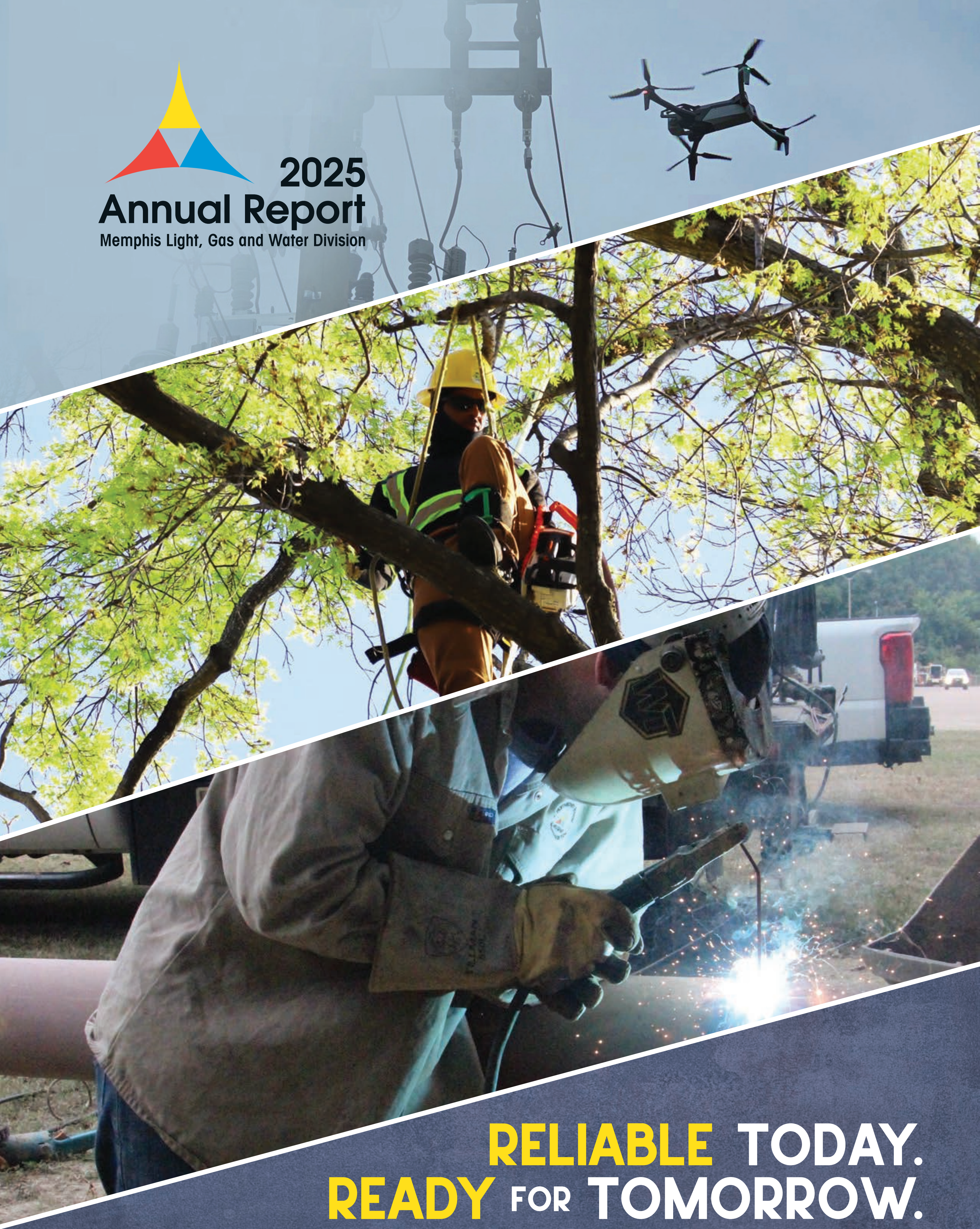
2025 Annual Report

Memphis Light, Gas and Water Division



RELIABLE TODAY. READY FOR TOMORROW.

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About MLGW

Memphis Light, Gas and Water Division (MLGW) is the nation's largest three-service municipal utility, serving more than 440,000 customers across Shelby County. Since 1939, MLGW has provided reliable and affordable electricity, natural gas and water services.

Our Suppliers

The Tennessee Valley Authority provides MLGW with wholesale electricity. MLGW is TVA's largest customer, representing about nine percent of TVA's sales to local power companies. MLGW buys its natural gas from a variety of suppliers. Gas is transported by three pipeline companies – Texas Gas Transmission Corp., Trunkline Gas Co., and ANR Pipeline Co. Memphis and Shelby County receive water from the Memphis Sand and Fort Pillow aquifers, which are part of one of the world's largest artesian well water systems.

2025 Leaders

MLGW is governed by a five-member Board of Commissioners who are appointed by the City of Memphis Mayor and confirmed by the Memphis City Council. The MLGW Board also includes two non-voting Advisory Board members.

MLGW Board of Commissioners

Michael E. Pohlman, *Chairman*

Carl Person, *Vice Chairman*

Leon Dickson Sr.

Mitch Graves

Cheryl Pesce

Advisory Board Members

John Butler

James Lewellen

Senior Leadership Council

Doug McGowen, *President and CEO*

Alonzo Weaver, *SR VP and COO*

Rodney Cleek, *VP, Chief Financial Officer and Secretary-Treasurer*

Quinton Clark, *VP of Electric Engineering and Operations*

Timothy Davis, *VP of Customer VP of Customer Experience and Energy Services*

Dr. Von Goodloe, *VP of Shared Services*

Ursula Madden, *VP of Corporate Communications*

Jennifer Sink, *VP and General Counsel*

Lashell Vaughn, *VP and CIO*

Chandrika Winston-Rosser, *VP of Gas and Water Engineering and Operations*

Lesa Walton, *Chief Internal Auditing Officer*

President's Letter

In 2025, MLGW focused on one clear priority: reliability. Our theme, **Reliable Today, Ready for Tomorrow**, reflects both the progress we have made and the responsibility we carry as we continue to strengthen the systems that serve our community every day.

Building on the foundation established in 2024, we have continued to enhance reliability through preventive maintenance, renewal and replacement of infrastructure, grid modernization and system expansion.

Preventive maintenance continues to deliver measurable results. Our enhanced vegetation management program remains fully funded and sustained tree trimming efforts have significantly reduced outage frequency and improved restoration times by 30 minutes. Reliability metrics continue to trend in the right direction because of this ongoing investment in system resilience.

Infrastructure renewal and replacement remained a major focus throughout 2025. We continued upgrading aging electric, gas and water assets before failure occurred, a proactive approach that protects customers, reduces emergency repairs and strengthens long-term system performance.

We replaced 7 substation transformers, 19 substation breakers, 1,476 wooden poles, and 98,987 feet of underground cable. Construction began and was completed on gas transmission pipeline replacements that were deferred in 2024, ensuring that critical upgrades moved forward.

Water system improvements also remained a priority, resulting in enhanced system reliability, increased redundancy and improved pressure stability for customers. Additional investments in production wells and water infrastructure strengthened overall system performance and resiliency. Our commitment to eliminating lead service lines also advanced, with continued replacement of public-side lines and the launch of a new program to replace private-side lead and galvanized service lines at no cost to customers. Through this initiative, more than 500 eligible properties were identified, with replacements funded through the American Rescue Plan Act, further improving public health protections across our service area.

We took a significant step forward in our grid modernization efforts with the selection of Nokia to deploy a private 5G wireless network across Memphis and Shelby County. This investment positions Memphis Light, Gas and Water as the first municipal utility in the nation to implement a full-scale standalone 5G network—an achievement that reflects our commitment to building a smarter, more resilient system. Together with the acquisition of a new facility to host a modernized control room to manage the Advanced Distribution Management System (ADMS), MLGW is investing in technology to drive down outages, speed restoration times, enable faster, more reliable communication across our operations, strengthen our ability to respond during storms and outages, and support advanced automation and the integration of future innovations such as utility and residential scale battery storage.

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System expansion remains equally important. Our community continues to grow, and MLGW powers growth with our leading investments in utility infrastructure. In 2025, we cut the ribbon on a new Substation 83 located in Collierville and completed expansions at Substation 68 in Arlington and Substation 76 in Memphis – investments that will serve new growth in those areas for years to come. MLGW will continue making strategic investments in capacity improvements, ensuring that our infrastructure supports both current demand and future economic development. Reliable utilities are foundational to attracting new business, retaining residents and strengthening the region.

Reliable service extends beyond our infrastructure—it is reflected in every interaction we have with our customers. In 2025, we made measurable progress in strengthening these everyday commitments. Our average call answer time improved to 1.7 minutes, well below our five-minute goal, ensuring customers can reach us when they need assistance. We also met 98.3% of scheduled appointments, an improvement over 2024, demonstrating our respect for customers' time. Billing operations saw significant gains, with delayed bills reduced from more than 96,000 in 2023 to approximately 1,000 by the end of 2025. At the same time, we enhanced how we communicate critical information with the procurement of the Convey system that allows MLGW to proactively send text, email and phone messages to customers during a crisis. This robust system is an integral part of our communications framework which includes traditional and non-traditional methods to reach our customers. These improvements reinforce our commitment to delivering reliable, responsive service our customers can depend on every day.

Our reliability metrics reflect the benefits of sustained investment and disciplined planning. While challenges remain, including extreme weather events and aging infrastructure, we are better positioned today than we were just a few years ago. None of this progress would be possible without the dedication of our employees. Their expertise, professionalism and commitment to public service drive every advancement we make.

