# Moving forward to a brighter future

# 2019 Annual Report

Memphis Light, Gas and Water Division



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# **About MLGW**

The responsibility to provide excellent service to the citizens of Memphis and Shelby County inspires us every day, infusing our purpose, principles and direction. Founded in 1939, Memphis Light, Gas and Water Division is the nation's largest full-service municipal utility company; our services of Electric, Gas and Water are the foundation to the quality of life that more than 433,000 customers enjoy. Each day, we strive to exceed expectations because "Serving You Is What We Do."

# **Our Suppliers**

The Tennessee Valley Authority (TVA) provides MLGW with wholesale electricity. MLGW is TVA's largest customer, representing about 11 percent of TVA's total load. MLGW buys its natural gas

from a variety of suppliers. It is transported by three pipeline companies – Texas Gas Transmission Corp., Trunkline Gas Co. and ANR Pipeline Co. Memphis and Shelby County receives its water from the Memphis Sand and Fort Pillow aquifers which is one of the largest artesian water systems in the world.



# **Our Leaders**

The president and a seven-member Board of Commissioners leads MLGW. Board members serve staggered terms. Two board members, who live outside of Memphis but within Shelby County, serve in an advisory, non-voting capacity. The Memphis Mayor appoints the President and the Board members with the approval of the Memphis City Council.

# MLGW Board of Commissioners

Michael E. Pohlmann Leon Dickson Sr. Carlee McCullough, Chair Steven Wishnia Mitch Graves, Vice Chair





# **Advisory Board Members**

Kevin Young Dwain Kicklighter

# **MLGW Senior Leadership Council**

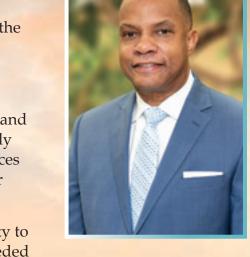
Jarl "J.T." Young, President and CEO Dana Jeanes, SVP, CFO & CAO Secretary - Treasurer Alonzo Weaver, SVP & COO Jim West, VP and Chief Customer Officer Gale Jones Carson, VP of Community and External Affairs Cliff DeBerry Jr., VP of Design, Construction and Delivery Von Goodloe, VP of Shared Services Nick Newman, VP of Engineering and Operations Cheryl Patterson, VP and General Counsel Lashell Vaughn, VP and CIO Lesa Walton, Chief Internal Auditing Officer Roland McElrath, VP of Accounting

# **President's Letter**

In the 80 years of service provided by Memphis Light, Gas and Water Division, there has never been a year quite like 2019. I'm excited to discuss the challenges we overcame as well as a bright forecast for the utility, its employees, customers and communities served.

In 2019, as the largest three-service utility in the United States, with more than 433,000 customers in Memphis and Shelby County, we re-formulated the reason why we exist (our mission statement) and where we are headed (our vision statement). Our mission is to safely deliver services that create and sustain superior customer experiences and our vision is to be the trusted provider of exceptional customer value in the communities that we are privileged to serve.

As we anticipated, challenges materialized because of our inability to secure rate and budget approvals required to make some much needed



changes and improvements to our system. For instance, we knew more customers would experience outages and those outages would likely last longer than in 2018. In 2019, an average of 68,442 customers per month experienced an outage – an increase of 4% compared to 2018. Those outages lasted an average of 204 minutes per customer, a 22.2% increase from 2018. That equates to 167.3 million minutes of service interruption for MLGW customers, an increase of 27.3% from 2018.

Yet, MLGW employees persisted. Specifically, I recall the tornado that struck our service territory in late October, knocking out service to 43,000 customers. The damage was significant but most customers had their power restored the same day — just like in the aftermath of the other major outages. The consistency and efficiency of MLGW crews stood out as further evidence that MLGW's investments in employees, infrastructure and our communities have proven true.

Our safety culture has taken root. Our values, the MLGW Way, are blossoming; the core principles of safety, integrity, ownership, inclusion and compassionate service guide us to do more for our customers. For example, beyond offering some of the lowest rates in the nation, we enhanced mlgw. com to give customers a better mobile experience. We're involved with economic development projects that will alter downtown Memphis. Through programs like Share The Pennies, we have weatherized 350 homes and counting.

In 2019, we hosted several public meetings to gather input from customers and other stakeholders on our Integrated Resource Plan (IRP), a process that examines our future electric load and how MLGW should source its wholesale electric power supply in the future. We had an in-depth study to discover efficiencies within our operations. And given the approval of our first-ever, multi-year rate plan, we are fully equipped to improve our services.

#### The future is bright.

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



# **OUR PROGRESS**

## 80 years of service

In 2019, Memphis Light, Gas and Water is proud to celebrate a significant milestone – 80 years of providing utility services to the residents of Memphis and Shelby County. MLGW was officially chartered as the city's utility company in 1939. Eighty years later, MLGW is the nation's largest three-service municipal utility with some of the lowest combined rates of any utility in the country.

MLGW began as a dream of prominent Memphians, such as Shelby County political leader and former Memphis Mayor E.H. Crump, to have all the utilities in the city owned and operated by the city government and free of interference from far-off companies and non-local interests.

When the Tennessee Valley Authority was formed in 1933, many felt the opportunity had arrived for Memphis to obtain cheap electric power. The unified Memphis Light and Water Division was formed in 1935 to oversee power and water systems and a contract with TVA was also signed that year. After three years of litigation and negotiations, a sale agreement for purchase of Memphis Power and Light was reached. On March 9, 1939, the governor of Tennessee signed an amendment to the Memphis charter creating Memphis Light, Gas and Water Division.

Since 1939, the Division has strived to improve the quality of life of Memphis and Shelby County customers through efficient and safe delivery of electricity, natural gas and water. The slogan found on the first MLGW logo still resonates with the Division today: "Public Service – Publicly Owned."







ANNIVERSARY

1939 - 2019

MLGV

# **MLGW:** A timeline

- During the 1940s, many of the Division's employees temporarily left their jobs to serve their country during World War II.
- In 1950, MLGW crews responded to a crippling ice storm on Jan. 5 and 6, which interrupted power and caused \$567,000 in property damage. Permanent repairs continued for nine months.



- Work began in 1967 on the new MLGW Administration Building at 220 South Main Street. With the move in 1969 to a new location came a new logo as well, symbolizing MLGW's advances as a modern utility.
- During the 1970s, MLGW promoted the Gold Medallion all-electric houses as the homes of the future, focusing on energy efficiency.
- In 1986, MLGW joined forces with the University of Memphis to create a communitybased consortium known as Energy Vision.
- MLGW's electric distribution system sustained nearly \$15 million in damages when the city was hit with a devastating ice storm in 1994. MLGW employees worked around the clock to restore power to 250,000 customers.



# **OUR MISSION**

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

# **OUR VISION**

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

# **OUR VALUES**

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



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

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

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

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





# The MLGW Way

In 2019, Memphis Light, Gas and Water Division's updated mission statement is to safely deliver services that create and sustain superior customer experiences. The daily objective is to deliver great experiences for customers whether it is electric, gas or water. MLGW President and CEO J.T. Young wanted to inspire employees with a clear understanding of where the utility is headed and the core principles that are essential to providing exceptional service.

President Young said the vision — where MLGW is headed — is to be the trusted provider of exceptional customer value in the communities that the utility is privileged to serve. MLGW wants to be entrusted with the confidence of those customers that we serve. That's why it is important for MLGW to remain engrossed and engaged in the communities that we serve and MLGW will do this by holding onto its "non-negotiable" values of safety, integrity, ownership, inclusion and compassionate service. These values will dictate how MLGW employees engage and serve customers as well as each other.







# Memphis: 10 years among lowest winter utility bills

MLGW continues to provide electricity, gas and water to Memphis and Shelby County at some of the lowest rates in America, according to the utility's annual Rates Survey. MLGW's typical winter residential bill was the third lowest among the U.S. cities surveyed. Only Oklahoma City and San Antonio posted lower rates than MLGW. We survey more than 40 cities, including many that are geographically close to Memphis, as well as utilities that are similar in size. All costs covered in this survey are based on published rates effective January 2019. Memphis continues to outperform many cities in terms of what customers pay for electricity, natural gas and water services.



## Water rate increase approved

In 2019, the Memphis City Council approved an increase in water rates. The increase took effect March 2019 and will last through February 2020. The measure will raise roughly \$2.5 million and help cover a projected 2019 deficit in the utility's Water Division.



# **OUR PRESENT**

# A new MLGW.com

In 2019, Memphis Light, Gas and Water launched a new, improved mlgw.com. Among the many improvements, the new site is focused on giving our customers an enhanced mobile experience. The website design adapts its display to the user's screen size, making it more user-friendly. Recent research shows that mobile users accounted for 50 percent of all visitors



to mlgw.com. PC users accounted for 45 percent, while tablet users were five percent. The updated site also gives customers quicker access to what they need, such as My Account, Bill Pay, information about assistance programs, important phone numbers, payment options, and online interaction through MLGW's social media and web chat.

# Flipping the switch on solar power

In April 2019, MLGW participated in the "Flip the Switch" ceremony in Millington, TN for what is now the largest solar farm in the state.

Public-private partners for the \$100 million project include the city of Millington, the U.S. Navy, the Millington Industrial Development Board (MIDB), the Tennessee Valley Authority



(TVA), Memphis Light, Gas and Water Division and the land owner, Silicon Ranch Corp.

It took 300 people eight months to assemble the solar farm consisting of 580,000 sun-tracking photovoltaic panels. The farm, which sits on about 390 acres of land, will generate 53 megawatts of energy or enough to power 7,500 homes annually to the benefit of the Millington Navy Base and surrounding community.

# **Improving Downtown**

MLGW is making improvements to the reliability of the Downtown network by replacing substation assets at its Front Street Substation No. 4. Originally energized in December of 1939, the substation feeds a major portion of the Downtown network. MLGW is replacing power transformers and circuit breakers that have been in service since 1951. These upgrades, along with others planned



in the future, should help to improve the reliability of the network and reduce customer outages. The project began in December 2018 and is expected to be completed during the first quarter of 2020. These improvements are being made while the substation is operating and will not cause a disruption in service.

MLGW is also currently involved with several projects that are helping to revitalize the Downtown area. Ongoing projects include:

- New Loew's convention center hotel across from City Hall.
- New hotel at B.B. King Boulevard and Union Avenue, across from AutoZone Park.
- New Hyatt hotel at Front and Beale Streets.
- New apartments, restaurant and garage as a part of One Beale.
- \$950 million Union Row project.
- \$1 billion investment project in the Pinch District.



## **OUTAGE MINUTES**

		Average Number of Customers Out/Month	Average Outage Minutes /Customer	Total Minutes Out (in millions)	/
t	2019	68,442	204	167.3	4
1	2018	65,783	167	131.4	
~					

# MLGW employees play vital role in blood donations

MLGW donors collectively gave 648 units of blood during the 2019 Vitalant Blood drives (formerly Lifeblood), touching the lives of up to 1,944 individuals and their families.

In order to serve the local community, Vitalant must collect 350 units of blood per day, meaning MLGW employees gave enough blood to supply nearly two days' worth of need. Founded in 1943, Vitalant is one of the nation's oldest and largest nonprofit transfusion medicine organizations. Comprised of a network of more than 125 community blood centers, each with its own rich history and legacy, Vitalant

provides blood and special services to patients in more than 1,000 hospitals across 40 states. Each year, nearly 5 million Americans need blood transfusions. Blood helps trauma and burn patients, premature infants, heart surgery patients, organ transplant recipients and those fighting cancer, among others.



## "The MAGIC of Safety" survey winners

Many new safety initiatives, processes and informationsharing projects were implemented in 2019. Corporate Safety Day for Customer Service Week in October was the perfect opportunity to get employee feedback. Corporate Safety challenged all areas across the Division to select which new safety initiative is making the most positive impact and to explain why. Congratulations to the employees of the Construction Services and Facilities Location area, Todd Carr, Supervisor and Gregg Deaton, Manager, for the winning safety survey entry. When asked "which new MLGW safety initiative do you feel has had (or will eventually have) the most positive safety impact on the Division," 61% of survey participants selected "The overall increased awareness at every level of the enterprise." However, in response to, "why", the Construction Services and Facilities Location Area said the choice was obvious since it covers everybody in every department. Todd Carr said. "... It seems that the new safety culture being incorporated at MLGW is already beginning to take hold in our department. Safety is most effective when everyone at every level makes it a priority."

gw.com/speaker

BAD SAFETY

UTO

# MLGW adopts Craigmont Middle

Beverly Perkins, Corporate Social Responsibility, and Genevieve Thomas, Human Performance, met with the Principal Veda Turner and her staff of Craigmont Middle, our new adopt-a-school on Oct. 28. Perkins said MLGW selected Craigmont Middle because the school at 3455 Covington Pike is close to two MLGW facilities –



MLGW University and also Systems Operations. MLGW gave the school about a half-dozen boxes filled with tissues, hand wipes and hand sanitizer that MLGW employees collected during its, "School's In, Germs Out" drive.

# MLGW raises funds for Mid-South Food Bank

MLGW employee donations and fundraising activities hit a new all-time high for the Mid-South Food Bank. For 2019, MLGW employees raised \$43,149 – more than any other company in the Memphis area. In addition to garnering first place among large corporations, MLGW's contribution totaled 52% of the \$82,773 that was collected during the 2019 food drive. MLGW raised \$41,300 in 2018 and \$37,888 in 2017 for the agency. "I know some people call us Memphis Light, Gas and Robbery, but I don't think they know about this part," MLGW President and CEO J.T. Young said, referencing MLGW's strong community involvement during the MLGW

Operation Feed Recognition program. Organizers held the recognition program at the new Mid-South Food Bank operations at 3865 S. Perkins Rd. This year, MLGW saw 100% participation among 31 departments. Arnisa Price-Davis, GIS EAM and Materials Systems, and Vice-President and CIO Lashell Vaughn tied for top point giver for 2019. Among departments that were recognized: Client Services was named the Top Area and Design, Construction and Delivery was named as the Top Department based on the number of points donated by its employees. Also, Geographic Information Systems, Enterprise Asset Management and Material Systems won first place among small areas with 39 employees or less. Residential Resource Center topped the list among medium-sized areas with 40 to 69 employees. Construction Services and Facilities won the Large Areas with more than 70 employee category. After the program, MLGW workers toured the new \$12.9 million office and warehouse space. The Food Bank is using about 150,000 square feet of the building to store donated food for its partner agencies in 31 counties in Arkansas, Tennessee and Mississippi. Vice President of Design, Construction and Delivery Cliff DeBerry served as the Food Drive's executive sponsor, along with co-chairwomen Liz Williams, Client Services, and Sharika Hollingsworth, Treasury Management.





## Two sistahs dedicated to serving others

Since the summer of 2019, two employees from the Purchasing Department of Memphis Light, Gas and Water Division have taken upon themselves to meet the needs of the homeless.

two sistahs

Every Friday, on their lunch break and using their own funds, Demetria Bowers-Adair and Camela Mitchell – or the "Two Sistahs" as they have become known – load their carts and hit the streets of downtown Memphis. They started with bottled water and have evolved to a variety of full lunches.

"Our motto is, 'if they can live out here, we can serve out here,'" Demetria Bowers-Adair told a

local TV station. "We try to make them feel special."

They walk until they run out of supplies. Rain, snow, sun or whatever, they serve because the people being helped are living in those conditions.

"Camela and I are sisters in Christ, and we're sisters at work and sisters outside of work so two sisters who are just trying to help," said Bowers-Adair, though she and Mitchell are not related.

Serving others is what they do, building strong relationships with every act of kindness.





## MLGW finishes work on 350 homes in Share The Pennies Program

Founded in 2018, Share the Pennies came to fruition after the work of MLGW, the MLGW Board of Commissioners, Councilwoman Patrice Robinson and other Memphis City Council Members who supported a grassroots effort to create sustainable funding to address low-income energyefficiency and weatherization in Memphis and Shelby County.

The Share the Pennies program rounds up customer utility bills and then provides grants to low-income homeowners to make energy-efficiency and



weatherization repairs to their homes. At the beginning of the program, MLGW formed a key partnership with TVA that expanded the program's capacity and to ensure a successful launch. As part of the partnership, TVA provided \$1 million in supplemental funding; 100 percent of the funding went towards the completion of homes – contract labor, materials, mechanical equipment, etc.

TVA also provided additional



funding to pay for technical assistance and additional personnel to complement and support the MLGW Share the Pennies staff. As a result of this partnership and shared resources, TVA helped fund the completion of 350 homes and counting in Memphis and Shelby County.

"I couldn't afford to do these things," said Murlene Beauregard, a recipient of Share The Pennies work and who is 67 and legally blind. With the repairs finished, she added, "This is



going to really take a lot of stress off us." Anthony Jackson with Jackson General Contractors of Memphis and his crew installed two new heat pumps and air conditioning units, patched gaping holes in the ceiling, walls and floors, repaired a sewer leak under the house and leveled sagging floors. Beauregard babysits her five grandchildren while her daughter works.

Regarding the Share the Pennies program, Jackson said, "Most of the time, I'm a person who doesn't like (spare) change. I either lose it or it falls between the seats. Change is always being disregarded. This program puts it in perspective what those pennies actually can do and who they can help."



# **OUR FUTURE**

# On power supply alternatives

At MLGW, we strive to provide the most reliable and affordable services for our customers. TVA has been a great partner for the past 80 years and we are thankful for their service to our company and our community, however, we must weigh our options for other power sources to determine if our current arrangement is optimal. The Integrated Resource Plan process is an industry standard approach for utilities to assess optimal resources needed for the long-term electricity supply to meet the needs of their customers. It is important to note that MLGW has never engaged in this process before due to our ability to take reliable, full requirements electric service from TVA. Siemens Industry was hired to work with Memphis Light, Gas and Water Division as an energy power consultant to produce an IRP. The evaluation will help us make an objective decision regarding our energy future, including if we should generate some power locally and if we should stay with our current power supplier, TVA.

## Finding greater efficiencies

In 2019, MLGW hired Baker Tilly of Chicago to take a critical look at its operations and gauge the condition and needs of MLGW's infrastructure. "We are going to have to do things differently moving forward than we have done in the past," President and CEO J.T. Young said. "We have to be more agile and nimble."







# **Baker Tilly's report recommendations included:**

#### • Reducing staff by 300-350 employees over the next five years

Although MLGW benefits are in line with the industry, MLGW has 11-13% more staff than comparable utility companies. The reduction likely would come through attrition as roughly 100 employees retire annually. By reducing staffing numbers, MLGW could save a total of \$30-35 million. Baker Tilly did not annualize the reduction.

#### • Over the next five years

By closing the Millington, North-Summer, Whitehaven offices and potentially the Lamar office over five years, MLGW could save from \$540,000 to \$4.9 million. The Downtown community office would remain open and Lamar would remain open for now, but would require further study.

# • Changing the procurement process to avoid carrying excessive inventory

Currently, the Memphis City Council must approve expenses in excess of \$50,000. Baker Tilly suggested raising that amount to \$500,000. "If your procurement process is broken, then your inventory process is broken," Humrickhouse said. She said MLGW should stockpile only items which are critical and hard to stock.

#### Modernizing our water system

If a new industry located in Memphis, it would tax the existing water system. About 43% of MLGW's active wells are older than the typical time when wells are abandoned and new ones are built. MLGW needs 35-40 new wells. One well costs about \$1.4 million. MLGW's customer revenue for water, operational and maintenance expenses and capital investments are lower than five comparable water utility companies.

# • Returning to a three-year vegetation and tree trimming cycle for power lines

Back lots may need additional funding to catch up with the three-year cycle trim. Vegetation "is the leading cause of outages," Tippey said.

MLGW officials will continue studying the 91-page Baker Tilly report as well as the 44-page infrastructure report. We will continue to update both our customers as well as our employees as we consider making changes.

# Letter of Transmittal

MEMPHIS LIGHT, GAS AND WATER DIVISION



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

We are pleased to submit the Annual Report of Memphis Light, Gas and Water Division (MLGW) for the fiscal year ending on December 31, 2019, as required by the Charter Provisions of the City of Memphis (City) creating Memphis Light, Gas and Water Division. This report has been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for proprietary funds of governmental entities.

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

MLGW's financial statements have been audited by Mayer Hoffman McCann P.C., licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of MLGW for the fiscal year ending on December 31, 2019 are free from



material misstatement. The audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements; evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management; and evaluating the overall financial statement presentation.

The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that MLGW's financial statements for the fiscal year ending on December 31, 2019 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of the report.

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

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



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

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

MLGW is managed by a Board of Commissioners, which consists of five members nominated by the Mayor and approved by the City Council and two advisory, non-voting members which were added in 2017. The Board is responsible for supplying the Division's service areas with electricity, gas and water. Board members serve staggered terms of three years each. Every two years, the Board elects a Chairman and a Vice Chair, whose terms begin January 1. Board members continue to serve until a new board member is appointed by the Mayor and confirmed by the City Council.

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

**Local Economy** – Memphis sits on the banks of the Mississippi River in the southwestern corner of Tennessee. The Bluff City ranks as the second largest city in the state and, with a population of 662,038, is the hub of the 43rd largest metropolitan statistical



area in the nation. According to the Greater Memphis Chamber, in 2019, the city landed 26 major projects, retained 1,787 jobs and created nearly 2,500 more jobs. More than \$467 million in investments were made in 2019. Three Fortune 500 world headquarters – FedEx, International Paper and AutoZone – call Memphis home. In addition, Nike, Hilton, Coca-Cola and Medtronic have major offices or distribution facilities in Memphis. Memphis was recently named as the Number 1 city in America for black businesses.

MLGW has a major impact on the local economy. Of the \$192 million the Division spent in 2019 for goods, supplies and services, 25 percent – or \$48 million – went to companies owned by minorities and women or local small businesses. For 28 years, Memphis customers have spent less for winter utility bills than their counterparts in many metro areas, capturing the top ranking 16 times since 1992. All three Divisions hold good credit ratings from Standard and Poor's and Moody's.

**National Economy** – According to the Bureau of Economic Analysis, a division of the U.S. Department of Commerce, real gross domestic product (GDP), a key indicator of economic growth, increased 2.3 percent for all of 2019. Increases in healthy consumer spending levels, including significant, nonresidential fixed investment, federal government spending, state and local government spending, and private inventory investments offset by a negative contribution from residential fixed investments, contributed to the GDP's growth in 2019.

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

In 2019, MLGW invested over \$102.2 million in capital assets and system infrastructure. The smart meter project is a major continuing initiative which is moving ahead of the 2020 schedule. All residential electric smart meters have been installed, and the commercial and industrial continue to be installed. As a part of the smart meter program, MLGW began to offer prepayment options for customers which provides an alternative to receive and pay for utility services.

MLGW continues to invest in the infrastructure with focuses on reliability and infrastructure improvements, including substation and transmission improvements as well as distribution improvements. The MLGW Way Forward includes opportunities to help move our community forward with Smart-Cities initiatives, LED street-lighting, and converting overhead lines to underground where feasible.

The Gas Division maintained progress on its 30-year cast iron pipe replacement program. Gas smart meter deployment continues to be a primary focus. The residential smart meter installations for the Gas Division are planned to be completed by the end of 2020.

For the Water Division, work included major rehabilitation to the Mallory, Sheahan, and Allen pumping stations. MLGW is committed to removing lead service lines from the distribution system. The installation of residential water smart meters is scheduled to be completed by the end of 2020.

Acknowledgements – The preparation of this report was made possible by the overall dedication of MLGW's Finance Division. We would like to express our appreciation to all Finance Division members who helped prepare this report. Special thanks must also be given to Mayer Hoffman McCann P.C. and Jones & Tuggle PLLC for their efficient and timely completion of this year's audit.

Respectfully submitted,

larl

President and CEO

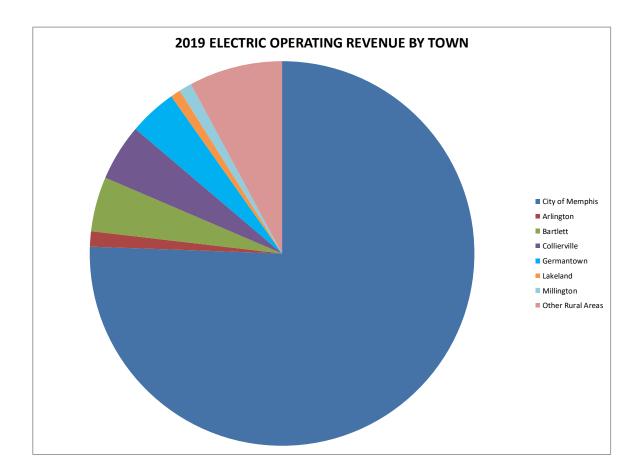
Dana J. Jeanes Senior Vice President, CFO & CAO (Secretary-Treasurer)

#### FINANCIAL HIGHLIGHTS FOR THE YEARS ENDED DECEMBER 31, 2019, 2018, AND 2017 (dollars and consumption in thousands)



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

	ELECTRIC AMOUNT						E	LECTRIC KWH	I
	2019		2018		2017		2019	2018	2017
City of Memphis	\$ 971,766	\$	976,456	\$	941,590		10,208,674	10,604,732	10,154,668
Arlington	16,474		15,915		14,859		172,251	173,569	161,287
Bartlett	59,155		59,161		54,997		582,052	604,446	560,817
Collierville	61,211		60,549		57,100		627,717	641,313	600,718
Germantown	51,645		51,230		47,985		520,145	535,716	499,700
Lakeland	10,954		10,943		10,073		109,790	113,885	104,400
Millington	13,709		13,722		12,733		134,109	138,915	129,112
Other Rural Areas	101,062		101,931		94,737		1,132,205	1,180,513	1,097,479
Total	\$ 1,285,976	\$	1,289,907	\$	1,234,074		13,486,943	13,993,089	13,308,181

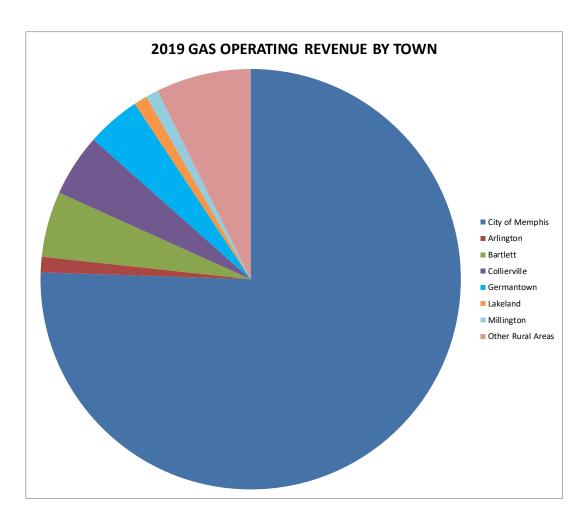


#### FINANCIAL HIGHLIGHTS FOR THE YEARS ENDED DECEMBER 31, 2019, 2018, AND 2017 (dollars and consumption in thousands)



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

	GAS AMOUNT						GAS	MCF			
	 2019		2018		2017	_	2019	20	18	2017	_
City of Memphis	\$ 196,820	\$	206,081	\$	174,012	_	25,466	2	6,731	20,122	-
Arlington	3,106		3,284		2,481		446		474	331	
Bartlett	13,142		14,137		10,705		1,818		1,969	1,361	
Collierville	12,513		13,233		10,259		1,818		1,929	1,400	
Germantown	10,809		11,610		8,953		1,609		1,726	1,247	
Lakeland	2,677		2,829		2,265		380		404	300	
Millington	2,540		2,723		2,216		366		390	305	
Other Rural Areas	 19,021		20,291		15,512	_	2,638		2,834	1,976	_
Total	\$ 260,628	\$	274,188	\$	226,403	=	34,541	3	6,457	27,042	-
	 					-					

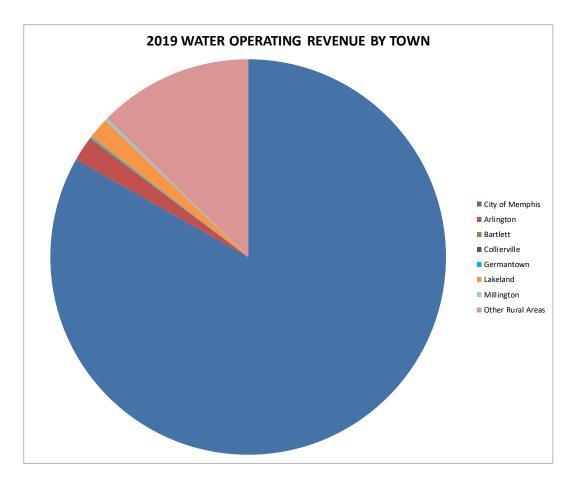


#### FINANCIAL HIGHLIGHTS FOR THE YEARS ENDED DECEMBER 31, 2019, 2018, AND 2017 (dollars and consumption in thousands)



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

	WATER AMOUNT			N N	VATER CCF			
	2019		2018	2017		2019	2018	2017
City of Memphis	\$ 87,921	\$	85,851	\$ 83,144		44,460	44,103	42,499
Resale to Other Municipalities:								
Arlington	2,162		2,054	1,849		646	640	566
Bartlett	51		49	49		3	3	3
Collierville	3		1	-		-	-	-
Germantown	108		99	111		27	24	32
Lakeland	1,869		1,789	1,700		563	553	525
Millington	215		206	184		57	56	51
Other Rural Areas	 13,355		13,091	12,476		4,033	4,064	3,865
Total	\$ 105,684	\$	103,140	\$ 99,513		49,789	49,443	47,541



# Financial Section

Memphis Light, Gas and Water Division







5100 Poplar Ave., 30<sup>th</sup> Floor Memphis, TN 38137 Main: 901.685.5575 Fax: 901.685.5583 www.mhmcpa.com

#### **Independent Auditor's Report**

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

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Electric, Gas and Water Divisions (the "Divisions") of Memphis Light, Gas and Water Division, enterprise funds of the City of Memphis, Tennessee, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Divisions' basic financial statements as listed in the table of contents.

#### Management's Responsibility for the Financial Statements

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

#### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Divisions' preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



#### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Electric, Gas and Water Divisions of Memphis Light, Gas and Water Division as of December 31, 2019 and 2018, and the changes in their financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Emphasis of Matter**

As discussed in note 1, the financial statements present only the Electric, Gas and Water Divisions of Memphis Light, Gas and Water Division, and do not purport to, and do not, present fairly the financial position of the City of Memphis, Tennessee, as of December 31, 2019 and 2018, and the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

#### **Other Matters**

#### Required Supplementary Information

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

#### Other Information

Our audits were conducted for the purpose of forming opinions on the basic financial statements of each Division. The introductory section and supplemental information on the pages listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of bonds, principal and interest requirements; schedule of current utility rates; non-revenue water; and schedule of insurance are required by the State of Tennessee Comptroller of the Treasury's *Audit Manual*.

The supplementary information shown as the schedule of bonds, principal and interest requirements and the schedule of additions and retirements to utility plant is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this supplementary information is fairly stated, in all material respects in relation to the basic financial statements as a whole.

The introductory section and supplementary information shown as the schedule of current utility rates, non-revenue water, and schedule of insurance have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

#### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2020, on our consideration of the Divisions' internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Divisions' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Divisions' internal control over financial reporting and compliance.

Mayer Hoffman McCann P.C.

Memphis, Tennessee June 3, 2020 The following management discussion and analysis ("MD&A") for the Electric, Gas, and Water Divisions of Memphis Light, Gas and Water Division ("MLGW") is intended as an introduction and should be read in conjunction with the financial statements and the notes that follow this section.

MLGW

SERVING YOU IS WHAT WE DO

#### Highlights

- In 2019, President and CEO J.T. Young revealed the new mission, vision, and values for the Division, weaving safety deeply into the fabric of the messaging. Mission is "to safely deliver services that create and sustain superior customer experiences." Vision is "to be the trusted provider of exceptional customer value in the communities we are privileged to serve." The MLGW way is compassionate service, safety, integrity, ownership, and inclusion.
- Founded on March 9, 1939, MLGW celebrated a golden anniversary with 80 years of service.
- In 2019, MLGW commissioned a study by GDS Associates, Inc. to evaluate long-term power supply alternatives, including a proposal by Nuclear Development LLC. Also, as part of weighing out power source options, MLGW engaged Siemens Industry Inc. to assist in developing its first Integrated Resource Plan (IRP) and created a 21-member Power Supply Advisory Team (PSAT) to provide input on deciding the most effective and reliable options for the next 20 years or longer.
- MLGW did not issue any debt in 2019, but does continue to hold strong credit ratings. The Electric Division's bonds continue to maintain an Aa2 by Moody's Investors Service ("Moody's") and AA- by Standard & Poor's Ratings Services ("S&P"). The Gas Division's bonds continue to maintain an Aa1 by Moody's and AA- by S&P. The Water Division's bonds continue to maintain an Aa1 by Moody's and AAA by S&P. The AAA rating is the highest rating given by S&P.
- MLGW partnered with the city of Millington, the U.S. Navy, the Millington Industrial Development Board, the Tennessee Valley Authority, and the land owner, Silicon Ranch Corporation to build the largest solar farm, 390 acres, in the state of Tennessee that will generate 53 megawatts of energy or enough to power 7,500 homes annually to benefit the Millington Navy Base and the surrounding community.
- MLGW released its annual Rates Survey which surveyed more than 40 cities, including many that are geographically close to Memphis, as well as utilities that are similar in size. MLGW continues to provide relatively low rates and outperforms many cities in terms of what customers pay for electricity, natural gas, and water services.
- MLGW was ranked seventh in the utilities category in Security Magazine's 2019 Ratings in November 2019.
- MLGW continues to be intentional in its efforts to encourage the growth of minority, women, and locally owned small business enterprises by providing opportunities for MWBE/LSBs to furnish goods and services through MLGW's Supplier Diversity Program. MLGW spent \$48.0 million with MWBE/LSBs during 2019.

#### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (Continued)



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

MLGW's financial statements are comprised of the Statements of Net Position; the Statements of Revenues, Expenses and Changes in Net Position; the Statements of Cash Flows; and the accompanying Notes. This report also contains required and supplemental information in addition to the basic financial statements.

