Service Replacement**	Replace lead services with copper at known locations throughout Shelby County.
22-18	**Storm Restoration**	No expenditures planned for the 2025 budget year.
22-19	**Purchase of Meters**	The number of meters purchased is based on projections for the coming year. These meters include meters that will be paid for by customer contributions relating to new residential and commercial development and replacement of existing meters.
22-20	**Planned Maintenance**	Construction in minor work that arises daily. These are mainly calls that go through the Control Room, to include pole knockdowns, gas, and water leaks, etc.
22-21	**Booster Stations**	This budget category is used to boost constant supply.
22-22	**Emergency Maintenance**	This budget line item provides for emergency repair work when leaks and cut facilities require immediate repair.
22-23	**Contributions in Aid of Construction**	Contributions in aid of construction are the donations or contributions of cash, services, or property from states, municipalities, or other governmental agencies, individuals, and others for construction purposes.

NOTES FOR PAGE 22–CAPITAL EXPENDITURES BUDGET (Continued)

General Plant

22-24	**Buildings and Structures**	Please see Appendix 25-1 through 25-5 and 26-1
22-25	**Security Automation**	Please see Appendix 26-2.
22-26	**Tools & Equipment**	Please see Appendix 26-5.
22-27	**Fleet Capital Power Operated Equip**	Please see Appendix 26-3.
22-28	**Fleet Capital Water Transportation Equip**	Please see Appendix 26-4.
22-29	**IS/IT Projects**	None budgeted for 2025.
22-30	**Miscellaneous Request (Simulator)**	Please see Appendix 26-6.
22-31	**Contingency Fund**	This is an estimated budget amount to cover unforeseen emergency items that may arise in the current year. See Appendix 26-7.
22-32	**Delayed Cost Allocations**	These are funds budgeted in the current year for items that may arrive late from the previous year's budget.

NOTES FOR PAGE 23–CAPITAL EXPENDITURES BUDGET

Production System
Pumping Stations
Allen Pumping Station

23-1	**Station Rehabilitation (New Allen)**	**Description/Location**	The purchase and installation of replacement valves, piping, hardware, meters, actuators, etc…. Rehabilitation of concrete structural components.
		Purpose/Necessity	The existing infrastructure can no longer be operated safely or reliably.
23-2	**Station Rehabilitation**	**Description/Location**	Design and the purchase and installation of replacement of aerators.
		Purpose/Necessity	The existing infrastructure can no longer be operated safely or reliably.
23-3	**Medium Voltage Breaker & Switchgear Replacements**	**Description/Location**	Design, purchase and installation of the 12kV and 5 kV circuit breakers/Switchgear.
		Purpose/Necessity	Parts for the existing 12kV and 5 kV Circuit Breakers are unavailable and there are safety concerns related to the existing breakers
23-4	**VFD, Motor & Transformer Replacements**	**Description/Location**	Design, Construction Administration and Integration needed to replace high service pump drive equipment.
		Purpose/Necessity	The existing VFD's chronically overheat and replacement parts are unavailable when the VFD's fail.

Davis Pumping Station

23-5	**Filter Media Rehab and Replacement (Station Rehab)**	**Description/Location**	Davis Pumping Station
		Purpose/Necessity	Filter media rehab and replacement.
23-6	**Station Rehabilitation (CO)**	**Description/Location**	The purchase and installation of replacement valves, piping, hardware, meters, actuators, etc…. Rehabilitation of concrete structural components.
		Purpose/Necessity	The existing infrastructure can no longer be operated safely or reliably.
23-7	**VFD, Motor & Transformer Replacements**	**Description/Location**	Design, Construction Administration and Integration needed to replace high service pump drive equipment.
		Purpose/Necessity	The existing VFD's chronically overheat and replacement parts are unavailable when the VFD's fail.
23-8	**Medium Voltage Breaker & Switchgear Replacements**	**Description/Location**	Design, purchase and installation of the 12kV and 5 kV circuit breakers/Switchgear.
		Purpose/Necessity	Parts for the existing 12kV and 5 kV Circuit Breakers are unavailable and there are safety concerns related to the existing breakers

Lichterman Pumping Station

23-9	**VFD, Motor & Transformer Replacements**	**Description/Location**	Design, Construction Administration and Integration needed to replace high service pump drive equipment.
		Purpose/Necessity	The existing VFD's chronically overheat and replacement parts are unavailable when the VFD's fail.
23-10	**Station Rehabilitation (CO)**	**Description/Location**	The purchase and installation of replacement valves, piping, hardware, meters, actuators, etc…. Rehabilitation of concrete structural components.
		Purpose/Necessity	The existing infrastructure can no longer be operated safely or reliably.