We have made meaningful progress, but our work is not finished. Reliability is not a one-time achievement; it is a continuous commitment. As we move forward, we will remain focused on strengthening our infrastructure, modernizing our systems and delivering the level of service our community deserves.

Doug McGowen
President and CEO
Memphis Light, Gas and Water Division

2025

RELIABLE TODAY.
READY FOR TOMORROW.

Infrastructure Investment

MODERNIZATION

Weaver-Gill pipeline project.

A renewed focus on system modernization drove a series of transformative projects that strengthened reliability, expanded capacity and reduced operational risk. The Weaver-Gill Pipeline Project replaced nearly century-old natural gas transmission lines with a new 5.4-mile high-pressure distribution pipeline. Completed on schedule without service interruptions, the project represents one of the largest modernization investments in the Division's history, significantly enhancing the integrity of the natural gas system serving Memphis and Shelby County.

Infrastructure investments in the electric system complemented these gas improvements. Substation 83 in Collierville was commissioned to bolster reliability and meet the growing energy demands of southeast Shelby County. Over $65 million was invested in substation upgrades and capacity expansion, strengthening grid resilience today while positioning the system to meet projected demand over the next 15 to 20 years.

Neighborhood-level improvements through the Optimizing Memphis Neighborhood Initiative (OMNI) delivered measurable improvements in reliability. Orange Mound was the first neighborhood targeted. There, customers saw a 50 percent reduction in minutes of interruption thanks to over a thousand maintenance tasks, transformer replacements, crossarm refurbishments, new distribution automation devices and utility pole replacements. Nearly 265 miles of line were trimmed to reduce storm-related outages and protect system assets. These efforts reflect a long-term commitment to reliability at every level. OMNI is working in the Castalia neighborhood now, and the goal is to get to each neighborhood one by one.

Collectively, these initiatives demonstrate disciplined planning, responsible financial stewardship and a commitment to sustainable modernization that ensures Memphis has a strong, resilient utility infrastructure for decades to come.

MLGW held a ribbon cutting for Substation 83.

Talent and Workforce Development

INVESTING IN PEOPLE

Cultivating the next generation of skilled utility professionals remained a top priority. The Intern and Co-Op Program gave 27 students, selected from over 600 applicants, an immersive experience across operational and corporate departments. Participants gained hands-on experience through technical site visits, leadership development sessions and community service projects. MLGW allowed interns to take on meaningful responsibilities, build practical skills and form lasting mentor relationships. Ten interns were offered full-time positions, exemplifying the Division's success in nurturing talent pipelines into future employees.

MLGW in partnership with Southwest Tennessee Community College and Memphis Shelby County Schools, hosts vocational training sessions for high school students.

Workforce development extended beyond the internship program. Partnerships with Southwest Tennessee Community College and Memphis-Shelby County Schools produced graduates of Utility Bootcamp, Automotive Technology Bootcamp and the inaugural Customer Service Career Academy. These programs equipped students with the skills to launch successful careers in the utility sector while directly supporting operational continuity and service excellence.

Twelve of the 20 participants of the Customer Service Academy are now employed in the Residential Call Center.

Investing in workforce development is both a strategic and operational priority. By maintaining a robust talent pipeline, the Division ensures long-term reliability, reduces recruitment risk and strengthens the foundation of its service to the community.

Supporting the Communities We Serve

VOLUNTEERISM

Hands-on volunteer efforts and employee-led giving programs showcased the Division's commitment to community support. Employees joined the Tennessee Valley Authority and Habitat for Humanity on the Pearce Street EcoBuild initiative, constructing energy-efficient homes for families in need. From framing and window installation to energy-focused improvements, volunteers applied skill and teamwork to create safe, sustainable housing. These efforts also reinforce MLGW's broader mission of energy education and environmental stewardship.

MLGW employees volunteer for Habitat for Humanity.

POWER OF GIVING

The internal Plus1 campaign further amplified the impact. Employees raised $100,000 to support local families facing financial hardship, including illness, unemployment or unexpected crises. With potential cuts to the federal Low Income Home Energy Assistance Program, this program ensures that income-qualified customers continue to receive essential utility services.

Through volunteerism and structured giving, MLGW demonstrates that operational success and social responsibility go hand in hand. Supporting communities strengthens trust, resilience and long-term goodwill, ensuring the Division serves as a reliable partner both on and off the grid.

MLGW employees celebrate their contributions to the Plus1 campaign.

Employee Health and Wellness

WELLNESS AND LIFESTYLE

Promoting employee well-being went beyond perks, focusing on preventive care and active lifestyles. The Explore Bike Share benefit provides employees and eligible dependents with free one-hour rides, encouraging healthy habits and fostering team engagement. Recognition of top riders highlights dedication, while the program's expansion to dependents underscores the Division's investment in overall workforce health.

PREVENTIVE CARE

Preventive healthcare initiatives, such as the Mobile Mammography program, Biometric health screening and Jet Dental, were brought directly to employees, improving access to life-saving care. Coordinated by the Insurance Benefits team, these screenings ensure early detection and demonstrate commitment to practical health resources.

MLGW employees celebrate their contributions to the Plus1 campaign.

MLGW employee using his Explore Bike Share benefit.

Methodist Mammography van parked at MLGW for employees to visit for an exam.

By integrating wellness programs and preventive care, the Division strengthens workforce resilience, reduces health risks and enhances productivity by recognizing employee health as a core component of operational success.

A Legacy of Service

HEROISM

The heroic actions of Tom Lee, who rescued 32 people from the Mississippi River, continue to inspire the Memphis community. MLGW hosted a centennial commemoration honoring Lee and the Engineers' Club of Memphis highlighting courage, civic responsibility and professional integrity.

The celebration recognized the Engineers' Club's ongoing contributions to infrastructure and innovation while emphasizing the enduring spirit of service that MLGW employees carry forward in their work.

MLGW employees celebrate their contributions to the Plus1 campaign.

Teamwork in Action

COLLABORATION

Skills, collaboration and dedication defined MLGW's participation in national and local competitions. The "901 Desperados," the Division's first Gas Rodeo team, trained under Gas Distribution Foreman, Antonon Morgan, for the National Gas Rodeo & Expo. Team-based events highlighted technical expertise while reinforcing communication, coordination and trust.

On the water side, the "2 and 1/2 Men" won first place in the Water Tapping Contest with a time of 1 minute and 46 seconds. Competitions like these showcase employee expertise, teamwork and strategy by illustrating how collaboration drives operational excellence.

These achievements demonstrate that a skilled, motivated and united workforce is the foundation for delivering safe, reliable and high-quality utility services.

MLGW is proud to have hosted members of the Engineers' Club of Memphis and descendants of Memphis-hero, Tom Lee, on the 100th anniversary of Mr. Lee saving the lives of 32 people tossed into the Mississippi River.

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, 2025, 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 CBIZ Advisors, LLC, 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, 2025, 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, 2025, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of the report.

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

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

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

MLGW controls the administration of its activities and business affairs. It operates independently, manages its own finances and is responsible for obligations incurred in such operations, including indebtedness payable from operations of the Division.

MLGW must have the City Council's approval for its annual budget and before incurring certain obligations, including purchasing real estate and exercising the right of eminent domain.

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

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

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

Local Economy—Memphis and Shelby County are located on the banks of the Mississippi River in the southwestern corner of Tennessee. The Bluff City ranks as the 29th largest city in the nation with a population of 610,919 according to the most recent Census data projections (July 2024). Shelby County has a population of 910,530 and anchors the regional economy with 479,840 jobs and a gross domestic product (GDP) of $68 billion.

Economic development efforts in 2025 assisted in the creation of 1,791 jobs and more than $6.4 billion in capital investment. And, for more than 30 years, MLGW customers have spent less for their winter utility bills than their counterparts in many metro areas, capturing the top ranking 20 times since 1991.

Three Fortune 500 World Headquarters—FedEx, International Paper and AutoZone are headquartered in Memphis. The area is also home to three Fortune 1000 companies in Sylvamo, Mueller Industries and First Horizon. While transportation, distribution and logistics make up the historic backbone of the Memphis economy, growth in life sciences – St. Jude Children's Research Hospital in particular – is powering the future.

National Economy—According to the Bureau of Economic Analysis (BEA), a division of the U.S. Department of Commerce, real GDP as a key indicator of economic growth, increased 2.2% in 2025 over 2024.

The BEA attributes this growth to consumer spending and business investment in equipment, structures, and intellectual property.

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

MLGW continues to invest in our utility infrastructure. MLGW re-branded the prior Way Forward initiative into the Renewal and Replacement of Infrastructure plan. Within the Electric Division, areas of focus will continue to be replacement of defective underground cable, wood pole management, tree trimming, aging substation equipment, automation of the distribution system, and the hardening of the overhead electric system. Within the Gas Division, areas of focus will continue to be steel tap replacements, regulator stations replacements and ground bed replacements. During 2025, MLGW also completed a 5.4-mile-high pressure transmission pipeline replacement project as a part of the infrastructure replacement plan. Within the Water Division, areas of focus will continue to be production wells and facilities, filter media replacements at various pumping stations, utility side lead service replacements and customer side lead service replacements.

Acknowledgments—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 CBIZ CPAs P.C. for their efficient and timely completion of this year's audit.