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

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

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

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

#### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (Continued)



#### STATISTICAL HIGHLIGHTS-ELECTRIC DIVISION

Years Ended December 31

CATEGORIES		2019		2018		2017
OPERATING REVENUE	•		•		•	
Residential	\$	537,759,445	\$	540,654,354	\$	490,018,631
Commercial - General Service		599,341,312		597,183,375		585,741,219
Industrial		93,352,160		94,610,010		98,508,276
Outdoor Lighting and Traffic Signals		11,888,094		11,616,880		11,410,983
Street Lighting Billing		13,380,628		13,296,087		13,180,372
Interdepartmental		9,108,399		8,879,495		8,244,320
Green Power		(256,569)		(273,991)		(240,957)
Miscellaneous		27,674,100		35,180,634		28,895,434
Accrued Unbilled Revenue		(2,157,405)		(6,504,269)		3,864,761
Revenue Adjustment for Uncollectibles TOTAL OPERATING REVENUE	\$	(4,113,919) 1,285,976,245	\$	(4,736,014) 1,289,906,561	\$	(5,549,465) 1,234,073,574
	Ψ	1,200,070,240	Ψ	1,203,300,301	Ψ	1,204,070,074
CUSTOMERS (See Note at page M-5)		074 774		000.040		070.000
Residential		371,771		368,848		370,693
Commercial - General Service		43,392		43,319		43,469
Industrial		112		118		118
Outdoor Lighting and Traffic Signals		17,166		17,171		17,186
Interdepartmental		41 432,482		43		36
Total Customers		432,462		429,499		431,502
KWH SALES (THOUSANDS)						
Residential		5,359,163		5,596,144		5,042,850
Commercial - General Service		6,076,707		6,264,086		6,138,759
Industrial		1,785,888		1,865,158		1,870,301
Outdoor Lighting and Traffic Signals		89,241		88,940		89,244
Street Lighting Billing		77,233		76,823		76,117
Interdepartmental		98,711		101,938		90,910
Total KWH Sales (Thousands)		13,486,943		13,993,089		13,308,181
OPERATING REVENUE/CUSTOMER						
Residential	\$	1,446.48	\$	1,465.79	\$	1,321.90
Commercial - General Service		13,812.25	·	13,785.71	·	13,474.92
Industrial		833,501.43		801,779.75		834,815.90
Outdoor Lighting and Traffic Signals		692.54		676.54		663.97
Interdepartmental		222,156.06		206,499.87		229,008.89
OPERATING REVENUE/KWH*						
Residential	\$	0.100	\$	0.097	\$	0.097
Commercial - General Service	Ψ	0.099	Ψ	0.095	Ψ	0.096
Industrial		0.052		0.051		0.053
Outdoor Lighting and Traffic Signals		0.133		0.131		0.128
5 5 5		0.173		0.173		0.123
Street Lighting Billing Interdepartmental		0.092		0.087		0.091
KWH/CUSTOMER						
Residential		14,415.23		15,171.95		13,603.84
Commercial - General Service		140,042.12		144,603.66		141,221.54
Industrial		15,945,428.57		15,806,423.73		15,850,008.47
				5,179.66		
Outdoor Lighting and Traffic Signals		5,198.71 2,407,585.37		2,370,651.16		5,192.83
Interdepartmental		2,407,000.37		2,370,031.10		2,525,277.78
*See graph on M-6.						

\*See graph on M-6.

#### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (Continued)



#### STATISTICAL HIGHLIGHTS-GAS DIVISION

Years Ended December 31

CATEGORIES		2019	2018	2017
OPERATING REVENUE				
Residential	\$	153,114,037 \$	163,500,978	\$ 126,870,403
Commercial - General Service		69,686,174	74,766,266	59,846,939
Industrial		1,713,205	2,051,696	1,699,136
Interdepartmental		242,423	202,083	238,872
Transported Gas		12,037,019	10,002,561	7,765,697
Spot Gas		8,327,329	7,711,270	7,125,396
Liquefied Natural Gas (LNG)		4,337,503	6,302,664	4,469,127
Compressed Natural Gas (CNG)		192,880	263,091	4,409,127
				,
		18,489,374	13,668,952	15,508,704
Accrued Unbilled Revenue		(6,355,767)	(2,935,049)	4,469,213
Revenue Adjustment for Uncollectibles TOTAL OPERATING REVENUE	\$	(1,156,659) 260,627,518 \$	(1,346,852) 274,187,660	(1,749,310) \$ 226,402,784
	Φ	200,027,510 \$	274,107,000	φ 220,402,704
CUSTOMERS (See Note at page M-5)		000.047	200.040	202.040
Residential		292,017	290,918	292,019
Commercial - General Service		21,556	21,525	21,621
Industrial		31	33	30
Interdepartmental		14	14	12
Transported Gas		40	41	81
Spot Gas		21	21	23
Subtotal		313,679	312,552	313,786
		6	5	3
CNG (Sales Transactions)		528	388	297
Total Customers		314,213	312,945	314,086
MCF SALES				
Residential		20,779,764	22,439,731	15,824,781
Commercial - General Service		11,232,469	11,640,262	9,099,362
Industrial		368,249	423,747	370,190
Interdepartmental		42,980	35,649	44,633
Spot Gas		2,117,238	1,917,677	1,703,336
Subtotal		34,540,700	36,457,066	27,042,302
LNG		601,804	847,645	574,294
CNG		19,415	19,819	15,552
Total MCF Sales		35,161,919	37,324,530	27,632,148
OPERATING REVENUE/CUSTOMER				
Residential	\$	524.33 \$	562.02	\$ 434.46
Commercial - General Service	Ŧ	3,232.80	3,473.46	2,768.00
Industrial		55,264.66	62,172.61	56,637.87
Interdepartmental		17,315.90	14,434.47	19,906.01
Transported Gas		300,925.46	243,964.90	95,872.80
Spot Gas		396,539.48	367,203.35	309,799.81
		000,000.40	007,200.00	000,700.01
OPERATING REVENUE/MCF*	¢	7.070 \$	7 000	¢ 0.047
Residential	\$	7.370 \$	7.290	
Commercial - General Service		6.200	6.420	6.577
Industrial		4.650	4.840	4.590
Interdepartmental		5.640	5.670	5.352
Spot Gas		3.930	4.020	4.183
MCF/CUSTOMER				
Residential		71.16	77.13	54.19
Commercial - General Service		521.08	540.78	420.86
Industrial		11,879.00	12,840.82	12,339.68
Interdepartmental		3,070.00	2,546.36	3,719.42
Spot Gas		100,820.86	91,317.95	74,058.09
			,	,

\*See graph on M-6.



#### STATISTICAL HIGHLIGHTS-WATER DIVISION

Years Ended December 31

CATEGORIES	2019	2018	2017
OPERATING REVENUE			
Residential	\$ 49,915,645	\$ 50,118,689	\$ 48,029,486
Commercial - General Service	45,732,682	43,511,198	42,060,419
Resale	137,683	133,409	133,360
Fire Protection	5,427,009	5,221,165	5,102,740
Interdepartmental	71,923	66,316	118,612
Miscellaneous	5,198,870	5,462,018	4,815,982
Accrued Unbilled Revenue	43,598	(473,184)	256,154
Revenue Adjustment for Uncollectibles	 (848,050)	(899,523)	(1,003,826)
TOTAL OPERATING REVENUE	\$ 105,679,360	\$ 103,140,088	\$ 99,512,927
CUSTOMERS (See Note below)			
Residential	229,683	228,471	229,285
Commercial - General Service	20,484	20,422	20,625
Resale	12	11	12
Fire Protection	5,322	5,263	5,347
Interdepartmental	57	55	50
Total Customers	 255,558	254,222	255,319
METERED WATER (CCF)			
Residential	21,670,184	22,596,541	21,419,459
Commercial - General Service	28,076,862	26,806,056	26,029,425
Resale	14,085	14,736	14,896
Interdepartmental	27,595	25,180	76,836
Total CCF Sales	 49,788,726	49,442,513	47,540,616
OPERATING REVENUE/CUSTOMER			
Residential	\$ 217.32	\$ 219.37	\$ 209.48
Commercial - General Service	2,232.61	2,130.60	2,039.29
Resale	11,473.58	12,128.13	11,113.30
Fire Protection	1,019.73	992.05	954.32
Interdepartmental	1,261.80	1,205.74	2,372.24
OPERATING REVENUE/CCF*			
Residential	\$ 2.303	\$ 2.218	\$ 2.242
Commercial - General Service	1.629	1.623	1.616
Resale	9.775	9.053	8.953
Interdepartmental	2.606	2.634	1.544
CCF/CUSTOMER			
Residential	94.35	98.90	93.42
Commercial - General Service	1,370.67	1,312.61	1,262.03
Resale	1,173.75	1,339.64	1,241.33
Interdepartmental	484.12	457.82	1,536.72

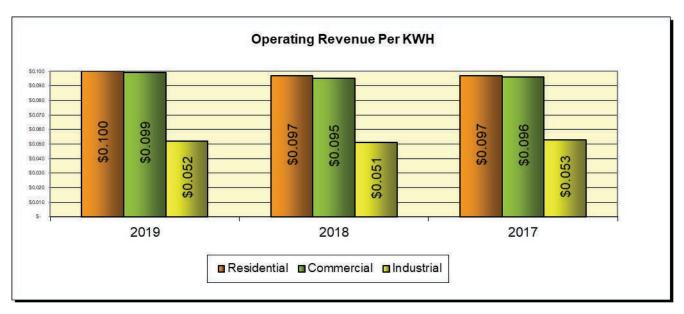
\*See graph on M-7.

Note: In September 2018, MLGW introduced a more accurate method of counting customers which decreased the reported customer totals. Under the old method certain customers who received multiple bills in a billing month were counted more than once. Under the new method customers who receive multiple bills in a billing month are counted only once.

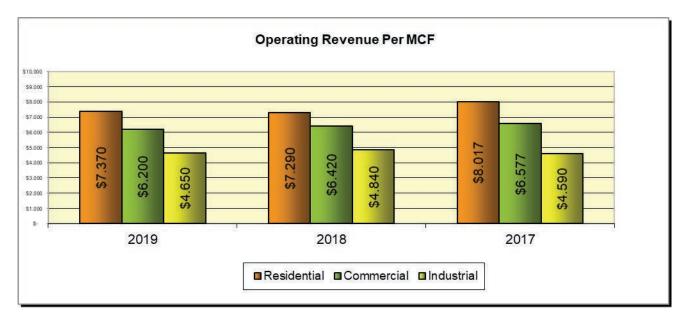


# GRAPHS

#### Electric Division

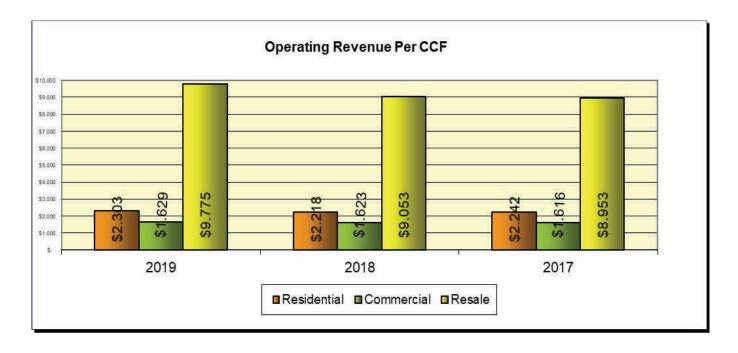


#### Gas Division





#### Water Division





#### **Bond Ratings**

MLGW's Electric Division, Gas Division and Water Division continue to maintain strong bond ratings. In March of 2019, Moody's completed a periodic review of the Electric Division which involved a portfolio review in which Moody's reassessed the appropriateness of the ratings assigned.

The Electric Division has total debt outstanding of \$178,480 as of December 31, 2019. MLGW's debt service coverage is 7.38. This coverage is well above the 1.2 required by the Electric Division bond covenant for the senior lien debt.

The Gas Division has total debt outstanding of \$73,500 as of December 31, 2019. The Gas Division's debt service coverage is 11.83. This coverage is well above the 1.2 required by the Gas Division bond covenant.

The Water Division has debt outstanding of \$61,860 as of December 31, 2019. The Water Division's debt service coverage is 6.79. This coverage is well above the 1.2 required by the Water Division bond covenant.

ons

N	ILGW Bon	d Ratings	
	S&P	Moody's	
Electric Series			
2014	AA-	Aa2	
2016	AA-	Aa2	
2017	AA-	Aa2	
Gas Series			
2016	AA-	Aal	
2017	AA-	Aal	
Water Series			
2014	AAA	Aal	
2016	AAA	Aal	
2017	AAA	Aal	

Debt Adn	ninistration (In Thousand	ds)
	Outstanding Balance	Coverage
Electric	\$178,480	7.38
Gas	\$73,500	11.83
Water	\$61,860	6.79

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

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

MLGW

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Electric Divisio	Table 1 n Condensed Stat December (In Thousand	31	Position		
	<u>2019</u>	<u>2018</u>	FY19 - FY18 Percentage <u>Change</u>	<u>2017</u>	FY18 - FY17 Percentage <u>Change</u>
Current assets (excluding restricted funds)	\$ 367,660	\$ 428,680	-14.2%	\$ 494,833	-13.4%
Restricted assets	70,583	66,423	6.3%	104,747	-36.6%
Other assets	17,090	38,584	-55.7%	13,987	175.9%
Utility plant	1,131,047	1,129,626	0.1%	1,109,598	1.8%
Total assets	1,586,380	1,663,313	-4.6%	1,723,165	-3.5%
Deferred outflows of resources					
Employer pension contribution	13,088	13,305	-1.6%	12,790	4.0%
Employer OPEB contribution	20,370	29,383	-30.7%	-	
Pension liability experience	4,281	3,137	36.5%	870	260.6%
OPEB liability experience	1,470	1,837	-20.0%	-	
Pension investment earnings experience	82,501	20,562	301.2%	29,506	-30.3%
OPEB investment earnings experience	22,326	-		-	
Unamortized balance of refunded debt				409	
Total assets and deferred outflows	1,730,416	1,731,537	-0.1%	1,766,740	-2.0%
Current liabilities payable from current assets	176,528	217,830	-19.0%	271,737	-19.8%
Current liabilities payable from restricted assets	25,238	28,958	-12.8%	35,513	-18.5%
Long-term debt	192,580	202,189	-4.8%	213,179	-5.2%
Non-current liabilities	264,306	183,606	44.0%	72,160	154.4%
Total liabilities	658,652	632,583	4.1%	592,589	6.7%
Deferred inflows of resources					
Pension liability experience	5,023	7,787	-35.5%	10,093	-22.8%
OPEB liability experience	1,567	-		-	
Pension changes of assumptions	2,211	4,422	-50.0%	6,346	-30.3%
OPEB changes of assumptions	80,148	100,185	-20.0%	-	
Pension investment earnings experience	44,654	60,048	-25.6%	5,245	1044.9%
OPEB investment earnings experience	11,198	14,931	-25.0%	-	
Total liabilities and deferred inflows	803,453	819,956	-2.0%	614,273	33.5%
Net position:					
Net investment in capital assets	932,380	921,736	1.2%	892,669	3.3%
Restricted	27,893	20,400	36.7%	52,963	-61.5%
Unrestricted	(33,310)	(30,555)	-9.0%	206,835	-114.8%
Total Net position	\$ 926,963	\$ 911,581	1.7%	\$ 1,152,467	-20.9%

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#### Assets

#### 2019 Compared to 2018

As of December 31, 2019, total assets and deferred outflows were \$1.73 billion, a decrease of \$1.1 million, or 0.1%, compared to December 31, 2018. This decrease is primarily due to a decrease in current assets of \$61.0 million, a decrease in other assets of \$21.5 million, a decrease in employer OPEB contribution of \$9.0 million, partially offset by an increase in deferred outflows related to pension investment earnings of \$61.9 million and an increase in COPEB investment earnings experience of \$22.3 million. The decrease in current assets is due, in part, to a decrease in cash and cash equivalents of \$53.7 million, a decrease in investments of \$13.4 million, partially offset by an increase in inventories of \$9.9 million.

#### 2018 Compared to 2017:

As of December 31, 2018, total assets and deferred outflows were \$1.73 billion, a decrease of \$35.2 million, or 2.0%, compared to December 31, 2017. This decrease is primarily due to a decrease in current assets of \$66.2 million, a decrease in restricted assets of \$38.3 million due primarily to the utilization of the proceeds of the Series 2017 revenue bonds of \$33.1 million, and a decrease in pension investment earnings experience of \$8.9 million, partially offset by an increase in Employer OPEB contribution of \$29.4 million, an increase in other assets of \$24.6 million, and an increase in net utility plant of \$20.0 million. The decrease in current assets is due, in part, to a decrease in prepaid power cost (long-term) of \$112.8 million (see Note 12), offset by an increase in cash and cash equivalents of \$33.0 million and an increase in investments of \$15.2 million.

#### Capital Assets and Construction Activities

#### 2019 Compared to 2018:

The Electric Division's utility plant assets, net of accumulated depreciation were \$1.13 billion as of December 31, 2019, an increase of 0.1% over fiscal year 2018. During 2019, the Electric Division expended \$63.5 million on construction activities and capital purchases, a decrease of \$20.3 million or 24.2% compared to fiscal year 2018. Major Electric Division construction expenditures include routine maintenance of the electric distribution system (\$9.2 million), storm restoration (\$8.2 million), extensions to serve new customers (\$7.9 million), substation and transmission projects (\$7.7 million), the purchase of transportation and power operated equipment (\$4.5 million), new circuits out of substations (\$3.9 million), purchase of meters and metering equipment (\$3.9 million), information technology upgrades (\$2.0 million), line reconstruction (\$2.0 million), replacement of feeder and defective cable (\$2.0 million), building upgrades (\$1.0 million), relocation of extensions (\$1.3 million), telecommunication communication tower projects (\$1.1 million), and security automation (\$2.0 million).

The Electric Division's utility plant assets, net of accumulated depreciation totaled \$1.13 billion as of December 31, 2018, an increase of 1.8% over fiscal year 2017. During 2018, the Electric Division expended \$83.8 million on construction activities and capital purchases, a decrease of \$17.5 million or 17.3% compared to fiscal year 2017. Major Electric Division construction activities included substation and transmission projects (\$19.9 million), extensions to serve new customers (\$11.5 million), the purchase of meters and metering equipment (\$10.4 million), data processing equipment and upgrades (\$7.8 million), the purchase of distribution and network transformers (\$6.4 million), purchase of transportation and power operated equipment (\$5.9 million), and street and leased outdoor lighting (\$4.2 million). Other significant Electric Division capital expenditures consisted of new circuits out of substations (\$2.6 million), the replacement of feeder and defective cable (\$2.3 million), and relocation of extensions requested by customers (\$2.2 million).

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#### Liabilities

#### 2019 Compared to 2018:

As of December 31, 2019, total liabilities and deferred inflows were \$803.0 million, a decrease of \$16.5 million, or 2.0% compared to December 31, 2018. These decreases are due to the decrease in current liabilities payable from current assets of \$41.3 million, a decrease in OPEB changes of assumptions of \$20.0 million, a decrease in pension investment earnings experience of \$15.4 million, and a decrease in long-term debt of \$9.6 million, offset in part by an increase in non-current liabilities of \$80.7 million. The decrease in current liabilities payable from current assets is due to the decrease of taxes accrued in lieu of tax payments to city of \$39.8 million.

#### 2018 Compared to 2017:

As of December 31, 2018, total liabilities and deferred inflows were \$820.0 million, an increase of \$205.7 million, or 33.5% compared to December 31, 2017. These increases are due to the increase in non-current liabilities of \$111.4 million, an increase of OPEB changes of assumptions of \$100.2 million, and an increase in pension investment earnings experience of \$54.8 million, offset in part by a decrease in current liabilities payable from current assets of \$53.9 million. The increase in non-current liabilities is due to the increase of net OPEB liability of \$152.0 million and a decrease of net pension liability of \$39.8 million.

#### Net Position

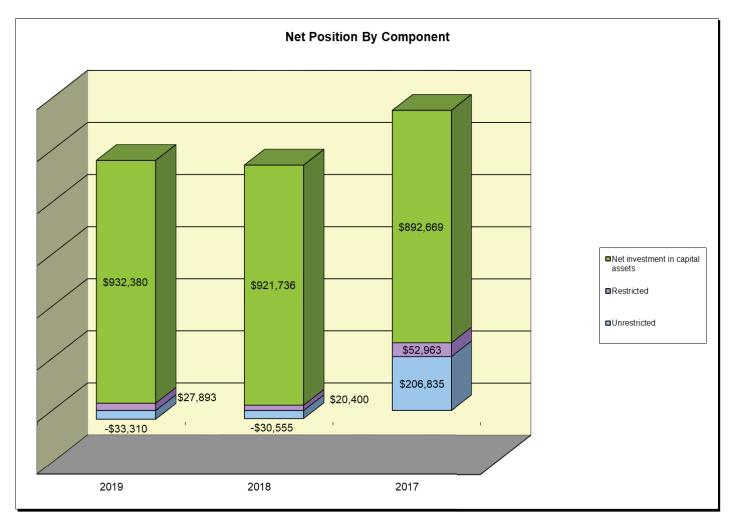
#### 2019 Compared to 2018:

As of December 31, 2019 the Electric Division's total net position (total assets and deferred outflows of resources less total liabilities and deferred inflows of resources) was \$927.0 million, an increase of \$15.4 million, or 1.7%, compared to December 31, 2018. The increase was due to an increase in net investment in capital assets of \$10.6 million due to the retirement of long-term debt issued for capital projects and an increase of \$7.5 million in restricted net position due primarily to an increase in restricted assets, offset by a decrease in unrestricted net position of \$2.7 million. One hundred and one percent of the net position was related to net investment in capital assets.

As of December 31, 2018 the Electric Division's total net position (total assets and deferred outflows of resources less total liabilities and deferred inflows of resources) was \$911.6 million, a decrease of \$240.9 million, or 20.9%, compared to December 31, 2017. The decrease was due to a decrease in unrestricted net position of \$237.4 million as a result of the cumulative impact of implementing GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75") and a decrease in restricted net position of \$32.6 million due to a reduction in the proceeds of the Series 2017 Bonds, partially offset by an increase in net investment in capital assets of \$29.1 million. One hundred and one percent of the net position was related to net investment in capital assets.

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

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

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

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Condensed Statement Years Fn	Table Electric D s of Revenues, E: ded December 3:	vivision Apenses and Ch		osition	
	2019	2018	FY19 - FY18 Percentage Change	2017	FY18 - FY1 Percentag <u>Change</u>
Revenues:			<u></u>		<u></u>
Operating revenues	\$ 1,285,976	\$ 1,289,906	-0.3%	\$ 1,234,074	4.55
Non-operating revenues	43,528	47,951	-9.2%	47,353	1.3
Total revenues	1,329,504	1,337,857	-0.6%	1,281,427	4.4
Expenses:					
Depreciation expense	56,599	55,844	1.4%	54,148	3.1
Purchased power	1,036,442	1,035,898	0.1%	991,526	4.5
Other operating expense	176,692	146,021	21.0%	191,135	-23.6
Non-operating expense	5,981	10,357	-42.3%	13,032	-20.5
Total expenses	1,275,714	1,248,120	2.2%	1,249,841	-0.1
Income before contributions in aid					
of construction and transfers	53,790	89,737	-40.1%	31,586	184.1
Contributions in aid of construction	17,243	17,315	-0.4%	27,553	-37.2
Reduction of plant costs recovered through					
contributions in aid of construction	(17,243)	(17,315)	0.4%	(27,553)	37.2
Transfers to City of Memphis	(38,408)	(40,393)	4.9%	(41,681)	3.1
Change in net position	\$ 15,382	\$ 49,344	-68.8%	\$ (10,095)	588.8
Net position, beginning of year	\$ 911,581	\$ 1,152,467	-20.9%	\$ 1,162,562	-0.9
Change in method of accounting for OPEB	-	(290,230)		-	
Change in net position	15,382	49,344	-68.8%	(10,095)	588.8
Net position, end of year	\$ 926,963	\$ 911,581	1.7%	\$ 1,152,467	-20.9

## Change in Net Position

#### 2019 compared to 2018:

The change in net position is \$15.4 million, down \$34.0 million from \$49.3 million at December 31, 2018. This decrease is primarily due to an increase in operations maintenance expense of \$33.8 million, primarily due to an increase in non-cash OPEB expenses, a decrease in operating margin (operating revenue less power cost) of \$4.5 million, offset in part by a decrease in interest on long-term debt of \$5.5 million.

The change in net position is \$49.3 million, up \$59.4 million from a loss of \$10.1 million at December 31, 2017. This increase is primarily due to an increase in operating margin (operating revenue less power cost) of \$11.5 million, a decrease in other operating expense of \$45.1 million and a decrease in Transfers to the City of Memphis of \$1.3 million, offset in part by an increase in depreciation expense of \$1.7 million.

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#### Revenues

2019 Compared to 2018:

Total revenues were \$1.33 billion for fiscal year 2019, a decrease of \$8.4 million, or 0.6%, from fiscal year 2018. Operating revenues were \$1.29 billion in 2019, a decrease of \$3.9 million from 2018. The decrease in operating revenue is due primarily to sales volume decreasing by 3.6% compared to 2018. There was an increase in purchased power cost of \$0.4 million driven primarily by higher power cost due to the loss of the prepay credit and the October 2018 TVA rate increase. Non-operating revenue decreased \$4.4 million to \$43.5 million in 2019 as a result of a decrease in other income TVA prepay credit of \$4.4 million, and offset by an increase in other income TVA transmission credit of \$0.6 million.

#### 2018 Compared to 2017:

Total revenues were \$1.34 billion for fiscal year 2018, a decrease of \$56.4 million, or 4.4%, from fiscal year 2017. Operating revenues were \$1.29 billion in 2018, an increase of \$55.8 million from 2017. The increase in operating revenue is due primarily to higher sales volume and the Tennessee Valley Authority ("TVA") 1.5% rate increase effective in October 2018. There was an increase in purchased power cost of \$44.4 million due to an increase in purchase volumes and the TVA rate increase, offset by the lower fuel cost adjustor. Non-operating revenue increased \$0.6 million to \$47.9 million in 2018 as a result of an increase in investment and other income of \$4.1 million and an increase in other income TVA transmission credit of \$1.1 million, offset by a decrease in other income prepay credit, related to the Electric TVA Prepay Bonds of \$4.5 million.

#### Expenses

#### 2019 Compared to 2018:

For fiscal year 2019, total expenses were \$1.28 billion, a 2.2%, or \$27.6 million increase from fiscal year 2018 total expenses. This increase is primarily due to other operating expense of \$30.7 million offset by a decrease in non-operating expense of \$4.4 million. The increased in other operating expense is due to cumulative impact of the implementation of GASB No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75") in 2018. The decrease in non-operating expense is primarily related to retiring of Series 2008 and 2010 Bonds. The increase in purchased power is primarily due to higher power costs, as a result of the loss of the prepay credit and the October 2018 TVA rate increase.

For fiscal year 2018, total expenses were \$1.25 billion, a 0.1%, or \$1.7 million decrease from fiscal year 2017 total expenses. This decrease was a result of a decrease in other operating expenses of \$45.1 million and a decrease in non-operating expenses of \$2.7 million, offset in part by an increase in purchased power of \$44.4 million and an increase in depreciation expense of \$1.7 million. The decrease in other operating expense is due primarily to the implementation of GASB 75 in 2018. The decrease in non-operating expense is primarily the result of lower interest expense associated with the Series 2010 Bonds, offset, in part, by higher interest expense associated with the Series 2016 Bonds. The increase in purchased power is due to the increase in purchases and higher power costs.

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#### Contributions in aid of construction

#### 2019 Compared to 2018:

Contributions in aid of construction ("CIAC") were \$17.2 million for fiscal year 2019, a decrease of \$0.07 million (0.4%) from fiscal year 2018. This decrease was mainly the result of decreases in donated easements of \$2.1 million and claims of \$0.13 million, offset by increases in construction contributions of \$2.2 million and cancelled contracts of \$0.02 million.

#### 2018 Compared to 2017:

Contributions in aid of construction ("CIAC") were \$17.3 million for fiscal year 2018, a decrease of \$10.2 million (37.2%) from fiscal year 2017. This decrease was mainly the result of decreases in grant funds of \$9.8 million, cancelled contracts of \$0.45 million, and claims of \$2.2 million, offset by an increase in construction contributions of \$0.63 million and donated easements of \$1.6 million.

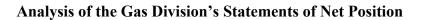
#### Transfers to the City of Memphis

#### 2019 Compared to 2018:

MLGW's transfer to the City of Memphis is based on the formula provided by the May 29, 1987 TVA Power Contract Amendment (Supp. No. 8). The formula includes a maximum property tax equivalency calculation plus 4% of operating revenue less power costs (three-year average). Transfers to the City represent the Electric Division's in lieu of tax payment. The 2019 transfer decreased by \$2.0 million as a result of a decrease in the assessment ratio.

#### 2018 Compared to 2017:

MLGW's transfer to the City of Memphis is based on the formula provided by the May 29, 1987 TVA Power Contract Amendment (Supp. No. 8). The formula includes a maximum property tax equivalency calculation plus 4% of operating revenue less power costs (three-year average). Transfers to the City represent the Electric Division's in lieu of tax payment. The 2018 transfer decreased by \$1.3 million compared to 2017.



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

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Gas Division C	C	Table 3 sed Staten December n Thousand	31	s of Net P	osition	 	
		<u>2019</u>		<u>2018</u>	FY19 - FY18 Percentage <u>Change</u>	<u>2017</u>	FY18 - FY17 Percentage <u>Change</u>
Current assets (excluding restricted funds)	\$	160,192	\$	162,398	-1.4%	\$ 152,994	6.1%
Restricted assets		25,019		22,904	9.2%	30,991	-26.1%
Other assets		23,731		29,288	-19.0%	17,575	66.6%
Utility plant		415,522		421,246	-1.4%	400,150	5.3%
Total assets		624,464		635,836	-1.8%	 601,710	5.7%
Deferred outflows of resources							
Employer pension contribution		5,017		5,100	-1.6%	5,784	-11.8%
Employer OPEB contribution		7,808		11,264	-30.7%	-	
Pension liability experience		1,642		1,203	36.5%	388	210.1%
		-		-		200	210.176
OPEB liability experience		564		704	-19.9%	-	40.19/
Pension investment earnings experience		31,625		7,882	301.2%	13,159	-40.1%
OPEB investment earnings experience		8,558		-		 	
Total assets and deferred outflows		679,678		661,989	2.7%	621,041	6.6%
Current liabilities payable from current assets		36,931		63,335	-41.7%	41,439	52.8%
Current liabilities payable from restricted assets		7,770		9,548	-18.6%	7,978	19.7%
Long-term debt		82,161		86,111	-4.6%	89,988	-4.3%
Non-current liabilities		101,935		68,557	48.7%	28,724	138.7%
Total liabilities		228,797		227,551	0.5%	 168,129	35.3%
Deferred inflows of resources							
Pension liability experience		1,926		2,985	-35.5%	4,502	-33.7%
OPEB liability experience		601		2,505	33.370	-	33.770
Pension changes of assumptions		848		1,695	-50.0%	2,830	-40.1%
OPEB changes of assumptions		30,723		38,404	-20.0%	_,	
Pension investment earnings experience		17,117		23,018	-25.6%	2,339	884.1%
OPEB investment earnings experience		4,293		5,724	-25.0%	-	
Accumulated decrease in fair value of		,		,			
hedging derivatives		1,630		1,546	5.4%	18	8488.9%
Total liabilities and deferred inflows		285,935		300,923	-5.0%	 177,818	69.2%
Net position:							
Net investment in capital assets		331,206		333,148	-0.6%	308,334	8.0%
Restricted		13,057		9,760	33.8%	19,662	-50.4%
Unrestricted		49,480		18,158	172.5%	 115,227	-84.2%
Total Net position	\$	393,743	\$	361,066	9.1%	\$ 443,223	-18.5%

#### Assets

2019 Compared to 2018:

As of December 31, 2019 total assets and deferred outflows were \$679.7 million, an increase of \$17.7 million, or 2.7%, compared to December 31, 2018. This increase is due, in part, to increases in pension investment earnings experience of \$23.7 million and OPEB investment earnings experience of \$8.6 million, offset, in part, by decreases in other assets of \$5.6 million, net utility plant of \$5.7 million, employer OPEB contribution – annual funding of \$3.5 million and current assets less restricted funds of \$2.1 million. Other assets decreased due to net pension assetlong term of \$9.4 million as a result of the impact of GASB 68, offset by an increase in meter replacement-long term of \$3.3 million. Current assets (excluding restricted funds) decreased due to decrease in net accounts receivable-MLGW services of \$6.0 million and unbilled revenues of \$6.4 million, offset by an increase in investments of \$10.2 million.

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#### 2018 Compared to 2017:

As of December 31, 2018 total assets and deferred outflows were \$662.0 million, an increase of \$41.0 million, or 6.6%, compared to December 31, 2017. This increase is due, in part, to increases in net utility plant of \$21.1 million, other assets of \$11.7 million, employer OPEB contribution of \$11.3 million, current assets (excluding restricted funds) of \$9.4 million and, offset, in part, by a decrease in restricted assets of \$8.1 million and a decrease in pension investment earnings experience of \$5.3 million. Current assets increased due, in part, to increases in accounts receivable (less allowance for doubtful accounts) of \$9.2 million, inventories of \$2.3 million, and other current assets of \$1.6 million, offset by a decrease in investments of \$3.4 million and unbilled revenues of \$2.9 million. The decrease in restricted assets is due to depleting the Series 2016 revenue bond proceeds used for capital expenditures.

#### **Capital Assets and Construction Activities**

#### 2019 Compared to 2018:

The Gas Division's utility plant assets, net of accumulated depreciation were \$415.5 million as of December 31, 2019, a decrease of 1.4% over fiscal 2018. During 2019, the Gas Division expended \$21.5 million on construction activities and equipment purchases, a decrease of \$26.5 million or 55.15% compared to fiscal year 2018. Major Gas Division expenditures include the purchase of gas meters (\$9.6 million), gas main service replacement (\$4.1 million), routine maintenance of the gas distribution system (\$4.3 million), extensions to serve new customers (\$2.5 million), and the purchase of transportation equipment (\$1.1 million).

#### 2018 Compared to 2017:

The Gas Division's utility plant assets, net of accumulated depreciation totaled \$421.2 million as of December 31, 2018, an increase of 5.3% over fiscal 2017. During 2018, the Gas Division expended \$48.0 million on construction activities and equipment purchases, an increase of \$0.9 million or 2.0% compared to fiscal year 2017. Major Gas Division construction activities included the purchase of meters and metering equipment (\$24.5 million), gas main service replacements (\$5.6 million), planned maintenance (\$5.1 million), and the purchase of transportation and power operated equipment (\$4.2 million). Other significant Gas Division expenditures included information systems and technology upgrades (\$3.8 million) and maintenance of transmission pipelines and facilities (\$1.4 million).