LNG Pumping Station

23-11	**Station Rehabilitation**	**Description/Location**	The purchase and installation of replacement valves, piping, hardware, meters, actuators, etc…. Rehabilitation of concrete structural components.
		Purpose/Necessity	The existing infrastructure can no longer be operated safely or reliably.

NOTES FOR PAGE 23–CAPITAL EXPENDITURES BUDGET (Continued)

Pumping Stations (Continued)

Mallory Pumping Station

23-12	**Filter Media Rehab and Replacement (Station Rehab)**	**Description/Location**	Mallory Pumping Station
		Purpose/Necessity	Filter media rehab and replacement
23-13	**Station Rehabilitation**	**Description/Location**	The purchase and installation of replacement valves, piping, hardware, meters, actuators, etc…. Rehabilitation of concrete structural components.
		Purpose/Necessity	The existing infrastructure can no longer be operated safely or reliably.
23-14	**VFD, Motor & Transformer Replacements**	**Description/Location**	Design, Construction Administration and Integration needed to replace high service pump drive equipment.
		Purpose/Necessity	The existing VFD's chronically overheat and replacement parts are unavailable when the VFD's fail.
23-15	**Medium Voltage Breaker & Switchgear Replacements**	**Description/Location**	Design, purchase and installation of the 12kV and 5 kV circuit breakers/Switchgear.
		Purpose/Necessity	Parts for the existing 12kV and 5 kV Circuit Breakers are unavailable and there are safety concerns related to the existing breakers

McCord Pumping Station

23-16	**Filter Media Rehab and Replacement (Station Rehab)**	**Description/Location**	McCord Pumping Station
		Purpose/Necessity	Filter media rehab and replacement
23-17	**Station Rehabilitation**	**Description/Location**	The purchase and installation of replacement valves, piping, hardware, meters, actuators, etc…. Rehabilitation of concrete structural components.
		Purpose/Necessity	The existing infrastructure can no longer be operated safely or reliably.
23-18	**Medium Voltage Breaker & Switchgear Replacements**	**Description/Location**	Design, purchase and installation of the 12kV and 5 kV circuit breakers/Switchgear.
		Purpose/Necessity	Parts for the existing 12kV and 5 kV Circuit Breakers are unavailable and there are safety concerns related to the existing breakers

Pumping Stations (Continued)

Morton Pumping Station

23-19	**Filter Media Rehab and Replacement (Station Rehab)**	**Description/Location**	Morton Pumping Station
		Purpose/Necessity	Filter media rehab and replacement
23-20	**VFD, Motor, Transformer Replacements**	**Description/Location**	Design, Construction Administration and Integration needed to replace high service pump drive equipment.
		Purpose/Necessity	The existing VFD's chronically overheat and replacement parts are unavailable when the VFD's fail.
23-21	**Station Rehabilitation**	**Description/Location**	The purchase and installation of replacement valves, piping, hardware, meters, actuators, etc…. Rehabilitation of concrete structural components.
		Purpose/Necessity	The existing infrastructure can no longer be operated safely or reliably.

NOTES FOR PAGE 24–CAPITAL EXPENDITURES BUDGET

Palmer Pumping Station

24-1	**Station Rehabilitation**	**Description/Location**	The purchase and installation of replacement valves, piping, hardware, meters, actuators, etc…. Rehabilitation of concrete structural components.
		Purpose/Necessity	The existing infrastructure can no longer be operated safely or reliably.

Pumping Stations (Continued)

Shaw Pumping Station

24-2	**Filter Media Rehab and Replacement (Station Rehab)**	**Description/Location**	Shaw Pumping Station
		Purpose/Necessity	Filter media rehab and replacement
24-3	**Station Rehabilitation**	**Description/Location**	The purchase and installation of replacement valves, piping, hardware, meters, actuators, etc…. Rehabilitation of concrete structural components.
		Purpose/Necessity	The existing infrastructure can no longer be operated safely or reliably.
24-4	**VFD, Motor, Transformer Replacements**	**Description/Location**	Design, Construction Administration and Integration needed to replace the existing distributed process control system.
		Purpose/Necessity	The existing DPC system is outdated and parts can no longer be obtained for the existing controller. This is needed for regulatory compliance with Tennessee Department of Environment and Conservation standards.