Respectfully submitted,

Doug McGowen
President and CEO

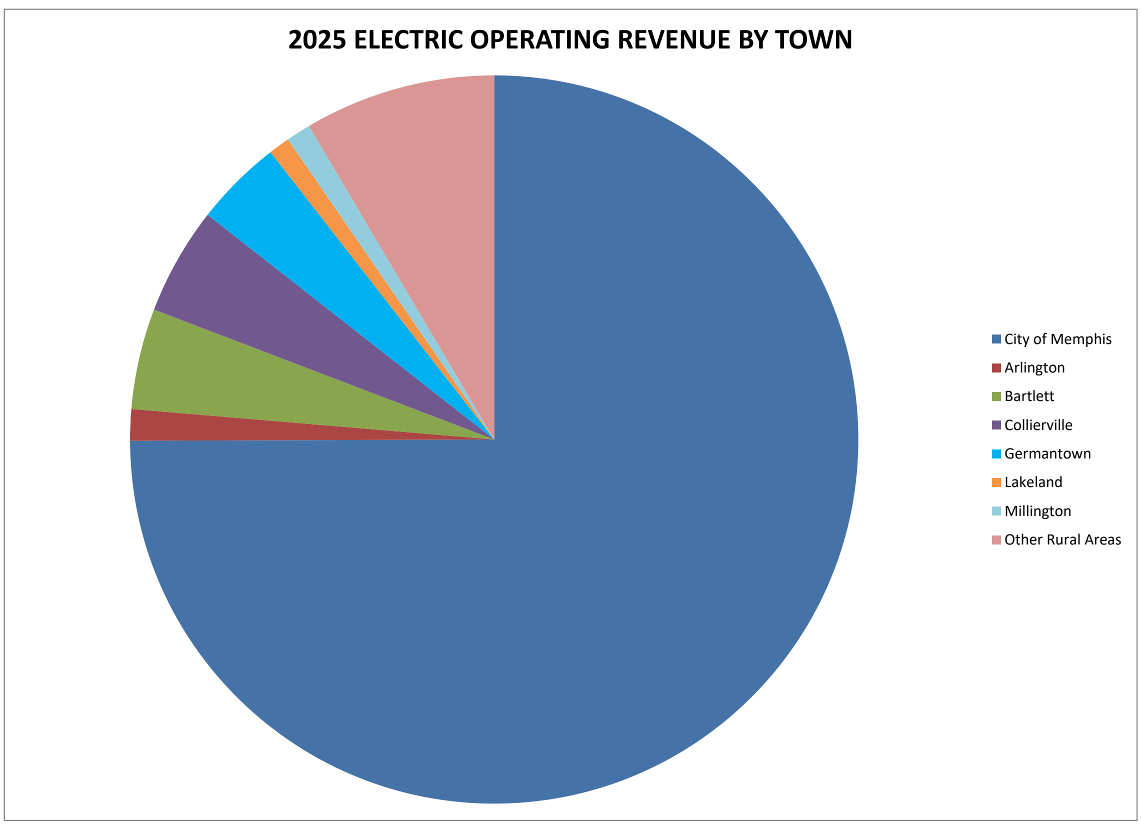
Rodney Cleek
VP, CFO and Secretary-Treasurer

RELIABLE TODAY.
READY FOR TOMORROW.

FINANCIAL HIGHLIGHTS
FOR THE YEARS ENDED
DECEMBER 31, 2025, 2024 AND 2023
(dollars and consumption in thousands)

Operating Statistics by Towns:

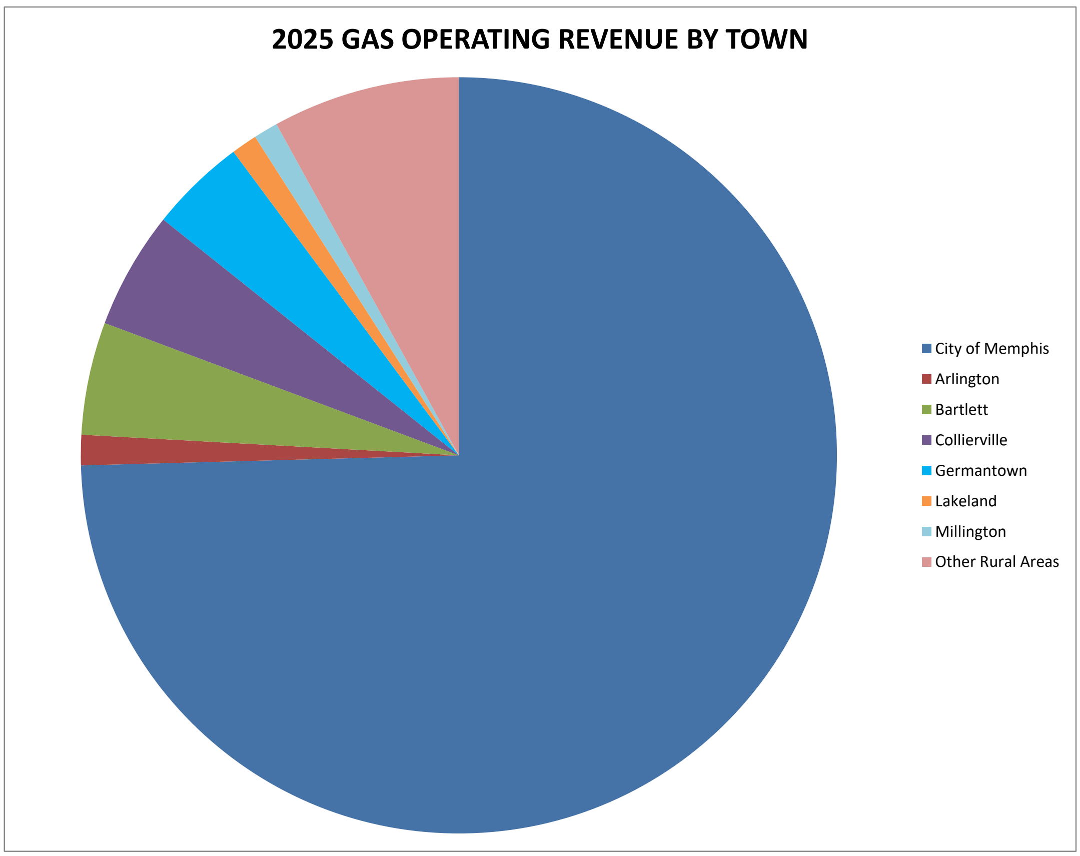
	ELECTRIC AMOUNT			ELECTRIC KWH		
	2025	2024	2023	2025	2024	2023
City of Memphis	$ 1,266,155	$ 1,109,719	$ 1,027,506	10,370,136	9,672,827	9,396,501
Arlington	23,511	21,151	18,972	186,802	183,721	171,849
Bartlett	75,503	68,081	63,871	566,183	557,891	549,464
Collierville	80,659	72,718	68,286	624,537	615,436	609,978
Germantown	65,761	59,894	55,982	504,304	500,719	491,072
Lakeland	15,907	14,347	13,013	121,275	117,842	113,256
Millington	18,437	16,347	15,017	136,501	132,420	127,179
Other Rural Areas	143,526	129,721	118,883	1,203,613	1,193,145	1,152,334
Total	$ 1,689,459	$ 1,491,978	$ 1,381,531	13,713,351	12,974,001	12,611,634



FINANCIAL HIGHLIGHTS
FOR THE YEARS ENDED
DECEMBER 31, 2025, 2024 AND 2023
(dollars and consumption in thousands)

Operating Statistics by Towns:

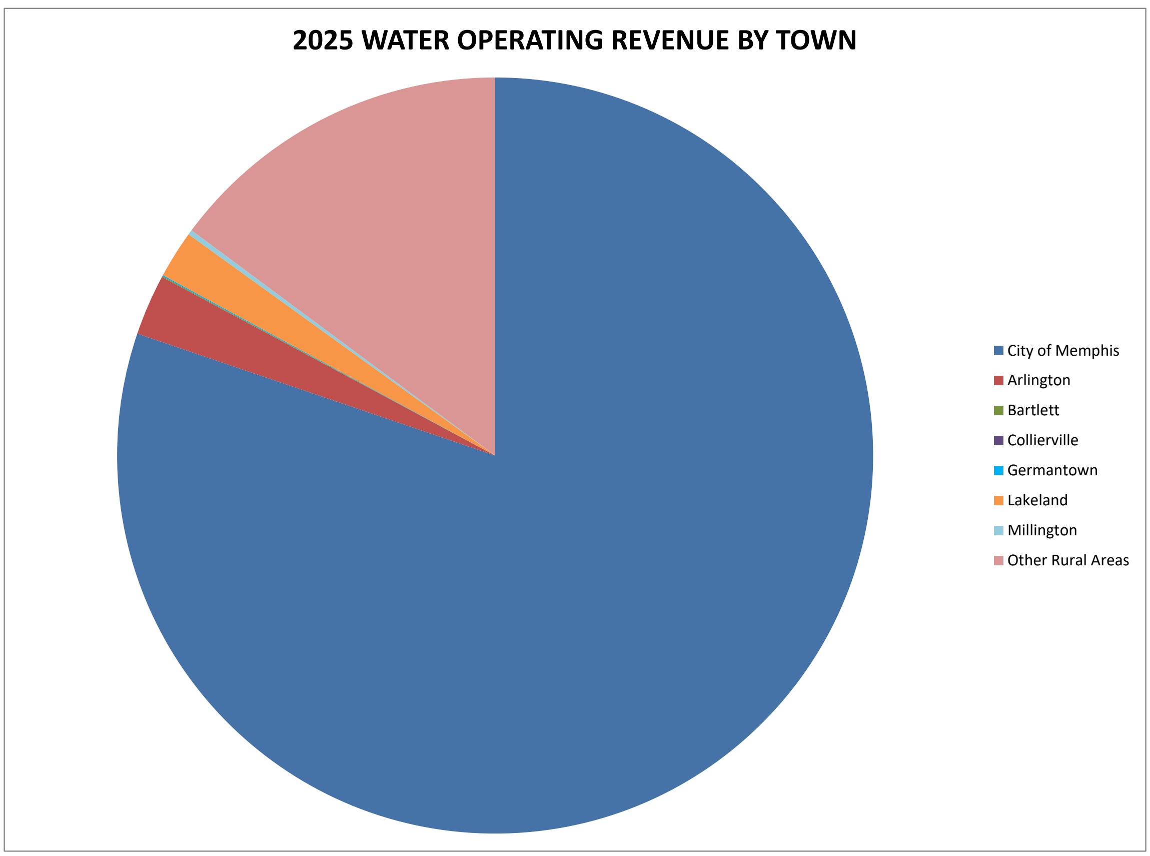
	GAS AMOUNT			GAS MCF		
	2025	2024	2023	2025	2024	2023
City of Memphis	$ 222,908	$ 180,629	$ 197,246	22,076	21,771	21,406
Arlington	3,867	3,076	2,821	472	465	388
Bartlett	14,407	10,715	11,919	1,700	1,548	1,638
Collierville	15,024	10,850	11,537	1,885	1,714	1,678
Germantown	12,302	9,093	9,548	1,524	1,484	1,436
Lakeland	3,316	2,440	2,578	397	369	370
Millington	3,123	2,299	2,430	384	358	354
Other Rural Areas	23,957	17,539	18,980	2,793	2,598	2,661
Total	$ 298,904	$ 236,641	$ 257,059	31,231	30,307	29,932



FINANCIAL HIGHLIGHTS
FOR THE YEARS ENDED
DECEMBER 31, 2025, 2024 AND 2023
(dollars and consumption in thousands)

Operating Statistics by Towns:

	WATER AMOUNT			WATER CCF		
	2025	2024	2023	2025	2024	2023
City of Memphis	$ 101,949	$ 110,016	$ 103,976	39,341	44,456	41,601
Resale to Other Municipalities:						
Arlington	3,311	2,851	3,422	745	568	924
Bartlett	44	47	51	2	3	3
Collierville	5	5	5	-	-	-
Germantown	57	77	143	13	15	24
Lakeland	2,585	2,642	2,608	587	607	610
Millington	266	277	281	57	58	59
Other Rural Areas	18,861	18,702	20,151	4,566	4,535	4,862
Total	$ 127,078	$ 134,617	$ 130,635	45,311	50,242	48,083



MLGW

Financial
Section

CBIZ CPAs P.C.

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Electric, Gas and Water major enterprise funds and the aggregate remaining fund information of Memphis Light, Gas and Water Division ("MLGW") of the City of Memphis, Tennessee (the "City"), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise MLGW's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position and the aggregate remaining fund information of MLGW as of December 31, 2025, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Memphis Light, Gas and Water Division Retirement and Pension System and the Memphis Light, Gas and Water Division Other Post Employment Benefits Trust, which represent 100% of the assets and revenues of the aggregate remaining fund information as of December 31, 2025 and 2024, and the changes in financial position for the years then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for Memphis Light, Gas and Water Division Retirement and Pension System and the Memphis Light, Gas and Water Division Other Post Employment Benefits Trust, are based solely on the reports of the other auditors.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 1, the financial statements of MLGW are intended to present the financial position, the changes in financial position, and where applicable, cash flows of only that portion of the Electric, Gas, and Water major enterprise funds and the aggregate remaining fund information of the City that is attributable to the transactions of MLGW. They do not purport to, and do not, present fairly the financial position of the City as of December 31, 2025, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

The financial statements of MLGW as of and for the year ended December 31, 2024 were audited by other auditors whose report dated June 26, 2025, expressed unmodified opinions on those statements.

As disclosed in Note 1, MLGW implemented the provisions of Governmental Accounting Standards Board Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section (comprised of pages 2 - 12, L-1 – L-2, and H-1 – H-3) and the schedule of current utility rates but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2026 on our consideration of MLGW's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MLGW's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MLGW's internal control over financial reporting and compliance.

CBIZ CPAs P.C.

Memphis, Tennessee
July 15, 2026

The purpose of the Management Discussion and Analysis ("MD&A") section for the Electric, Gas and Water Divisions of Memphis Light, Gas and Water Division ("MLGW") is to help the readers understand what the basic financial statements and notes in this financial report say about MLGW's financial position and why it changed since last year. It contains information drawn from those other parts of the report, accompanied by explanations informed by management's knowledge of MLGW's finances. The following discussion and analysis of Electric, Gas and Water Division's provides an overview and analysis of MLGW's financial activities for the fiscal years ended December 31, 2025, and December 31, 2024. The MD&A should be read in conjunction with the financial statements and the notes that follow this section.

Overview of the Financial Statements

MLGW's financial statements are comprised of the (1) Statements of Net Position; (2) Statements of Revenues, Expenses and Changes in Net Position; (3) Statements of Cash Flows; (4) Statements of Fiduciary Net Position; (5) Statements of Changes in Fiduciary Net Position; and (6) Notes to Financial Statements. The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Meaning that revenues are recognized when earned and expenses are recorded when incurred. This report also contains required supplementary information, notes to required supplementary information and supplemental information required by the State of Tennessee in addition to the basic financial statements.

Statements of Net Position
The Statements of Net Position report the assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between them reported as net position. Net position is 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.

Statements of Revenues, Expenses and Changes in Net Position
The Statements of Revenues, Expenses and Changes in Net Position details revenues, expenses and the resulting change in net position during each year. This is similar to net income or loss and portrays the results of operation for the entire operating period. 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.

Statements of Cash Flows
The Statements of Cash Flows report changes in cash and cash equivalents summarized by net changes from operating, non-capital financing, capital and related financing and investing activities.

Statements of Fiduciary Net Position
The Statements of Fiduciary Net Position reports the financial resources available for pension and other postemployment benefits ("OPEB").

Statements of Changes in Fiduciary Net Position
The Statements of Changes in Fiduciary Net Position reflect additions, deductions and changes in net position restricted for pension and OPEB.

Notes to Financial Statements
The next section of this report contains Notes to Financial Statements, which provide additional information that is essential to a full understanding of the data provided in the financial statements. MLGW uses the notes to (1) present information in greater detail than is possible within the financial statements themselves; (2) explain the nature of the amounts reported in the financial statements and how those amounts were determined; (3) report certain information that does not meet the requirements for inclusion in the financial statements. The notes to financial statements can be found immediately following the financial statements.

Required Supplementary Information ("RSI") and Notes to Required Supplementary Information
Following the notes, this report provides Required Supplementary Information and Notes to Required Supplementary Information, which provides additional detailed disclosures as required by the Governmental Accounting Standards Board ("GASB"). The RSI includes information regarding employer contributions for pension and OPEB, change in employers' net pension liability (asset) and OPEB liability and notes to required supplementary information for pension and OPEB.

Supplemental Information
Following RSI, the Supplemental Information provides additional disclosures that are required by the State of Tennessee Comptroller of the Treasury's Audit Manual.

Other Information
The MD&A 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.

Effective for fiscal year 2025, MLGW adopted GASB Statement No. 103, *Financial Reporting Model Improvements.* Its objective is to "improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability." It also includes modifications to the MD&A, presentation of unusual or infrequent items and certain financial statement presentation and disclosure requirements. The adoption of GASB 103 primarily affected the presentation and disclosure information in the financial statements. It did not have a material effect on MLGW's net position, results of operations or cash flows.

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 of the preceding year into its statements ending June 30.

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Analysis of Electric Division's Finances

Table 1 reflects the condensed financial information comparing the Electric Division's net position as of December 31, 2025, 2024 and 2023.