## Liabilities

#### 2019 Compared to 2018:

At December 31, 2019, total liabilities and deferred inflows were \$285.9 million, representing a decrease of \$15.0 million, or 5.0%, compared to \$300.9 million at December 31, 2018. This decrease is due, in part, to decreases in current liabilities payable from current assets of \$26.4 million due to accounts payable-purchased gas of \$12.3 million and accrued PILOT in 2018 of \$15.1 million, deferred inflows related to OPEB changes of assumptions of \$7.7 million, pension investment earnings experience of \$5.9 million, long-term debt of \$3.9 million, and current liabilities payable from restricted assets of \$1.8 million, offset in part, by increases in non-current liabilities of \$33.4 million due to net pension liability-long term of \$24.8 million and net OPEB liability-long term of \$6.5 million.

#### 2018 Compared to 2017:

At December 31, 2018, total liabilities and deferred inflows were \$300.9 million, representing a \$123.1 million (69.2%) increase compared to \$177.8 million at December 31, 2017. This increase is due, in part, to increases in non-current liabilities of \$39.8 million, OPEB changes of assumptions due to the implementation of GASB 75 of \$38.4 million, current liabilities payable from current assets of \$21.9 million, and pension investment earnings experience of \$20.7 million, offset by decreases in long – term debt of \$3.9 million, pension liability experience of \$1.5 million, and pension changes of assumptions of \$1.1 million.

#### Net Position

#### 2019 Compared to 2018:

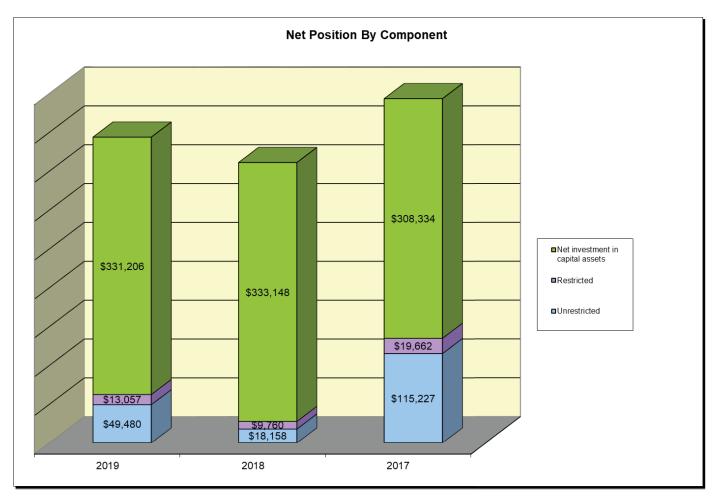
As of December 31, 2019, the Gas Division's total net position (total assets and deferred outflows of resources less total liabilities and deferred inflows of resources) was \$393.7 million, an increase of \$32.7 million, or 9.1%, from December 31, 2018. The increase is due, in part, to an increase in unrestricted net position of \$31.3 million and an increase in restricted net position of \$3.3 million due primarily to an increase in restricted assets. Eighty-four percent of the net position was related to net investment in capital assets.

#### 2018 Compared to 2017:

As of December 31, 2018, the Gas Division's total net position (total assets and deferred outflows of resources less total liabilities and deferred inflows of resources) was \$361.1 million, a decrease of \$82.2 million, or 18.5%, from December 31, 2017. The decrease is due, in part, to a decrease in unrestricted net position of \$97.1 million as a result of the cumulative impact of implementing GASB Statement No. 75 and a decrease in restricted net position of \$9.9 million due to the disbursement of the proceeds of the Series 2017 Bonds, offset, in part by an increase in investments in capital assets of \$24.8 million. Ninety-two percent of the net position was related to net investment in capital assets.



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





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

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

	Table 4 Gas Division Condensed Statements of Revenues, Expenses and Changes in Net Position Years Ended December 31, 2019, 2018, and 2017 (In Thousands)									
			FY19 - FY18		FY18 - FY17					
	<u>2019</u>	<u>2018</u>	Percentage <u>Change</u>	<u>2017</u>	Percentage <u>Change</u>					
Revenues:										
Sales, service and other operating revenues	\$ 248,056	\$ 263,069	-5.7%	\$ 218,088	20.6%					
Transported gas revenue	12,571	11,119	13.1%	8,315	33.7%					
Non-operating revenues	1,336	899	48.6%	(186)	583.3%					
Total revenues	261,963	275,087	-4.8%	226,217	21.6%					
Expenses:										
Depreciation expense	22,500	21,483	4.7%	18,121	18.6%					
Purchased gas	110,555	138,107	-19.9%	105,729	30.6%					
Other operating expense	75,890	64,921	16.9%	94,811	-31.5%					
Non-operating expense	2,339	2,400	-2.5%	1,469	63.4%					
Total expenses	211,284	226,911	-6.9%	220,130	3.1%					
Income before contributions in aid										
of construction and transfers	50,679	48,176	5.2%	6,087	691.5%					
Contributions in aid of construction	1,518	3,018	-49.7%	3,833	-21.3%					
Reduction of plant costs recovered through										
contributions in aid of construction	(1,518)	(3,018)	49.7%	(3,833)	21.3%					
Transfers to City of Memphis	(18,002)	(19,152)	6.0%	(18,325)	-4.5%					
Change in net position	\$ 32,677	\$ 29,024	12.6%	\$ (12,238)	337.2%					
Net position, beginning of year	\$ 361,066	\$ 443,223	-18.5%	\$ 455,461	-2.7%					
Change in method of accounting for OPEB	-	(111,181)		-						
Change in net position	32,677	29,024	12.6%	(12,238)	337.2%					
Net position, end of year	\$ 393,743	\$ 361,066	9.1%	\$ 443,223	-18.5%					

#### Change in Net Position

#### 2019 Compared to 2018:

The change in net position is \$32.7 million, up \$3.7 million from December 31, 2018. This increase is primarily due to an increase in operating margin (operating revenue less gas cost) of \$14.0 million, offset, in part, by an increase in other operating expenses of \$11.0 million. The increase in other operating expenses relates primarily to an increase in OPEB expenses of \$10.0 million.

The change in net position is \$29.0 million, up \$41.3 million from December 31, 2017. This increase is primarily due to an increase in operating margin (operating revenue less gas cost) of \$15.4 million and an increase in other revenues of \$4.2 million, in addition to a decrease in administrative and general operating expenses of \$27.7 million due to the implementation of GASB Statement No. 75 which required a change in the method of accounting for OPEB.

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#### Revenues

#### 2019 Compared to 2018:

Total revenues were \$262.0 million for fiscal year 2019, a decrease of \$13.1 million or 4.8% from fiscal year 2018. Sales, service and other operating revenues were \$248.1 million, a decrease of \$15.0 million, or 5.7%, from 2018 due to a decrease in sales volume, offset by a 2% retail rate increase effective July 2018. Purchased gas cost decreased \$27.6 million, or 19.9%, due to lower gas sales volume and lower unit cost. Transported gas revenues increased \$1.5 million, or 13.1%, and non-operating revenue increased \$0.4 million, compared to fiscal year 2018.

#### 2018 Compared to 2017:

Total revenues were \$275.0 million for fiscal year 2018, an increase of \$48.9 million or 21.6% from fiscal year 2017. Sales, service and other operating revenues were \$263.1 million, an increase of \$45.0 million, or 20.6%, from 2017. There was a corresponding increase in purchased gas cost of \$32.4 million, or 30.6%, due to higher gas sales volume, offset in part by lower unit cost. Transported gas revenues increased \$2.8 million, or 33.7%, and non-operating revenue increased \$1.1 million, compared to fiscal year 2017.

#### Expenses

#### 2019 Compared to 2018:

For fiscal year 2019, total expenses were \$211.3 million at December 31, 2019, a decrease of 15.6 million versus fiscal year 2018 expenses of \$226.9 million. Purchased gas cost was \$110.6 million, down 19.9%, or \$27.6 million from \$138.1 million at December 31, 2018, as a result of lower gas sales volume and lower gas costs per unit than 2018. Other operating expense was \$75.9 million at December 31, 2019, an increase of \$11.0 million, or 16.9%, due to the OPEB expenses determined by the actuarial valuation. Depreciation expense was \$22.5 million at December 31, 2019, up \$1.0 million, or 4.7%, from \$21.5 million at December 31, 2018 and non-operating expense was \$2.3 million at December 31, 2019, a decrease of \$0.6 million due to lower interest expense associated with the Series 2016 Bonds.

#### 2018 Compared to 2017:

For fiscal year 2018, total expenses were \$226.9 million at December 31, 2018, an increase of 3.1% over fiscal year 2017 expenses of \$220.1 million. Purchased gas cost was \$138.1 million, up 30.6%, from \$105.7 million at December 31, 2017, as a result of higher gas sales volume, offset in part by lower gas costs per unit than 2017. Depreciation expense was \$21.5 million at December 31, 2018, up \$3.4 million, or 18.6%, from \$18.1 million at December 31, 2017 and non-operating expense was \$2.4 million at December 31, 2018, an increase of \$0.9 million due to higher interest expense associated with the Series 2017 Bonds.



#### Contributions in aid of construction

#### 2019 Compared to 2018:

Contributions in aid of construction ("CIAC") were \$1.5 million for fiscal year 2019, a decrease of \$1.5 million (49.7%) from fiscal year 2018. This decrease was mainly the result of a decrease in donated easements of \$1.6 million, offset by increases in construction contributions of \$0.08 million and cancelled contracts of \$0.02 million.

#### 2018 Compared to 2017:

Contributions in aid of construction ("CIAC") were \$3.0 million for fiscal year 2018, a decrease of \$0.8 million (21.3%) from fiscal year 2017. This decrease was mainly the result of decreases in construction contributions of \$0.2 million, \$1.7 million of economic development contributions, and \$0.1 million in cancelled contracts, offset by an increase in donated easements of \$1.2 million.

#### Transfers to the City of Memphis

#### 2019 Compared to 2018:

MLGW's transfer to the City of Memphis is based on the formula provided by the State of Tennessee Municipal Gas System Tax Equivalent Law of 1987. The formula includes a maximum property tax equivalency calculation plus 4% of operating revenue less power costs (three-year average). Transfers to the City represent the Gas Division's in lieu of tax payment. The 2019 transfer decreased by \$1.2 million as a result of a decrease in the assessment ratio.

#### 2018 Compared to 2017:

MLGW's transfer to the City of Memphis is based on the formula provided by the State of Tennessee Municipal Gas System Tax Equivalent Law of 1987. The formula includes a maximum property tax equivalency calculation plus 4% of operating revenue less power costs (three-year average). Transfers to the City represent the Gas Division's in lieu of tax payment. The 2018 transfer increased by \$0.8 million as a result of an increase in net plant investment.

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

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

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		ble 5	• • • • • • • • •			
Water Divisio		d Stateme nber 31	ents of Net P	osition		
		usands)				
				FY19 - FY18		FY18 - FY17
				Percentage		Percentage
	<u>2019</u>		<u>2018</u>	Change	<u>2017</u>	<u>Change</u>
Current assets (excluding restricted assets)	\$ 44,2	87 \$	40,305	9.9%	\$ 56,200	-28.3%
Restricted assets	17,2	39	16,211	6.3%	13,395	21.0%
Other assets	6,2	30	12,335	-49.5%	4,935	149.9%
Utility plant	354,2	05	349,254	1.4%	327,788	6.5%
Total assets	421,9	61	418,105	0.9%	402,318	3.9%
Deferred outflows of resources						
Employer pension contribution	3,7	08	3,769	-1.6%	3,804	-0.9%
Employer OPEB contribution	5,7	71	8,325	-30.7%	-	
Pension liability experience	1,2	15	889	36.7%	258	244.6%
OPEB liability experience	4	17	520	-19.8%	-	
Pension investment earnings experience	23,3	75	5,826	301.2%	8,739	-33.3%
OPEB investment earnings experience	6,3		-		-	
Total assets and deferred outflows	462,7	73	437,434	5.8%	415,119	5.4%
Current liabilities payable from current assets	17,6	07	19,928	-11.6%	16,977	17.4%
Current liabilities payable from restricted assets	5,1	75	6,666	-22.4%	4,978	33.9%
Long-term debt	63,8	03	67,040	-4.8%	70,219	-4.5%
Non-current liabilities	72,6	49	49,679	46.2%	18,457	169.2%
Total liabilities	159,2	34	143,313	11.1%	110,631	29.5%
Deferred inflows of resources						
Pension liability experience	1,4	23	2,206	-35.5%	2,989	-26.2%
OPEB liability experience	4	44	-		-	
Pension changes of assumptions	6	27	1,253	-50.0%	1,880	-33.4%
OPEB changes of assumptions	22,7	09	28,386	-20.0%	-	
Pension investment earnings experience	12,6	52	17,014	-25.6%	1,553	995.6%
OPEB investment earnings experience	3,1	73	4,230	-25.0%		
Total liabilities and deferred inflows	200,2	62	196,402	2.0%	117,053	67.8%
Net position:						
Net investment in capital assets	288,2	72	280,220	2.9%	255,420	9.7%
Restricted	10,6	98	8,194	30.6%	7,122	15.1%
Unrestricted	(36,4	59)	(47,382)	23.1%	35,524	-233.4%
Total Net position	\$ 262,5	11 \$	241,032	8.9%	\$ 298,066	-19.1%



#### Assets

#### 2019 Compared to 2018:

As of December 31, 2019, total assets and deferred outflows were \$462.8 million, an increase of \$25.3 million compared to December 31, 2018. The increase is due, in part, to an increase in net utility plant of \$5.0 million, current assets of \$4.0 million, restricted assets of \$1 million, pension investment earnings of \$17.5 million, OPEB investment earnings of \$6.3 million, offset in part by a decrease in other assets of \$6.0 million and a decrease in employer OPEB contributions of \$2.5 million.

#### 2018 Compared to 2017:

As of December 31, 2018, total assets and deferred outflows were \$437.4 million, an increase of \$22.3 million compared to December 31, 2017. The increase is due, in part, to increases in net utility plant of \$21.5 million, other assets of \$7.4 million, and employer OPEB contribution of \$8.3 million, offset, in part by a decrease in cash and cash equivalents of \$9.7 million, and a decrease in the pension investment earnings experience of \$2.9 million.

#### Capital Assets and Construction Activities

#### 2019 Compared to 2018:

The Water Division's utility plant assets, net of accumulated depreciation were \$354.2 million as of December 31, 2019, an increase of 1.4% as compared to December 31, 2018. During 2019, the Water Division expended \$17.2 million on construction activities and equipment purchases, a decrease of \$15.1 million or 46.8% compared to fiscal year 2018. Major Water Division construction expenditures include extensions to serve new customers (\$3.9 million), planned improvements of the water distribution system (\$2.8 million), the purchase of water meters (\$2.8 million), rehabilitation of various pumping stations (\$2.8 million), the maintenances and construction of various production wells (\$1.3 million), the installation of water main (\$1.1 million), water production building upgrades (\$1.0 million), and street improvements (\$0.7 million).

#### 2018 Compared to 2017:

The Water Division's utility plant assets, net of accumulated depreciation totaled \$349.3 million as of December 31, 2018, an increase of 6.5% as compared to December 31, 2017. During 2018, the Water Division expended \$32.3 million on construction activities and equipment purchases, a decrease of \$12.7 million or 28.2% compared to fiscal year 2017. Major Water Division construction activities included the purchase of meters (\$11.8 million), maintenance and construction of water production wells (\$3.4 million), extensions to serve new customers (\$3.3 million), installation of new water mains (\$3.2 million), building upgrades and rehabilitation of various pumping stations and other MLGW buildings (\$3.0 million). Other significant expenditures include the maintenance and installation of overhead storage tanks (\$1.8 million), and the purchase of transportation and power operated equipment (\$1.3 million).

#### Liabilities

#### 2019 Compared to 2018:

As of December 31, 2019, total liabilities and deferred inflows were \$200.3 million, representing an increase of \$3.9 million, or 2.0%, compared to December 31, 2018. This increase is due in part to an increase in non-current liabilities of \$23.0 million (due largely to increases in net pension liability and net OPEB liability), offset in part by a decrease in long-term debt of \$3.2 million, decreases in current liabilities of \$3.8 million, a decrease in OPEB changes in assumptions of \$5.7 million, a decrease in pension investment earnings of \$4.4 million, a decrease of OPEB investment earnings of \$1.1 million, and a decrease in pension changes of assumptions of \$0.6 million.

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#### 2018 Compared to 2017:

As of December 31, 2018, total liabilities and deferred inflows were \$196.4 million, representing an increase of \$79.3 million, or 67.8%, compared to December 31, 2017. This increase is due in part to increases in non-current liabilities of \$31.2 million, OPEB changes of assumptions of \$28.4 million, and pension investment earnings experience of \$15.5 million, offset by decreases in long-term debt of \$3.2 million and pension liability experience of \$0.8 million. The increase in non-current liabilities is due to an increase in net OPEB liability of \$43.1 million offset by a decrease in net pension liability of \$11.8 million.

#### Net Position

#### 2019 Compared to 2018:

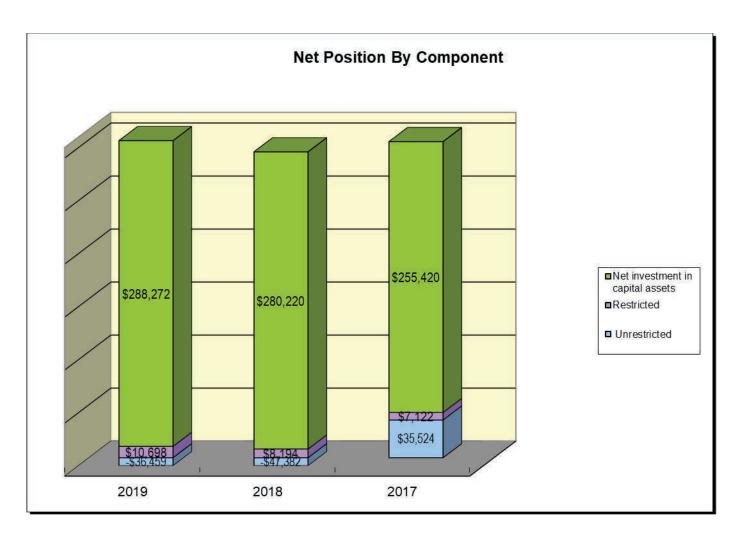
As of December 31, 2019, the Water Division's total net position (total assets and deferred outflows of resources less total liabilities and deferred inflows of resources) was \$263.0 million, an increase of \$21.5 million, or 8.9%, from December 31, 2018. The increase is due primarily to an increase in unrestricted net position of \$10.9 million, an increase in net investment in capital assets of \$8.1 million, and an increase in restricted net position of \$2.5 million. One hundred and ten percent of the net position was related to net investment in capital assets.

#### 2018 Compared to 2017:

As of December 31, 2018, the Water Division's total net position (total assets and deferred outflows of resources less total liabilities and deferred inflows of resources) was \$241.0 million, a decrease of \$57.0 million, or 19.1%, from December 31, 2017. The decrease is due primarily to a decrease in unrestricted net position of \$82.9 million as a result of cumulative impact of implementing GASB Statement No. 75, offset in part by an increase in net investment in capital assets of \$24.8 million and an increase in restricted net position of \$1.1 million. One hundred and sixteen percent of the net position was related to net investment in capital assets.



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



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

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

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Condensed Statements of Years Ended	Table 6 Water Divi Revenues, Exp December 31, (In Thousa	ision enses and Ch 2019, 2018, a		Position	
			FY19 - FY18		FY18 - FY17
	2010	2010	Percentage	2017	Percentage
Revenues:	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>2017</u>	<u>Change</u>
Operating revenues	\$ 105,679	\$ 103,140	2.5%	\$ 99,513	3.6%
Non-operating revenues	1,054	1,177	-10.5%	1,000	17.7%
Total revenues	106,733	104,317	2.3%	100,513	3.8%
Expenses:					
Depreciation expense	10,635	9,653	10.2%	8,404	14.9%
Other operating expense	70,299	65,118	8.0%	81,352	-20.0%
Non-operating expense	1,820	1,864	-2.4%	1,358	37.3%
Total expenses	82,754	76,635	8.0%	91,114	-15.9%
Income before contributions in aid					
of construction and transfers	23,979	27,682	-13.4%	9,399	194.5%
Contributions in aid of construction Reduction of plant costs recovered through	3,345	4,364	-23.4%	3,576	22.0%
contributions in aid of construction	(3,345)	(4,364)	23.4%	(3,576)	-22.0%
Transfers to City of Memphis	(2,500)	(2,500)	-	(4,400)	43.2%
Change in net position	\$ 21,479	\$ 25,182	-14.7%	\$ 4,999	403.7%
Net position, beginning of year	\$ 241,032	\$ 298,066	-19.1%	\$ 293,067	1.7%
Change in method of accounting for OPEB	-	(82,216)		-	
Change in net position	21,479	25,182	-14.7%	4,999	403.7%
Net position, end of year	\$ 262,511	\$ 241,032	8.9%	\$ 298,066	-19.1%

#### Change in Net Position

#### 2019 Compared to 2018:

As of December 31, 2019, the change in net position is \$21.5 million, down \$3.7 million from \$25.2 million at December 31, 2018. This decrease is due to an increase in other operating expenses of \$5.2 million, and an increase in depreciation expense of \$1.0 million, offset by increases in operating revenues of \$2.5 million.

As of December 31, 2018, the change in net position is \$25.2 million, up \$20.2 million from \$5.0 million at December 31, 2017. This increase is due to a decrease in other operating expenses of \$16.2 million, and increase in operating revenues of \$3.6 million due to higher sales volumes, a decrease in Transfers to the City of Memphis of \$1.9 million, offset by increases in depreciation expense of \$1.2 million and non-operating expenses of \$0.5 million.

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#### Revenues

#### 2019 Compared to 2018:

Total revenues were \$106.7 million for fiscal year 2019, an increase of \$2.4 million compared to fiscal year 2018. This increase is due to an increase in sales and service revenues of \$2.8 million due primarily to an overall 3% rate increase implemented in March 2019, offset in part by a decrease in other revenues of \$0.3 million.

#### 2018 Compared to 2017:

Total revenues were \$104.3 million for fiscal year 2018, an increase of \$3.8 million compared to fiscal year 2017. This increase is due to increases in operating revenues of \$3.6 million due primarily to higher sales volume and non-operating revenues of \$0.2 million.

#### Expenses

#### 2019 Compared to 2018:

As of December 31, 2019, total expenses for the Water Division were \$82.8 million, an increase of \$6.1 million, or 8.0%, compared to fiscal year 2018. This resulted from an increase in operating expense of \$5.2 million and an increase in depreciation expense of \$0.9 million.

#### 2018 Compared to 2017:

As of December 31, 2018, total expenses for the Water Division were \$76.6 million, a decrease of \$14.5 million, or 15.9%, compared to fiscal year 2017. This resulted from a decrease in operating expense of \$16.2 million, offset in part by an increase in depreciation expense of \$1.3 million.

Transfers to the City decreased by \$1.9 million due to the expiration of an Agreement with the City. This Agreement specified additional payments to the City of \$1.9 million per year from 2014-2017.

#### Contributions in aid of construction

#### 2019 Compared to 2018:

Contributions in aid of construction ("CIAC") were \$3.3 million for fiscal year 2019, a decrease of \$1.0 million (23.4%) from fiscal year 2018. This decrease was mainly the result of a decrease in donated easements of \$1.2 million, offset by an increase in construction contributions of \$0.2 million.

Contributions in aid of construction ("CIAC") were \$4.4 million for fiscal year 2018, an increase of \$0.8 million (22%) from fiscal year 2017. This increase was mainly the result of an increase of \$0.9 million in donated easements, offset by a decrease in construction contributions of \$0.1 million.

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#### Transfers to the City of Memphis

#### 2019 compared to 2018

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

#### 2018 compared to 2017

The Water Division through an agreement with the City, transfers a payment in the amount of \$2.5 million per year. The agreement is effective through the year 2028. During 2014 the Water Division was authorized and directed by City Council, per City resolution, to make an additional annual \$1.9 million transfer payment through fiscal year 2017. The Water Division did not make this additional \$1,900 transfer in 2018 per the expiration date in the City Resolution.

#### Additional Financial Information

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

# **Financial Statements** Required and Supplemental Information

Memphis Light, Gas and Water Division Years ended December 31, 2019 and 2018 with Independent Auditor's Report

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#### STATEMENTS OF NET POSITION DECEMBER 31, 2019 AND 2018 (Dollars in Thousands)



	E	lectric	Div	ision	Gas D	ivis	ion	Water	Divis	ion
	201	9		2018	 2019		2018	 2019		2018
Assets										
Current assets:										
Cash and cash equivalents	\$ 84	,272	\$	138,013	\$ 43,562	\$	46,280	\$ 8,029	\$	6,784
Investments	86	,964		100,355	41,902		31,738	8,301		4,939
Derivative financial instruments		-		-	1,630		1,546	-		-
Restricted funds - current	32	,108		28,958	10,905		9,548	8,462		7,604
Accrued interest receivable		-		-	66		80	-		-
Accounts receivable - MLGW services (less allowance										
for doubtful accounts)	88	,236		91,907	30,627		36,671	8,728		8,579
Accounts receivable - billing on behalf of other entities		-		-	9,940		9,600	9,734		10,270
Unbilled revenues	47	,791		49,948	13,380		19,736	3,670		3,627
Unrecovered purchased power/gas cost	11	,021		9,773	683		-	-		-
Gas stored - gas in storage		-		-	2,049		2,618	-		-
Inventories	44	,336		34,419	9,416		8,529	4,892		5,052
Prepayment - insurance		-		-	625		514	-		-
Unamortized debt expense - current		127		131	61		63	63		65
Meter replacement - current	1	,018		757	1,271		1,070	337		252
Other current assets	3	,895		3,377	4,980		3,953	533		737
Total current assets	399	,768		457,638	 171,097		171,946	 52,749		47,909
Non-current assets:										
Restricted funds:										
Insurance reserves - injuries and damages	5	,082		5,925	1,547		2,321	1,586		2,154
Insurance reserves - casualties and general	21	,022		20,400	9,948		9,885	7,412		7,256
Medical benefits	14	,588		10,838	6,654		4,943	4,351		3,232
Customer deposits	28	,611		27,976	6,355		5,238	2,239		2,215
Interest fund - revenue bonds - series 2014		227		235	-		-	38		39
Interest fund - revenue bonds - series 2016		136		141	136		142	70		73
Interest fund - revenue bonds - series 2017		302		312	146		150	75		77
Sinking fund - revenue bonds - series 2014		237		231	-		-	52		51
Sinking fund - revenue bonds - series 2016		120		116	120		116	102		100
Sinking fund - revenue bonds - series 2017		258		249	113		109	77		76
Groundwater reserve fund		-		-	-		-	1,237		938
Total restricted funds	70	,583		66,423	 25,019		22,904	 17,239		16,211
Less restricted funds - current		,108)		(28,958)	(10,905)		(9,548)	(8,462)		(7,604)
Restricted funds - non-current		,475		37,465	 14,114		13,356	 8,777		8,607

#### STATEMENTS OF NET POSITION DECEMBER 31, 2019 AND 2018 (Dollars in Thousands) (Continued)



	Electric	Division	Gas D	ivision	Water l	Division
	2019	2018	2019	2018	2019	2018
Other assets:						
Prepayment - in lieu of taxes	1,671	1,690	38	39	-	-
Unamortized debt expense	1,080	1,208	548	609	557	621
Notes receivable	-	-	3,713	2,123	1,727	1,747
Meter replacement - long term	14,339	11,082	19,432	17,085	3,946	2,996
Net pension asset - long term	-	24,604	-	9,432	-	6,971
Total other assets	17,090	38,584	23,731	29,288	6,230	12,335
Utility plant						
Plant in service	1,966,265	1,931,069	767,060	753,898	568,142	555,027
Plant held for future use	-	-	212	212	-	-
Non-utility plant	15,345	15,345	200	200	-	-
Total utility plant	1,981,610	1,946,414	767,472	754,310	568,142	555,027
Less accumulated depreciation & amortization	(850,563)	(816,788)	(351,950)	(333,064)	(213,937)	(205,773)
Utility plant, net	1,131,047	1,129,626	415,522	421,246	354,205	349,254
Total non-current assets	1,186,612	1,205,675	453,367	463,890	369,212	370,196
Total assets	1,586,380	1,663,313	624,464	635,836	421,961	418,105
Deferred outflows of resources						
Employer pension contribution	13,088	13,305	5,017	5,100	3,708	3,769
Employer OPEB contribution	20,370	29,383	7,808	11,264	5,771	8,325
Pension liability experience	4,281	3,137	1,642	1,203	1,215	889
OPEB liability experience	1,470	1,837	564	704	417	520
Pension investment earnings experience	82,501	20,562	31,625	7,882	23,375	5,826
OPEB investment earnings experience	22,326	-	8,558	-	6,326	-
Total deferred outflows of resources	144,036	68,224	55,214	26,153	40,812	19,329
Total assets and deferred outflows of resources	\$1,730,416	\$ 1,731,537	\$ 679,678	\$ 661,989	\$ 462,773	\$ 437,434