Sheehan Pumping Station

24-5	**Medium Voltage Breaker & Switchgear Replacements**	**Description/Location**	Design, purchase and installation of the 12kV and 5 kV circuit breakers/Switchgear.
		Purpose/Necessity	Parts for the existing 12kV and 5 kV Circuit Breakers are unavailable and there are safety concerns related to the existing breakers
24-6	**Station Rehabilitation**	**Description/Location**	The purchase and installation of replacement valves, piping, hardware, meters, actuators, etc…. Rehabilitation of concrete structural components.
		Purpose/Necessity	The existing infrastructure can no longer be operated safely or reliably.

New Pumping Station

24-7	**Engineer Water Treatment Plant**	**Description/Location**	Pickle Pumping Station
		Purpose/Necessity	Design, construction, and maintenance needed for water treatment plants.

Miscellaneous Pumping Facilities

24-8	**Water Operations Capital Items (CO)**	**Description/Location**	This item is to account for unplanned Capital Items. / As-needed
		Purpose/Necessity	This is a projected budget amount to cover unforeseen Capital Items in the current year due to mechanical/electrical/etc. failure. / When equipment breaks, it must be fixed.
24-9	**Engineering Services Contract (CO)**	**Description/Location**	Engineering Consultants on an “as-needed” basis. / As-needed.
		Purpose/Necessity	Water E&O has a need to retain Engineering Consultants on an “as-needed” basis. / Water Engineering does not have the expertise to perform certain engineering functions.

NOTES FOR PAGE 24–CAPITAL EXPENDITURES BUDGET (Continued)

Underground Storage Reservoirs

Sheehan Pumping Station

24-10	**Engineer Wash Recovery Basin Replacement**	**Description/Location**	Construction of WWRB.
		Purpose/Necessity	The existing WWRB is the retrofitted Equalizing Basin. The operational performance of the existing WWRB is very poor. There are regulatory issues with the existing WWRB.

Production Wells

Sheehan Pumping Station

24-11	**Construct/Replace Well**	**Description/Location**	Construction of a large water production well.
		Purpose/Necessity	A number of the wells need to be replaced.
Miscellaneous Pumping Facilities			
24-12	**Well Failures**	**Description/Location**	Construction of a large water production well. Various pumping station.
		Purpose/Necessity	Water production wells fail unexpectedly and need to be replaced.
24-12	**Well Generators**	**Description/Location**	Various locations.
		Purpose/Necessity	Water production well generators need to be replaced.
24-12	**Abandon Wells**	**Description/Location**	To abandon water production wells that have reached the end of life.
		Purpose/Necessity	Well abandonment is needed to drill second generation wells on the same well site.
Allen Pumping Station			
24-13	**Construct/Replace Well**	**Description/Location**	Construction of a large water production well.
		Purpose/Necessity	A number of the wells need to be replaced.
Lichterman Pumping Station			
24-14	**Construct/Replace Well**	**Description/Location**	Construction of a large water production well.
		Purpose/Necessity	A number of the wells need to be replaced.
Mallory Pumping Station			
24-15	**Construct/Replace Well**	**Description/Location**	Construction of a large water production well.
		Purpose/Necessity	A number of the wells need to be replaced.

Operations Maintenance

24-16	**Operations Maintenance**	**Description/Location**	Maintenance necessary for the continuation of normal operations
		Purpose/Necessity	Maintenance necessary for the continuation of normal operations

Land Purchase

24-17	**Land Purchase**	**Description/Location**	Purchase water production well lots/Various locations.
		Purpose/Necessity	Well lots are needed to install new/replacement water production wells to provide an adequate source water supply for customers.

NOTES FOR PAGE 25–CAPITAL EXPENDITURES BUDGET

Buildings and Structures

McCord Pumping Station

25-1	**New Mechanical Maintenance & Special Storage Building**	**Description/Location**	McCord Pumping Station
		Purpose/Necessity	
25-2	**Reroof Main Building (15,930 sf)**	**Description/Location**	McCord Pumping Station
		Purpose/Necessity	This project is needed to replace roof.
25-3	**Aerator Bldg: Replace Roof (6,825 sf)**	**Description/Location**	McCord Pumping Station
		Purpose/Necessity	This project is needed to replace roof.

Mallory Pumping Station

25-4	**Roof Replacement (Design/Construction)**	**Description/Location**	Mallory Pumping Station
		Purpose/Necessity	This project is needed to replace roof.

Arlington Pumping Station

25-5	**Repave Drives**	**Description/Location**	Arlington Pumping Station
		Purpose/Necessity	This project is needed to repave drives. The existing pavement is past it's life expectancy and is getting frequent requests.