Table 1
Electric Division Condensed Statements of Net Position
December 31, 2025, 2024 and 2023
(In Thousands)

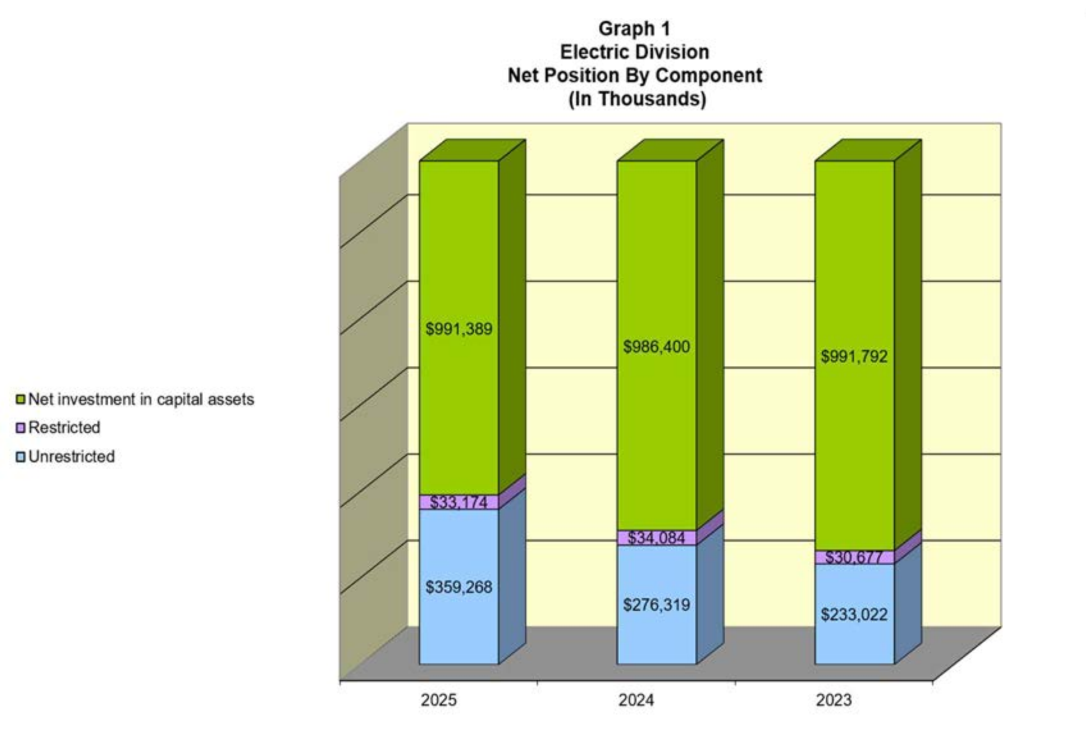
	2025	2024	FY25 - FY24 Percentage Change	2023 As Restated	FY24 - FY23 Percentage Change
Current assets (excluding restricted funds)	$ 636,898	$ 520,574	22.3%	$ 452,298	15.1%
Restricted assets	297,433	164,196	81.1%	82,478	99.1%
Other assets	31,921	31,742	0.6%	31,188	1.8%
Capital assets, net	1,510,225	1,412,697	6.9%	1,320,150	7.0%
Intangible assets - right of use assets (leases & subscriptions)	6,563	7,878	-16.7%	4,851	62.4%
Total assets	2,483,040	2,137,087	16.2%	1,890,965	13.0%
Deferred outflows of resources					
Employer pension contribution	21,363	17,213	24.1%	12,284	40.1%
Employer OPEB contribution	15,953	24,484	-34.8%	24,082	1.7%
Pension liability experience	53,810	47,795	12.6%	31,613	51.2%
OPEB liability experience	5,761	9,539	-39.6%	8,030	18.8%
Pension changes of assumptions	8,044	12,066	-33.3%	16,088	-25.0%
OPEB changes of assumptions	13,623	9,261	47.1%	12,348	-25.0%
Pension investment earnings experience	50,103	73,261	-31.6%	72,551	1.0%
OPEB investment earnings experience	11,298	14,887	-24.1%	19,355	-23.1%
Unamortized balance of refunded debt	-	-		643	
Total assets and deferred outflows of resources	2,662,995	2,345,593	13.5%	2,087,959	12.3%
Current liabilities payable from current assets	241,815	231,548	4.4%	202,999	14.1%
Current liabilities payable from restricted assets	25,237	24,405	3.4%	30,264	-19.4%
Long-term debt	719,569	490,267	46.8%	312,326	57.0%
Non-current liabilities	247,134	247,978	-0.3%	265,210	-6.5%
Total liabilities	1,233,755	994,198	24.1%	810,799	22.6%
Deferred inflows of resources					
Leases	5,559	6,298	-11.7%	6,972	-9.7%
Pension liability experience	-	504		1,008	-50.0%
OPEB liability experience	2,087	3,055	-31.7%	4,337	-29.6%
Pension changes of assumptions	7,729	17	45364.7%	35	-51.4%
OPEB changes of assumptions	29,949	44,591	-32.8%	9,317	378.6%
Unamortized balance of refunded debt - Series 2024	85	127	-33.1%	-	
Total liabilities and deferred inflows of resources	1,279,164	1,048,790	22.0%	832,468	26.0%
Net position:					
Net investment in capital assets	991,389	986,400	0.5%	991,792	-0.5%
Restricted for:					
Casualty insurance	25,819	24,776	4.2%	23,728	4.4%
Medical benefits & other	7,355	9,308	-21.0%	6,949	34.0%
Unrestricted	359,268	276,319	30.0%	233,022	18.6%
Total Net position	$ 1,383,831	$ 1,296,803	6.7%	$ 1,255,491	3.3%

Years Ended December 31, 2025 and 2024

Total assets and deferred outflows of resources were $2.7 billion, an increase of $317.4 million compared to 2024. This increase was primarily due to increases in restricted assets of $133.2 million, current assets (excluding restricted funds) of $116.3 million and net capital assets of $97.5 million. Restricted assets increased due to the issuance of Series 2025 Revenue Bonds whereby unspent proceeds were required to be held in restricted construction accounts. Likewise, current assets and net capital assets experienced the same increase from the bond proceeds. Net capital assets recorded major capital additions including replacement of utility poles, upgrades to distribution lines and grid modernization projects to improve reliability and resiliency utilizing bond proceeds.

Total liabilities and deferred inflows of resources were $1.3 billion, an increase of $230.4 million compared to 2024. The increase was primarily attributed to increases in long-term debt of $229.3 million.

The Electric Division's total net position (total assets and deferred outflows of resources less total liabilities and deferred inflow of resources) was $1.4 billion, an increase of $87.0 million compared to 2024. The increase resulted from increases in unrestricted net position of $82.9 million. This increase reflected capital additions stemmed from additional capital projects continuing to progress to completion including substation and transmission, distribution systems, and electric customer utility relocations. Seventy-two percent of the net position was related to net investment in capital assets.



Years Ended December 31, 2024 and 2023

Total assets and deferred outflows of resources were $2.3 billion, an increase of $257.6 million compared to 2023. This increase was reflected in increases to net capital assets, restricted assets and current assets (excluding restricted funds) of $92.5 million, $81.7 million and $68.3 million, respectively. Capital assets increased as MLGW began its modernization investment in infrastructure from the Series 2024 Revenue Bonds. These proceeds directly impacted the increases in both current assets and restricted assets.

Total liabilities and deferred inflows of resources increased by $216.3 million, from $832.5 million at 2023, to $1.05 billion in 2024. This growth was largely driven by the issuance of $180.0 million of Series 2024 Revenue Bonds to support capital financing activities and an increase of $35.3 million resulting from changes in OPEB actuarial assumptions.

The Electric Division's total net position was $1.3 billion, an increase of $41.3 million compared to 2023. The increase was largely attributable to an increase in unrestricted net position of $43.3 million, offset by a decrease in net investment in capital assets of $5.4 million. Seventy-six percent of the net position was related to net investment in capital assets.

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Table 2 below presents the condensed financial information comparing the Electric Division's revenues, expenses and increase in net position for the past three fiscal years.

Table 2
Electric Division
Condensed Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2025, 2024 and 2023
(In Thousands)

	2025	2024	FY25 - FY24 Percentage Change	2023 As Restated	FY24 - FY23 Percentage Change
Total operating revenues	$ 1,689,459	$ 1,491,978	13.2%	$ 1,381,531	8.0%
Operating expenses					
Depreciation & amortization	74,170	73,902	0.4%	64,222	15.1%
Purchased power	1,218,534	1,084,669	12.3%	1,050,251	3.3%
Other operating expenses	317,061	288,207	10.0%	216,947	32.8%
Total operating expenses	1,609,765	1,446,778	11.3%	1,331,420	8.7%
Operating income	79,694	45,200	76.3%	50,111	-9.8%
Non-capital subsidies					
Payments in lieu of taxes	(7,553)	(6,957)	-8.6%	(5,876)	-18.4%
Transfers to City of Memphis	(46,284)	(41,924)	-10.4%	(35,553)	-17.9%
Total non-capital subsidies	(53,837)	(48,881)	-10.1%	(41,429)	-18.0%
Operating income (loss) and non-capital subsidies	25,857	(3,681)	802.4%	8,682	-142.4%
Other non-operating revenues and expenses					
Contributions in aid of construction (CIAC)	27,433	26,074	5.2%	14,234	83.2%
Reduction of plant costs recovered through CIAC	(27,433)	(26,074)	-5.2%	(14,234)	-83.2%
Other non-operating revenues	78,180	56,045	39.5%	56,356	-0.6%
Other non-operating expenses	(17,009)	(11,052)	-53.9%	(9,318)	-18.6%
Total other non-operating revenues and expenses	61,171	44,993	36.0%	47,038	-4.3%
Income before unusual or infrequent items	87,028	41,312	110.7%	55,720	-25.9%
Unusual or infrequent items	-	-		-	
Increase in net position	87,028	41,312	110.7%	55,720	-25.9%
Net position, beginning of year	1,296,803	1,255,491	3.3%	1,199,771	4.6%
Net position, end of year	$ 1,383,831	$ 1,296,803	6.7%	$ 1,255,491	3.3%

Years Ended December 31, 2025 and 2024

The increase in net position was $87.0 million, up $45.7 million from $41.3 million in 2024. This increase is primarily due to an increase in operating margin (operating revenue less power cost) of $63.6 million and other non-operating revenues of $22.1 million, offset by an increase in other operating expenses of $28.9 million, other non-operating expenses of $6.0 million and transfers to City of Memphis of $4.4 million.