#### STATEMENTS OF NET POSITION DECEMBER 31, 2019 AND 2018 (Dollars in Thousands) (Continued)



Current labilities payable from restricted assets:         Insurance reserves - injuries and damages       5,082       5,925       1,547       2,321       1,586       2,154         Medical benefits       7,718       10,838       3,520       4,943       2,302       3,232         Customer deposits       11,158       10,911       2,188       1,767       873       864         Bonds payable - principal       665       668       282       292       183       189         Bonds payable - principal       615       596       233       22,782       26,594         Non-current labilities:       201,766       246,788       44,701       72,883       22,782       26,594         Non-current labilities:       Customer davances for construction       4,421       5,973       406       494       -       -         Customer davances solities:       25       1,547       1,366       1,551       -       -       -       1,470       12,090         Revenue bonds - series 2014       55,430       58,420       -       -       1,470       12,090         Revenue bonds - series 2017       81,140       84,200       34,615       36,040       25,310       23,225       11,470       12,990<		Electric Division			R							
Liabilities         Current liabilities         S         137,467         \$         138,306         \$         16,669         \$         28,948         \$         \$         -           Accounts payable - other payables and liabilities         23,043         24,147         5,915         5,502         3,728         4,709           Accounts payable - billing on behalf of other entrities         -         -         8,164         7,707         1,250           Accrued tuesion         9,338         9,110         3,651         3,662         2,453         2,576           Bonds payable         6,660         6,444         2,552         2,453         2,518         2,453           Total current liabilities payable from current assets         176,528         217,830         36,931         63,335         17,607         19,928           Curson deposits         11,158         10,911         2,188         1,977         873         844           Bonds payable - intricut         665         6,688         282         202         183         189           Bonds payable - intricut         1615         596         233         22,728         26,594           Non-current liabilities         201,766         24,079         7,770         2,548					Gas Division				Water Division			
Current liabilities:         S         137,467         S         138,306         S         16,69         S         28,948         S         -         S         -           Accounts payable - unling on behalf of other entities         -         -         39,823         -         15,077         -         1,250           Accruad taxes         -         39,823         -         15,077         -         1,250           Accruad taxes         -         39,823         -         15,077         -         1,250           Accruad taxes         -         39,823         -         15,077         -         1,250           Carcent liabilities payable from current assets         176,528         217,830         36,931         63,335         17,607         19,928           Cursont deposits         11,158         10,911         2,148         1,767         873         864           Bonds payable - principal         615         596         233         222         13         1227           Crustomer deposits         17,65         246,788         44,707         72,883         22,782         2,513           On-current liabilities         201,766         246,788         44,707         7,2,883         22		2019		2018		2019		2018	2019	2018		
Current liabilities:         S         137,467         S         138,306         S         16,69         S         28,948         S         -         S         -           Accounts payable - unling on behalf of other entities         -         -         39,823         -         15,077         -         1,250           Accruad taxes         -         39,823         -         15,077         -         1,250           Accruad taxes         -         39,823         -         15,077         -         1,250           Accruad taxes         -         39,823         -         15,077         -         1,250           Carcent liabilities payable from current assets         176,528         217,830         36,931         63,335         17,607         19,928           Cursont deposits         11,158         10,911         2,148         1,767         873         864           Bonds payable - principal         615         596         233         222         13         1227           Crustomer deposits         17,65         246,788         44,707         72,883         22,782         2,513           On-current liabilities         201,766         246,788         44,707         7,2,883         22	Liabilities											
Accounts payabb - purchased power and gas         \$ 137.467         \$ 138.306         \$ 16,660         \$ 2.8,948         \$ -         \$ -           Accounts payabb - other payables and liabilities         23,043         \$ -         8,164         7,707         8,783         8,880           Accounts payabb - billing on behalf of other entities         -         9,823         -         15,077         -         12,576           Bords payabb         6,660         6,444         2,532         2,435         2,518         2,435         19,928           Current liabilities payabb from current assets:         176,528         217,830         36,931         63,335         17,607         19,928           Current liabilities payabb - principal         665         688         282         292         183         189           Bonds payabb - accrued interest         665         6688         282         292         183         189           Bonds payabb - accrued interest         201,766         24,67,78         4,709         9,548         5,172         6,669           Customer diposition:         7,718         10,838         3,221         2,559         1,217         6,669         6,440         -         -         -         -         1,255         1,216 <td></td>												
Accours popubb - other popubles and liabilities         23,043         24,147         5,915         5,502         3,728         4,769           Accours popubb - billing on behalf of other entities         -         39,823         -         15,077         -         1,250           Accrued vacation         9,338         9,110         3,661         3,666         2,578         2,2518           Carrent labilities payable from current assets         176,528         217,830         36,031         63,335         17,607         19,928           Current labilities payable from restricted assets:         176,528         5,925         1,547         2,321         1,586         2,154           Medical benefits         1,158         10,911         2,188         1,767         873         864           Bonds payable - principal         615         596         233         225         231         227           Total current liabilities is:         201,766         4,4701         7,288         2,5,782         2,6,94           Customer dynosis         17,453         17,065         4,167         3,471         1,366         1,351           Low crent liabilities:         201,766         4,167         3,471         1,366         1,351           Lo		\$ 137.467	\$	138 306	\$	16.669	\$	28 948	s -	s -		
Accounts payabb - billing on behalf of other entries         -         -         8,164         7,707         8,783         8,880           Accrued vacation         9,338         9,110         3,651         3,666         2,578         2,576           Bonde payabe         6,680         6,444         2,532         2,435         2,518         2,158           Current labilities payable from current assets:         176,528         217,83         3,6931         6,3355         17,607         19,928           Current labilities payable from restricted assets:         Instance reserves - signifies and damages         5,082         5,925         1,547         2,321         1,586         2,154           Dands payable - accrued infrest         665         668         282         292         183         189           Bonds payable - accrued infrest         665         668         282         292         133         2275         231         227           Total current labilities payable from restricted assets         11,158         10,971         2,184         1,707         873         864           Total current labilities         201,766         246,788         44,701         7,283         22,792         26,594           Non-current labilities         7,453 <td></td> <td>,</td> <td>Ψ</td> <td></td> <td>Ψ</td> <td></td> <td>Ψ</td> <td></td> <td></td> <td></td>		,	Ψ		Ψ		Ψ					
Accrued uses         -         39,823         -         15,077         -         1,250           Bonds payable         6.680         6,444         2,532         2,435         2,518         2,453           Total current liabilities payable from current assets         176,528         217,830         36,931         63,335         17,007         19,928           Current liabilities payable from current assets         5,982         5,925         1,547         2,321         1,586         2,174           Insurance reverse - signifies and damages         7,718         10,031         2,188         1,767         7873         864           Bonds payable - principal         615         596         233         2227         231         227         715         6,666           Total current liabilities:         201,766         246,788         44,701         7,883         2,782         26,594           Customer davances for construction         4,421         5,973         406         -									,	· · · · ·		
Accract vacation         9.338         9.110         3.651         2.578         2.578         2.578         2.578         2.453           Total current liabilities payable from current assets         176.528         217.830         36,931         63,333         17.007         19928           Current liabilities payable from restricted assets:         Insurance reserves - injuries and damages         5.082         5.925         1.547         2,321         1,586         2,123           Current liabilities payable from restricted assets:         11,158         10,911         2,188         12,676         873         864           Bonds payable - accrued interest         665         668         22         292         183         189           Bonds payable - accrued interest         665         596         233         22.5         231         227           Total current liabilities         201,766         246,788         44,701         72,883         22,782         22,6594           Non-current liabilities         201,766         246,788         44,701         72,883         22,782         22,6594           Not current liabilities         201,766         246,788         44,701         72,893         22,782         2,6594           Not current liabilities		-		39.823		-			-			
Bonds payable         6.680         6.444         2.512         2.435         2.518         2.445           Total current labilities payable from crestricted assets:         insurance reserves - injurises and damages         5.082         5.925         1.547         2.321         1,586         2.154           Medical benefits         7.718         10.838         3.520         4.943         2.002         3.225           Customer deposits         11.158         10.0911         2.188         1.767         873         864           Bonds payabb - ancende interest         665         668         282         292         183         189           Bonds payabb - principal         615         596         233         225         231         227         1.566         2.175         6.667           Total current labilities         25.238         28.958         7.770         9.548         5.175         6.666           Total current labilities         2.5.233         2.2997         1.903         2.055         1.257         -         -         2.5         2.1         -         -         Customer deposits         -         2.5         1.2         -         -         -         1.470         1.2.090         1.2.090         1.2.0		9.338		,		3.651			2.578			
Total current labilities payable from current assets:       176,528       217,830       36,931       63,335       17,607       19,928         Current labilities payable from restricted assets:       Insurance reserves - injuries and damages       5,082       5,925       1,547       2,321       1,586       2,1154         Medical benefits       7,718       10,838       3,520       4,943       2,302       3,232         Customer deposits       11,158       10,911       2,188       1,767       873       864         Bonds payable - accrued interest       665       668       223       222       183       189         Total current labilities payable from restricted assets       25,238       28,958       7,770       9,548       5,175       6,666         Total current labilities:       201,766       246,788       44,701       72,883       22,782       26,594         Non- current labilities:       201,766       3,615       3,6,040       3,6,161       3,6,040       25,330       26,545         Revenue bonds - series 2014       55,430       58,240       -       -       1,470       12,090         Revenue bonds - series 2017       81,140       84,200       3,610       25,330       26,545         Unamor												
Instruce reserves - injuries and damages         5,082         5,925         1,547         2,321         1,586         2,154           Medical benchis         7,718         10,838         3,520         4,943         2,302         3,232           Customer deposits         11,158         10,911         2,188         1,767         873         864           Bonds payable - principal         615         596         233         225         231         227           Total current liabilities:         201,766         246,788         44,701         72,883         5,175         6,666           Total current liabilities:         201,766         246,788         44,701         72,883         22,782         26,594           Non-current liabilities:         201,766         246,788         44,701         7,2,883         22,782         26,594           Non-current liabilities:         201,766         246,781         4,06         494         -         -         -         1,140         1,140         1,140         2,997         1,903         2,005         Revenue bonds - series 2014         55,430         56,440         -         -         -         11,470         12,090         23,102         23,201         23,202         3,201	Total current liabilities payable from current assets											
Instruce reserves - injuries and damages         5,082         5,925         1,547         2,321         1,586         2,154           Medical benchis         7,718         10,838         3,520         4,943         2,302         3,232           Customer deposits         11,158         10,911         2,188         1,767         873         864           Bonds payable - principal         615         596         233         225         231         227           Total current liabilities:         201,766         246,788         44,701         72,883         5,175         6,666           Total current liabilities:         201,766         246,788         44,701         72,883         22,782         26,594           Non-current liabilities:         201,766         246,788         44,701         7,2,883         22,782         26,594           Non-current liabilities:         201,766         246,781         4,06         494         -         -         -         1,140         1,140         1,140         2,997         1,903         2,005         Revenue bonds - series 2014         55,430         56,440         -         -         -         11,470         12,090         23,102         23,201         23,202         3,201	Current liabilities payable from restricted assets:											
Medical benchis       7,718       10,838       3,520       4,943       2,302       3,232         Customer deposits       11,158       10,911       2,188       1,767       873       864         Bonds payable - acrued interest       665       668       282       292       183       189         Dands payable - principal       615       596       233       225       231       227         Total current liabilities       25,338       28,958       7,770       9,548       5,175       6,666         Total current liabilities:       201,766       246,788       44,701       72,883       22,782       26,594         Non-current liabilities:       Customer deposits       17,453       17,065       4,167       3,471       1,366       1,351         LNG deposits       -       -       2       12,57       -       -       -       -       -       -       1,470       12,090         Revenue bonds - series 2014       55,430       58,240       -       -       -       11,470       12,090         Revenue bonds - series 2017       81,140       84,200       36,120       37,460       22,310       23,225       Unamortized debt premiam       21,395       23		5.082		5.925		1.547		2.321	1,586	2,154		
$\begin{array}{c c c c c c c c c c c c c c c c c c c $		,							,			
Bonds payabe - crincipal         665         688         282         292         183         189           Bonds payabe - principal         615         596         233         2225         231         227           Total current liabilities payable from restricted assets         25,238         24,6788         44,701         72,883         22,782         26,594           Non-current liabilities:         201,766         246,788         44,701         72,883         22,782         26,594           Non-current liabilities:         Customer dayances for construction         4,421         5,973         406         494         -         -         -         25         125         -         -         -         25         125         -         -         1,066         1,431         1,2097         1,003         2,997         1,003         2,055           Revenue bonds - series 2016         34,615         36,040         36,120         37,460         2,231         2,225         Unamortized debt premium         21,395         23,709         11,476         1,470         1,200         2,225         Unamortized debt premium         21,395         23,709         11,476         12,410         3,072         0,465         36,652         632,583         22,									· · · · ·			
Bonds parable - principal         615         596         233         225         231         227           Total current liabilities         25,238         28,958         7,70         9,548         5,175         6,666           Total current liabilities:         21,766         246,788         44,701         72,883         22,782         26,594           Non-current liabilities:         Customer advances for construction         4,421         5,973         406         494         -	1											
Total current liabilities payable from restricted assets $25,238$ $22,928$ $7,770$ $9,548$ $5,175$ $6,666$ Total current liabilities $201,766$ $246,788$ $44,701$ $72,883$ $22,782$ $26,594$ Non-current liabilities:       Customer dayances for construction $4,421$ $5,973$ $406$ $494$ -       -         Customer dayances for construction $4,421$ $5,973$ $406$ $494$ -       -         Reserve for unused sik leave $7,200$ $7,114$ $3,013$ $2,997$ $1,933$ $2,055$ Revenue bonds - series 2014 $55,430$ $58,240$ -       - $11,470$ $12,090$ Revenue bonds - series 2017 $81,140$ $84,200$ $61,20$ $37,460$ $22,2310$ $23,225$ Unamortized debt premium $21,395$ $23,709$ $11,426$ $12,611$ $4,693$ $5,180$ Net OPEB liability $168,882$ $152,017$ $64,788$ $32,797$ $ 18,328$ $-$ Total non-current liabilities $658,652$ $632,583$ $228,797$ $227,551$ <												
Total current liabilities $201,766$ $246,788$ $44,701$ $72,883$ $22,782$ $26,594$ Non-current liabilities:       Customer advances for construction $4,421$ $5,973$ $406$ $494$ -       - <t< td=""><td></td><td></td><td></td><td></td><td></td><td></td><td>·</td><td></td><td></td><td></td></t<>							·					
Non-current liabilities:         4,421         5,973         406         494         -         -           Customer advances for construction         4,421         5,973         406         494         -         -         -           Customer deposits         17,453         17,065         4,167         3,471         1,366         1,351           LNG deposits         -         25         125         -         -         -           Reserve for unused sick leave         7,200         7,114         3,013         2,997         1,903         2,055           Revenue bonds - series 2016         34,615         36,040         34,615         36,040         22,310         23,225           Unamortized debt premium         21,395         23,709         11,426         12,611         4,693         5,180           Net OPEB liability         64,687         -         24,779         -         18,328         -         3,017         3,202         3,201         3,201         3,201         3,201         3,201         3,201         3,201         3,201         3,201         3,201         3,201         3,201         3,201         3,201         3,201         3,201         3,201         3,201         3,201         <	Total current liabilities											
Customer advances for construction $4,421$ $5,973$ $406$ $494$ -       -         Customer deposits       17,453       17,065 $4,167$ $3,471$ $1,366$ $1,551$ LNG deposits       -       25 $125$ -       -       25 $125$ -       -         Reserve for unused sick leave       7,200 $7,114$ $3,013$ $2,997$ $1,903$ $2,055$ Revenue bonds - series 2016 $34,615$ $36,040$ $25,330$ $26,545$ Revenue bonds - series 2017 $81,140$ $84,200$ $36,6120$ $37,460$ $22,310$ $23,225$ Unamorized debt premium $21,395$ $23,709$ $11,426$ $12,611$ $4,693$ $5,180$ Net OPEB liability $64,687$ $ 24,797$ $ 18,328$ $-$ Total non-current liabilities $456,886$ $385,795$ $184,096$ $154,668$ $136,452$ $116,719$ Total lability experience $1,567$ $ 601$ $ 444$ $-$ Pension liability experience $1,567$ $-$	NY / P. 1. P.	,		,		,		,	,	,		
Customer deposits $17,453$ $17,065$ $4,167$ $3,471$ $1,366$ $1,351$ LNG deposits       -       -       25       125       -		4 421		5 072		107		40.4				
LNG deposits       -       -       25       125       -       -         Reserve for unused sick leave       7,200       7,114       3,013       2,997       1,903       2,055         Revenue bonds - series 2016       34,615       36,040       34,615       36,040       25,330       26,545         Revenue bonds - series 2017       81,140       84,200       36,120       37,460       22,310       23,225         Unamorized debt premium       21,395       23,709       11,426       12,611       4,693       5,180         Net persion liability       64,687       -       24,797       -       18,328       -         Total non-current liabilities       1663       1,437       4,789       3,197       3,202       3,201         Total non-current liabilities       658,652       632,583       228,797       227,551       159,234       143,313         Deferred inflows of resources       -       -       601       -       444       -         Pension liability experience       5,023       7,787       1,926       2,985       1,423       2,206         OPEB liability experience       1,567       -       601       -       444       -       -       - <td></td> <td>,</td> <td></td> <td>,</td> <td></td> <td></td> <td></td> <td></td> <td>-</td> <td>-</td>		,		,					-	-		
Reserve for unused sick leave7,2007,1143,0132,9971,9032,055Revenue bonds - series 201455,43058,24011,47012,090Revenue bonds - series 201781,14084,20034,61536,04025,33026,545Unamortized delt premium21,39523,70911,42612,6114,6035,180Net pension liability64,687-24,797-18,328-Other1,6631,4374,7893,1973,2023,201Total non-current liabilities456,886385,795184,096154,668136,452116,719Total non-current liabilities658,652632,583228,797227,551159,234143,313Deferred inflows of resources927,7871,9262,9851,4232,206OPEB liability experience5,0237,7871,9262,9851,4232,206OPEB hability experience5,0237,7871,9262,9851,4232,206OPEB hability experience5,0237,7871,9262,9851,4232,206OPEB hability experience1,567-601-444-Pension liability experience1,567-601-444-Pension investment earnings experience11,19814,9314,2935,7243,1734,230Accumulated increase in fair value of hedging derivatives </td <td>-</td> <td>17,453</td> <td></td> <td>· ·</td> <td></td> <td>,</td> <td></td> <td>,</td> <td>1,366</td> <td>1,351</td>	-	17,453		· ·		,		,	1,366	1,351		
Revenue bonds - series 2014 $55,430$ $58,240$ $  11,470$ $12,090$ Revenue bonds - series 2016 $34,615$ $36,040$ $34,615$ $36,040$ $25,330$ $26,545$ Revenue bonds - series 2017 $81,140$ $84,200$ $36,120$ $37,460$ $22,310$ $23,225$ Unamortized debt premium $21,395$ $23,709$ $11,426$ $12,611$ $4,693$ $5,180$ Net pension liability $64,687$ $ 24,797$ $ 18,328$ $-$ Other $1,663$ $1,437$ $4,789$ $3,197$ $3,202$ $3,201$ Total non-current liabilities $456,886$ $385,795$ $184,096$ $154,668$ $136,452$ $116,719$ Total non-current liability experience $5,023$ $7,787$ $1,926$ $2,985$ $1,423$ $2,206$ OPEB liability experience $5,023$ $7,787$ $1,926$ $2,985$ $1,423$ $2,206$ OPEB liability experience $5,023$ $7,787$ $1,926$ $2,985$ $1,423$ $2,206$ OPEB inbility experience $1,567$ $  4444$ $-$ Pension indanges of assumptions $2,211$ $4,422$ $848$ $1,695$ $627$ $1,253$ OPEB investment earnings experience $1,567$ $ 601$ $ 44,654$ $60,048$ $17,117$ $23,018$ $12,652$ $17,014$ OPEB investment earnings experience $144,654$ $60,048$ $17,117$ $23,018$ $12,652$ $17,014$ <td< td=""><td></td><td>-</td><td></td><td></td><td></td><td></td><td></td><td></td><td>-</td><td>-</td></td<>		-							-	-		
Revenue bonds - series 2016       34,615       36,040       34,615       36,040       25,330       26,545         Revenue bonds - series 2017       81,140       84,200       36,120       37,460       22,310       23,225         Unamortized debt premium       21,395       23,709       11,426       12,611       4,693       5,180         Net OPEB liability       64,687       -       24,797       -       18,328       -         Net OPEB liability       1663       1,437       4,789       3,197       3,202       3,201         Total non-current liabilities       456,886       385,795       184,096       154,668       136,452       116,719         Total liability experience       5,023       7,787       1,926       2,985       1,423       2,206         OPEB liability experience       1,567       -       601       -       4444       -         Pension liability experience       1,567       -       601       -       4444       -         Pension inspes of assumptions       80,148       100,185       30,723       38,404       22,709       28,386         Pension inspes experience       11,198       144,801       187,373       57,138       73,372       41,028				,						· · · ·		
Revenue bonds - series 2017       81,140       84,200       36,120       37,460       22,310       23,225         Unamortized debt premium       21,395       23,709       11,426       12,611       4,693       5,180         Net OPEB liability       168,882       152,017       64,738       58,273       47,850       43,072         Other       1,663       1,437       4,789       3,197       3,202       3,201         Total non-current liabilities       456,886       385,795       184,096       154,668       136,452       116,719         Total non-current liabilities       658,652       632,583       228,797       227,551       159,234       143,313         Deferred inflows of resources       9       9       1,926       2,985       1,423       2,206         OPEB lability experience       5,023       7,787       1,926       2,985       1,423       2,206         OPEB changes of assumptions       2,211       4,422       848       1,695       627       1,253         OPEB changes of assumptions       2,211       4,422       848       1,695       627       1,2652       17,014         OPEB changes of assumptions       2,211       4,423       84,654       60,048 <td></td>												
Unamortized debt premium $21,395$ $23,709$ $11,426$ $12,611$ $4,693$ $5,180$ Net pension liability $64,687$ $ 24,797$ $ 18,328$ $-$ Net OPEB liability $168,882$ $152,017$ $64,738$ $58,273$ $47,850$ $43,072$ Other $1,663$ $1,437$ $4,789$ $3,197$ $3,202$ $3,201$ Total non-current liabilities $456,886$ $385,795$ $184,096$ $154,668$ $136,452$ $116,719$ Total non-current liabilities $658,652$ $632,583$ $228,797$ $227,551$ $159,234$ $143,313$ Deferred inflows of resourcesPension liability experience $5,023$ $7,787$ $1,926$ $2,985$ $1,423$ $2,206$ OPEB liability experience $1,567$ $ 601$ $ 444$ $-$ Pension investment earnings experience $44,654$ $60,048$ $17,117$ $23,018$ $12,652$ $17,014$ OPEB investment earnings experience $11,198$ $14,931$ $4,293$ $5,724$ $3,173$ $4,230$ Accumulated increase in fair value of $   1,630$ $1,546$ $ -$ Iotal deferred inflows of resources $144,801$ $187,373$ $57,138$ $73,372$ $41,028$ $53,089$ Net position $27,893$ $20,400$ $13,057$ $9,760$ $10,698$ $8,194$ Unrestricted $(33,310)$ $(30,555)$ $49,480$ $18,158$ $(36,459)$ $(47,382)$ <td></td> <td></td> <td></td> <td>· · ·</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td>				· · ·								
Net pension liability $64,687$ $ 24,797$ $ 18,328$ $-$ Net OPEB liability $168,882$ $152,017$ $64,738$ $58,273$ $47,850$ $43,072$ Other $1,663$ $1,437$ $4,789$ $3,197$ $3,202$ $3,201$ Total non-current liabilities $456,886$ $385,795$ $184,096$ $154,668$ $136,452$ $116,719$ Total liabilities $658,652$ $632,583$ $228,797$ $227,551$ $159,234$ $143,313$ Deferred inflows of resourcesPension liability experience $5,023$ $7,787$ $1,926$ $2,985$ $1,423$ $2,200$ OPEB liability experience $5,023$ $7,787$ $1,926$ $2,985$ $1,423$ $2,200$ OPEB liability experience $5,023$ $7,787$ $1,926$ $2,985$ $1,423$ $2,200$ OPEB liability experience $1,567$ $ 601$ $ 444$ $-$ Pension investment earnings experience $44,654$ $60,048$ $17,117$ $23,018$ $12,652$ $17,014$ OPEB investment earnings experience $11,198$ $14,931$ $4,293$ $5,724$ $3,173$ $4,230$ Accumulated increase in fair value of $      -$ Net investment in capital assets $932,380$ $921,736$ $331,206$ $333,148$ $288,272$ $280,220$ Restricted $27,893$ $20,400$ $13,057$ $9,760$ $10,698$ $8,194$ Unrestricted $(33,310)$								<i>,</i>				
Net OPEB lability Other168,882 $152,017$ $64,738$ $58,273$ $47,850$ $43,072$ Other $1,663$ $1,437$ $4,789$ $3,197$ $3,202$ $3,201$ Total non-current liabilities $456,886$ $385,795$ $184,096$ $154,668$ $136,452$ $116,719$ Total non-current liabilities $658,652$ $632,583$ $228,797$ $227,551$ $159,234$ $143,313$ Deferred inflows of resourcesPension liability experience $5,023$ $7,787$ $1,926$ $2,985$ $1,423$ $2,206$ OPEB liability experience $1,567$ $ 601$ $ 444$ $-$ Pension changes of assumptions $2,211$ $4,422$ $848$ $1,695$ $627$ $1,253$ OPEB changes of assumptions $80,148$ $100,185$ $30,723$ $38,404$ $22,709$ $28,386$ Pension investment earnings experience $44,654$ $60,048$ $17,117$ $23,018$ $12,652$ $17,014$ OPEB investment earnings experience $11,198$ $14,931$ $4,293$ $5,724$ $3,173$ $4,230$ Accumulated increase in fair value of $      -$ Net investment in capital assets $932,380$ $921,736$ $331,206$ $333,148$ $288,272$ $280,220$ Restricted $27,893$ $20,400$ $13,057$ $9,760$ $10,698$ $8,194$ Unrestricted $(33,310)$ $(30,555)$ $49,480$ $18,158$ $(36,459)$ <td></td> <td></td> <td></td> <td>23,709</td> <td></td> <td></td> <td></td> <td>12,611</td> <td></td> <td>5,180</td>				23,709				12,611		5,180		
Other $1,663$ $1,437$ $4,789$ $3,197$ $3,202$ $3,201$ Total non-current liabilities $456,886$ $385,795$ $184,096$ $154,668$ $136,452$ $116,719$ Total liabilities $658,652$ $632,583$ $228,797$ $227,551$ $136,452$ $116,719$ Deferred inflows of resourcesPension liability experience $5,023$ $7,787$ $1,926$ $2,985$ $1,423$ $2,206$ OPEB liability experience $1,567$ $ 601$ $ 444$ $-$ Pension changes of assumptions $2,211$ $4,422$ $848$ $1,695$ $627$ $1,253$ OPEB changes of assumptions $80,148$ $100,185$ $30,723$ $38,404$ $22,709$ $28,386$ Pension investment earnings experience $44,654$ $60,048$ $17,117$ $23,018$ $12,652$ $17,014$ OPEB investment earnings experience $1,198$ $14,931$ $4,293$ $5,724$ $3,173$ $4,230$ Accumulated increase in fair value of $     -$ hedging derivatives $     -$ Total deferred inflows of resources $932,380$ $921,736$ $331,206$ $333,148$ $288,272$ $280,220$ Net position $27,893$ $20,400$ $13,057$ $9,760$ $10,698$ $8,194$ Unrestricted $(33,310)$ $(30,555)$ $49,480$ $18,158$ $(36,459)$ $(47,382)$ Total het position <t< td=""><td></td><td></td><td></td><td>-</td><td></td><td></td><td></td><td>-</td><td>,</td><td>-</td></t<>				-				-	,	-		
Total non-current liabilities $456,886$ $385,795$ $184,096$ $154,668$ $136,452$ $116,719$ Total liabilities $658,652$ $632,583$ $228,797$ $227,551$ $159,234$ $143,313$ Deferred inflows of resourcesPension liability experience $5,023$ $7,787$ $1,926$ $2,985$ $1,423$ $2,206$ OPEB liability experience $1,567$ - $601$ - $444$ -Pension changes of assumptions $2,211$ $4,422$ $848$ $1,695$ $627$ $1,253$ OPEB changes of assumptions $80,148$ $100,185$ $30,723$ $38,404$ $22,709$ $28,386$ Pension investment earnings experience $44,654$ $60,048$ $17,117$ $23,018$ $12,652$ $17,014$ OPEB investment earnings experience $144,801$ $187,373$ $57,138$ $73,372$ $41,028$ $53,089$ Net positionNet position $932,380$ $921,736$ $331,206$ $333,148$ $288,272$ $280,220$ Restricted $(33,310)$ $(30,555)$ $49,480$ $18,158$ $(36,459)$ $(47,382)$ Total liabilities, deferred inflows of resources and $926,963$ $911,581$ $393,743$ $361,066$ $262,511$ $241,032$												
Total liabilities $658,652$ $632,583$ $228,797$ $227,551$ $159,234$ $143,313$ Deferred inflows of resourcesPension liability experience $5,023$ $7,787$ $1,926$ $2,985$ $1,423$ $2,206$ OPEB liability experience $1,567$ $ 601$ $ 444$ $-$ Pension changes of assumptions $2,211$ $4,422$ $848$ $1,695$ $627$ $1,253$ OPEB changes of assumptions $80,148$ $100,185$ $30,723$ $38,404$ $22,709$ $28,386$ Pension investment earnings experience $44,654$ $60,048$ $17,117$ $23,018$ $12,652$ $17,014$ OPEB investment earnings experience $44,654$ $60,048$ $17,117$ $23,018$ $12,652$ $17,014$ OPEB investment earnings experience $44,654$ $60,048$ $17,117$ $23,018$ $12,652$ $17,014$ Accumulated increase in fair value of $14,931$ $4,293$ $5,724$ $3,173$ $4,230$ Net position $       -$ Net investment in capital assets $932,380$ $921,736$ $331,206$ $333,148$ $288,272$ $280,220$ Restricted $(33,310)$ $(30,555)$ $49,480$ $18,158$ $(36,459)$ $(47,382)$ Unrestricted $926,963$ $911,581$ $393,743$ $361,066$ $262,511$ $241,032$ Total liabilities, deferre												
Deferred inflows of resources           Pension liability experience         5,023         7,787         1,926         2,985         1,423         2,206           OPEB liability experience         1,567         -         601         -         444         -           Pension changes of assumptions         2,211         4,422         848         1,695         627         1,253           OPEB changes of assumptions         80,148         100,185         30,723         38,404         22,709         28,386           Pension investment earnings experience         44,654         60,048         17,117         23,018         12,652         17,014           OPEB investment earnings experience         11,198         14,931         4,293         5,724         3,173         4,230           Accumulated increase in fair value of         -         -         -         1,630         1,546         -         -           Net position         -         -         -         1,630         1,546         -         -         -           Net investment in capital assets         932,380         921,736         331,206         333,148         288,272         280,220           Restricted         27,893         20,400         13,057 <td></td>												
Pension liability experience $5,023$ $7,787$ $1,926$ $2,985$ $1,423$ $2,206$ OPEB liability experience $1,567$ - $601$ - $444$ -Pension changes of assumptions $2,211$ $4,422$ $848$ $1,695$ $627$ $1,253$ OPEB changes of assumptions $80,148$ $100,185$ $30,723$ $38,404$ $22,709$ $28,386$ Pension investment earnings experience $44,654$ $60,048$ $17,117$ $23,018$ $12,652$ $17,014$ OPEB investment earnings experience $44,654$ $60,048$ $17,117$ $23,018$ $12,652$ $17,014$ OPEB investment earnings experience $11,198$ $14,931$ $4,293$ $5,724$ $3,173$ $4,230$ Accumulated increase in fair value of $     -$ Net gosition- $  1,630$ $1,546$ $ -$ Net position $     -$ Net investment in capital assets $932,380$ $921,736$ $331,206$ $333,148$ $288,272$ $280,220$ Restricted $27,893$ $20,400$ $13,057$ $9,760$ $10,698$ $8,194$ Unrestricted $(33,310)$ $(30,555)$ $49,480$ $18,158$ $(36,459)$ $(47,382)$ Total net position $926,963$ $911,581$ $393,743$ $361,066$ $262,511$ $241,032$	Total liabilities	658,652		632,583		228,797		227,551	159,234	143,313		
OPEB liability experience       1,567       -       601       -       444       -         Pension changes of assumptions       2,211       4,422       848       1,695       627       1,253         OPEB changes of assumptions       80,148       100,185       30,723       38,404       22,709       28,386         Pension investment earnings experience       44,654       60,048       17,117       23,018       12,652       17,014         OPEB investment earnings experience       41,654       60,048       17,117       23,018       12,652       17,014         Accumulated increase in fair value of hedging derivatives       -       -       1,630       1,546       -       -         Total deferred inflows of resources       144,801       187,373       57,138       73,372       41,028       53,089         Net investment in capital assets       932,380       921,736       331,206       333,148       288,272       280,220         Restricted       27,893       20,400       13,057       9,760       10,698       8,194         Unrestricted       (33,310)       (30,555)       49,480       18,158       (36,459)       (47,382)         Total liabilities, deferred inflows of resources and       926,963	Deferred inflows of resources											
Pension changes of assumptions       2,211       4,422       848       1,695       627       1,253         OPEB changes of assumptions       80,148       100,185       30,723       38,404       22,709       28,386         Pension investment earnings experience       44,654       60,048       17,117       23,018       12,652       17,014         OPEB investment earnings experience       11,198       14,931       4,293       5,724       3,173       4,230         Accumulated increase in fair value of       -       -       1,630       1,546       -       -         Net generation inflows of resources       144,801       187,373       57,138       73,372       41,028       53,089         Net investment in capital assets       932,380       921,736       331,206       333,148       288,272       280,220         Restricted       27,893       20,400       13,057       9,760       10,698       8,194         Unrestricted       (33,310)       (30,555)       49,480       18,158       (36,459)       (47,382)         Total labilities, deferred inflows of resources and       926,963       911,581       393,743       361,066       262,511       241,032		,		7,787		,		2,985	,	2,206		
OPEB changes of assumptions       80,148       100,185       30,723       38,404       22,709       28,386         Pension investment earnings experience       44,654       60,048       17,117       23,018       12,652       17,014         OPEB investment earnings experience       11,198       14,931       4,293       5,724       3,173       4,230         Accumulated increase in fair value of hedging derivatives       -       -       1,630       1,546       -       -         Total deferred inflows of resources       144,801       187,373       57,138       73,372       41,028       53,089         Net position       -       -       1,630       13,057       9,760       10,698       8,194         Unrestricted       (33,310)       (30,555)       49,480       18,158       (36,459)       (47,382)         Total liabilities, deferred inflows of resources and       -       -       -       -       -       -		,		-						-		
Pension investment earnings experience       44,654       60,048       17,117       23,018       12,652       17,014         OPEB investment earnings experience       11,198       14,931       4,293       5,724       3,173       4,230         Accumulated increase in fair value of       -       -       1,630       1,546       -       -         Total deferred inflows of resources       144,801       187,373       57,138       73,372       41,028       53,089         Net position       -       -       144,801       187,373       57,138       73,372       41,028       53,089         Net position       -       -       -       0,400       13,057       9,760       10,698       8,194         Unrestricted       (33,310)       (30,555)       49,480       18,158       (36,459)       (47,382)         Total labilities, deferred inflows of resources and       -       -       -       -       -       -												
OPEB investment earnings experience       11,198       14,931       4,293       5,724       3,173       4,230         Accumulated increase in fair value of       hedging derivatives       -       -       1,630       1,546       -       -         Total deferred inflows of resources       144,801       187,373       57,138       73,372       41,028       53,089         Net position       -       -       144,801       187,373       57,138       73,372       41,028       53,089         Net position       -       -       -       331,206       333,148       288,272       280,220         Restricted       27,893       20,400       13,057       9,760       10,698       8,194         Unrestricted       (33,310)       (30,555)       49,480       18,158       (36,459)       (47,382)         Total net position       926,963       911,581       393,743       361,066       262,511       241,032	6 1											
Accumulated increase in fair value of hedging derivatives       -       -       1,630       1,546       -       -         Total deferred inflows of resources       144,801       187,373       57,138       73,372       41,028       53,089         Net position       932,380       921,736       331,206       333,148       288,272       280,220         Restricted       27,893       20,400       13,057       9,760       10,698       8,194         Unrestricted       (33,310)       (30,555)       49,480       18,158       (36,459)       (47,382)         Total liabilities, deferred inflows of resources and       926,963       911,581       393,743       361,066       262,511       241,032												
hedging derivatives       -       -       1,630       1,546       -       -       -         Total deferred inflows of resources       144,801       187,373       57,138       73,372       41,028       53,089         Net position       932,380       921,736       331,206       333,148       288,272       280,220         Restricted       27,893       20,400       13,057       9,760       10,698       8,194         Unrestricted       (33,310)       (30,555)       49,480       18,158       (36,459)       (47,382)         Total net position       926,963       911,581       393,743       361,066       262,511       241,032		11,198		14,931		4,293		5,724	3,173	4,230		
Total deferred inflows of resources       144,801       187,373       57,138       73,372       41,028       53,089         Net position       Net investment in capital assets       932,380       921,736       331,206       333,148       288,272       280,220         Restricted       27,893       20,400       13,057       9,760       10,698       8,194         Unrestricted       (33,310)       (30,555)       49,480       18,158       (36,459)       (47,382)         Total net position       926,963       911,581       393,743       361,066       262,511       241,032												
Set position         932,380         921,736         331,206         333,148         288,272         280,220           Restricted         27,893         20,400         13,057         9,760         10,698         8,194           Unrestricted         (33,310)         (30,555)         49,480         18,158         (36,459)         (47,382)           Total net position         926,963         911,581         393,743         361,066         262,511         241,032				-					-			
932,380       921,736       331,206       333,148       288,272       280,220         Restricted       27,893       20,400       13,057       9,760       10,698       8,194         Unrestricted       (33,310)       (30,555)       49,480       18,158       (36,459)       (47,382)         Total net position       926,963       911,581       393,743       361,066       262,511       241,032	Total deferred inflows of resources	144,801		187,373		57,138		73,372	41,028	53,089		
Restricted       27,893       20,400       13,057       9,760       10,698       8,194         Unrestricted       (33,310)       (30,555)       49,480       18,158       (36,459)       (47,382)         Total net position       926,963       911,581       393,743       361,066       262,511       241,032	Net position											
Unrestricted         (33,310)         (30,555)         49,480         18,158         (36,459)         (47,382)           Total net position         926,963         911,581         393,743         361,066         262,511         241,032	Net investment in capital assets	932,380				331,206			· · · · · ·			
Yes         Yes <thyes< th=""> <thyes< th=""> <thyes< th=""></thyes<></thyes<></thyes<>	Restricted	27,893		20,400		13,057		9,760	10,698	8,194		
Total liabilities, deferred inflows of resources and	Unrestricted							18,158				
	Total net position	926,963		911,581		393,743		361,066	262,511	241,032		
	Total liabilities, deferred inflows of resources and											
	net position	\$1,730,416	\$ 1	,731,537	\$	679,678	\$	661,989	\$ 462,773	\$ 437,434		

#### STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (Dollars in Thousands)



	Electric	Division	Gas D	ivision	Water Division			
	2019	2018	2019	2018	2019	2018		
Operating revenues:		<b>.</b>		<b>•</b> • • • • • • •	<b>*</b> 4 • • • • • • •	<b>•</b> • • • • • •		
Sales and service revenues	\$1,259,550	\$1,261,091	\$227,553	\$ 241,460	\$100,480	\$ 97,677		
Transported gas revenues	-	-	12,571	11,119	-	-		
Other revenues	26,426	28,815	20,503	21,609	5,199	5,463		
Total operating revenues	1,285,976	1,289,906	260,627	274,188	105,679	103,140		
Operating expenses:								
Purchased power and gas for resale	1,036,442	1,035,898	110,555	138,107	_	_		
Production	1,030,442	1,055,070	110,000	150,107	14,919	14,358		
Operation	121,450	87,670	67,946	56,233	44,386	39,161		
Maintenance	48,746	50,334	6,883	7,520	10,994	11,599		
Depreciation & amortization	56,599	55,844	22,500	21,483	10,635	9,653		
Payment in lieu of taxes	6,496	8,017	1,061	1,168	10,055	,055		
Total operating expenses	1,269,733	1,237,763	208,945	224,511	80,934	74,771		
Operating income	16,243	52,143	51,682	49,677	24,745	28,369		
operating meane	10,245	52,145	51,002	-19,077	24,745	20,507		
Non-operating revenues (expenses):								
Contributions in aid of construction	17,243	17,315	1,518	3,018	3,345	4,364		
Reduction of plant costs recovered through		1,9010	1,010	2,010	0,010	.,		
contributions in aid of construction	(17,243)	(17,315)	(1,518)	(3,018)	(3,345)	(4,364)		
Transmission credits	35,737	35,118	-	(0,010)	-	(.,		
Investment and other income	7,791	8,433	1,336	899	1,054	1,177		
Prepay credit	-	4,400	_,	-	_,	-,-,-,-		
Interest expense	(5,981)	(10,357)	(2,339)	(2,400)	(1,820)	(1,864)		
Total non-operating revenues (expenses)	37,547	37,594	(1,003)	(1,501)	(766)	(687)		
Income before transfers	53,790	89,737	50,679	48,176	23,979	27,682		
Transfers out - City of Memphis	(38,408)	(40,393)	(18,002)	(19,152)	(2,500)	(2,500)		
Change in net position	\$ 15,382	\$ 49,344	\$ 32,677	\$ 29,024	\$ 21,479	\$ 25,182		
Net position, beginning of year	\$ 911,581	\$1,152,467	\$361,066	\$ 443,223	\$241,032	\$ 298,066		
Change in method of accounting for OPEB	-	(290,230)	-	(111,180)	-	(82,216)		
Change in net position	15,382	49,344	32,677	29,024	21,479	25,182		
Net position, end of year	\$ 926,963	\$ 911,581	\$393,743	\$ 361,066	\$262,511	\$ 241,032		
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#### STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (Dollars in Thousands)



		Electric Division			ivision	Water Division		
	2	019	2018	2019	2018	2019	2018	
Cash flows from operating activities:								
Receipts from customers and users	\$ 1,	291,625	\$1,297,248	\$271,619	\$ 270,134	\$ 106,746	\$103,766	
Payments to suppliers	(1,	069,430)	(921,400)	(141,326)	(156,062)	(29,273)	(31,054)	
Payments to/on behalf of employees	(	119,731)	(126,835)	(59,441)	(64,821)	(42,700)	(45,809)	
Payments from (to) other Division funds		(7,390)	(6,531)	(1,588)	(2,698)	(4,201)	(4,621)	
Payments for taxes		(14,422)	500	(2,132)	(104)		-	
Net cash provided by operating activities		80,652	242,982	67,132	46,449	30,572	22,282	
Cash flows from noncapital financing activities:								
Transfers to City of Memphis		(70,348)	(8,454)	(32,007)	(5,148)	(3,750)	(1,250)	
Principal payments on long-term debt		-	(132,515)	-	-	-	-	
Interest expense on bonds		-	(5,697)	-	-	-	-	
Net cash used in noncapital financing activities		(70,348)	(146,666)	(32,007)	(5,148)	(3,750)	(1,250)	
Cash flows from capital and related financing activities:								
Purchase and construction of utility plant		(80,849)	(94,525)	(23,271)	(50,090)	(20,125)	(36,358)	
Contributions in aid of construction		17,243	17,315	1,518	3,018	3,345	4,364	
Principal payments on long-term debt		(7,040)	(6,790)	(2,660)	(2,565)	(2,680)	(2,630)	
Interest payments on debt		(8,186)	(8,429)	(3,470)	(3,560)	(2,247)	(2,300)	
Net cash provided by (used in) capital				,				
and related financing activities		(78,832)	(92,429)	(27,883)	(53,197)	(21,707)	(36,924)	
Cash flows from investing activities:								
Sales and maturities of investments		63,883	64,692	14,224	30,213	2,890	14,617	
Purchases of investments		(52,671)	(79,503)	(25,089)	(26,310)	(7,096)	(6,633)	
Payments received on notes receivable		-	-	-	-	20	37	
Investment income earned on investments		5,556	6,029	2,319	1,743	500	518	
Net cash provided by (used in) investing activities		16,768	(8,782)	(8,546)	5,646	(3,686)	8,539	
Increase (decrease) in cash and cash equivalents		(51,760)	(4,895)	(1,304)	(6,250)	1,429	(7,353)	
Cash and cash equivalents, beginning of year		193,345	198,240	64,042	70,292	18,636	25,989	
Cash and cash equivalents, end of year	\$	141,585	\$ 193,345	\$ 62,738	\$ 64,042	\$ 20,065	\$ 18,636	

#### STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (Dollars in Thousands) (Continued)



	Electric Divis		Divis	vision Gas D			Division		Water Division	
		2019		2018	2019		2018		2019	2018
Reconciliation of operating income to net cash										
provided by operating activities:										
Operating income	\$	16,243	\$	52,143	\$ 51,682	\$	49,677	\$	24,745	\$ 28,369
Adjustments to reconcile net operating income	Ŷ	10,210	Ψ	02,110	\$ 01,002	Ψ	.,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	φ	,	\$ 20,000
to net cash provided by operating activities:										
Pension expense - non-cash		6,055		(7,622)	2,321		(4,075)		1,716	(2,396)
OPEB expense - non-cash		(18,283)		(55,350)	(7,009)		(21,217)		(5,180)	(15,682)
Depreciation of utility plant		58,169		57,204	24,212		23,082		10,997	9,971
Transmission credits		35,737		35,118	-		-		-	-
Prepay power credits		-		4,400	-		-		-	-
Other income (loss)		2,234		2,403	(969)		(890)		555	659
(Increase) decrease in assets:										
Accounts receivable - MLGW services		3,670		5,268	5,362		(8,811)		(150)	(59)
Accounts receivable - billing on behalf of other entities		-		-	340		(405)		535	(2,132)
Unbilled revenues		2,157		6,505	6,354		2,935		(44)	473
Prepaid power cost		-		112,822	-		-		-	-
Prepayments - in lieu of taxes		19		25	1		1		-	-
Unrecovered purchased power and gas costs		(1,248)		(6,422)	(683)		788		-	-
Inventories		(9,917)		(4,044)	(887)		(2,277)		160	(516)
Other assets		(18)		(40)	71		(3,764)		-	-
Increase (decrease) in liabilities:										
Accounts payable - purchased power and gas		(839)		27,790	(12,279)		6,570		-	-
Accounts payable - other payables and liabilities		(1,104)		1,203	413		265		(1,041)	212
Accounts payable - billing on behalf of other entities		-		-	457		377		(97)	1,784
Accrued payment in lieu of taxes		(7,884)		7,884	(1,070)		1,072		-	-
Customer deposits		635		1,302	1,017		443		24	92
Insurance reserves		(843)		(16)	(774)		(368)		(568)	517
Medical benefit accrual		(3,120)		3,815	(1,423)		1,739		(930)	1,137
Other liabilities		(1,011)		(1,406)	(4)		1,307		(150)	(147)
Total adjustments		64,409		190,839	15,450		(3,228)		5,827	(6,087)
Net cash provided by operating activities	\$	80,652	\$	242,982	\$ 67,132	\$	46,449	\$	30,572	\$ 22,282
Reconciliation of cash and cash equivalents per										
statements of cash flows to the statements of net										
position:										
Restricted funds	\$	70,583	\$	66,423	\$ 25,019	\$	22,904	\$	17,239	\$ 16,211
Less investments included in restricted funds		(13,270)		(11,091)	(5,843)		(5,142)		(5,203)	(4,359)
Cash and cash equivalents included in restricted funds		57,313	_	55,332	19,176	_	17,762		12,036	11,852
Current assets - cash and cash equivalents		84,272		138,013	43,562		46,280		8,029	6,784
Total cash and cash equivalents	\$	141.585	\$	193,345	\$ 62,738	\$	64.042	\$	20,065	\$ 18,636
10mi cash ani cash cquivachis	φ	171,000	φ	175,575	\$ \$ <u>2,13</u> 8	φ	07,072	Φ	20,003	φ 10,030



#### 1. Summary of Significant Accounting Policies

#### Organization

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

#### **Basis of Presentation**

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

#### **Basis of Accounting**

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

# 1. Summary of Significant Accounting Policies (continued)

# **Basis of Accounting (continued)**

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

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

# **Regulatory Accounting**

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

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



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

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

	Electric	Division	Gas D	ivision	Water Division			
	2019	2018	2019	2018	2019	2018		
Regulatory Assets:								
Current:								
Unrecovered purchased power/gas cost	\$ 11,021	\$ 9,773	<b>\$ 683</b>	\$ -	\$ -	\$ -		
Meter replacement	1,018	757	1,271	1,070	337	252		
Unamortized debt expense	127	131	61	63	63	65		
Total current	12,166	10,661	2,015	1,133	400	317		
Non-Current:								
Meter replacement	14,339	11,082	19,432	17,085	3,946	2,996		
Unamortized debt expense	1,080	1,208	548	609	557	621		
Total non-current	15,419	12,290	19,980	17,694	4,503	3,617		
Total Regulatory Assets	\$ 27,585	\$ 22,951	\$ 21,995	\$ 18,827	\$ 4,903	\$ 3,934		
Regulatory Liabilities: Current:								
Purchased gas adjustment	\$ -	\$ -	\$ 2,522	\$ 2,795	\$ -	\$ -		
Total Regulatory Liabilities	<u>\$                                    </u>	\$ -	\$ 2,522	\$ 2,795	<u>\$</u> -	\$ -		

#### **Fair Value of Financial Instruments**

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

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

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

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MLGW had the following recurring fair value measurements as of December 31, 2019:

- U.S. Treasury Securities of \$123,174 (Level 1 inputs)
- Commercial Paper of \$109,601; Government Mortgage-backed Securities of \$33,291 and U.S. Government Agencies of \$5,007 (Level 2 inputs)

MLGW had the following recurring fair value measurements as of December 31, 2018:

- U.S. Treasury Securities of \$103,295 (Level 1 inputs)
- Commercial Paper of \$145,163; Government Mortgage-backed Securities of \$44,354; and U.S. Government Agencies of \$30,437 (Level 2 inputs)

#### Cash and cash equivalents

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

#### **Accounts Receivable**

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



#### Accounts Receivable (continued)

As of December 31, 2019 and 2018, accounts receivable and allowances for doubtful accounts were as follows:

	Electric Division			Gas Division				Water Division			
		2019		2018	2019		2018		2019		2018
Accounts Receivable	\$	98,977	\$	101,074	\$ 41,350	\$	46,898	\$	19,327	\$	19,477
Allowance for doubtful accounts		(10,741)		(9,167)	 (783)		(627)		(865)		(628)
Total A/R, net of allowance	\$	88,236	\$	91,907	\$ 40,567	\$	46,271	\$	18,462	\$	18,849

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

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

		2018		
Electric	\$	4,114	\$	4,736
Gas	\$	1,157	\$	1,347
Water	\$	848	\$	900

#### **Unbilled Revenues**

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

#### **Prepaid Power Cost**

The prepaid electricity agreement signed with Tennessee Valley Authority ("TVA") on November 19, 2003 expired in November 2018. Total prepaid power cost at December 31, 2019 and 2018 was \$0 for both years. As it relates to debt issued to finance the cost of that transaction, the amount of interest cost incurred and charged to electric expense in 2019 and 2018 totaled \$0 and \$4,197 respectively.

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

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

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

Certain MLGW assets are restricted for specific purposes. Legal and contractual agreements restrict amounts for debt service, refund of customer deposits, futures margin requirements, and capital improvements, while Board of Commissioners enacted provisions restrict funds for self-insurance and additional capital improvements. Restricted funds are first used for expenses when available, with the exception of the insurance reserve fund for casualties, which is used at the discretion of management depending on the severity of the catastrophe and the availability of funds.

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

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

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

Since MLGW is self-insured for insurance and medical benefit costs, the Board of Commissioners has authorized the restriction of assets equal to the computed reserves.

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

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



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

The Water Division maintains a ground water reserve fund in accordance with a five year Agreement entered into on July 1, 2018 by and between MLGW and the University of Memphis (University) on behalf of the Herff College of Engineering's Center for Applied Earth Science and Engineering Research (CAESAR). The University was awarded \$1,000 a year to study clay breaches in the Memphis aquifer and their impacts to water quality. A resolution was approved by the City Council on January 9, 2018 to increase water annual sales revenue by 1.05% to be effective with meters read on Cycle 1 of the January 2018 revenue month to fund the aquifer research (see Note 12). The funds will be used to cover the deliverables in accordance with the Agreement for the groundwater study.

#### **Customer Deposits**

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

#### **Utility Plant**

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

Interest on debt is not capitalized, as it is recovered through current revenues. The amount of interest cost incurred and charged to electric expense in 2019 and 2018 totaled \$5,981 and \$10,357, respectively. The amount of interest cost incurred and charged to gas expense in 2019 and 2018 totaled \$2,339 and \$2,400, respectively. The amount of interest cost incurred and charged to water expense in 2019 and 2018 totaled \$1,820 and \$1,864, respectively.

Depreciation and amortization are computed using the straight-line method based on estimated service lives of various classes of depreciable property at rates equivalent to annual composite rates of approximately 3.0% for the electric division, 2.9% for the gas division and 2.1% for the water division.

#### Utility Plant (continued)

Computations of the estimated service lives are the result of various depreciation studies and comparisons with industry standards. For assets owned by one division, but jointly used by more than one division, the other divisions share the costs by paying rent to the owning division to cover depreciation, interest, in lieu of taxes, and transfers.

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

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

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

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

#### **Net Position**

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

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



#### **Net Position (continued)**

- Restricted net position This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
- Unrestricted net position This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

#### **Revenues and Expenses**

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

MLGW distinguishes between operating and non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal operations. The principal operating revenues of MLGW consist of electric, gas and water sales and related activities. Non-operating revenues consist of transmission credits, the non-power cost portion of the prepaid electricity discount (ended in December 2018), investment income and other ancillary activities. Transmission credits are fees paid by the Tennessee Valley Authority for its use of the Electric Division's transmission facilities in supplying power to MLGW.

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

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

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

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

#### **Deferred Outflows and Inflows of Resources (continued)**

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

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

#### Pensions

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

#### **Other Postemployment Benefits**

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

#### **Related Parties**

MLGW conducts business with related parties as "arm's length" transactions: generally, MLGW provides utility and related services to and receives payments from these parties in the same manner as other non-related customers. Major related party entities include the City of Memphis government. For



#### **Related Parties (continued)**

the years ending December 31, 2019 and 2018, receivables from related parties for utility construction, pole rentals and utility related services excluding utility bills were \$2,018 and \$1,584, respectively.

As of December 31, 2019, the only free service provided to the City is water for firefighting. Free water service provided to the City for public purposes is estimated to be \$57 for 2019 and \$60 for 2018.

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

#### Use of Estimates

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

#### **Events occurring after reporting date**

Management has evaluated events and transactions that have occurred between December 31, 2019 and June 3, 2020, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

#### **Recent Accounting Standards**

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during the implementation and application of certain GASB Statements. This Statement addresses a variety of topics. June 15, 2021 is the new effective date for most provisions of this pronouncement. MLGW has not elected early implementation of this standard and has not completed the process of evaluating the impact of this statement on its financial statements.

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first

#### **Recent Accounting Standards (continued)**

became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

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The effective dates of certain provisions contained in the subject pronouncements are postponed by at least one year. MLGW adopted this pronouncement upon GASB's issuance. There was no material impact on the financial statements.

#### 2. Deposits and Investments

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

#### **Custodial Credit Risk**

#### **Deposits**

*Custodial credit risk* for deposits is the risk that, in the event of the failure of a depository financial institution, MLGW will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the depository-government's name. MLGW deposits consist of bank deposits. The bank deposits are insured up to \$250 by the Federal Deposit Insurance Corporation ("FDIC") and the remainder is covered by the State of Tennessee Collateral Pool; certificates of deposit must be placed directly with depository institutions.

The depository bank shall provide collateral for MLGW deposits in accordance with requirements for public funds deposits in Tennessee. The market value of the pledged securities in the collateral pool must equal at least 105% of the value of the deposit secured, less the amount protected by federal deposit insurance. As of December 31, 2019, MLGW deposits with financial institutions were \$107,916. All bank deposits were maintained in collateralized accounts or covered by federal depository insurance and were not exposed to custodial credit risk.



#### **Custodial Credit Risk (continued)**

#### Investments

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

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

The following table presents the investments and maturities of MLGW's investment portfolio as of December 31, 2019:

	<b>Remaining Maturities (in Years)</b>											
Investment Type	Fair Value			Maturities < 1 year		aturities to 4 years	Maturities >4 years					
U.S. Treasuries	\$	123,174	\$	23,147	\$	100,027	\$	-				
Federal Agency (Fixed Rate)		38,298		17,095		21,203		-				
Commercial Paper (Rated AA or higher)		109,601		109,601		-		-				
Total Investments	\$	271,073	\$	149,843	\$	121,230	\$	-				

*Custodial credit risk* for investments is the risk that, in the event of failure of the counterparty to a transaction, MLGW will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty, or the counterparty's trust department or agent but not in the name of MLGW. Investments in external investment pools and in money market funds are not exposed to custodial credit risks because their existence is not evidenced by securities that exist in physical or book entry form. To limit its exposure, MLGW's investment policy requires that all securities purchased by MLGW shall be held in safekeeping by a third-party custodial bank or financial institution. None of MLGW's investments at December 31, 2019 were exposed to custodial credit risk.



#### **Interest Rate Risk**

*Interest rate risk* is the risk that changes in interest rates will adversely affect the fair value of an investment in debt securities. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. MLGW's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, the investment policy states no investment will have a maturity of greater than four years from date of purchase. As of December 31, 2019, MLGW had purchased no investments in debt securities that were outside of the policy. MLGW uses the segmented time distribution method of disclosure, as shown above, to identify this risk. Some investments can be highly sensitive to changes in interest rates due to their terms or characteristics. In MLGW's investment portfolio, asset-backed and government mortgage-backed securities are most sensitive to changes in interest rates as their repayments can vary significantly with interest rate changes. These securities represent 12.3% of the total investment portfolio with a fair market value of \$33,291 at year-end 2019.

#### **Credit Risk**

*Credit risk* is the risk that an issuer of a debt security will not fulfill its obligation. This credit risk is measured by the credit quality of investments in debt securities as described by nationally recognized statistical rating organizations. Investments in obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk. MLGW debt securities that were subject to credit risk were \$109,601, or 40.4% of total investments. These debt securities have a remaining maturity of one year or less.



#### **Credit Risk (continued)**

MLGW's ratings and policy limits as of December 31, 2019 are as follows:

<b>Investment Type</b>	Fa	ir Value	S&P Rating	<b>Moody's Rating</b>
Commercial Paper	\$	9,782	AAA	Aaa
Commercial Paper		38,970	AA+	Aaa
Commercial Paper		7,465	AA+	Aal
Commercial Paper		3,983	AA	Aa2
Commercial Paper		2,297	AA	Aa3
Commercial Paper		9,984	AA-	Aal
Commercial Paper		12,564	AA-	(P)Aa3
Commercial Paper		20,559	AA-	Aa3
Commercial Paper		3,997	А	A2
Total credit risk				
debt securities		109,601		
U.S. Treasuries		123,174	AA+u	Aaa
Federal Agency (Fixed Rate)		5,007	AA+	Aaa
Federal Agency (Fixed Rate)		33,291	AA+u	Aaa
U.S. Government and Agencies		161,472		
Total debt securities				
investments	\$	271,073		

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

*Concentration of credit risk* is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Investments in any one issuer that represent five percent or more of total investments must be disclosed by amount and issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in bank deposits, external investment pools, and other pooled investments are excluded from this requirement. In accordance with the investment policy, no more than 10% of



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

MLGW's portfolio will be invested in the securities of any single issuer with the following exceptions: U.S. Government Obligations up to 100% of the portfolio book value for any single issuer at the date of acquisition.

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

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

In accordance with GASB Statement No. 40, governments should provide information about investments in any one issuer that represents 5 percent or more of total investments. As of December 31, 2019, the investments in any one issuer of commercial paper that represents 5% or more of MLGW's investments are as follows:

	R	Percentage	
Issuer	A	of Portfolio	
Exxon Mobil Corp	\$	20,125	7.42%
Koch Industries Inc		13,574	5.01%
National Security Clearing Corp		18,845	6.95%
Total	\$	52,544	



#### **Restricted and Unrestricted Funds**

Restricted funds, cash and cash equivalents, and investments consisted of the following as of December 31, 2019 and 2018.

	Electric Division			Gas Division				Water Division				
	 2019	2018		 2019		2018	2019			2018		
Restricted fund:												
Cash and cash equivalents	\$ 57,313	\$	55,332	\$ 19,176	\$	17,762	\$	12,037	\$	11,852		
Investments	13,270		11,091	5,843		5,142		5,203		4,359		
Total restricted funds	\$ 70,583	\$	66,423	\$ 25,019	\$	22,904	\$	17,240	\$	16,211		

	<b>Electric Division</b>				Gas Division				Water Division				
		2019	2018	2019		2018			2019		2018		
Unrestricted fund:													
Cash and cash equivalents	\$	84,272	\$ 138,013	\$	43,562	\$	46,280	\$	8,029	\$	6,784		
Investments		86,964	100,355		41,902		31,738		8,301		4,939		
Total unrestricted funds	\$	171,236	\$ 238,368	\$	85,464	\$	78,018	\$	16,330	\$	11,723		

## 3. Notes Receivable

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

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

Scheduled lease payments for January – June 2020 total \$401. Effective July 1, 2020 and each July 1 thereafter throughout the Secondary Term, the monthly fee applicable for the previous year for the 20" Pipeline and 14" Pipeline, respectively, shall be adjusted based on the Producer Price Index for Finished Goods (PPI-FG) formula per the contract.

#### **3.** Notes Receivable (continued)

The Valero lease receivable is included in notes receivables in the accompanying 2019 Gas Division's Statements of Net Position, except for the current portion of \$801, which is included in other current assets.

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

The Arlington note receivable is included in notes receivables in the accompanying 2019 Water Division's Statements of Net Position.

#### 4. Utility Plant

Utility plant activity for the years ended December 31, 2019 and 2018 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Year ended December 31, 2019				
Electric Division				
Capital assets not being depreciated:				
Land	\$ 38,537	\$ -	\$ -	\$ 38,537
Land - Non-utility	15,345	-	-	15,345
Construction in progress	83,887	54,052	(54,478)	83,461
Total capital assets not being depreciated	137,769	54,052	(54,478)	137,343
Capital assets being depreciated or amortized:				
Structures and improvements	68,232	1,849	(200)	69,881
Transmission and distribution plant equipment	1,553,422	39,446	(15,413)	1,577,455
General plant equipment	174,906	13,235	(3,295)	184,846
Intangibles: Software	12,085			12,085
Total capital assets being depreciated or amortized	1,808,645	54,530	(18,908)	1,844,267
Less accumulated depreciation and amortization	(816,788	) (62,589)	28,814	(850,563)
Total capital assets being depreciated or amortized, net	991,857	(8,059)	9,906	993,704
Total capital assets, net	\$ 1,129,626	\$ 45,993	\$ (44,572)	\$1,131,047



# 4. Utility Plant (continued)

Year ended December 31, 2019		eginning Balance	Increases	Decreases	Ending Balance
Gas Division		Dalance	Increases	Decreases	Dalance
Capital assets not being depreciated:					
Land	\$	7,312	\$ -	\$ -	\$ 7,312
Construction in progress		31,282	21,308	(21,917)	30,673
Plant held for future use		212	-	-	212
Total capital assets not being depreciated		38,806	21,308	(21,917)	38,197
Capital assets being depreciated or amortized:					
Structures and improvements		68,087	853	-	68,940
Processing and distribution plant equipment		521,710	14,581	(4,620)	531,671
General plant equipment		68,328	6,477	(3,526)	71,279
Intangibles: Software		57,179	6	-	57,185
Non-utility plant equipment		200			200
Total capital assets being depreciated or amortized		715,504	21,917	(8,146)	729,275
Less accumulated depreciation and amortization		(333,064)	(19,469)	583	(351,950)
Total capital assets being depreciated or amortized, net		382,440	2,448	(7,563)	377,325
Total capital assets, net	\$	421,246	\$ 23,756	\$ (29,480)	\$ 415,522
	B	Beginning			Ending
		Balance	Increases	Decreases	Balance
Year ended December 31, 2019					
Water Division					
Capital assets not being depreciated:					
Land	\$	2,372	\$ -	0	
Construction in progress			<b>.</b> –	\$ -	\$ 2,372
		39,842	<u> </u>	\$ - (10,502)	\$ 2,372 45,391
Total capital assets not being depreciated		<u>39,842</u> 42,214		+	
			16,051	(10,502)	45,391
Capital assets being depreciated or amortized:		42,214	<u>16,051</u> 16,051	(10,502)	45,391
Capital assets being depreciated or amortized: Structures and improvements		42,214 53,984	<u>16,051</u> 16,051 2	(10,502) (10,502)	45,391 47,763 53,986
Capital assets being depreciated or amortized: Structures and improvements Pumping, transmission and distribution plant equipment		42,214 53,984 421,864	<u>16,051</u> 16,051 2 8,558	(10,502) (10,502) (1,939)	<u>45,391</u> 47,763
Capital assets being depreciated or amortized: Structures and improvements		42,214 53,984	<u>16,051</u> 16,051 2	(10,502) (10,502)	45,391 47,763 53,986 428,483
Capital assets being depreciated or amortized: Structures and improvements Pumping, transmission and distribution plant equipment General plant equipment Intangibles: Software		42,214 53,984 421,864 35,264	<u>16,051</u> 16,051 2 8,558	(10,502) (10,502) (1,939)	45,391 47,763 53,986 428,483 35,733
Capital assets being depreciated or amortized: Structures and improvements Pumping, transmission and distribution plant equipment General plant equipment		42,214 53,984 421,864 35,264 2,177	16,051 16,051 2 8,558 1,942	(10,502) (10,502) (1,939) (1,473)	45,391 47,763 53,986 428,483 35,733 2,177
Capital assets being depreciated or amortized: Structures and improvements Pumping, transmission and distribution plant equipment General plant equipment Intangibles: Software Total capital assets being depreciated or amortized		42,214 53,984 421,864 35,264 2,177 513,289	16,051 16,051 2 8,558 1,942 - 10,502	(10,502) (10,502) (1,939) (1,473) (3,412)	45,391 47,763 53,986 428,483 35,733 2,177 520,379
Capital assets being depreciated or amortized: Structures and improvements Pumping, transmission and distribution plant equipment General plant equipment Intangibles: Software Total capital assets being depreciated or amortized Less accumulated depreciation and amortization		42,214 53,984 421,864 35,264 2,177 513,289 (205,773)	<u>    16,051</u> 16,051 2 8,558 1,942 <u> </u>	(10,502) (10,502) (1,939) (1,473) (3,412)	45,391 47,763 53,986 428,483 35,733 2,177 520,379



# 4. Utility Plant (continued)

	B	eginning					Ending
	]	Balance	Inc	creases	D	ecreases	Balance
Year ended December 31, 2018							
Electric Division							
Capital assets not being depreciated:							
Land	\$	38,415	\$	122	\$	-	\$ 38,537
Land - Non-utility		15,345		-		-	15,345
Construction in progress		87,406		198,668		(202,187)	 83,887
Total capital assets not being depreciated		141,166		198,790		(202,187)	137,769
Capital assets being depreciated or amortized:							
Structures and improvements		65,788		2,444		-	68,232
Transmission and distribution plant equipment		1,495,913		76,349		(18,840)	1,553,422
General plant equipment		177,108		2,831		(5,033)	174,906
Intangibles: Software		12,085		-		-	 12,085
Total capital assets being depreciated or amortized		1,750,894		81,624		(23,873)	1,808,645
Less accumulated depreciation and amortization		(782,462)		(59,570)		25,244	 (816,788)
Total capital assets being depreciated or amortized, net		968,432		22,054		1,371	 991,857
Total capital assets, net	\$	1,109,598	\$ 2	220,844	\$	(200,816)	\$ 1,129,626

	Beginning Balance			creases	Decreases	Ending Balance
Year ended December 31, 2018						
Gas Division						
Capital assets not being depreciated:						
Land	\$	7,312	\$	-	\$-	\$ 7,312
Construction in progress		23,425		47,364	(39,507)	31,282
Plant held for future use		212		-		 212
Total capital assets not being depreciated		30,949		47,364	(39,507)	38,806
Capital assets being depreciated or amortized:						
Structures and improvements		67,771		328	(12)	68,087
Processing and distribution plant equipment		494,512		35,539	(8,341)	521,710
General plant equipment		71,485		105	(3,262)	68,328
Intangibles: Software		53,568		3,611	-	57,179
Non-utility plant equipment		200		-	-	 200
Total capital assets being depreciated or amortized		687,536		39,583	(11,615)	715,504
Less accumulated depreciation and amortization		(318,335)		(27,461)	12,732	 (333,064)
Total capital assets being depreciated or amortized, net		369,201		12,122	1,117	 382,440
Total capital assets, net	\$	400,150	\$	59,486	\$ (38,390)	\$ 421,246



#### 4. Utility Plant (continued)

	Beginning Balance		Increases		Decreases	Ending Balance	
Year ended December 31, 2018		<u> </u>					
Water Division							
Capital assets not being depreciated:							
Land	\$	2,372	\$	-	\$ -	\$	2,372
Construction in progress		26,466		31,264	(17,888)		39,842
Total capital assets not being depreciated		28,838		31,264	(17,888)		42,214
Capital assets being depreciated or amortized:							
Structures and improvements		53,887		97	-		53,984
Pumping, transmission and distribution plant equipment		407,355		17,641	(3,132)		421,864
General plant equipment		35,645		-	(381)		35,264
Intangibles: Software		2,177					2,177
Total capital assets being depreciated or amortized		499,064		17,738	(3,513)		513,289
Less accumulated depreciation and amortization		(198,674)		(11,748)	4,649	(	205,773)
Less acquisition adjustment		(1,440)		964			(476)
Total capital assets being depreciated or amortized, net		298,950		6,954	1,136		307,040
Total capital assets, net	\$	327,788	\$	38,218	\$ (16,752)	\$	349,254

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

MLGW's planned construction program expenditures for 2020 are estimated as follows (unaudited):

Electric Division	\$ 109,974
Gas Division	24,078
Water Division	30,625

In June 1999, the Water Division purchased the Shelby County Water Distribution System and related assets from Shelby County, Tennessee. The difference between the purchase price and the net book value of the assets acquired (the "acquisition adjustment") is being amortized over twenty years by the Water Division.

#### 5. Futures, Options and Swap Contracts

MLGW uses a range of derivative instruments to hedge commodity risk including futures, options, and swap contracts. The purchase and sale of futures contracts and swap contracts involve highly leveraged and rapidly fluctuating markets that can lead to significant losses for market participants. As such, market



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

participants are required to maintain margin deposits with a Futures Commission Merchant (FCM) in order to trade in the commodity futures market. These margin deposits are required by the FCM as a condition of its contract to provide execution, clearing and bookkeeping services relative to the purchase and sale of commodity futures.

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

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

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

#### **Gas Division:**

The Gas Division enters into futures contracts, swaps, and options on futures contracts as cash flow hedges to manage the risk of volatility in the market price of natural gas on anticipated purchase transactions. The market values of the open derivative positions are reported on the Statements of Net Position as derivative financial instruments. MLGW maintained a margin deposit balance of \$3,036 and \$2,686 with its FCM at December 31, 2019 and 2018, respectively.

The schedule below shows the market values and notional amounts of the open futures, swaps, and options on futures contracts as of December 31, 2019 and 2018.

<b>December 31, 2019</b>		December	December 31, 2018				
	Market	Notional	Market	Notional			
Туре	Value	Amount	Value	Amount			
Futures	\$ -	\$ -	\$ 396	\$ 3,930			
Options	1,630	476,450	1,150	465,105			
Total	\$ 1,630	\$ 476,450	\$ 1,546	\$469,035			



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

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

	December 31, 2019	December 31, 2018
Type	Deferred Gains (Losses)	Deferred Gains (Losses)
Futures	\$ -	\$395
Options	(715)	(978)
Total	(\$715)	(\$583)

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

	December 31, 2019	December 31, 2018
Туре	Deferred Gains (Losses)	Deferred Gains (Losses)
Options	(\$299)	(\$206)
Total	(\$299)	(\$206)

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

#### **Electric Division:**

The Electric Division enters into swap contracts to manage the risk of volatility in the market price of unleaded and diesel fuel on anticipated purchase transactions. The balance in MLGW's FCM fuel margin at December 31, 2019 and 2018 was (\$0).

#### 6. Deferred Compensation Plan

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

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

#### 6. Deferred Compensation Plan (continued)

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

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#### 7. Employee Retirement System

#### **Plan Description**

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

#### **Benefits Provided**

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

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



#### **Benefits Provided (continued)**

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

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

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

The annual retirement allowance shall not exceed 85% of the member's final average compensation. The 2019 minimum monthly retirement benefit for all members is the greater of \$50 times the number of full years of service, or \$500.

#### **Cost of Living Adjustments**

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

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

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

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

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

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

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

## Net Pension Liability (Asset)

The net pension liability (asset) is the difference between the actuarial present value of projected pension benefit payments attributable to employees' past service and the Plan's fiduciary net position. MLGW's net pension liability (asset) was measured as of December 31, 2018 and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of January 1, 2019.



#### **Employees Covered**

Plan membership consisted of the following participants as of December 31, 2018 and 2017:

Retirees and beneficiaries receiving benefits	<u>2018</u> 2,677	2017 2,655
Participants inactive during year ended December 31 with vested rights	38	42
Active members fully vested	1,055	1,071
Active members not vested Total	1,566 5,336	1,568 5,336

#### Contributions

The contribution requirements of pension plan members and MLGW are established and may be amended and approved by the MLGW Pension Board, the MLGW Board of Commissioners and the Memphis City Council. Pension plan members are required to contribute 8% of their annual covered salary. Under Article III, Section 3.2 of the pension plan, MLGW shall contribute to the pension fund such amounts as from time to time are estimated by the actuary. MLGW also funds the 8% pension plan member's contributions on behalf of the president and vice presidents. For 2018, MLGW contributed 13.33% of the annual covered payroll. Employer contributions recognized by the MLGW Pension Plan during 2018 totaled \$22,174.