Contingency Fund

25-6	**Contingency Funds**	This is an estimated budget amount to cover unforeseen emergency items that may arise in the current year.

CIAC

25-7	**Contributions in Aid of Construction**	Contributions in aid of construction are the donations or contributions of cash, services, or property from states, municipalities, or other governmental agencies, individuals, and others for construction purposes.

NOTES FOR PAGE 25–CAPITAL EXPENDITURES BUDGET (Continued)

Distribution System

New Water Main

25-8	**Collecting Main Installation**	**Description/Location**	Various locations
		Purpose/Necessity	The ties bring water from the aquifer to the plant.
25-9	**Main Replacement Projects**	**Description/Location**	Older cast iron mains in older parts of town sometimes break several times and it is more feasible to replace the main.
		Purpose/Necessity	Older cast iron mains in older parts of town sometimes break several times and it is more feasible to replace the main.
25-10	**Large Main Extensions**	**Description/Location**	Large Main Extensions
		Purpose/Necessity	Provides more water to parts of Shelby County were there is a need or future need to more water.
25-11	**Miscellaneous Projects - Reimbursable**	**Description/Location**	This line item covers former SCBPU projects aimed at improving the Distribution System in former SCBPU areas of the county. These projects mostly center around improvements in the Shelby Forest area.
		Purpose/Necessity	This line item covers former SCBPU projects aimed at improving the Distribution System in former SCBPU areas of the county.
25-12	**Major Valve Replacements/Additions**	**Description/Location**	The project will involve the replacement and additions of 12" and larger valves
		Purpose/Necessity	Replacement of non-functioning and key valves and adding strategically place valves on primary and secondary feeders to optimize the ability to isolate large mains while minimizing the number of cut off customers
25-13	**Minor System Improvements**	**Description/Location**	Minor System Improvements to Water Distribution System
		Purpose/Necessity	Minor System Improvements to Water Distribution System.

Street Improvements

25-14	**TDOT Projects**	**Description/Location**	These are street improvement projects done by TDOT requiring the relocation of MLGW water mains.
		Purpose/Necessity	MLGW will meet the utility relocation needs of the City, County, and State for their street improvement projects.
25-15	**City of Memphis Projects**	**Description/Location**	These are street improvement projects done by the City of Memphis requiring the relocation of MLGW water mains.
		Purpose/Necessity	MLGW will meet the utility relocation needs of the City, County, and State for their street improvement projects.
25-16	**City of Lakeland Projects**	**Description/Location**	These are street improvement projects done by the City of Lakeland requiring the relocation of MLGW water mains.
		Purpose/Necessity	MLGW will meet the utility relocation needs of the City, County, and State for their street improvement projects.
25-17	**Shelby County Projects**	**Description/Location**	These are street improvement projects done by Shelby County requiring the relocation of MLGW water mains.
		Purpose/Necessity	MLGW will meet the utility relocation needs of the City, County, and State for their street improvement projects.

Lead Replacement

25-18	**Lead Replacement**	**Description/Location**	Lead Replacement
		Purpose/Necessity	Lead Replacement

NOTES FOR PAGE 26–CAPITAL EXPENDITURES BUDGET

General Plant

26-1	**Buildings & Structures**	**Description/Location**	MLGW University
		Purpose/Necessity	Canopy for MLGW University lineman pole training.
26-2	**Security Automation**	**Description/Location**	Various locations
		Purpose/Necessity	Install card readers on control house doors, install a CCTV system, install fence alarms and various security upgrades throughout the division.
26-3	**Fleet Capital Power Operated Equipment**	**Description/Location**	Division vehicles/equipment used for work in and around Shelby County.
		Purpose/Necessity	To purchase approved budget items in order to provide equipment for crews to complete job assignments. Replacements are evaluated based on age, actual operational usage, repair cost and frequency, parts availability, and effectiveness to meet area's needs. Additions are evaluated based on justification request and proper approval.
26-4	**Fleet Capital Transportation Equipment**	**Description/Location**	Division vehicles/equipment used for work in and around Shelby County.
		Purpose/Necessity	To purchase approved budget items in order to provide equipment for crews to complete job assignments. Replacements are evaluated based on age, actual operational usage, repair cost and frequency, parts availability, and effectiveness to meet area's needs. Additions are evaluated based on justification request and proper approval.
26-5	**Tools & Equipment**	**Description/Location**	Division tools/equipment used for work in and around Shelby County.
		Purpose/Necessity	To purchase approved budget items, in order to provide equipment for employees to complete job assignments. Tools are considered replacements for the following reasons: i. Damaged beyond repair; ii. Worn from time/age/use, cost does not justify repair; iii. Lost/Stolen report submitted in a timely manner; iv. No longer suited for work being done, replace with a new model; v. Safety hazard; vi. Repair cost is at or above 50% of cost of new tool; vii. High occurrence of maintenance that creates excessive down time.
26-6	**Miscellaneous Capital (Simulator)**	**Description/Location**	Construction & Maintenance Labs Equipment Training Simulator
		Purpose/Necessity	This simulator provides training to MLGW employees on the use of MLGW construction equipment
26-7	**Contingency Funds – General Plant**	This is an estimated budget amount to cover unforeseen emergency items that may arise in the current year.	