Total operating revenues were $1.7 billion for 2025, an increase of $197.5 million from 2024. This increase was primarily driven by a Tennessee Valley Authority ("TVA") Fuel Cost Adjustment ("FCA") rate and a slight increase in sales volume coupled with MLGW's 4.0% rate increase in January 2025.

Total operating expenses were $1.6 billion, a $163.0 million increase from 2024, resulting from increases in purchased power of $133.9 million and other operating expenses of $28.9 million. Purchased power was higher due to a 6.2% increase in purchase volume, a 5.3% TVA rate increase in October 2024 and a 15.1% increase in TVA FCA rates.

MLGW adopted GASB 103 resulting in the new reporting requirements for transfers to the City of Memphis and payments in lieu of taxes. Both are required to be classified and presented as non-capital subsidies. MLGW's transfer to the City of Memphis was based on the formula provided by the May 29, 1987, TVA Power Contract Amendment (Supp. No. 8). This formula includes a maximum property tax equivalency calculation plus 4.0% of operating revenue less power costs (three-year average). Transfers to the City represent the Electric Division's in lieu of tax payment. The 2025 transfer increased by $4.4 million as a result of an increase in capital assets coupled with a tax rate increase of $0.70.

Contributions in aid of construction ("CIAC") were $27.4 million for 2025, an increase of $1.4 million from 2024. This increase was mainly the result of an increase in construction contributions from customers' relocation requests and storm restoration efforts.

Years Ended December 31, 2024 and 2023
The increase in net position was $41.3 million, down $14.4 million from gain of $55.7 million in 2023. This decrease was primarily due to an increase in transfers to the City of Memphis of $6.4 million and a decrease in operating income of $4.9 million.

Total operating revenues were $1.5 billion for 2024, an increase of $110.4 million from 2023. This increase was driven mostly by two separate rate increases from TVA for 4.5% and 5.3% in January and October, respectively and expiration of the Pandemic credit in October 2023, partially offset by lower TVA FCA rates.

Total operating expenses were $1.4 billion, or a $115.4 million increase from 2023. This increase was primarily due to increases in other operating expenses of $71.3 million, purchased power of $34.4 million, and depreciation and amortization expense of $9.7 million. The purchased power increase reflected TVA's rate increases.

The increase in non-capital subsidies of $7.5 million was primarily attributed to the $6.4 million increase in transfers to the City of Memphis. This increase was driven by the continued growth in capital assets coupled with a tax rate increase applied to those assets.

CIAC were $26.1 million in 2024, an increase of $11.8 million from 2023. This increase was mainly the result of an increase in construction contributions, offset by a decrease in donated easements of $0.03 million.

Significant Capital Assets

Table 3 details Electric's capital expenditures for 2025, 2024 and 2023.

Table 3
Electric Division
Capital Expenditures
Years Ended December 31, 2025, 2024 and 2023
(In Thousands)

	2025	2024	FY25 - FY24 Percentage Change	2023	FY24 - FY23 Percentage Change
Land Purchases	$ 8	$ 439	-98.2%	$ 95	362.1%
Substation and Transmission	33,799	46,925	-28.0%	36,720	27.8%
Distribution System	136,051	100,598	35.2%	172,759	-41.8%
Machinery and Equipment	25,315	40,909	-38.1%	14,209	187.9%
Building & Structure Upgrades	1,000	533	87.6%	1,075	-50.4%
Construction in Progress	394	(620)	163.5%	(93)	-566.7%
Contributions in Aid of Construction	(27,433)	(26,074)	-5.2%	(14,234)	-83.2%
Total Capital Expenditures	$169,134	$ 162,710	3.9%	$ 210,531	-22.7%

Years Ended December 31, 2025 and 2024
The Electric Division's capital assets, net of accumulated depreciation were $1.5 billion at December 31, 2025, an increase of 6.9% over 2024. (See Table 1.) During 2025, the Electric Division expended $169.1 million on construction and equipment purchases, an increase of $6.4 million compared to 2024.

Major capital expenditures during the year included the following:

- Distribution system improvements and purchases, such as transformer replacements and installation, grid modernization and power line replacements, totaled $136.1 million.
- Substation and transmission projects totaled $33.8 million. These projects encompassed activities such as substation circuit breaker replacements, substation transformer breaker replacements, substation bank addition, substation remote terminal unit (RTU) change outs, building a new substation, substation refurbishments and other substation and transmission maintenances.

- Machinery and equipment purchases totaled $25.3 million, comprised of telecommunications equipment and transportation purchases including powered and non-powered operated fleet equipment for crews to complete job assignments. Replacement of fleet transportation equipment was evaluated based on age, actual operational usage, repair cost and frequency, parts availability, and effectiveness to meet organizational needs. The purchases of newly added machinery and equipment was based on the justifications and proper approvals of Division executives.
- Contributions in aid of construction totaled $27.4 million.

In addition to capital expenditures, the Electric engineering team evaluated the age of existing infrastructure and monitored growth within the service area to determine where system improvements were needed to maintain reliability. MLGW's resiliency and reliability plans benefited the electric system by improving system coordination; aligning reclosers with automated distribution management system deployment; and protecting circuits from overcurrent, ground, faults, phase loss, overload, and other detrimental conditions. MLGW continued to demonstrate a strong commitment to resilience and reliability through various initiatives such as replacing defective underground cable, and notably, the Orange Mound Neighborhood Initiative ("OMNI"), a comprehensive overhaul infrastructure aimed at modernizing the Orange Mound's power distribution system. We have reduced outage minutes by approximately 50% since 2023. This initiative led to a larger commitment where OMNI evolved to Optimization of Memphis Neighborhood Initiative.

Telecommunication initiatives supported MLGW's commitment to reliability through the installation of a private 5G wireless network and fiber infrastructure across Shelby County. Other initiatives comprised upgrading communications infrastructure to provide a reliable and resilient network for operation of distribution automation; replacing an obsolete switch and reconfiguring voice system to maintain three master switches that provide service to all MLGW facilities; and installing of distribution automated switches to improve responsiveness and reducing customer minutes interrupted.

Years Ended December 31, 2024 and 2023
The Electric Division's capital assets, net of accumulated depreciation, were $1.4 billion which was an increase of 7.0% over 2023. (See Table 1.) During 2024, the Electric Division expended $162.7 million on construction activities and capital purchases, a decrease of $47.8 million compared to 2023.

Major capital expenditures in 2024 included:
- Distribution system of $100.6 million.
- Substation and transmission projects of $46.9 million.
- Machinery and equipment of $40.9 million.
- Contributions in aid of construction of $26.1 million.

The Electric Division also performed street lighting projects that included LED replacement across approximately 3,000 lights, along with installation of additional streetlights to improve roadway visibility and public safety. Additional goals were exceeded by completing 407,000 feet of underground cable, 96 substation circuit breakers and 20 substation transformers.

Additional information on capital assets can be found in Note 7, Capital Assets and Intangible Right of Use Assets.

Long-Term Financing Activity

Years Ended December 31, 2025 and 2024
The Electric Division reported $678.0 million in outstanding bonded debt compared to $458.0 million in 2024. This increase of $220.1 million primarily resulted from the issuance of Series 2025 Revenue Bonds in October 2025, totaling $235.2 million. The bond offering was well received by the markets and MLGW continues to maintain strong bond ratings.

MLGW's debt service coverage was 7.4, which was well above the 1.2 required by the Electric Division bond covenant for the senior lien debt. On September 16, 2025, Moody's Rating Agency affirmed its Aa2 rating and Fitch Ratings, Inc. affirmed its AA long-term rating for the electric system revenue bonds, both with a stable outlook.

Years Ended December 31, 2024 and 2023
The issuance of Series 2024 Revenue Bonds of $180.0 million primarily contributed to the $166.7 million increase in long-term debt from 2023. Electric also issued new debt and refinanced portions of existing debt to achieve lower borrowing costs.

Additional information regarding long-term liabilities and debt financing is presented in Notes 5, 6 and 14, Lease Liabilities, Subscription Based Information Technology Agreements (SBITAs) and Bonds, respectively.

Currently Known Facts, Decisions or Conditions

State Governance Legislation **-** Tennessee Senate Bill 2102, enacted during the 2026 legislative session and effective July 1, 2026, modifies the governance structure of the MLGW Board of Commissioners. The Board will be required to add two new voting members from the two largest municipalities outside of the City of Memphis, which will be the City of Bartlett and the Town of Collierville. The new members have yet to be appointed.

Customer Growth and Demand - Customer growth for the Electric Division has been stable. Large industrial and commercial loads, including the new data center development, will continue to increase demand for energy and water. This is not just a MLGW issue but a national issue.

Large Electric Load Growth - MLGW has executed service agreements with one or more large commercial customers in the Memphis metropolitan area classified as industrial or large general service accounts, with connected loads substantially in excess of historical large-customer norms. During 2025, MLGW worked with SpaceX AI to establish service for an electric contract demand of 150 MW with another 150MW to be completed in 2026. The combined load will represent approximately 9.0% of MLGW's annual peak load. There continues to be additional data center related demand proposed within MLGW's service territory.

Wholesale Electric Power Supply Cost Outlook - MLGW purchases all of its wholesale electric power from TVA under a power supply contract. Management anticipates upward pressure on purchased power costs due to inflationary pressure in the industry. These costs, which represent the Electric Division's single largest operating expense, are passed through to customers automatically and do not represent financial risk to MLGW but will have an impact on retail customer bills.