#### **Actuarial Assumptions**

The actuarially determined contribution ("ADC") is calculated using a January 1 valuation date as of the beginning of the fiscal year prior to the year in which contributions are reported. Therefore, the ADC for the year ended December 31, 2018 is based on the January 1, 2017 actuarial valuation.



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

The actuarial assumptions used in the valuation as of January 1, 2019 are based on the results of an experience study for the period January 1, 2009 to December 31, 2013.

Inflation	2.75%
Salary increases	Inflation plus merit increases that vary by age and service, ranging from $0.00\%$ to $6.75\%$
Investment rate of return	7.50% including inflation, net of investment expenses
Cost-of-living adjustments	<ul><li>0.83% for ages 56-58</li><li>1.65% for ages 59-61</li><li>2.06% for ages 62 and older, and all disabled participants</li></ul>

Pre-retirement mortality rates are based on the RP-2014 Employee Mortality Table with sex-distinct rates. Healthy annuitant mortality rates are based on the RP-2014 Healthy Annuitant Mortality Table with sex-distinct rates, adjusted by a factor of 138%. Disabled annuitant mortality rates are based on the RP-2014 Disabled Retiree Mortality Table with sex-distinct rates, also adjusted by a factor of 138%. All mortality tables above are projected generationally with a modified RPEC2014 projection table using a 15-year convergence period for cohort effects and 10-year convergence period for age/period effects.

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



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

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

	Target	Long-Term Expected
Asset Class	Allocation	Real Rate of Return
Domestic Equity	39%	6.41%
International Equity	12%	7.69%
Fixed Income	29%	2.38%
Alternatives	8%	3.83%
Real Estate	10%	4.76%
Short Term Investments	2%	1.16%
Total	100%	

## **Discount Rate**

The discount rate used to measure the total pension liability is 7.50% as of December 31, 2018. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current 8.00% of pay contribution rate and that MLGW contributions will equal the actuarially determined contribution. For this purpose, only employee and employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, the MLGW Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of December 31, 2018.

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

The following presents the net pension liability (asset) of MLGW as of December 31, 2018, calculated using the discount rate of 7.50%, as well as what MLGW's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage-point lower (6.50%) or one percentage-point higher (8.50%) than the current rate:



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

				Current			
		1% Decrease Discount				<b>Increase</b>	
		(6.50%)		(7.50%)		(8.50%)	
Net pension liability (asset) as of December 31, 2018	\$	274,083	\$	107,812	\$	(31,167)	

## Pension Plan's Fiduciary Net Position

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

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



## Schedule of Changes in Net Pension Liability (Asset)

	Increase (Decrease)					
		al Pension		n Fiduciary		et Pension
	Liability (a)		Ne	et Position	Lia	bility (Asset)
				<b>(b)</b>	(a)-(b)	
Balance at December 31, 2017	\$	1,471,230	\$	1,512,237	\$	(41,007)
Changes for the Year:						
Service Costs		31,185				31,185
Interest		108,432				108,432
Differences Between Expected and Actual Experience		3,726				3,726
Changes of Assumptions		-				-
Contributions – Employer				22,174		(22,174)
Contributions – Employee				13,217		(13,217)
Net Investment Income (Loss)				(39,996)		39,996
Benefit Payments / Refunds		(113,316)		(113,316)		-
Administrative Expenses				(871)		871
Net Change	\$	30,027	\$	(118,792)	\$	148,819
Balance at December 31, 2018	\$	1,501,257	\$	1,393,445	\$	107,812



#### Pension expense for the year ended December 31, 2019

Pension expense for the year ended December 31, 2019 Service cost	\$ 31,185	
Interest on Total Pension Liability	108,432	
Employee contributions	(13,217)	
Administrative Expenses	871	
Expected return on assets	(110,463)	
Expensed portion of current year period differences between expected and actual experience in Total Pension Liability	621	
Expensed portion of current year period assumptions changes	-	
Current year plan changes	-	
Expensed portion of current year period differences between projected and actual investment earnings	30,092	
Current year recognition of deferred inflows and outflows established in prior years	ed (15,617)	
Total expense	\$ 31,904	
Deferred outflows/inflows of resources related to pension		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	\$ 21,813	\$ -
Net difference between projected and actual earnings on pension plan investments	137,501	(74,423)
Net difference between projected and actual experience in Total Pension Liability	7,138	(8,372)
Assumption changes		(3,686)
Total	\$ 166,452	\$ (86,481)

**Note:** The \$21,813 contribution made subsequent to the measurement date will be recognized as a reduction of the net pension liability in 2020.



Projected recognition of deferred outflows/(inflows)					Det	ferred O	utflo	ows/(Inflo	ows	) Recogn	izeo	d in Futu	re Ye	ars					
	Year Establis hed	Original Balance	Original Amortization Period (Years)	B		Re Du D	Amount cognized ring FYE ecember 1, 2019	Ba De			2020		2021		2022		2023		4 and eafter
Fiscal year																			
Outflows Investment	2016	\$ 85,673	5.00	\$	34,270	\$	17,135	\$	17,135	¢	17,135	5	,		s -	\$	,	\$	
Demographic	2010	2,275		φ	1,139	φ	378	φ	761	φ	380	4	381		p -	¢	, -	φ	-
Demographic	2010	4,908			4,090		818		3,272		818		818		818		818		-
Demographic	2018	3,726			ч,090		621		3,105		621		621		621		621		621
Investment	2019	150,459					30,093		120,366		30,092		30,092		30,092		30,090		021
Total Outflows	2017	150,457	5.00	\$	39,499	\$		\$	144,639	\$	49,046	\$	31,912	\$		\$	31,529	\$	621
Total Outlows				ψ	57,477	ψ	47,045	Ψ	144,057	Ψ	47,040	ψ	51,712	ψ	51,551	ψ	51,527	Ψ	021
Fiscal year																			
Inflows																			
Investment	2015	\$ (571)	5.00	\$	(114)	\$	(114)	\$	-	\$	-	5	- 6	8	\$-	\$	- 6	\$	-
Demographic	2015	(16,338)	6.00		(5,446)		(2,723)		(2,723)		(2,723)		-		-		-		-
Assumption	2015	(21,112)	6.00		(7,370)		(3,684)		(3,686)		(3,686)		-		-		-		-
Investment	2017	(11,042)	5.00		(6,625)		(2,208)		(4,417)		(2,208)		(2,209)		-		-		-
Demographic	2017	(11,298)	6.00		(7,532)		(1,883)		(5,649)		(1,883)		(1,883)		(1,183)		-		-
Investment	2018	(116,677)	5.00		(93,341)		(23,335)		(70,006)		(23,335)		(23,335)		(23,336)		-		-
Total Inflows				\$	(120,428)	\$	(33,947)	\$	(86,481)	\$ (	(33,835)	\$	(27,427)	\$	(24,519)	\$	-	\$	-
Total	1			\$	(80,929)	\$	15,098	\$	58,158	\$	15,211	\$	4,485	\$	7,012	\$	31,529	\$	621

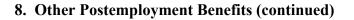
## 8. Other Postemployment Benefits

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

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

#### **Implementation of GASB 75**

In fiscal year 2018, MLGW adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75"). This statement provides guidance for the



#### **Implementation of GASB 75 (continued)**

measurement and recognition of a net OPEB liability and OPEB expense, and includes instruction for balances to be recognized as deferred outflows of resources and deferred inflows of resources. Due to time constraints associated with producing the financial statements and the need to ensure timely filing of such statements with appropriate authorities, MLGW deemed it impractical to restate all prior periods. As such, the cumulative effect of applying this statement is shown in 2018 and it resulted in a reduction in the beginning net position of all three divisions. In 2018, beginning net position in the Electric, Gas, and Water Divisions declined by \$290,230, \$111,181, and \$82,216, respectively. Additional impacts to MLGW's financial statements are as follows:

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**Net OPEB liability** – The net OPEB liability reported under GASB 75 is the difference between the actuarial present value of projected OPEB benefit payments attributable to employees' past service and the OPEB Trust's fiduciary net position. Previous to this new guidance, a liability was recognized only to the extent that contributions made to the OPEB Trust were exceeded by the actuarially calculated contributions.

**Deferred outflows of resources and deferred inflows of resources** – GASB 75 requires recognition of deferred outflows and inflows of resources associated with the difference between projected and actual earnings on OPEB Trust plan investments, to be amortized to OPEB expense over a closed five-year period. Also to be recognized as deferred outflows and inflows of resources are differences between expected and actual experience with regard to economic or demographic factors in the measurement of total OPEB liability, to be amortized to OPEB expense over a closed period equal to the average of the expected remaining service lives of all employees receiving OPEB benefits. Employer contributions to the OPEB trust made between the net OPEB liability measurement date and the employer's fiscal year end are recognized as deferred outflows of resources related to OPEB.

#### **Plan Description**

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

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



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

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

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

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

Members of the Plan consisted of the following at December 31, 2017 (valuation date):

	Medical	Life
Retired members currently receiving benefits	1,977	1,977
Beneficiaries currently receiving benefits	1,719	-
Vested terminated members entitled to, but not yet receiving benefits	-	-
Active members	2,639	2,639
Total	6,335	4,616

#### **Funding Policy and Contributions**

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

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



#### **Funding Policy and Contributions (continued)**

MLGW contributed \$33,949 and \$48,972 for the years ended December 31, 2019 and 2018, respectively to the OPEB Trust.

#### **Actuarial Assumptions**

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2009 to December 31, 2013.

Inflation	2.75%
Salary increases	Inflation plus merit increases based on age and service.
Discount Rate	7.50%
Healthcare costs trend rates Medical Prescription drug Administrative costs Mortality rates	<ul> <li>7.00% grading to 4.50% over 10 years</li> <li>9.00% grading to 4.50% over 10 years</li> <li>3.00%</li> <li>Based on RP - 2014 Mortality Tables for males and females, as appropriate, adjusted by a factor of 138%, and with mortality improvement using a modified RPEC 2014 scale.</li> </ul>

Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table with sex-distinct rates. Healthy annuitant mortality rates are based on the RP-2014 Healthy Annuitant Mortality Table with sexdistinct rates, adjusted by a factor of 138%. Disabled annuitant mortality rates are based on RP-2014 Disabled Retiree Mortality Table with sex-distinct rates, also adjusted by a factor of 138%. All mortality tables above are projected generationally with a modified RPEC2014 projection table using a 15-year convergence period for cohort effects and 10-year convergence period for age/period effects.

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

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



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

investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized below:

	Target	Long-Term Expected
Asset Class	Allocation	<b>Real Rate of Return</b>
Domestic Equity	39%	6.41%
International Equity	12%	7.69%
Fixed Income	29%	2.38%
Alternatives	8%	3.83%
Real Estate	10%	4.76%
Short Term Investments	2%	1.16%
Total	100%	-

## **Discount Rate**

The discount rate used to measure the total OPEB liability was 7.50% for both December 31, 2018 and December 31, 2017, respectively. The projection of cash flows used to determine the discount rate assumed that MLGW contributions would be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members hired on or before December 31, 2017.

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

The following presents the Net OPEB Liability (NOL) of MLGW as of December 31, 2019, calculated using the discount rate of 7.50%, as well as what the Division's NOL would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate. Also, shown is the NOL as if it were calculated using healthcare cost trend rates that were 1-percentage point lower or 1-percentage point higher than the current healthcare trend rates:

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

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	1% Decrease in	Current	1% Decrease
	<b>Discount Rate</b>	Discount	in Discount
	(6.50%)	Rate (7.50%)	Rate (8.50%)
Net OPEB Liability (Asset)	\$379,236	\$281,470	\$201,582
	1% Decrease in	Current	1% Decrease
	<b>Trend Rates</b>	<b>Trend Rates</b>	in Trend Rates
Net OPEB Liability (Asset)	\$197,340	\$281,470	\$385,998

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

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

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



## Schedule of Changes in Net OPEB Liability

	Increase (Decrease)					
	<b>Total OPEB</b>	<b>Plan Fiduciary</b>	Net OPEB			
	Liability	<b>Net Position</b>	Liability			
	(a)	<b>(b)</b>	(a)-(b)			
Balance at December 31, 2017	\$ 673,088	\$ 419,726	\$ 253,362			
Changes for the Year:						
Service Costs	15,381		15,381			
Interest	50,559		50,559			
Differences Between Expected and Actual Experience	(3,134)		(3,134)			
Contributions – Employer		48,972	(48,972)			
Net Investment Income (Loss)		(14,274)	14,274			
Benefit Payments / Refunds	(27,876)	(27,876)	-			
Administrative Expenses	(800)	(800)				
Net Change	\$ 34,130	\$ 6,022	\$ 28,108			
Balance at December 31, 2018	\$ 707,218	\$ 425,748	\$ 281,470			

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

#### **Plan Changes Since Prior Valuation**

Effective April 1, 2018 and reflected for the December 31, 2018 reporting date:

- Deductible increased from \$100/200 (singe/family) to \$500/\$1,000 for In-Network and from \$400/\$1,200 to \$600/1,200 for Out-of-Network
- In-Network OOP maximum increased from \$1,650/\$14,700 to \$3,200/\$13,700
- Office visit copay increased from \$15/\$25 (PCP/Specialist) to \$25/\$35 and ER copay increased from \$100 to \$120

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• Prescription drug benefits changes are shown in the table below:

	Pre April 1, 2018	Post April 1, 2018
<b>Regular and Maintenance Medications:</b>		
Retail		
Generic	\$5.00	\$10.00
Preferred Brand	30% with \$25 maximum	30% with \$30 maximum
Non-Preferred Brand	30% with \$25 maximum	30% with \$50 maximum
Mail Order		
Generic	\$10.00	\$20.00
Preferred Brand	\$50.00	\$60.00
Non-Preferred Brand	\$60.00	\$100.00
Specialty Medications:		
Retail		
Generic	\$5.00	\$10.00
Preferred Brand	\$25.00	\$30.00
Non-Preferred Brand	\$40.00	\$100.00
Mail Order		
Generic	\$10.00	\$20.00
Preferred Brand	\$50.00	\$100.00
Non-Preferred Brand	\$60.00	\$200.00

Assumption changes:

- Medical and Prescription Drug trends were updated
- Expected claims were updated



## 8. Other Postemployment Benefits (continued)

## **OPEB** expense for the year ended December 31, 2019

Service cost	\$ 15,381
Interest on the Total OPEB Liability	50,560
Expensed portion of current-period difference between expected and actual experience in the Total OPEB Liability	(522)
Projected earnings on plan investments	(32,241)
Expensed portion of current-period differences between actual and projected earnings on plan investments	9,303
Recognition of beginning of year deferred outflows of resources as OPEB expense	612
Recognition of beginning of year deferred inflows of resources as OPEB expense	(39,616)
Total OPEB expense	\$ 3,477

#### Deferred outflows/inflows of resources related to OPEB

	Ou	eferred tflows of sources	Deferred Inflows of Resources		
Contributions subsequent to measurement date	\$	33,949	\$	-	
Changes of assumptions or other inputs		-	(13.	3,580)	
Net difference between projected and actual earnings on OPEB plan investments		37,210	(18	8,664)	
Difference between expected and actual experience in the Total					
OPEB Liability		2,451	(2	2,612)	
Total	\$	73,610	\$ (154	4,856)	

NOTE: \$33,949 contribution made subsequent to the measurement date will be recognized as a reduction of net OPEB liability in 2020.



## 8. Other Postemployment Benefits (continued)

Projected Rec	ognition of De	efe	rred Outf	lows/(Inflows)				Amount cognized			De	eferred Ou	tflo	ows/(Inflo	ws)	) Recogniz	ed	in Future	Yea	rs
	Ye ar Establis he d		)riginal Balance	Original Amortization Period (Years)	B D	atstanding alance at ecember 61, 2018	D	During FYE ecember 1, 2019	B D	itstanding alance at ecember 31, 2019		2020		2021		2022		2023	2	024
Fiscal year Outflows																				
Demographic	2018	\$	3,674	6.00	\$	3,061	\$	610	\$	2,451	\$	612	\$	612	\$	612	\$	615		-
Investment	2019		46,514	5.00		-		9,303		37,211		9,303		9,303		9,303		9,302		-
Total Outflows	5				\$	3,061	\$	9,913	\$	39,662	\$	9,915	\$	9,915	\$	9,915	\$	9,917	\$	-
Fiscal year																				
Inflows																				
Investment	2018	\$	(31,107)	5.00	\$	(24,885)	\$	(6,221)	\$	(18,664)	\$	(6,221)	\$	(6,221)	\$	(6,222)		-		-
Assumption	2018		(200,370)	6.00		(166,975)		(33,395)		(133,580)		(33,395)		(33,395)		(33,395)		(33,395)		-
Demographic	2019		(3,133)	6.00		-		(521)		(2,612)		(522)		(522)		(522)		(522)		(524)
<b>Total Inflows</b>					\$	(191,860)	\$	(40,137)	\$	(154,856)	\$	(40,138)	\$	(40,138)	\$	(40,139)	\$	(33,917)	\$	(524)
Total					\$	(188,799)	\$	(30,224)	\$	(115,194)	\$	(30,223)	\$	(30,223)	\$	(30,224)	\$	(24,000)	\$	(524)

**Note:** In accordance with Paragraph 43 of GASB Statement No. 75, the difference between projected and actual earnings on OPEB plan investments should be recognized over a closed five-year period. The difference between expected and actual total OPEB liability experience (noted as "Demographic" in the chart above) and the assumption changes (noted as "Assumption" in the chart above) are each recognized over a closed period equal to the average of the expected remaining service lives of all employees who are provided with OPEB through the OPEB plan (active employees and inactive employees) determined as of the beginning of the measurement period.

## 9. Pollution Remediation Obligation

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

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

The schedule below shows the balances as of December 31, 2019 and 2018 for the lead pollution liability from various substations and equipment by Division:



## 9. Pollution Remediation Obligation (continued)

	2019	2018
Electric		
Lead	<b>\$ 719</b>	\$ 719
Total Electric	719	719
Gas		
Lead	276	276
Total Gas	276	276
Water		
Lead	3,200	3,200
Total Water	3,200	3,200
Total Liability	\$ 4,195	\$ 4,195

#### 10. Risk Management

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

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

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

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

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## 10. Risk Management (continued)

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

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

The changes in the self-insurance reserves for medical benefits and injuries and damages for the years ended December 31, 2019 and 2018 are as follows:

	M	edical Benefi	its	Injuries and Damages						
	Electric	Gas	Water	Electric	Gas	Water				
	Division	Division	Division	Division	Division	Division				
Balance December 31, 2017	\$ 7,023	\$ 3,204	\$ 2,095	\$ 5,941	\$ 2,689	\$ 1,637				
Payments	(42,591)	(19,427)	(12,703)	(1,953)	(829)	(953)				
Incurred claims expense	46,406	21,166	13,840	1,937	461	1,470				
Balance December 31, 2018	\$ 10,838	\$ 4,943	\$ 3,232	\$ 5,925	\$ 2,321	\$ 2,154				
Payments	(42,221)	(19,259)	(12,592)	(1,341)	(707)	(776)				
Incurred claims expense	39,101	17,836	11,662	498	(67)	208				
Balance December 31, 2019	\$ 7,718	\$ 3,520	\$ 2,302	\$ 5,082	\$ 1,547	\$ 1,586				



## 11. Bonds

Bonds as of December 31, 2019 and 2018 consist of the following:

	Interest Rates			2018
Electric Division:				
Electric System Revenue Bonds:				
Series 2014, due serially 2014-2034	2.00 - 5.00%	\$	58,240	\$ 60,965
Series 2016, due serially 2015-2036	3.00 - 5.00%		36,040	37,410
Series 2017, due serially 2018-2037	3.00 - 5.00%		84,200	87,145
Premium on revenue bonds			21,395	23,709
Total			199,875	209,229
Less: current portion of bonds payable			(7,295)	(7,040)
		\$	192,580	\$ 202,189
Gas Division:				
Gas System Revenue Bonds:				
Series 2017, due serially 2017-2036	3.00 - 5.00%	\$	36,040	\$ 37,410
Series 2017, due serially 2018-2037	3.00 - 5.00%		37,460	38,750
Premium on revenue bonds			11,426	12,611
Total			84,926	88,771
Less: current portion of bonds payable			(2,765)	(2,660)
		\$	82,161	\$ 86,111
Water Division:				
Water System Revenue Bonds:				
Series 2014, due serially 2016-2034	2.00 - 5.00%	\$	12,090	\$ 12,695
Series 2016, due serially 2017-2036	2.00 - 4.00%		26,545	27,725
Series 2017, due serially 2018-2037	2.00 - 5.00%		23,225	24,120
Premium on revenue bonds			4,693	5,180
Total		_	66,553	 69,720
Less: current portion of bonds payable			(2,749)	 (2,680)
		\$	63,804	\$ 67,040

Principal payments on bonds are due annually on December 1. Debt service requirements as of December 31, 2019 are as follows:

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	<b>Electric Division</b>									
	<b>Principal</b>									
2020 - 2024	\$	39,965	\$	36,159						
2025 - 2029		50,655		25,464						
2030 - 2034		63,450		12,666						
2035 - 2037		24,410		1,669						
Total	\$	178,480	\$	75,958						

	<b>Gas Division</b>								
	Principal								
2020 - 2024	\$	15,220	\$	15,427					
2025 - 2029		19,400		11,240					
2030 - 2034		24,585		6,058					
2035 - 2037		14,295		1,040					
Total	\$	73,500	\$	33,765					

	Water Division									
	Principal									
2020 - 2024	\$	14,580	\$	10,061						
2025 - 2029		17,330		7,311						
2030 - 2034		20,935		3,707						
2035 - 2037		9,015		503						
Total	\$	61,860	\$	21,582						

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

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

The estimated fair value of long-term debt for the Electric, Gas, and Water Divisions based on quoted market prices (including accrued interest) are as follows as of December 31, 2019 and 2018:

	2019	2018
Electric Division	\$ 205,016	\$ 204,354
	2019	2018
Gas Division	\$ 86,230	\$ 84,929
	2019	2018
Water Division	\$ 68,328	\$ 67,577

During 2018, the remaining principal balance of \$65,305 of Electric Division Series 2008 revenue bonds reached final maturity. During 2018, the remaining principal balance of \$55,070 of Series 2010 revenue bonds reached final maturity.

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

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

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

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

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

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

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

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

MLGW's Electric Division bond covenants require that for Series 2014, 2016, and 2017 Bonds the ratio of net revenues to principal and interest for any fiscal year will equal at least 120%. The composite electric bonds debt service coverage as of December 31, 2019 was 7.38.

MLGW's Gas Division bond covenants require that for Series 2016 and 2017 Bonds the ratio of net revenues to principal and interest for any fiscal year will equal at least 120%. The composite gas bonds debt service coverage as of December 31, 2019 was 11.83.

MLGW's Water Division bond covenants require that for Series 2014, 2016 and 2017 Bonds the ratio of net revenues to principal and interest for any fiscal year will equal at least 120%. The composite water bonds debt service coverage as of December 31, 2019 was 6.79.



Long-term debt activity for the years ended December 31, 2019 and 2018 was as follows:

	Beginning Balance		Incre	Increases		creases	Ending Balance		
Year ended December 31, 2019:									
Electric Division									
Bonds payable:									
Revenue bonds	\$	185,520	\$	-	\$	(7,040)	\$	178,480	
Premium on revenue bonds		23,709		-		(2,314)		21,395	
Total bonds payable	\$	209,229	\$	-	\$	(9,354)	\$	199,875	
Gas Division									
Bonds payable:									
Revenue bonds	\$	76,160	\$	-	\$	(2,660)	\$	73,500	
Premium on revenue bonds		12,611		-		(1,185)		11,426	
Total bonds payable	\$	88,771	\$	-	\$	(3,845)	\$	84,926	
Water Division									
Bonds payable:									
Revenue bonds	\$	64,540	\$	-	\$	(2,680)	\$	61,860	
Premium on revenue bonds		5,180		-		(487)		4,693	
Total bonds payable	\$	69,720	\$	-	\$	(3,167)	\$	66,553	
					-				



	Beginning Balance		Increases		D	ecreases	Ending Balance		
Year ended December 31, 2018:									
Electric Division									
Bonds payable:									
Revenue bonds	\$	312,685	\$	-	\$	(127,165)	\$	185,520	
Premium on revenue bonds		27,659		-		(3,950)		23,709	
Total bonds payable	\$	340,344	\$	_	\$	(131,115)	\$	209,229	
Gas Division									
Bonds payable:									
Revenue bonds	\$	78,725	\$	-	\$	(2,565)	\$	76,160	
Premium on revenue bonds		13,828		-		(1,217)		12,611	
Total bonds payable	\$	92,553	\$		\$	(3,782)	\$	88,771	
Water Division									
Bonds payable:									
Revenue bonds	\$	67,170	\$	-	\$	(2,630)	\$	64,540	
Premium on revenue bonds		5,679		-		(499)		5,180	
Total bonds payable	\$	72,849	\$	-	\$	(3,129)	\$	69,720	

## 12. Rates and Energy Supplies

#### Rates

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

MLGW adjusted rates effective with meters read on or after January 3, 2019 to recover the increased cost of wholesale power from its retail customers due the loss of the prepayment credit with TVA. The retail effect across all customer classes was approximately 1.20%.

TVA implemented a rate adjustment effective with the October 2018 revenue month, increasing the cost of wholesale power (excluding fuel and purchased power) purchased by MLGW by approximately 2.57%. MLGW implemented changes to retail rate schedules effective with meters read on or after October 2, 2018, to recover the increased cost of wholesale power from its retail customers. The retail effect across all customer classes was approximately 1.50%.



## 12. Rates and Energy Supplies (continued)

## Rates (continued)

A MLGW electric rate increase was approved on February 6, 2018, by the City Council as part of the 2018 MLGW Budget. This increase was required due to increased operating and capital expenses. MLGW implemented new electric rate schedules for meters read on or after July 2, 2018. The retail impact was a 2.0% increase for all customer classes.

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

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

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

A gas rate increase was approved on February 6, 2018 by the City Council as part of the 2018 MLGW Budget. This increase was required due to increased operating expenses. MLGW implemented new gas rate schedules for meters read on or after July 2, 2018. The retail impact was a 2.0% increase for all customer classes.

A temporary, one-year water rate increase was approved on February 19, 2019 by the City Council as part of the 2019 MLGW Budget. This increase was required due to increased operating expenses. MLGW implemented new water rate schedules for meters read on or after March 4, 2019. The retail impact was a 3.00% increase for all customer classes.

A water rate increase was approved on January 9, 2018 by the City Council as part of the 2018 MLGW Budget. This rate increase was required to fund aquifer research. MLGW implemented new water rate schedules for meters read on or after January 31, 2018. The retail impact was a 1.05% increase for all customer classes.

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



## 12. Rates and Energy Supplies (continued)

## **Energy Supplies**

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

MLGW and the Tennessee Energy Acquisition Corporation ("TEAC") entered into a 20 year gas purchase contract beginning January 1, 2007 with volume commitments for the term. TEAC payments are made monthly after the gas is received by MLGW for its customers, and therefore these deals present no increased cash flow risk compared to normal physical gas purchases.

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

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

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

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

MLGW entered into a gas purchase contract with the Public Energy Authority of Kentucky (PEAK) on December 1, 2019 in order to participate in a prepay natural gas opportunity. Gas volumes are offered to



## 12. Rates and Energy Supplies (continued)

## **Energy Supplies (continued)**

MLGW at Texas Gas Zone 1 and Trunkline Z1A Index pricing minus \$0.2750. Natural gas will begin flowing to MLGW effective November 1, 2020. Effective November 1, 2020, purchase volume for

MLGW is approximately an average of 39,300 MMBtu/day for the November through March periods. Effective November 1, 2027, the November through March purchase volume will increase to an average of approximately 47,000 MMBtu/day. Effective April 1, 2027, the purchase volume is 850 MMBtu/day for the April through October periods of the contract. This contract will expire December 31, 2049.

#### 13. Federal Grant Contributions

In June 2017, MLGW applied for a disaster assistance grant for the restoration work done after the May 2017 storm. In June 2017, FEMA awarded grant contract Edison #E 34101-0000023718 for the project under the Public Assistance Grant Award program for costs incurred during FEMA-4320-DR-TN. The initial award was \$12,744, of which \$12,728 is being federally funded to the Electric Division and \$16 to the Gas Division. In May 2019, the contract was amended to \$13,091, of which \$13,075 is being federally funded to the Electric Division and \$16 to the Gas Division. Total eligible cost of restoration work for this disaster as submitted to the FEMA field officer in January 2018 was \$16,992. Eligible cost submitted for the Electric Division was \$16,970 and \$22 for the Gas Division. In 2018, MLGW decreased the Electric Division receivable by \$20 representing project under runs that were refunded to FEMA and subsequently de-obligated by FEMA in July 2019. In October 2018, MLGW received \$11,485 for the Electric Division and \$16 for the Gas Division. In August 2019, MLGW received the final payment of \$1,590 for the Electric Division.

Electric	2019		2	018	2	017
Total Expenditures	\$	-	\$	-	\$ 1	7,433
Eligible Reimbursement		347		(20)	1	2,728
Reimbursement Received		1,590	1	1,485		-
Reimbursement Returned		-		(20)		-
Receivable Balance	\$	-	\$ (	1,243)	\$ (1	2,728)
Gas	2(	)19	2	018	2	017
Total Expenditures	\$	-	\$	-	\$	22
Eligible Reimbursement		-		16		16
Reimbursement Received		-		(16)		-
Receivable Balance	\$	-	\$	-	\$	(16)

### 14. Transfers to City

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

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

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

The Water Division through an agreement with the City, transfers a payment in the amount of \$2,500 per year. This agreement is effective through the year 2028.

#### **15.** Commitments and Contingencies

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

MLGW pays a Transfer to the City and in lieu of taxes to Shelby County Government and the incorporated towns of Shelby County for the Electric and Gas Divisions based on the Tennessee Municipal Electric and Gas System Tax Equivalent Laws of 1987. MLGW pays a Transfer to the City for the Water Division based upon an agreement with the City, which calls for a payment of \$2,500 for each of the fiscal years through 2028.

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

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

## 16. Subsequent Event

On March 11, 2020 the World Health Organization declared the novel strain of coronavirus (COVID – 19) a global health pandemic and recommended containment and mitigation measures worldwide. On March 23, 2020 the Mayor of the City of Memphis issued Executive Order No. 03-2020 proclaiming a



## 16. Subsequent Event (continued)

civil emergency in Memphis and ordering citizens and businesses to follow specific measures designed to contain the spread of the virus. In support of our customers, MLGW temporarily suspended service disconnections and late fee charges through mid-July 2020. Current impact is increase in an age of receivables. We have also taken actions to protect the health and safety of our employees and we continue to monitor and assess our financial condition. At this time, we cannot reasonably predict the extent to which the disruption may impact our business operations or financial position over the long-term.

#### **REQUIRED SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) DECEMBER 31, 2019** (Dollars in Thousands)



		2018		2017	2016		2015	2014	2013
Total pension liability									
Service cost	\$	31,185	\$	31,977	\$ 32,591	\$	30,139	\$ 31,786	\$ 33,122
Interest		108,432		103,731	102,248		99,940	100,436	98,818
Differences between expected and actual experience		3,726		4,908	(11,298)		2,275	(16,338)	(14,280)
Changes in assumptions		-		-	-		-	(22,112)	-
Benefit payments, including refunds of employee contributions		(113,316)		(104,919)	(102,628)		(100,528)	(100,249)	(91,931)
Net change in total pension liability		30,027		35,697	20,913		31,825	(6,477)	25,730
Total pension liability – beginning	\$	1,471,230		1,435,533	\$ 1,414,620	\$	1,382,794	\$ 1,389,271	\$ 1,363,542
Total pension liability – ending (a)	\$1	1,501,257	\$1	,471,230	\$ 1,435,533	\$1	1,414,620	\$ 1,382,794	\$ 1,389,271
Plan fiduciary net position									
Contributions – employer	\$	22,174	\$	22,390	\$ 21,390	\$	21,390	\$ 26,804	\$ 30,706
Contributions – employee		13,217		12,959	12,513		12,310	11,729	12,000
Net investment income		(39,996)		216,498	108,008		15,231	98,931	185,707
Benefit payments including refunds of employee contributions		(113,316)		(104,919)	(102,628)		(100,528)	(100,249)	(91,931)
Administrative expense Other		(871)		(860)	(730)		(759)	(714)	(657)
Net change in plan fiduciary net position	\$	(118,792)	\$	146,068	\$ 38,553	\$	(52,356)	\$ 36,501	\$ 135,825
Other Adjustments		-		-	-		788	-	
Plan fiduciary net position – beginning	\$	1,512,237	\$	1,366,169	\$ 1,327,616	\$	1,379,184	\$ 1,342,683	\$ 1,206,858
Plan fiduciary net position – ending (b)	\$	1,393,445	\$	1,512,237	\$ 1,366,169	\$	1,327,616	\$ 1,379,184	\$ 1,342,683
System's net pension liability (asset) – ending (a) – (b)	\$	107,812	\$	(41,007)	\$ 69,364	\$	87,004	\$ 3,610	\$ 46,588
Plan fiduciary net position as a percentage of the total pension liability		92.82%		102.79%	95.17%		93.85%	99.74%	96.65%
Covered employee payroll	\$	169,605	\$	167,221	\$ 161,926	\$	160,641	\$ 152,368	\$ 154,759
System's net pension liability (asset) as a percentage of covered employee payroll		63.57%		-24.52%	42.84%		54.16%	2.37%	30.10%

#### Notes to schedule:

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

*Change of assumptions*: The assumptions were updated between December 31, 2013 and December 31, 2014 based on a five-year experience study for the period ending December 31, 2013.