GLOSSARY

ACD: Automatic Call Distributor.

ACSR: Aluminum, Cable Steel Reinforced cable.

ADA: Americans with Disabilities Act.

BNSF: Burlington Northern Santé Fe Railway Company.

BTU: British Thermal Unit.

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

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

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

CA: Cab to Axle.

CARES: Computer Assisted Restoration of the Electric System.

CCTV: Closed-circuit television.

C&C: Cab and Chassis.

CC&C: Crew Cab & Chassis.

CKT: Circuit.

CN: Canadian National Railway.

CNG: Compressed Natural Gas.

CO: Carryover.

CPU: Central Processing Unit.

CSX: CSX Transportation.

CSX/RR: CSX Transportation Railroad.

DA: Distribution Automation.

DASD: Direct Access Storage Device.

DB: Decibel.

DDC: Direct Digital Controller.

DER: Distributive Energy Resources

GLOSSARY

Debt Service: Principal and interest payments on outstanding bonds.

DIMP: Distribution Integrity Management Program.

DOT: Department of Transportation.

ERC: Emergency Response Center.

ESO: Electric Systems Operations.

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

FC: Suffix for connector type.

FCI: Failed Circuit Indicators.

FEMA: Federal Emergency Management Agency.

FIS: Facility Information System.

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

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

GASB: Governmental Accounting Standards Board.

GIS: Geographic Information System.

GPS: Global Positioning System.

HHSC: Hickory Hill Service Center.

HMI: Human Machine Interface.

HP: High Pressure.

HSP: High Service Pump.

HVAC: Heating, Ventilation, and Air Conditioning.

IC RR: Illinois Central Railroad.

IDS: Intrusion Detection System.

IR: Infrared.

JT: Joint Trench.

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

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

KW: Kilowatt.

LC: Suffix for connector type.

LNG: Liquefied Natural Gas.

LOL: Leased Outdoor Lighting.

LWB: Long Wheel Base pickup.

MAOP: Maximum allowable operating pressure.

MDMS: Meter Data Management System.

MG: Millions of gallons.

MGD: Million gallons per day.

MH/DL: Manhole/Duct line.

MHz: Megahertz.

MSS: Management Support System.

NERC: North American Electric Reliability Corporation.

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

O&M: Operations and Maintenance.

OH: Overhead.

OPEB: Other Post Employment Benefits.

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

OPGW: Optical Ground Wire.

OTL: Oracle Time and Labor.

OTDR: Optical Time Domain Reflectometer.

Pad: Pad-mounted transformer.

PCB: Polychlorinated Bithenyls.

GLOSSARY

PSI: Pound per Square Inch.

PTAC: Packaged terminal air conditioning.

PTO: Power Take Off.

PV: Photo-Voltaic or solar cells.

ROW: Right of Way.

RR: Railroad.

RTU: Remote Terminal Unit.

SAN: Storage Area Network.

SC: Suffix for connector type.

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

SCBPU: Shelby County Board of Public Utilities.

SPCC: Spill Prevention, Control and Countermeasure.

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

T-line: Transmission line.

TDOT: Tennessee Department of Transportation.

TEMA: Tennessee Emergency Management Agency.

TIMP: Transmission Integrity Management Program

TOU: Time of Use.

UG: Underground.

UPS: Uninterruptible Power Source.

URD: Underground Residential Development.

USPS: United States Postal Service.

VAV: Variable Air Volume.

VFD: Variable Frequency Drive.

WAQL: Water Assurance Quality Lab.

WWRB: Wash water Recovery Basin.

XFMR: Symbol used to denote transformer.

XHP: Extra High Pressure.

XXHP: Extra, Extra High Pressure.