Statistical Highlights

The following schedule provides the Electric Division's historical information regarding operating revenues, customer accounts and sales. These statistics are intended to assist readers in evaluating trends in revenue and customer growth along with consumption. This information supplements the financial statements and provides additional information for understanding its operations.

Electric's operating revenues increased to 1,689.5 billion in 2025. The increase was primarily driven by growth in residential, commercial and industrial sales revenues resulting from rate increases. Total customers experienced a slight increase of 6,147 for a year end customer base of 445.8 thousand. Total kilowatt-hour (kWh) sales increased to 13.7 billion kWh. The increase was largely attributable to higher industrial consumption. Over the three-year period, electric operating revenues increased from $1,382.5 million to $1,689.5 billion, which was reflective of the increase in customer growth coupled with increased rates and consumption.

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STATISTICAL HIGHLIGHTS-ELECTRIC DIVISION
Years Ended December 31

CATEGORIES	2025	2024	2023
OPERATING REVENUE			
Residential	$ 698,520,586	$ 633,075,104	$ 587,340,039
Commercial - General Service	740,313,349	685,215,002	641,954,186
Industrial	177,086,292	111,735,907	96,770,069
Outdoor Lighting and Traffic Signals	14,900,282	13,753,270	13,065,130
Street Lighting Billing	13,813,791	13,871,723	13,869,970
Interdepartmental	10,637,451	9,739,139	10,598,877
Green Power	(357,290)	(316,255)	(296,458)
Miscellaneous	39,780,871	24,791,420	29,461,652
Accrued Unbilled Revenue	3,180,656	7,985,587	(4,543,406)
Revenue Adjustment for Uncollectibles	(8,417,428)	(7,872,950)	(6,689,269)
TOTAL OPERATING REVENUE	$ 1,689,458,560	$ 1,491,977,947	$ 1,381,530,790
CUSTOMERS			
Residential	385,014	380,286	372,070
Commercial - General Service	43,951	42,834	42,234
Industrial	93	86	89
Outdoor Lighting and Traffic Signals	16,660	16,368	16,151
Interdepartmental	36	33	35
Total Customers	445,754	439,607	430,579
KWH SALES (THOUSANDS)			
Residential	5,274,303	5,206,854	5,079,135
Commercial - General Service	5,747,989	5,784,430	5,689,548
Industrial	2,449,640	1,740,384	1,579,045
Outdoor Lighting and Traffic Signals	71,849	75,141	85,924
Street Lighting Billing	79,444	79,198	78,207
Interdepartmental	90,126	87,994	99,775
Total KWH Sales (Thousands)	13,713,351	12,974,001	12,611,634
OPERATING REVENUE/CUSTOMER			
Residential	$ 1,814.27	$ 1,664.73	$ 1,578.57
Commercial - General Service	16,844.06	15,996.99	15,199.94
Industrial	1,904,153.67	1,299,254.73	1,087,304.14
Outdoor Lighting and Traffic Signals	894.37	840.26	808.94
Interdepartmental	295,484.74	295,125.43	302,825.07
OPERATING REVENUE/KWH			
Residential	$ 0.132	$ 0.122	$ 0.116
Commercial - General Service	0.129	0.118	0.113
Industrial	0.072	0.064	0.061
Outdoor Lighting and Traffic Signals	0.207	0.183	0.152
Street Lighting Billing	0.174	0.175	0.177
Interdepartmental	0.118	0.111	0.106
KWH/CUSTOMER			
Residential	13,698.99	13,691.94	13,651.02
Commercial - General Service	130,781.76	135,042.96	134,714.87
Industrial	26,340,215.05	20,237,023.26	17,742,078.65
Outdoor Lighting and Traffic Signals	4,312.67	4,590.73	5,320.04
Interdepartmental	2,503,500.00	2,666,484.85	2,850,714.29

Analysis of Gas Division's Finances

Table 4 reflects the condensed financial information comparing the Gas Division's net position as of December 31, 2025, 2024 and 2023.

Table 4
Gas Division Condensed Statements of Net Position
December 31, 2025, 2024 and 2023
(In Thousands)

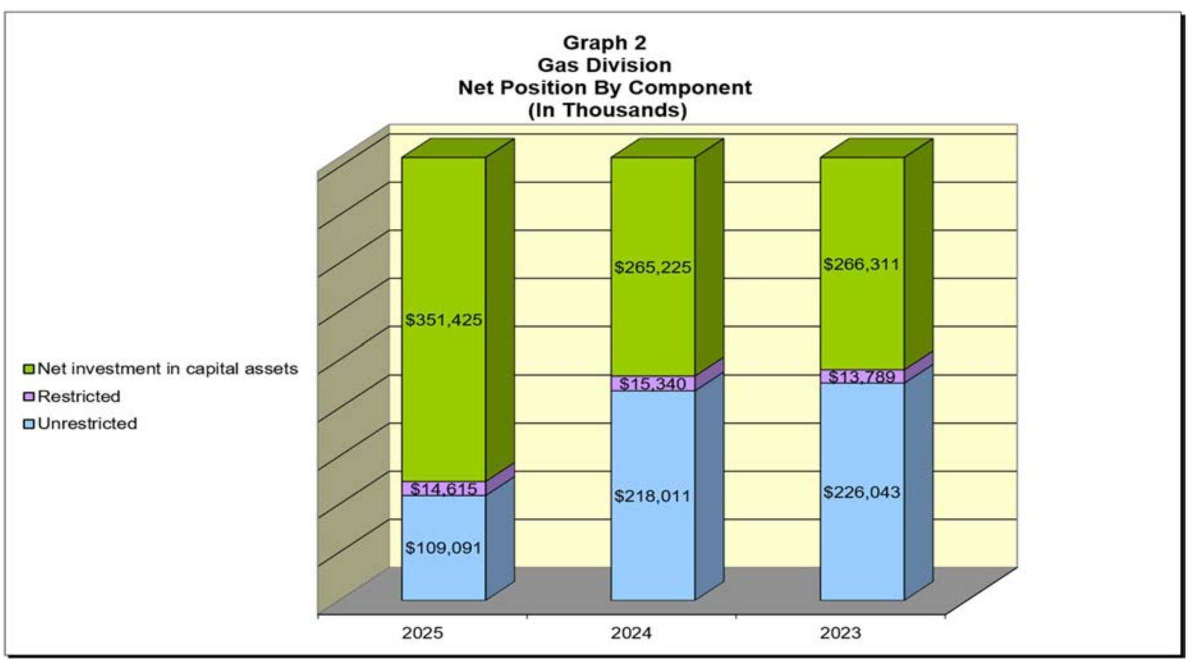
	2025	2024	FY25 - FY24 Percentage Change	2023 As Restated	FY24 - FY23 Percentage Change
Current assets (excluding restricted funds)	$ 189,828	$ 271,423	-30.1%	$ 280,101	-3.1%
Restricted assets	25,977	28,668	-9.4%	43,778	-34.5%
Other assets	33,485	34,942	-4.2%	36,682	-4.7%
Capital assets, net	477,017	397,551	20.0%	391,863	1.5%
Intangible assets - right of use assets (leases & subscriptions)	2,434	3,108	-21.7%	2,033	52.9%
Total assets	728,741	735,692	-0.9%	754,457	-2.5%
Deferred outflows of resources					
Employer pension contribution	8,189	6,598	24.1%	4,709	40.1%
Employer OPEB contribution	6,115	9,385	-34.8%	9,231	1.7%
Pension liability experience	20,627	18,322	12.6%	12,118	51.2%
OPEB liability experience	2,209	3,656	-39.6%	3,078	18.8%
Pension changes of assumptions	3,084	4,625	-33.3%	6,167	-25.0%
OPEB changes of assumptions	5,222	3,549	47.1%	4,733	-25.0%
Pension investment earnings experience	19,206	28,083	-31.6%	27,811	1.0%
OPEB investment earnings experience	4,331	5,707	-24.1%	7,419	-23.1%
Total assets and deferred outflows of resources	797,724	815,617	-2.2%	829,723	-1.7%
Current liabilities payable from current assets	71,130	53,328	33.4%	53,898	-1.1%
Current liabilities payable from restricted assets	7,205	8,931	-19.3%	12,777	-30.1%
Long-term debt	120,922	127,455	-5.1%	133,822	-4.8%
Non-current liabilities	90,747	90,856	-0.1%	98,850	-8.1%
Total liabilities	290,004	280,570	3.4%	299,347	-6.3%
Deferred inflows of resources					
Leases	17,240	17,847	-3.4%	18,571	-3.9%
Pension liability experience	-	193		386	-50.0%
OPEB liability experience	800	1,171	-31.7%	1,663	-29.6%
Pension changes of assumptions	2,963	7	42228.6%	13	-46.2%
OPEB changes of assumptions	11,481	17,093	-32.8%	3,571	378.7%
Accumulated decrease in fair value of hedging derivative instruments	105	160	-34.4%	29	451.7%
Total liabilities and deferred inflows of resources	322,593	317,041	1.8%	323,580	-2.0%
Net position:					
Net investment in capital assets	351,425	265,225	32.5%	266,311	-0.4%
Restricted for:					
Casualty insurance	11,660	11,119	4.9%	10,645	4.5%
Medical benefits & other	2,955	4,221	-30.0%	3,144	34.3%
Unrestricted	109,091	218,011	-50.0%	226,043	-3.6%
Total Net position	$ 475,131	$ 498,576	-4.7%	$ 506,143	-1.5%

Years ended December 31, 2025 and 2024

Total assets and deferred outflows of resources were $797.7 million, a decrease of $17.9 million compared to 2024. The decrease was primarily attributed to decreases in current assets (excluding restricted assets) of $81.6 million and $8.9 million decrease in pension investment earnings experience due to the difference between 2020 projected and actual earnings of pension plan investments being fully amortized in 2024, offset by an increase of $79.5 million in net capital assets. The Weaver Gill Pipeline Replacement Project contributed to the large increase in capital assets.