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

#### REQUIRED SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION DECEMBER 31, 2019 (Dollars in Thousands)



Year Ended December 31	Actuarially Determined Contribution (ADC)		Actual Contribution in Relation to ADC		Contribution Deficiency (Excess)		Covered- Employee Payroll		Contributions as a Percentage of Covered- Employee Payroll
2010	\$	27,381	\$	27,385	\$	(4)	\$	153,509	17.84%
2011		26,208		26,213		(5)		154,036	17.02%
2012		30,067		30,063		4		154,347	19.48%
2013		30,705		30,706		(1)		154,759	19.84%
2014		26,812		26,804		8		152,368	17.59%
2015		21,390		21,390		-		160,641	13.32%
2016		21,390		21,390		-		161,926	13.21%
2017		22,390		22,390		-		167,221	13.39%
2018		22,174		22,174		-		169,605	13.07%
2019		21,813		21,813		-		170,946	12.76%

# SCHEDULE OF NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION DECEMBER 31, 2019



Valuation date Actuarial cost method Amortization method Remaining amortization period	January 1, 2019 Entry Age Actuarial Cost Method Level percent of payroll, using 1.50% annual increases 24 years remaining as of January 1, 2017 Market value of assets less unrecognized returns in each of the last five years.
Asset valuation method	Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five-year period, further adjusted, if necessary, to be within 30% of the market value.
Actuarial Assumptions:	
Inflation	2.75%
Salary increases	Inflation plus merit increases that vary by age and service, ranging from $0.00\%$ to $6.75\%$
Investment rate of return	7.50%, including inflation, net of pension plan investment expense
Cost-of-living adjustments	0.83% for ages 56-58
	1.65% for ages 59-61
	2.06% for ages 62 and older, and all disabled participants
Other Information:	The acturially determined contribution (ADC) is calculated using January 1 valuation date as of the beginning of the fiscal year prior to the year in which contributions are reported. Therefore, the ADC for the year ended
	December 31, 2019 is based on the January 1,2018 actuarial valuation.
	Please see the January 1, 2019 actuarial valuation report for a full listing of assu

Please see the January 1, 2019 actuarial valuation report for a full listing of assumptions.

#### REQUIRED SCHEDULE OF CHANGES IN NET OPEB LIABILITY DECEMBER 31, 2019 (Dollars in Thousands)



	2018	2017
Total OPEB Liability		
Service cost	\$ 15,381	\$ 19,520
Interest	50,559	64,666
Change of benefit terms	-	(61,896)
Differences between expected and actual experience	(3,133)	3,674
Changes of assumptions	-	(200,370)
Benefit payments, including refunds of member contributions	(28,676)	(29,457)
Net change in Total OPEB Liability	\$ 34,131	\$ (203,863)
Total OPEB Liability - beginning	673,088	876,951
(a) Total OPEB Liability - ending	\$ 707,219	\$ 673,088
Plan Fiduciary Net Position		
Contributions - employer	\$ 48,972	\$ 45,184
Net investment income (loss)	(14,274)	57,671
Benefit payments, including refunds of member contributions	(27,876)	(28,765)
Administrative expense	(800)	(692)
Net change in Plan Fiduciary Net Position	\$ 6,022	\$ 73,398
Plan Fiduciary Net Position - beginning	419,726	346,328
(b) Plan Fiduciary Net Position - ending	\$ 425,748	\$ 419,726
(c) Net OPEB Liability - ending (a) - (b)	\$ 281,471	\$ 253,362
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	60.20%	62.36%
Covered employee payroll	\$ 169,605	\$ 167,221
Plan Net OPEB Liability as percentage of covered employee payroll	165.96%	151.51%

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

#### REQUIRED SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB DECEMBER 31, 2019 (Dollars in Thousands)



Year Ended December 31	De	tuarially te rmine d tributions	Contribution in Relation the Actuar Determin Contribution	n to ially e d	Defi	ribution ciency / ccess)	En	Covered- nployee Payroll	Contributions as a Percentage of Covered Employee Payroll
2010	\$	43,693	\$ 43	,476	\$	217	\$	153,509	28.32%
2011		44,666	43	,554		1,112		154,036	28.28%
2012		42,427	39	,747		2,680		154,347	25.75%
2013		42,854	43	,043		(189)		154,759	27.81%
2014		38,386	42	,100		(3,713)		152,368	27.63%
2015		38,187	38	,438		(251)		160,641	23.93%
2016		45,289	42	,496		2,793		161,926	26.24%
2017		46,978	45	,184		1,794		167,221	27.02%
2018		48,270	48	,972		(702)		169,605	28.87%
2019		31,701	33	,949		(2,248)		170,946	19.86%

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



Valuation date	Actuarially determined contribution rates are calculated as of January 1, one year prior to the end of the fiscal year in which contributions are reported
Actuarial cost method	Entry Age Actuarial Cost Method
Amortization method	30-year closed, level salary
Remaining amortization period	27 years remaining as of 2018 contribution
Asset valuation method	The market value of assets less unrecognized returns in each of the last four years. Unrecognized return is equal to the difference between actual and expected returns on a market value basis and is recognized over a five-year period. The deferred return is further adjusted, if necessary, so that the actuarial value of assets will stay within 20% of the market value of assets.

#### SCHEDULE OF BONDS, PRINCIPAL AND INTEREST REQUIREMENTS DECEMBER 31, 2019 (Dollars in Thousands)



		Series	s 201	4		Series	s 201	6	Series 2017			7	
	Р	rincipal	]	nterest	Р	rincipal	Ι	nterest	Р	rincipal	I	nterest	
Electric Division:													
2020	\$	2,810	\$	2,704	\$	1,425	\$	1,628	\$	3,060	\$	3,599	
2021		2,920		2,592		1,480		1,571		3,215		3,446	
2022		3,040		2,475		1,555		1,497		3,375		3,285	
2023		3,160		2,354		1,630		1,419		3,545		3,117	
2024		3,315		2,196		1,715		1,338		3,720		2,939	
2025		3,485		2,030		1,800		1,252		3,905		2,753	
2026		3,655		1,856		1,890		1,162		4,100		2,558	
2027		3,840		1,673		1,985		1,067		4,305		2,353	
2028		3,995		1,519		2,085		968		4,520		2,138	
2029		4,155		1,359		2,185		864		4,750		1,912	
2030		4,320		1,193		2,295		755		4,985		1,674	
2031		4,535		977		2,410		640		5,235		1,425	
2032		4,760		751		2,510		543		5,420		1,242	
2033		5,000		513		2,610		443		5,605		1,052	
2034		5,250		262		2,710		339		5,805		856	
2035		-		-		2,820		230		6,005		653	
2036		-		-		2,935		117		6,215		443	
2037		-		-		-		-		6,435		225	
Total	\$	58,240	\$	24,454	\$	36,040	\$	15,833	\$	84,200	\$	35,670	



		Series	201	6	Series 2017						
	P	Principal	]	Interest	Р	rincipal	I	nterest			
Gas											
Division:											
2020	\$	1,425	\$	1,628	\$	1,340	\$	1,736			
2021	+	1,480	+	1,571	Ŧ	1,410	+	1,669			
2022		1,555		1,497		1,480		1,599			
2023		1,630		1,419		1,555		1,525			
2024		1,715		1,337		1,630		1,447			
2025		1,800		1,252		1,710		1,365			
2026		1,890		1,162		1,800		1,280			
2027		1,985		1,067		1,885		1,190			
2028		2,085		968		1,980		1,096			
2029		2,185		864		2,080		997			
2030		2,295		755		2,185		892			
2031		2,410		640		2,295		783			
2032		2,510		543		2,410		669			
2033		2,610		443		2,530		548			
2034		2,710		339		2,630		447			
2035		2,820		230		2,735		342			
2036		2,935		117		2,845		233			
2037		-		-		2,960		118			
Total	\$	36,040	\$	15,832	\$	37,460	\$	17,936			
10111	Ψ	50,010	Ψ	10,052	Ψ	57,100	Ψ	11,750			

#### SCHEDULE OF BONDS, PRINCIPAL AND INTEREST REQUIREMENTS DECEMBER 31, 2019 (Dollars in Thousands)



	Serie	es 2014		Series 2016 Series			s 2017	2017		
-	Principal	Interest	]	Principal	It	nterest	Р	rincipal	Ir	nterest
Water Division:										
2020	\$ 620	\$ 457	\$	1,215	\$	832	\$	915	\$	893
2021	635	438		1,250		795		940		866
2022	655	419		1,275		770		970		838
2023	680	393		1,315		732		1,000		808
2024	715	359		1,355		693		1,040		768
2025	740	338		1,395		652		1,080		727
2026	765	308		1,435		610		1,135		673
2027	790	285		1,465		581		1,190		616
2028	820	253		1,525		523		1,250		557
2029	855	221		1,585		462		1,300		507
2030	890	186		1,645		398		1,355		455
2031	925	151		1,715		333		1,405		400
2032	960	114		1,765		281		1,455		351
2033	1,000	75		1,820		228		1,515		293
2034	1,040	35		1,870		174		1,575		232
2035	-	-		1,930		117		1,640		169
2036	-	-		1,985		60		1,705		104
2037	-	-		-		-		1,755		53
Total	\$ 12,090	\$ 4,032	\$	26,545	\$	8,241	\$	23,225	\$	9,310

## SCHEDULE OF CURRENT UTILITY RATES DECEMBER 31, 2019



Electric Division Rate Class		Base Charge		Customers
All Electric Rate Schedules Are Subject To A Power Adjustment Rider.	Adjustment Under The Pro	visions of the TVA Fue	el Cost and Purchased	
Residential – Schedule RS	Effective meters read on or	after January 3, 2019.		369,890
Customer Charge:	\$13.49 per month, less Hyd			
Energy Charge:	Summer	Winter	Transition	
First 500 kWh per month:	\$0.07416	\$0.07093	\$0.06903	
Additional kWh per month:	\$0.07321	\$0.06999	\$0.06809	
	The above rates are subjec Fuel Cost and Purchase Po	·	provisions of the TVA	
Time-Of-Use Residential Rate	Effective January 1, 2019.			75
Customer Charge:	\$13.49 per month, less Hyd	dro Allocation Credit: \$1.	60	
Energy Charge:	Summer	Winter	Transition	
On-Peak kWh per month:	\$0.13057	\$0.08844	\$0.05891	
Off-Peak kWh per month:	\$0.05891	\$0.05891	\$0.05891	
	The above rates are subjec Fuel Cost and Purchase Po			
General Service – Schedule GSA	Effective meters read on or	43,240		
	If (a) the higher of (i) the c any, or (ii) its highest billing more than 50 kW, and (b) during such period do not e	demand during the latest customer's monthly energy	t 12 month period is not	
Customer Charge:	\$25.63 per delivery point p	er month		
Energy Charge:	Summer	Winter	Transition	
	\$0.08234	\$0.07915	\$0.07722	
	If (a) the higher of (i) the c	-		
	(ii) its highest billing demand	e	1 0	
	50 kW but not more than 1			
	is less than 50 kW and its exceed 15,000 kWh:	energy takings for any m	onth during such period	
Customer Charge:	\$76.89 per delivery point p	er month		
Demand Charge:	Summer	Winter	Transition	
First 50 kW of billing demand per month:	\$0.00000	\$0.00000	\$0.00000	
2 200 CO K () OF OHEIG CONTAIN POLITICATION	φ0.00000	40.00000	ψ0.00000	
Excess over 50 kW of billing demand per month:	\$14.36	\$13.36	\$13.36	
Energy Charge:				
First 15,000 kWh per month:	\$0.09509	\$0.09192	\$0.08999	
	<i>Q</i> 0.07007	ψ0.0717 <u>2</u>	ψ0.00777	
Additional kWh per month:	\$0.04308	\$0.04010	\$0.03897	

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Electric Division Rate Class (cont.)		Base Charge		Customers		
General Service – Schedule GSA (cont.)	If the higher of the customer's currently effective contract demand or its highest billing demand during the latest 12 month period is greater than 1,000 kW:					
Customer Charge:	\$307.57 per delivery point p	per month				
Demand Charge:	Summer	Winter	Transition			
First 1,000 kW of billing demand per month:	\$13.34	\$12.35	\$12.35			
Excess over 1,000 kW of billing demand per month:	\$13.18	\$12.18	\$12.18			
Excess of billing demand over the higher of 2,500 kW or the customer's contract demand per month:	\$15.18	\$12.18	\$12.18			
Energy Charge: All kWh per month:	\$0.04826	\$0.04527	\$0.04415			

#### Time-of-Day General Power Rate - Part A (Schedule TGSA)

Effective January 1, 2019.

		Summer	Non-Summer	
Customer Charge:	—	\$307.57	\$307.57	
On-peak per kW of billing demand charges per	month:	\$13.68	\$13.01	
Per kW charge per month for each kW, if an billing demand exceeds on-peak billing demand	\$1.70	\$1.70		
Per kW charge per month for each kW, if ar which (1) the customer's on-peak billing deman of 2,500 kW or its on-peak contract demand off-peak billing demand exceeds the higher of peak contract demand, whichever is higher	\$13.68	\$13.01		
On-peak per kWh energy charge:		\$0.05870	\$0.05141	
Off-peak per kWh energy charge:		\$0.04246	\$0.04362	
Manufacturing Power Rate - Part A				
(Schedule MSA)	Effective January 1, 2019.			
Customer Charge:	\$307.57 per delivery point per month			
	Summer	Winter	Transition	
Per kW coincident billing demand charge	per \$8.51	\$7.53	\$7.53	

Per kW coincid month:	ent billing	g demand	charge	per	\$8.51	\$7.53	\$7.53
Per kW maxim month:	um billing	demand	charge	per	\$4.93	\$4.91	\$4.91

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Electric Division Rate Class (cont.)			Base	Charge		Customers
Manufacturing Power Rate - Part A						
(Schedule MSA) (cont.)	Summer		W	nter	Transition	
Excess per kW charge per month by which billi	ng traction					-
demand exceeds contract demand:	\$13.44		\$12	2.44	\$12.44	
On-peak per kWh energy charge:	\$0.06531		\$0.0	5458	\$0.04490	
Off-peak per kWh energy charge:	\$0.04265		\$0.0	4428	\$0.04490	
Time Of Use General Service (Schedule TGS)	Effective January 1,	2019.				10
Service Charge:	\$1,537.86 per deliv	very point	t per month			
TVA Administrative Charge:	\$350.00 per deliver	ry point p	er month			
Excess Demand:	Demand amount that	at exceed	s the effecti	ve contract de	emand.	
Off-Peak Block 1:	First 200 hours use	of on-pe	ak metered	demand mult	iplied by	
	the ratio of metered	off-peak	energy to r	metered total	energy.	
Off-Peak Block 2:	Next 200 hours use the ratio of metered					
		F	8/			
Off-Peak Block 3:	Over 400 hours use the ratio of metered					
Rates applicable for delivery at:	Transmission	1 Voltage	: 115 kV ar	au b		
		TGSB	TGSC	TGSD		
Summer	\$10.90	\$10.82	\$10.82	\$10.82		
On-peak billing demand per kW: Maximum billing demand per kW:	\$10.90	\$5.70	\$5.16	\$10.82		
Excess demand per kW:	\$10.90	\$10.82	\$10.82	\$10.82		
On-peak energy per kWh:	\$0.08255 \$0	).06756	\$0.06756	\$0.06661		
Off-peak block 1 per kWh:	\$0.04921 \$0			\$0.04181		
Off-peak block 2 per kWh:	\$0.00692 \$0			\$0.00596		
Off-peak block 3 per kWh:	\$0.00391 \$0	).00464	\$0.00464	\$0.00370		
Winter						
On-peak billing demand per kW:	\$9.95	\$9.85	\$9.85	\$9.85		
Maximum billing demand per kW:	\$5.71	\$5.70	\$5.16	\$4.90		
Excess demand per kW:	\$9.95	\$9.85	\$9.85	\$9.85		
On-peak energy per kWh:	\$0.06733 \$0	0.05624	\$0.05624	\$0.05530		
Off-peak block 1 per kWh:	\$0.05216 \$0			\$0.04401		
Off-peak block 2 per kWh:	\$0.00692 \$0			\$0.00596		
Off-peak block 3 per kWh:	\$0.00391 \$0	0.00464	\$0.00464	\$0.00370		



Electric Division Rate Class (cont.)	Base Charge	Custome
Time Of Use General Service		
(Schedule TGS)		
(cont.)		
Rates applicable for delivery at:	Transmission Voltage: 115 kV and up	
	TDGSA TGSB TGSC TGSD	
Transition		
On-peak billing demand per kW:	\$9.95 \$9.85 \$9.85 \$9.85 \$5.71 \$5.70 \$5.16 \$4.00	
Maximum billing demand per kW:	\$5.71 \$5.70 \$5.16 \$4.90 \$9.95 \$9.85 \$9.85 \$9.85	
Excess demand per kW: On-peak energy per kWh:	\$9.95 \$9.85 \$9.85 \$9.85 \$0.05335 \$0.04243 \$0.04243 \$0.04149	
Off-peak block 1 per kWh:	\$0.05335 \$0.04243 \$0.04243 \$0.04149	
Off-peak block 2 per kWh:	\$0.00692 \$0.00804 \$0.00804 \$0.00596	
Off-peak block 2 per kWh:	\$0.00391 \$0.00464 \$0.00464 \$0.00370	
on pour over 5 per k with		
Rates applicable for delivery at:	Distribution Voltage: < 115 kV	
Rates applicable for delivery at:	TDGSA TGSB TGSC TGSD	
Summer	1050 1050 1050 1050	
On-peak billing demand per kW:	\$11.22 \$11.14 \$11.14 \$11.14	
Maximum billing demand per kW:	\$5.83 \$5.82 \$5.28 \$5.02	
Excess demand per kW:	\$11.22 \$11.14 \$11.14 \$11.14	
On-peak energy per kWh:	\$0.08490 \$0.06946 \$0.06946 \$0.06851	
Off-peak block 1 per kWh:	\$0.05058 \$0.04392 \$0.04392 \$0.04298	
Off-peak block 2 per kWh:	\$0.00705 \$0.00821 \$0.00821 \$0.00609	
Off-peak block 3 per kWh:	\$0.00395 \$0.00471 \$0.00471 \$0.00377	
Winter		
On-peak billing demand per kW:	\$10.24 \$10.14 \$10.14 \$10.14	
Maximum billing demand per kW:	\$5.83 \$5.82 \$5.28 \$5.02	
Excess demand per kW:	\$10.24 \$10.14 \$10.14 \$10.14	
On-peak energy per kWh:	\$0.06923 \$0.05781 \$0.05781 \$0.05687	
Off-peak block 1 per kWh:	\$0.05362 \$0.04620 \$0.04620 \$0.04525	
Off-peak block 2 per kWh:	\$0.00705 \$0.00821 \$0.00821 \$0.00609	
Off-peak block 3 per kWh:	\$0.00395 \$0.00471 \$0.00471 \$0.00377	
Transition		
On-peak billing demand per kW:	\$10.24 \$10.14 \$10.14 \$10.14	
Maximum billing demand per kW:	\$5.83 \$5.82 \$5.28 \$5.02	
Excess demand per kW:	\$10.24 \$10.14 \$10.14 \$10.14	
On-peak energy per kWh:	\$0.05484 \$0.04359 \$0.04359 \$0.04265	
Off-peak block 1 per kWh:	\$0.05484 \$0.04359 \$0.04359 \$0.04265	
Off-peak block 2 per kWh:	\$0.00705 \$0.00821 \$0.00821 \$0.00609	
Off-peak block 3 per kWh:	\$0.00395 \$0.00471 \$0.00471 \$0.00377	
Time Of Use Manufacturing Service		
(Schedule TMS)	Effective January 1, 2019.	25
Service Charge:	\$1,537.86 per delivery point per month	
TVA Administrative Charge:	\$350.00 per delivery point per month	

Excess Demand:

Demand amount that exceeds the effective contract demand.



Electric Division Rate Class (cont.)			Base (	Charge		Customers
Time Of Use Manufacturing Service (Schedule TMS) (cont.)						
Off-Peak Block 1:	First 200 hours u the ratio of meter	-		-		
		-				
Off-Peak Block 2:	Next 200 hours uthe ratio of meter	-				
	the fatto of meter	eu on-peak	chergy to h		incigy.	
Off-Peak Block 3:	Over 400 hours	use of on-pe	ak metered	demand multi	iplied by	
	the ratio of meter	ed off-peak	energy to n	netered total e	energy.	
Rates applicable for delivery at:	Transmission Voltage: 115 kV and up					
	TDMSA	TMSB	TMSC	TMSD		
Summer						
On-peak billing demand per kW:	\$10.19	\$10.19	\$10.19	\$10.19		
Maximum billing demand per kW:	\$3.95	\$2.64	\$2.10	\$1.83		
Excess demand per kW:	\$10.19	\$10.19	\$10.19	\$10.19		
On-peak energy per kWh:		\$0.05957		\$0.05556		
Off-peak block 1 per kWh:		\$0.03469		\$0.03068		
Off-peak block 2 per kWh:		\$0.00513		\$0.00422		
Off-peak block 3 per kWh:	\$0.00259	\$0.00259	\$0.00653	\$0.00364		
Winter	¢0.00	¢0.00	¢0.00	¢0.00		
On-peak billing demand per kW:	\$9.23 \$2.05	\$9.23	\$9.23 \$2.10	\$9.23 \$1.82		
Maximum billing demand per kW:	\$3.95 \$9.23	\$2.64	\$2.10 \$0.22	\$1.83 \$9.23		
Excess demand per kW:	4	\$9.23 \$0.04822	\$9.23 \$0.04709	\$9.23 \$0.04420		
On-peak energy per kWh:	\$0.04393			\$0.04420 \$0.03288		
Off-peak block 1 per kWh: Off-peak block 2 per kWh:	\$0.03465			\$0.03288 \$0.00422		
UTI-DEAK DIOCK Z DEFKWIE	\$0.00313	φ <b>0.00515</b>	φ0.00033	\$0.00 <del>4</del> 22		



Time Of Use Manufacturing Service Schedule TMS) cont.)         Transmission Voltage: 115 kV and up           Transition         TDMSA         TMSC         TMSD           axinum billing demand per kW:         \$9.23	Electric Division Rate Class (cont.)			Base (	Charge
Schedule TMS)         tates applicable for delivery at:       Transmission Voltage: $115 \text{ kV}$ and up         TDMSA TMSB TMSC TMSD         ransition       30-peak billing demand per kW:       \$9.23       \$9.23       \$9.23       \$9.23         aximum billing demand per kW:       \$9.23       \$9.23       \$9.23       \$9.23       \$9.23         aximum billing demand per kW:       \$9.23       \$9.23       \$9.23       \$9.23       \$9.23         Syn-peak energy per kWh:       \$0.03553       \$0.03777       \$0.03664       \$0.03375         Dif-peak block 1 per kWh:       \$0.03553       \$0.00513       \$0.00653       \$0.00422         Break block 2 per kWh:       \$0.00259       \$0.00259       \$0.00653       \$0.00364         Rates applicable for delivery at:       Distribution Voltage: < 115 kV	<u>`</u> `				<u>e</u> -
Transmission Voltage: 115 kV and up         TDMSA       TMSC       TMSD         Yansition       TDMSA       TMSC       TMSD         Dr-peak billing demand per kW:       \$3.95       \$2.64       \$2.10       \$1.83         Xexess demand per kW:       \$3.95       \$2.64       \$2.10       \$1.83         Dr-peak energy per kWh:       \$0.03553       \$0.03777       \$0.03664       \$0.03375         Dr-peak energy per kWh:       \$0.03553       \$0.00513       \$0.00653       \$0.00422         Off-peak block 1 per kWh:       \$0.00259       \$0.00259       \$0.00653       \$0.00422         Off-peak block 2 per kWh:       \$0.00259       \$0.00259       \$0.00653       \$0.00422         Off-peak block 3 per kWh:       \$0.00259       \$0.00259       \$0.00653       \$0.00422         Off-peak block 3 per kWh:       \$0.00259       \$0.00259       \$0.00653       \$0.00422         Summer       Distribution Voltage: < 115 kV	Time Of Use Manufacturing Service				
tates applicable for delivery at:       Transmission Voltage: $115 \text{ kV}$ and up         Tansition       TDMSA       TMSB       TMSC       TMSD         On-peak billing demand per kW:       \$9.23       \$9.20       \$9.26       \$9.26	(cont.)				
TDMSA         TMSB         TMSC         TMSD           ransition         Dr.peak billing demand per kW:         \$9.23         \$0.03177         \$0.03664         \$0.003375         \$0.00451         \$0.00422         \$0.00452         \$0.00653         \$0.000513         \$0.00561         \$0.00571         \$0.0493         \$10.49					
Transition       S9.23       \$9.26       \$9.26	Rates applicable for delivery at:		ě		<u> </u>
Dn-peak billing demand per kW: $\$9.23$ $\$0.00317$ <td></td> <td>TDMSA</td> <td>TMSB</td> <td>TMSC</td> <td>TMSD</td>		TDMSA	TMSB	TMSC	TMSD
Maximum billing demand per kW:       \$3.95       \$2.64       \$2.10       \$1.83         ixxeess demand per kW:       \$9.23       \$9.23       \$9.23       \$9.23         Dr-peak energy per kWh:       \$0.03553       \$0.03777       \$0.03664       \$0.03375         Diff-peak block 1 per kWh:       \$0.03553       \$0.03777       \$0.03664       \$0.03375         Diff-peak block 2 per kWh:       \$0.00513       \$0.00653       \$0.00422         Diff-peak block 3 per kWh:       \$0.00259       \$0.00259       \$0.00653       \$0.00364         Rates applicable for delivery at:       Distribution Voltage: < 115 kV		<b>#0.22</b>	<b>#0.22</b>	<b>00.00</b>	фо <b>оо</b>
Excess demand per kW: $\$9.23$ $\$9.23$ $\$9.23$ $\$9.23$ $\$9.23$ $\$9.23$ In-peak energy per kWh: $\$0.03553$ $\$0.03777$ $\$0.03664$ $\$0.03375$ Iff-peak block 1 per kWh: $\$0.03553$ $\$0.00513$ $\$0.00653$ $\$0.00422$ Iff-peak block 2 per kWh: $\$0.00259$ $\$0.00259$ $\$0.00653$ $\$0.00422$ Iter as applicable for delivery at:Iter button Voltage: < 115 kV					
Dn-peak energy per kWh: $\$0.03553$ $\$0.03777$ $\$0.03664$ $\$0.03375$ Dif-peak block 1 per kWh: $\$0.03553$ $\$0.03777$ $\$0.03664$ $\$0.03375$ Dif-peak block 2 per kWh: $\$0.00513$ $\$0.00513$ $\$0.00533$ $\$0.00422$ Dif-peak block 3 per kWh: $\$0.00259$ $\$0.00533$ $\$0.00423$ $\$0.00259$ $\$0.00653$ $\$0.00423$ Cates applicable for delivery at:         Distribution Voltage: < 115 kV					
Diff-peak block 1 per kWh: $\$0.03553$ $\$0.03777$ $\$0.03644$ $\$0.03375$ Diff-peak block 2 per kWh: $\$0.00513$ $\$0.00653$ $\$0.00422$ Diff-peak block 3 per kWh: $\$0.00259$ $\$0.00653$ $\$0.00422$ Atters applicable for delivery at:         Distribution Voltage: < 115 kV					
Diff-peak block 2 per kWh: $\$0.00513$ $\$0.00513$ $\$0.00653$ $\$0.00422$ Off-peak block 3 per kWh: $\$0.00259$ $\$0.00259$ $\$0.00653$ $\$0.00643$ Rates applicable for delivery at:       Distribution Voltage: < 115 kV       TMSC       TMSD         Jummer       TMSL       TMSD       TMSD       States         Jummer $\$10.49$ $\$1$					
Diff-peak block 3 per kWh: $\$0.00259$ $\$0.00259$ $\$0.00653$ $\$0.00364$ Aates applicable for delivery at:       Distribution Voltage: < 115 kV       TMSB       TMSC       TMSD         Summer       TDMSA       TMSB       TMSC       TMSD       St0.49 $\$10.49$					
Distribution Voltage: < 115 kVTDMSATMSCTMSDTMSCTMSDTMSCTMSDMaximum billing demand per kW:\$10.49\$10.49\$10.49\$10.49\$10.49Sinter with the total strain total strain total strain the total strain total strain the total strain total strain total strain the total strain total strain the total strain total strain total strain total strain total strain the total strain strain the total strain total strain the total strain the total strain total strain the total strain total strain total strain the total strain total strain the total strain strain total s					
TDMSA         TMSE         TMSC         TMSD           Summer         0n-peak billing demand per kW:         \$10.49	Off-peak block 3 per kWh:	\$0.00259	\$0.00259	\$0.00653	\$0.00364
TDMSA         TMSE         TMSC         TMSD           Summer         0n-peak billing demand per kW:         \$10.49					
Summer         \$10.49<	Rates applicable for delivery at:	Distrib	oution Voltag	ge: < 115 kV	/
Dn-peak billing demand per kW:       \$10.49       \$10.49       \$10.49       \$10.49         Maximum billing demand per kW:       \$4.02       \$2.68       \$2.14       \$1.87         Excess demand per kW:       \$10.49       \$10.49       \$10.49       \$10.49       \$10.49         On-peak energy per kWh:       \$0.05893       \$0.06125       \$0.06010       \$0.05715         Off-peak block 1 per kWh:       \$0.03332       \$0.03565       \$0.03448       \$0.03154         Off-peak block 2 per kWh:       \$0.00522       \$0.00522       \$0.00666       \$0.00430         Off-peak block 3 per kWh:       \$0.00261       \$0.00261       \$0.00666       \$0.00371         Vinter       \$9.50       \$9.50       \$9.50       \$9.50       \$9.50         On-peak billing demand per kW:       \$9.50       \$9.50       \$9.50       \$9.50         Aximum billing demand per kW:       \$9.50       \$9.50       \$9.50       \$9.50         On-peak energy per kWh:       \$0.04724       \$0.04957       \$0.04841       \$0.04545         Off-peak block 1 per kWh:       \$0.03560       \$0.03793       \$0.03676       \$0.03380         Off-peak block 2 per kWh:       \$0.00522       \$0.00522       \$0.00666       \$0.00371         Transition		TDMSA	TMSB	TMSC	TMSD
Maximum billing demand per kW: $\$4.02$ $\$2.68$ $\$2.14$ $\$1.87$ Excess demand per kW: $\$10.49$ $\$10.49$ $\$10.49$ $\$10.49$ $\$10.49$ $\$10.49$ On-peak energy per kWh: $\$0.05893$ $\$0.06125$ $\$0.06010$ $\$0.05715$ Off-peak block 1 per kWh: $\$0.03332$ $\$0.03565$ $\$0.03448$ $\$0.03154$ Off-peak block 3 per kWh: $\$0.00522$ $\$0.00261$ $\$0.00666$ $\$0.00430$ On-peak billing demand per kW: $\$9.50$ $\$9.50$ $\$9.50$ $\$9.50$ Vinter $\$4.02$ $\$2.68$ $\$2.14$ $\$1.87$ On-peak billing demand per kW: $\$4.02$ $\$2.68$ $\$2.14$ $\$1.87$ Excess demand per kW: $\$9.50$ $\$9.50$ $\$9.50$ $\$9.50$ On-peak block 1 per kWh: $\$0.03560$ $\$0.03793$ $\$0.04545$ Off-peak block 2 per kWh: $\$0.03560$ $\$0.00522$ $\$0.00666$ $\$0.00370$ Off-peak block 3 per kWh: $\$0.00522$ $\$0.00666$ $\$0.00370$ Off-peak block 3 per kWh: $\$0.00522$ $\$0.00261$ $\$0.00666$ $\$0.00370$ Off-peak block 3 per kWh: $\$0.00261$ $\$0.00261$ $\$0.00666$ $\$0.00371$ On-peak energy per kWh: $\$0.00261$ $\$0.00261$ $\$0.00666$ $\$0.00371$ On-peak billing demand per kW: $\$9.50$ $\$9.50$ $\$9.50$ $\$9.50$ On-peak billing demand per kW: $\$9.50$ $\$9.50$ $\$9.50$ $\$9.50$ On-peak billing demand per kW: $\$9.50$ $\$9.50$ $\$9.50$ $\$9.50$ <	Summer				
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Dn-peak energy per kWh:         \$0.05893         \$0.06125         \$0.06101         \$0.05715           Df-peak block 1 per kWh:         \$0.03332         \$0.03565         \$0.03448         \$0.03154           Df-peak block 2 per kWh:         \$0.00522         \$0.00522         \$0.00666         \$0.00430           Df-peak block 3 per kWh:         \$0.00261         \$0.00261         \$0.00666         \$0.00371           Vinter         \$9.50         \$9.50         \$9.50         \$9.50         \$9.50           Dn-peak billing demand per kW:         \$9.50         \$9.50         \$9.50         \$9.50           Aximum billing demand per kW:         \$9.50         \$9.50         \$9.50         \$9.50           Dn-peak block 1 per kWh:         \$0.04724         \$0.04957         \$0.04841         \$0.04545           Off-peak block 1 per kWh:         \$0.03560         \$0.03793         \$0.03676         \$0.03380           Off-peak block 2 per kWh:         \$0.00221         \$0.00666         \$0.00430           Off-peak block 3 per kWh:         \$0.00221         \$0.00261         \$0.00466         \$0.00371           On-peak billing demand per kW:         \$9.50         \$9.50         \$9.50         \$9.50           On-peak billing demand per kW:         \$9.50         \$9.50 <td< td=""><td>Maximum billing demand per kW:</td><td>\$4.02</td><td>\$2.68</td><td>\$2.14</td><td>\$1.87</td></td<>	Maximum billing demand per kW:	\$4.02	\$2.68	\$2.14	\$1.87
Dff-peak block 1 per kWh:       \$0.03332       \$0.03565       \$0.03448       \$0.03154         Dff-peak block 2 per kWh:       \$0.00522       \$0.00522       \$0.00666       \$0.00430         Off-peak block 3 per kWh:       \$0.00261       \$0.00261       \$0.00666       \$0.00371         Vinter       \$9.50       \$9.50       \$9.50       \$9.50         Dn-peak billing demand per kW:       \$4.02       \$2.68       \$2.14       \$1.87         Excess demand per kW:       \$9.50       \$9.50       \$9.50       \$9.50         On-peak energy per kWh:       \$0.04724       \$0.04957       \$0.04841       \$0.04545         Off-peak block 2 per kWh:       \$0.03560       \$0.03793       \$0.03676       \$0.03380         Off-peak block 2 per kWh:       \$0.00522       \$0.00666       \$0.00430         Off-peak block 3 per kWh:       \$0.00261       \$0.00261       \$0.00466       \$0.00371         Yransition       \$0.00261       \$0.00261       \$0.00666       \$0.00371         On-peak billing demand per kW:       \$9.50       \$9.50       \$9.50       \$9.50         Yansumum billing demand per kW:       \$9.50       \$9.50       \$9.50       \$9.50       \$9.50         On-peak billing demand per kW:       \$9.50       \$9.50 </td <td>Excess demand per kW:</td> <td>\$10.49</td> <td>\$10.49</td> <td>\$10.49</td> <td>\$10.49</td>	Excess demand per kW:	\$10.49	\$10.49	\$10.49	\$10.49
Dif-peak block 2 per kWh:       \$0.00522       \$0.00666       \$0.00430         Dif-peak block 3 per kWh:       \$0.00261       \$0.00261       \$0.00666       \$0.00371         Vinter       \$9.50       \$9.50       \$9.50       \$9.50       \$9.50         Dn-peak billing demand per kW:       \$4.02       \$2.68       \$2.14       \$1.87         Excess demand per kW:       \$9.50       \$9.50       \$9.50       \$9.50         Dn-peak energy per kWh:       \$0.04724       \$0.04957       \$0.04841       \$0.04545         Off-peak block 1 per kWh:       \$0.03560       \$0.03793       \$0.03676       \$0.03380         Off-peak block 2 per kWh:       \$0.00261       \$0.00261       \$0.00666       \$0.00371         Off-peak block 3 per kWh:       \$0.00261       \$0.00261       \$0.004841       \$0.04545         Off-peak block 3 per kWh:       \$0.00522       \$0.00522       \$0.00666       \$0.00371         Transition       \$0.00261       \$0.00261       \$0.00666       \$0.00371         On-peak billing demand per kW:       \$9.50       \$9.50       \$9.50       \$9.50         Caxcess demand per kW:       \$9.50       \$9.50       \$9.50       \$9.50       \$9.50         On-peak energy per kWh:       \$0.03651 <t< td=""><td>On-peak energy per kWh:</td><td>\$0.05893</td><td>\$0.06125</td><td>\$0.06010</td><td>\$0.05715</td></t<>	On-peak energy per kWh:	\$0.05893	\$0.06125	\$0.06010	\$0.05715
Df-peak block 3 per kWh:       \$0.00261       \$0.00261       \$0.00666       \$0.00371         Vinter       \$9.50       \$9.50       \$9.50       \$9.50       \$9.50         Aaximum billing demand per kW:       \$4.02       \$2.68       \$2.14       \$1.87         Excess demand per kW:       \$9.50       \$9.50       \$9.50       \$9.50         On-peak energy per kWh:       \$0.04724       \$0.04957       \$0.04841       \$0.04545         Off-peak block 1 per kWh:       \$0.03560       \$0.03793       \$0.03676       \$0.03380         Off-peak block 2 per kWh:       \$0.00261       \$0.00261       \$0.00666       \$0.00371         Off-peak block 3 per kWh:       \$0.00261       \$0.00261       \$0.004841       \$0.04545         Off-peak block 3 per kWh:       \$0.00522       \$0.00522       \$0.00666       \$0.00371         On-peak billing demand per kW:       \$9.50       \$9.50       \$9.50       \$9.50         On-peak billing demand per kW:       \$9.50       \$9.50       \$9.50       \$9.50         Cxcess demand per kW:       \$9.50       \$9.50       \$9.50       \$9.50         On-peak energy per kWh:       \$0.03651       \$0.03882       \$0.03765       \$0.03470         On-peak energy per kWh:       \$0.03651	Off-peak block 1 per kWh:	\$0.03332	\$0.03565	\$0.03448	\$0.03154
Winter       \$9.50       \$9.50       \$9.50       \$9.50         Dn-peak billing demand per kW:       \$4.02       \$2.68       \$2.14       \$1.87         Excess demand per kW:       \$9.50       \$9.50       \$9.50       \$9.50         Dn-peak energy per kWh:       \$0.04724       \$0.04957       \$0.04841       \$0.04545         Off-peak block 1 per kWh:       \$0.03560       \$0.03793       \$0.03676       \$0.03380         Off-peak block 2 per kWh:       \$0.00261       \$0.00666       \$0.00430         Off-peak block 3 per kWh:       \$0.00261       \$0.00261       \$0.00666       \$0.00371         Yransition       \$9.50       \$9.50       \$9.50       \$9.50       \$9.50         On-peak billing demand per kW:       \$9.50       \$9.50       \$9.50       \$9.50         Yansition       \$9.50       \$9.50       \$9.50       \$9.50       \$9.50         On-peak billing demand per kW:       \$4.02       \$2.68       \$2.14       \$1.87         Yansition       \$9.50       \$9.50       \$9.50       \$9.50       \$9.50         On-peak billing demand per kW:       \$4.02       \$2.68       \$2.14       \$1.87         Yansition       \$9.50       \$9.50       \$9.50       \$9.50 <td< td=""><td>Off-peak block 2 per kWh:</td><td>\$0.00522</td><td>\$0.00522</td><td>\$0.00666</td><td>\$0.00430</td></td<>	Off-peak block 2 per kWh:	\$0.00522	\$0.00522	\$0.00666	\$0.00430
Dn-peak billing demand per kW:         \$9.50         \$9.50         \$9.50         \$9.50           Maximum billing demand per kW:         \$4.02         \$2.68         \$2.14         \$1.87           Excess demand per kW:         \$9.50         \$9.50         \$9.50         \$9.50         \$9.50           Dn-peak energy per kWh:         \$0.04724         \$0.04957         \$0.04841         \$0.04545           Off-peak block 1 per kWh:         \$0.03560         \$0.03793         \$0.03666         \$0.00380           Off-peak block 2 per kWh:         \$0.00261         \$0.00261         \$0.00666         \$0.00371           Yransition         Dn-peak billing demand per kW:         \$9.50         \$9.50         \$9.50         \$9.50           On-peak billing demand per kW:         \$9.50         \$9.50         \$9.50         \$9.50         \$9.50           Cacess demand per kW:         \$9.50         \$9.50         \$9.50         \$9.50         \$9.50           Cacess demand per kW:         \$9.50         \$9.50         \$9.50         \$9.50         \$9.50           Cacess demand per kW:         \$9.50         \$9.50         \$9.50         \$9.50         \$9.50           On-peak energy per kWh:         \$0.03651         \$0.03882         \$0.03765         \$0.03470      <	Off-peak block 3 per kWh:	\$0.00261	\$0.00261	\$0.00666	\$0.00371
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Excess demand per kW:       \$9.50       \$9.50       \$9.50       \$9.50         On-peak energy per kWh:       \$0.04724       \$0.04957       \$0.04841       \$0.04545         Off-peak block 1 per kWh:       \$0.03560       \$0.03793       \$0.03676       \$0.03380         Off-peak block 2 per kWh:       \$0.00522       \$0.00522       \$0.00666       \$0.00430         Off-peak block 3 per kWh:       \$0.00261       \$0.00261       \$0.00666       \$0.00371         Transition       \$9.50       \$9.50       \$9.50       \$9.50         On-peak billing demand per kW:       \$9.50       \$9.50       \$9.50         Aximum billing demand per kW:       \$9.50       \$9.50       \$9.50         Sexcess demand per kW:       \$9.50       \$9.50       \$9.50         On-peak energy per kWh:       \$0.03651       \$0.03882       \$0.03765         On-peak energy per kWh:       \$0.03651       \$0.03882       \$0.03765         Off-peak block 1 per kWh:       \$0.03651       \$0.03882       \$0.03765         Off-peak block 2 per kWh:       \$0.00522       \$0.00522       \$0.00666	On-peak billing demand per kW:	\$9.50	\$9.50	\$9.50	\$9.50
Dn-peak energy per kWh:       \$0.04724       \$0.04957       \$0.04841       \$0.04545         Dff-peak block 1 per kWh:       \$0.03560       \$0.03793       \$0.03676       \$0.03380         Dff-peak block 2 per kWh:       \$0.00522       \$0.00522       \$0.00666       \$0.00430         Dff-peak block 3 per kWh:       \$0.00261       \$0.00261       \$0.00666       \$0.00371         On-peak billing demand per kW:       \$9.50       \$9.50       \$9.50       \$9.50         Aximum billing demand per kW:       \$9.50       \$9.50       \$9.50       \$9.50         Cxcess demand per kW:       \$9.50       \$9.50       \$9.50       \$9.50         Dn-peak energy per kWh:       \$0.03651       \$0.03882       \$0.03765       \$0.03470         Dr-peak block 1 per kWh:       \$0.03651       \$0.03882       \$0.03765       \$0.03470         Dff-peak block 2 per kWh:       \$0.03651       \$0.03882       \$0.03765       \$0.03470	Maximum billing demand per kW:	\$4.02	\$2.68	\$2.14	\$1.87
Off-peak block 1 per kWh:       \$0.03560       \$0.03793       \$0.03676       \$0.03380         Off-peak block 2 per kWh:       \$0.00522       \$0.00522       \$0.00666       \$0.00430         Off-peak block 3 per kWh:       \$0.00261       \$0.00261       \$0.00666       \$0.00371         Transition       \$9.50       \$9.50       \$9.50       \$9.50         Dn-peak billing demand per kW:       \$4.02       \$2.68       \$2.14       \$1.87         Excess demand per kW:       \$9.50       \$9.50       \$9.50       \$9.50         Dn-peak energy per kWh:       \$0.03651       \$0.03882       \$0.03765       \$0.03470         Off-peak block 1 per kWh:       \$0.03651       \$0.03882       \$0.03765       \$0.03470         Off-peak block 2 per kWh:       \$0.03651       \$0.03882       \$0.03765       \$0.03470	Excess demand per kW:	\$9.50	\$9.50	\$9.50	\$9.50
Off-peak block 1 per kWh:       \$0.03560       \$0.03793       \$0.03676       \$0.03380         Off-peak block 2 per kWh:       \$0.00522       \$0.00522       \$0.00666       \$0.00430         Off-peak block 3 per kWh:       \$0.00261       \$0.00261       \$0.00666       \$0.00371         Transition       \$9.50       \$9.50       \$9.50       \$9.50         Dn-peak billing demand per kW:       \$4.02       \$2.68       \$2.14       \$1.87         Excess demand per kW:       \$9.50       \$9.50       \$9.50       \$9.50         Dn-peak energy per kWh:       \$0.03651       \$0.03882       \$0.03765       \$0.03470         Off-peak block 1 per kWh:       \$0.03651       \$0.03882       \$0.03765       \$0.03470         Off-peak block 2 per kWh:       \$0.03651       \$0.03882       \$0.03765       \$0.03470	On-peak energy per kWh:	\$0.04724	\$0.04957	\$0.04841	\$0.04545
Dff-peak block 2 per kWh:       \$0.00522       \$0.00522       \$0.00666       \$0.00430         Dff-peak block 3 per kWh:       \$0.00261       \$0.00261       \$0.00666       \$0.00371         Transition       \$9.50       \$9.50       \$9.50       \$9.50         Maximum billing demand per kW:       \$4.02       \$2.68       \$2.14       \$1.87         Excess demand per kW:       \$9.50       \$9.50       \$9.50       \$9.50         On-peak energy per kWh:       \$0.03651       \$0.03882       \$0.03765       \$0.03470         Off-peak block 1 per kWh:       \$0.03651       \$0.03882       \$0.03765       \$0.03470         Off-peak block 2 per kWh:       \$0.00522       \$0.00522       \$0.00666       \$0.00430	Off-peak block 1 per kWh:	\$0.03560	\$0.03793	\$0.03676	\$0.03380
Df-peak block 3 per kWh:       \$0.00261       \$0.00261       \$0.00666       \$0.00371         Transition       Dn-peak billing demand per kW:       \$9.50       \$9.50       \$9.50       \$9.50         Maximum billing demand per kW:       \$4.02       \$2.68       \$2.14       \$1.87         Excess demand per kW:       \$9.50       \$9.50       \$9.50       \$9.50         On-peak energy per kWh:       \$0.03651       \$0.03882       \$0.03765         Off-peak block 1 per kWh:       \$0.03651       \$0.03882       \$0.03765         Off-peak block 2 per kWh:       \$0.00522       \$0.00522       \$0.00666	Off-peak block 2 per kWh:	\$0.00522	\$0.00522	\$0.00666	\$0.00430
Transition       \$9.50       \$9.50       \$9.50       \$9.50         Dn-peak billing demand per kW:       \$4.02       \$2.68       \$2.14       \$1.87         Excess demand per kW:       \$9.50       \$9.50       \$9.50       \$9.50         Dn-peak energy per kWh:       \$0.03651       \$0.03882       \$0.03765       \$0.03470         Off-peak block 1 per kWh:       \$0.03651       \$0.03882       \$0.03765       \$0.03470         Off-peak block 2 per kWh:       \$0.00522       \$0.00522       \$0.00666       \$0.00430	Off-peak block 3 per kWh:	\$0.00261			\$0.00371
Maximum billing demand per kW:       \$4.02       \$2.68       \$2.14       \$1.87         Excess demand per kW:       \$9.50       \$9.50       \$9.50       \$9.50         Dn-peak energy per kWh:       \$0.03651       \$0.03882       \$0.03765       \$0.03470         Off-peak block 1 per kWh:       \$0.03651       \$0.03882       \$0.03765       \$0.03470         Off-peak block 2 per kWh:       \$0.00522       \$0.00522       \$0.00666       \$0.00430	Transition				
Maximum billing demand per kW:       \$4.02       \$2.68       \$2.14       \$1.87         Excess demand per kW:       \$9.50       \$9.50       \$9.50       \$9.50         Dn-peak energy per kWh:       \$0.03651       \$0.03882       \$0.03765       \$0.03470         Off-peak block 1 per kWh:       \$0.03651       \$0.03882       \$0.03765       \$0.03470         Off-peak block 2 per kWh:       \$0.00522       \$0.00522       \$0.00666       \$0.00430	On-peak billing demand per kW:	\$9.50	\$9.50	\$9.50	\$9.50
Stress demand per kW:         \$9.50         \$9.50         \$9.50         \$9.50           On-peak energy per kWh:         \$0.03651         \$0.03882         \$0.03765         \$0.03470           Off-peak block 1 per kWh:         \$0.03651         \$0.03882         \$0.03765         \$0.03470           Off-peak block 2 per kWh:         \$0.00522         \$0.00522         \$0.00666         \$0.00430	Maximum billing demand per kW:				\$1.87
On-peak energy per kWh:         \$0.03651         \$0.03882         \$0.03765         \$0.03470           Off-peak block 1 per kWh:         \$0.03651         \$0.03882         \$0.03765         \$0.03470           Off-peak block 2 per kWh:         \$0.00522         \$0.00522         \$0.00666         \$0.00430	Excess demand per kW:				\$9.50
Off-peak block 1 per kWh:         \$0.03651         \$0.03882         \$0.03765         \$0.03470           Off-peak block 2 per kWh:         \$0.00522         \$0.00522         \$0.00666         \$0.00430	On-peak energy per kWh:				\$0.03470
Off-peak block 2 per kWh:         \$0.00522         \$0.00522         \$0.00666         \$0.00430					\$0.03470
	Off-peak block 2 per kWh:				\$0.00430
$\psi 0.00201 \psi 0.00201 \psi 0.00000 \psi 0.00071$	Off-peak block 3 per kWh:				\$0.00371



Electric Division Rate Class (cont.)		Customers		
Drainage Pumping Station Rate (Schedule DPS)	Effective January 3, 2019.			6
Customer Charge:	\$15.91 per delivery point p	er month		
Energy Charge:	Summer	Winter	Transition	
All kWh per month:	\$0.04061	\$0.03746	\$0.03553	
Outdoor Lighting Rate (Schedule LS)	Effective January 3, 2019. Part A – Charges for stree and athletic field lighting inst	17,019		
Energy Charge:	Summer	Winter	Transition	
All kWh per month:	\$0.05114	\$0.04824	\$0.04630	
Outdoor Lighting Facilities Charge:				

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

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

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



Electric Division Rate Class (cont.)	Base Charge	Customers

## Outdoor Lighting Rate (Schedule LS) (cont.)

 $Part \ B-Charges \ for \ outdoor \ lighting \ for \ individual \ customers-charges \ per \ fixture \ per \ month:$ 

#### (a) Type of Fixture

	Lamp Size		Rated	Facility
	(Watts)	(Lumens)	(kWh)	Charge
Mercury Vapor or Incandescent	175	7,650	70	\$3.02
	250	10,400	98	3.58
	400	19,100	155	4.53
	700	33,600	266	6.11
	1,000	47,500	378	7.78
Metal Halide	175	8,300	70	\$3.02
	250	14,000	98	3.58
	400	22,600	155	4.53
	1,000	88,000	378	7.78
High Pressure Sodium	50	3,285	22	\$4.30
	100	8,550	42	4.59
	150	14,400	63	4.73
	200	18,900	82	5.14
	250	23,000	105	5.43
	400	45,000	165	6.45
	1,000	126,000	385	10.30
LED	100	7,000	24	\$5.31
	150	9,300	31	5.53
	200	13,400	45	5.97

(b) Energy Charge:	For each lamp size under (a	For each lamp size under (a) above per rated kWh per month:					
	Summer	Winter	Transition				
All rated kWh per month:	\$0.05144	\$0.04824	\$0.04630				

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Gas Division Rate Class	Base Charge	Customers
Residential G-1 & G-3	Effective meters read on or after July 2, 2018	289,603
	Schedule G-1 is available for domestic use to residential customers in individual private residences or other individual dwelling units situated within the corporate limits of the City of Memphis, Tennessee. Schedule G-3 is available for domestic use to residential customers in individual private residences or other individual dwelling units situated outside the corporate limits of the City of Memphis, Tennessee.	
Service Charge:	\$ 10.22 per month, plus	
Commodity Charge:	First 100 ccf per month @ \$0.599 per ccf	
	Excess over 100 ccf per month $@$ \$0.507 per ccf, plus the above rates are subject to adjustment under the provisions of the Purchased Gas Adjustment Rider.	
Minimum Bill:	\$10.22 per meter per month	
Small General Service G-7	Effective meters read on or after July 2, 2018	20,807
	This rate schedule is available for gas service to all gas customers except residential.	
Service Charge:	For 0 to 425 cfh meter, \$30.65 Over 426 to 1,400 cfh meter, \$56.19 Over 1,400 cfh meter, \$102.17 per month plus,	
Commodity Charge:	All gas consumed: \$0.542 per ccf per month, plus	
	The above rates are subject to adjustment under the provisions of the Purchased Gas Adjustment Rider.	
Minimum Bill:	The minimum monthly bill shall be \$0.668 for each ccf of the higher of:	
	(1) The maximum daily demand during the preceding eleven months, or	
	(2) The daily contract demand, but in no case less than the Service charge listed above.	
Large General Service Firm on-peak G-8 and G-9	Effective meters on or after July 2, 2018	418
	This rate schedule is available for gas service to all customers contracting for not less than 100 ccf of maximum daily demand.	
Demand Charge:	\$0.256 ccf per month of contract demand or maximum daily demand during the twelve (12) months ending with the billing month, whichever is higher, plus	

Large General Service Firm on-peak G-8 and G-9 (cont.)		
Commodity Charge:	First 200,000 ccf per month @ \$0.499 per ccf	
	Excess over 200,000 ccf per month @ \$0.403 per ccf, plus	
	The above rates are subject to adjustment under the provisions of the Purchased Gas Adjustment Rider.	
Minimum Bill:	The minimum bill shall be $0.924$ for each ccf of the higher of: (1) the maximum daily demand during the twelve (12) months ending with the billing month, or (2) the daily contract demand.	
Large General Service Interruptible Off-pea G-10 and G-12	Effective meters on or after July 2, 2018	13
	This rate schedule is available for gas service to all customers contracting for not less than 1,500 ccf of maximum daily demand and providing oil or other alternate fuel facilities approved by the Division as being adequate in design and capacity.	
Service Charge:	\$510.83 per month, plus	
Commodity Charge:	First 200,000 Ccf per month @ \$0.468 per ccf	
	Excess over 200,000 ccf per month @ \$0.397 per ccf, plus	
	The above rates are subject to adjustment under the provisions of the Purchased Gas Adjustment Rider.	
Minimum Bill:	The minimum monthly bill shall be $0.358$ for each ccf of the higher of (1) the maximum daily demand during the twelve months ending with the billing month, or (2) the daily contract demand, but in no event less than the service charge.	

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# SCHEDULE OF CURRENT UTILITY RATES DECEMBER 31, 2019



Water Division Rate Class	Base Charge		Customers
Residential – Inside City Rate	Effective meters read on or	after March 4, 2019	185,124
	For water furnished to pre City of Memphis		
Commodity Charge:	All water consumed: \$1.91		
Minimum Bill:	The minimum monthly bill shall be determined by the size installed, as follows:		
	5/8" meter	\$8.09	
	3/4" meter	11.68	
	1" meter	20.71	
	1-1/2" meter	46.59	
	2" meter	82.84	
Residential – Outside City Rate	Effective meters read on or	after March 4, 2019	23,655
	For water furnished to pre Memphis	mises outside the corporate limits of the City of	
Commodity Charge:	All water consumed: \$2.979 per ccf per month		
Minimum Bill:	The minimum monthly bill installed, as follows:		
	5/8" meter	\$11.26	
	3/4" meter	16.20	
	1" meter	28.83	
	1-1/2" meter	64.83	
	2" meter	115.24	
General Service – Inside City Rate	Effective meters read on or after March 4, 2019		18,662
		For water service to all customers within the corporate limits of the City of Memphis, except residential customers	
Commodity Charge:	Water consumed per month	1:	
	First 30 ccf	\$2.440 per ccf	
	Next 70 ccf	\$2.074 per ccf	
	Next 100 ccf	\$1.578 per ccf	
	Next 400 ccf	\$1.314 per ccf	
	Next 5,400 ccf	\$1.022 per ccf	
	Excess over 6,000 ccf	\$1.066 per ccf	

#### SCHEDULE OF CURRENT UTILITY RATES DECEMBER 31, 2019 (Continued)

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Water Division Rate Class (cont.)		Base Charge	Customers
General Service – Inside City Rate (cont.)			
Minimum Bill:	The minimum monthly bill sl installed, as follows:	all be determined by the size of the meter	
	5/8" meter	\$15.49	
	3/4" meter	18.07	
	1" meter	30.98	
	1-1/2" meter	61.97	
	2" meter	129.17	
	3" meter	258.25	
	4" meter	386.18	
	6" meter	488.54	
	8" meter	590.92	
	10" meter	1,224.08	
	12" meter	1,707.98	
	14" meter	2,348.49	
	Battery of 2-2" meters	258.25	
	Battery of 3-2" meters	386.18	
	2		
General Service – Outside City Rate	Effective meters read on or aff	er March 4, 2019	823
	For water service to all custor Memphis, except residential cu	ners outside the corporate limits of the City of istomers	
Commodity Charge:	Water consumed per month:		
	First 30 ccf	\$3.666 per ccf	
		\$3.666 per ccf \$3.082 per ccf	
	Next 70 ccf	\$3.082 per ccf	
		\$3.082 per ccf \$2.352 per ccf	
	Next 70 ccf Next 100 ccf Next 400 ccf	\$3.082 per ccf \$2.352 per ccf \$1.972 per ccf	
	Next 70 ccf Next 100 ccf	\$3.082 per ccf \$2.352 per ccf	
Minimum Bill:	Next 70 ccf Next 100 ccf Next 400 ccf Next 5,400 ccf Excess over 6,000 ccf	\$3.082 per ccf \$2.352 per ccf \$1.972 per ccf \$1.547 per ccf	
Minimum Bill:	Next 70 ccf Next 100 ccf Next 400 ccf Next 5,400 ccf Excess over 6,000 ccf The minimum monthly bill sl installed, as follows:	\$3.082 per ccf \$2.352 per ccf \$1.972 per ccf \$1.547 per ccf \$1.606 per ccf sall be determined by the size of the meter	
Minimum Bill:	Next 70 ccf Next 100 ccf Next 400 ccf Next 5,400 ccf Excess over 6,000 ccf The minimum monthly bill sl installed, as follows: 5/8" meter	\$3.082 per ccf \$2.352 per ccf \$1.972 per ccf \$1.547 per ccf \$1.606 per ccf sall be determined by the size of the meter \$23.69	
Minimum Bill:	Next 70 ccf Next 100 ccf Next 400 ccf Next 5,400 ccf Excess over 6,000 ccf The minimum monthly bill sl installed, as follows:	\$3.082 per ccf \$2.352 per ccf \$1.972 per ccf \$1.547 per ccf \$1.606 per ccf all be determined by the size of the meter \$23.69 27.65	
Minimum Bill:	Next 70 ccf Next 100 ccf Next 400 ccf Next 5,400 ccf Excess over 6,000 ccf The minimum monthly bill sl installed, as follows: 5/8" meter 3/4" meter	\$3.082 per ccf \$2.352 per ccf \$1.972 per ccf \$1.547 per ccf \$1.606 per ccf all be determined by the size of the meter \$23.69 27.65 47.39	
Minimum Bill:	Next 70 ccf Next 100 ccf Next 400 ccf Next 5,400 ccf Excess over 6,000 ccf The minimum monthly bill sl installed, as follows: 5/8" meter 3/4" meter 1" meter	\$3.082 per ccf \$2.352 per ccf \$1.972 per ccf \$1.547 per ccf \$1.606 per ccf all be determined by the size of the meter \$23.69 27.65	
Minimum Bill:	Next 70 ccf Next 100 ccf Next 400 ccf Next 5,400 ccf Excess over 6,000 ccf The minimum monthly bill sl installed, as follows: 5/8" meter 3/4" meter 1" meter 1-1/2" meter	\$3.082 per ccf \$2.352 per ccf \$1.972 per ccf \$1.547 per ccf \$1.606 per ccf wall be determined by the size of the meter \$23.69 27.65 47.39 94.75	
Minimum Bill:	Next 70 ccf Next 100 ccf Next 400 ccf Excess over 6,000 ccf The minimum monthly bill sl installed, as follows: 5/8" meter 3/4" meter 1" meter 1-1/2" meter 2" meter	\$3.082 per ccf \$2.352 per ccf \$1.972 per ccf \$1.547 per ccf \$1.606 per ccf wall be determined by the size of the meter \$23.69 27.65 47.39 94.75 197.42	
Minimum Bill:	Next 70 ccf Next 100 ccf Next 400 ccf Excess over 6,000 ccf The minimum monthly bill sl installed, as follows: 5/8" meter 3/4" meter 1 " meter 1-1/2" meter 2" meter 3" meter	\$3.082 per ccf \$2.352 per ccf \$1.972 per ccf \$1.547 per ccf \$1.606 per ccf wall be determined by the size of the meter \$23.69 27.65 47.39 94.75 197.42 394.88	
Minimum Bill:	Next 70 ccf Next 100 ccf Next 400 ccf Excess over 6,000 ccf The minimum monthly bill sl installed, as follows: 5/8" meter 3/4" meter 1 - 1/2" meter 2" meter 3" meter 4" meter	\$3.082 per ccf \$2.352 per ccf \$1.972 per ccf \$1.547 per ccf \$1.606 per ccf all be determined by the size of the meter \$23.69 27.65 47.39 94.75 197.42 394.88 590.12	
Minimum Bill:	Next 70 ccf Next 100 ccf Next 400 ccf Excess over 6,000 ccf The minimum monthly bill sl installed, as follows: 5/8" meter 3/4" meter 1-1/2" meter 2" meter 3" meter 4" meter 6" meter	\$3.082 per ccf \$2.352 per ccf \$1.972 per ccf \$1.547 per ccf \$1.606 per ccf all be determined by the size of the meter \$23.69 27.65 47.39 94.75 197.42 394.88 590.12 746.54	
Minimum Bill:	Next 70 ccf Next 100 ccf Next 400 ccf Excess over 6,000 ccf The minimum monthly bill sl installed, as follows: 5/8" meter 3/4" meter 1 - 1/2" meter 2" meter 3" meter 4" meter 6" meter 8" meter	\$3.082 per ccf \$2.352 per ccf \$1.972 per ccf \$1.547 per ccf \$1.606 per ccf all be determined by the size of the meter \$23.69 27.65 47.39 94.75 197.42 394.88 590.12 746.54 902.96	
Minimum Bill:	Next 70 ccf Next 100 ccf Next 400 ccf Excess over 6,000 ccf The minimum monthly bill sl installed, as follows: 5/8" meter 3/4" meter 1-1/2" meter 2" meter 3" meter 4" meter 6" meter 8" meter 10" meter	\$3.082 per ccf \$2.352 per ccf \$1.972 per ccf \$1.547 per ccf \$1.606 per ccf all be determined by the size of the meter \$23.69 27.65 47.39 94.75 197.42 394.88 590.12 746.54 902.96 1,870.49	
Minimum Bill:	Next 70 ccf Next 100 ccf Next 400 ccf Excess over 6,000 ccf The minimum monthly bill sl installed, as follows: 5/8" meter 3/4" meter 1-1/2" meter 2" meter 3" meter 4" meter 6" meter 8" meter 10" meter 12" meter	\$3.082 per ccf \$2.352 per ccf \$1.972 per ccf \$1.547 per ccf \$1.606 per ccf all be determined by the size of the meter \$23.69 27.65 47.39 94.75 197.42 394.88 590.12 746.54 902.96 1,870.49 2,609.96	

# SCHEDULE OF CURRENT UTILITY RATES DECEMBER 31, 2019

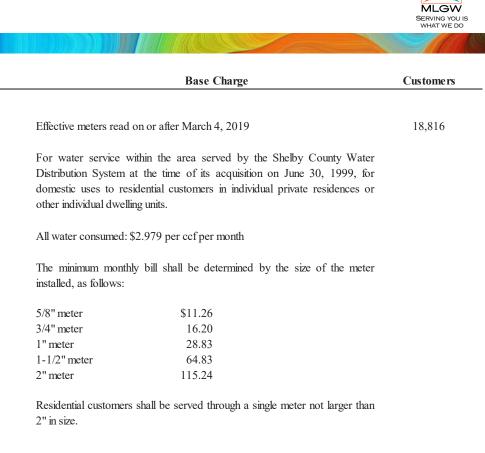
Water Division Rate Class (cont.)

Residential - Shelby County Water

**Distribution System** 

Monthly Rate:

Minimum Bill:



Commercial - Industrial - Shelby County Water Distribution System

Effective meters read on or after March 4, 2019

For water service within the area served by the Shelby County Water Distribution System at the time of its acquisition on June 30, 1999, for all customers except residential customers using service exclusive for domestic use. 618

 Monthly Rate:
 Water consumed per month:

 First 30 ccf
 \$3.666
 per ccf

 Next 70 ccf
 \$3.082
 per ccf

 Next 100 ccf
 \$2.352
 per ccf

 Next 400 ccf
 \$1.972
 per ccf

 Next 5,400 ccf
 \$1.547
 per ccf

 Excess over 6,000 ccf
 \$1.606
 per ccf

#### SCHEDULE OF CURRENT UTILITY RATES DECEMBER 31, 2019 (Continued)



Water Division Rate Class (cont.)	Base Charge	Customers

Commercial - Industrial – Shelby County Water Distribution System (cont.)

Minimum Bill:

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

5/8" meter	\$23.69
3/4" meter	27.65
1" meter	47.39
1-1/2" meter	94.75
2" meter	197.42
3" meter	394.88
4" meter	590.12
6" meter	746.54
8" meter	902.96
10" meter	1,870.49
12" meter	2,609.96
14" meter	3,586.24

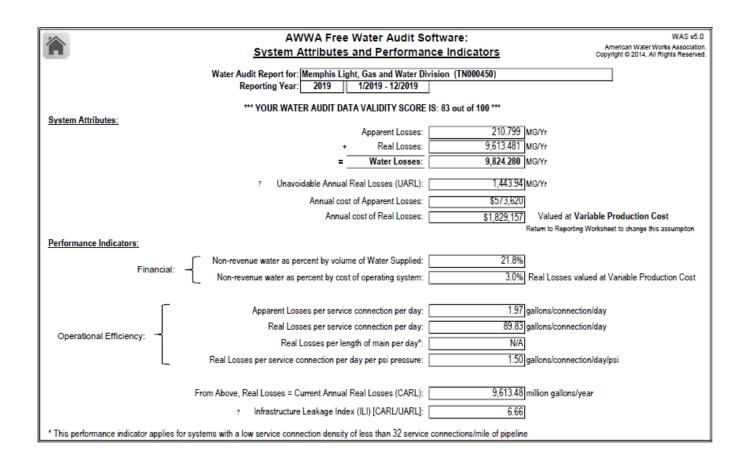
#### NON-REVENUE WATER FOR THE YEAR ENDED DECEMBER 31, 2019



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#### NON-REVENUE WATER FOR THE YEAR ENDED DECEMBER 31, 2019 (Continued)







Type of Coverage	Amount of Coverage	
Property	\$	695,575
Crime		2,500
Excess Insurance for Workers Compensation and Employers Liability		2,000
Dut of State Automobile Travel		1,000
Travel Accident		1,000
Commercial Automobile		1,000
Leased Rental Equipment		300 1,000

#### SCHEDULE OF ADDITIONS AND RETIREMENTS TO UTILITY PLANT FOR THE YEAR ENDED DECEMBER 31, 2019 (Dollars in Thousands) (Continued)



		Electric	Gas		Water
		Division	Division		Division
Utility plant in service, December 31, 2018	\$	1,847,182	\$ 722,61	5 \$	515,185
Additions - Construction		54,478	21,91	7	10,502
Additions - Acquisition Adjustment		-	-		482
Retirements		(18,907)	(8,09	94)	(3,334)
Transfers		51	(	51)	(83)
Utility plant in service, December 31, 2019	<u>\$</u>	1,882,804	\$ 736,38	<u>87</u> <u></u>	522,752

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



## Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on Audits of Financial Statements Performed in Accordance with *Government Auditing Standards*

## Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Electric, Gas and Water Divisions (the "Divisions") of Memphis Light, Gas and Water Division, enterprise funds of the City of Memphis, Tennessee, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Divisions' basic financial statements, and have issued our report thereon dated June 3, 2020.

## Internal Control Over Financial Reporting

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

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

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

#### **Compliance and Other Matters**

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

## Purpose of this Report

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

Mayer Hoffman McCann P.C.

Memphis, Tennessee June 3, 2020

## MEMPHIS LIGHT, GAS AND WATER DIVISION

Schedule of Prior Year Audit Findings For the Year Ended December 31, 2019

2018-001 Segregation of accounts payable functions

<u>Current status</u>: In response to Internal Audit's Invoice Processing Review Consulting Engagement Report dated January 10, 2018 management reviewed the users with MLGW Payables and Purchasing Super User responsibilities and revoked access for those without a need. The access was revoked from Users without a need on June 3, 2019.

In addition, management has collaborated with the IT Department to improve the data security and create an Oracle responsibility to view only the Vendor Master File.

2018-002 Physical security of scrap metal

<u>Current status</u>: The MLGW Corporate Security Department concluded its internal investigation of this matter and turned over its findings to local law enforcement authorities. As a result of the investigation appropriate disciplinary action was taken against two MLGW employees for violation of MLGW HR Policy #23-10, "Theft and/or Unauthorized Use of MLGW Property and/or Utility Services".

In addition, in response to recommendations made by Internal Audit in their report dated, August 28, 2018, Management of the Material and Stores Department revised the scrap metal transfer process to enhance controls around the physical storage and disposition of scrap metal.

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