Total liabilities and deferred inflows of resources increased by $5.6 million from $317.0 million in 2024 to $322.6 million in 2025. This increase was due to an increase in current liabilities payable from current assets of $17.8 million, changes in pension assumptions of $3.0 million, offset by a decrease in long-term debt of $6.5 million, OPEB changes of assumptions of $5.6 million, current liabilities payable from restricted assets of $1.7 million, leases of $0.6 million and OPEB liability experience of $0.3 million.

Total net position (total assets and deferred outflows of resources less total liabilities and deferred inflows of resources) was $475.1 million, a decrease of $23.4 million from 2024. The decrease was primarily due to a decrease in unrestricted net position of $108.9 million, offset by an increase in net investment in capital assets of $86.2 million. These offsetting changes reflected unrestricted resources used to fund capital investments in gas infrastructure with some repayment to outstanding debt. Seventy-four percent of the net position was related to net investment in capital assets.



Years ended December 31, 2024 and 2023

Total assets and deferred outflows were $815.6 million, a decrease of $14.1 million compared to 2023. This decrease is due, in part, by decreases in restricted assets of $15.1 million and current assets (excluding restricted funds) of $8.7 million, offset, in part, by increases in net capital assets of $5.7 million and pension liability experience of $6.2 million. Current assets (excluding restricted funds) decreased due to cash and cash equivalents of $7.9 million and investments of $6.2 million, offset by increases in unbilled revenue of $4.2 million and inventories of $2.3 million. Other assets decreased due to meter replacement - long term of $1.3 million. Restricted assets decreased $15.1 million due, in part, to the Bond Series 2020 construction fund of $11.6 million depleted in June 2024.

Total liabilities and deferred inflows of resources were $317.0 million, representing a decrease of $6.5 million compared to $323.6 million at 2023. This decrease is due, in part, by decreases in non-current liabilities of $8.0 million, long-term debt of $6.4 million and current liabilities payable from restricted assets of $3.8 million, offset by the increase in OPEB changes of assumptions of $13.5 million.

Total net position (total assets and deferred outflows of resources less total liabilities and deferred inflows of resources) was $498.6 million, a decrease of $7.6 million from 2023. This decrease was attributed to a decrease in unrestricted net position of $8.0 million, offset by an increase in restricted net position of $1.6 million. Fifty-three percent of the net position was related to net investment in capital assets.

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Table 5 below presents the condensed financial information comparing the Gas Division's revenues, expenses and increase (decrease) in net position for the past three fiscal years.

Table 5
Gas Division
Condensed Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2025, 2024 and 2023
(In Thousands)

	2025	2024	FY25 - FY24 Percentage Change	2023 As Restated	FY24 - FY23 Percentage Change
Total operating revenues	$ 298,904	$ 236,641	26.3%	$ 257,060	-7.9%
Operating expenses					
Depreciation & amortization	26,655	26,542	0.4%	25,203	5.3%
Purchased gas	165,754	99,692	66.3%	104,449	-4.6%
Other operating expenses	118,431	108,330	9.3%	92,003	17.7%
Total operating expenses	310,840	234,564	32.5%	221,655	5.8%
Operating income (loss)	(11,936)	2,077	-674.7%	35,405	-94.1%
Non-capital subsidies					
Payments in lieu of taxes	(832)	(748)	-11.2%	(764)	2.1%
Transfers to City of Memphis	(16,483)	(15,632)	-5.4%	(14,925)	-4.7%
Total non-capital subsidies	(17,315)	(16,380)	-5.7%	(15,689)	-4.4%
Operating income (loss) and non-capital subsidies	(29,251)	(14,303)	-104.5%	19,716	-172.5%
Other non-operating revenues and expenses					
Contributions in aid of construction (CIAC)	4,217	4,223	-0.1%	4,220	0.1%
Reduction of plant costs recovered through CIAC	(4,217)	(4,223)	0.1%	(4,220)	-0.1%
Other non-operating revenues	9,332	10,427	-10.5%	10,762	-3.1%
Other non-operating expenses	(3,526)	(3,691)	4.5%	(3,873)	4.7%
Total other non-operating revenues and expenses	5,806	6,736	-13.8%	6,889	-2.2%
Income (loss) before unusual or infrequent items	(23,445)	(7,567)	-209.8%	26,605	-128.4%
Unusual or infrequent items	-	-		-	
Increase (decrease) in net position	(23,445)	(7,567)	-209.8%	26,605	-128.4%
Net position, beginning of year	498,576	506,143	-1.5%	479,538	5.5%
Net position, end of year	$ 475,131	$ 498,576	-4.7%	$ 506,143	-1.5%

Years ended December 31, 2025 and 2024

The decrease in net position was ($23.4) million, an increase from ($7.6) million loss in 2024. The decrease in net position is due to an increase in other operating expenses of $10.1 million, a decrease in operating margin (operating revenue less gas cost) of $3.8 million and a decrease in other non-operating revenue of $1.1 million.

Total operating revenues were $298.9 million, an increase of $62.3 million from 2024 which was attributed to sales revenue increase driven by higher natural gas prices and higher sales volume.

Total operating expenses increased by $76.3 million from $234.6 million in 2024. The increase resulted from higher gas costs and other operating expenses including maintenance and repairs.

MLGW adopted GASB 103 resulting in the new reporting requirements for transfers to the City of Memphis and payments in lieu of taxes. Both are required to be classified and presented as non-capital subsidies. MLGW's transfer to the City of Memphis was based on the formula provided by the State of Tennessee Municipal Gas System Tax Equivalent Law of 1988. The formula includes a maximum property tax equivalency calculation plus 4.0% of operating revenue less gas costs (three-year average). Transfers to the City represent the Gas Division's in lieu of tax payment. The 2025 transfer out increased by $0.9 million as a result of an increase in net capital investment coupled with an increase of $0.70 in the tax rate.

Contributions in aid of construction ("CIAC") remained stable at $4.2 million in 2024 with no growth in customer funded construction projects.

Years Ended December 31, 2024 and 2023

The decrease in net position was ($7.6) million, down $34.2 million from 2023. This decrease is primarily due to a decrease in total operating revenues of $20.4 million and increases in total operating expenses of $12.9 million and transfers to the City of Memphis of $0.7 million.

Total operating revenues were $236.6 million, a decrease of $20.4 million from 2023. Sales and service revenues were $196.0 million, a decrease of $13.0 million from 2023 due to lower natural gas prices and lower sales volume. Other revenues decreased $4.0 million and transported gas revenues decreased $3.4 million compared to 2023.

Total operating expenses were $234.6 million, an increase of $12.9 million from 2023. Other operating expenses were $108.3 million, an increase of $16.3 million, partially offset by a decrease of $4.8 million in purchased gas costs resulting from lower natural gas purchases and lower gas cost per unit.

The increase in non-capital subsidies of $0.7 million was primarily attributed to the marginal growth in capital assets.

CIAC experienced only a slight increase from 2023 to 2024 in customer funded projects. The increase was offset by a decrease in donated easements of $0.39 million.

Significant Capital Assets

Table 6 details the Gas Division's capital expenditures for 2025, 2024 and 2023.

Table 6
Gas Division
Capital Expenditures
Years Ended December 31, 2025, 2024 and 2023
(In Thousands)

	2025	2024	FY25 - FY24 Percentage Change	2023	FY24 - FY23 Percentage Change
Land Purchases	$ 10	$ -		$ -	
Production System	48	20	140.0%	171	-88.3%
Distribution System	68,507	23,184	195.5%	20,781	11.6%
Machinery and Equipment	7,663	5,355	43.1%	5,074	5.5%
Building & Structure Upgrades	33,078	5,391	513.6%	794	579.0%
Construction in Progress	317	459	-30.9%	63	628.6%
Contributions in Aid of Construction	(4,217)	(4,223)	0.1%	(4,220)	-0.1%
Total Capital Expenditures	$ 105,406	$ 30,186	249.2%	$ 22,663	33.2%

Years Ended December 31, 2025 and 2024

The Gas Division's capital assets, net of accumulated depreciation, were $477.0 million at December 31, 2025, an increase of 20.0% over 2024. (See Table 4.) During 2025, the Gas Division expended $105.4 million on construction and equipment purchases, an increase of $75.2 million compared to 2024.

Major capital expenditures during the year included the following:

- Distribution system improvements of $68.5 million. This primarily consisted of the replacement of 5.4 miles of nearly 200-year-old extra high pressure transmission lines running from Weaver Gate Station on Weaver Rd to Gill Road in Barton Heights, known as Weaver Gill Pipeline Replacement Project. This project installed a new high-pressure distribution pipeline, enhancing safety, reliability and regulatory compliance.
- Building and structure upgrades totaled $33.1 million, primarily related to the purchase of the soon to be state of the art operations center that will be used to control the electric, gas and water systems. The operations center will provide real-time situational awareness.

- Machinery and equipment total purchases were $7.7 million, comprised of transportation purchases including powered and non-powered operated fleet equipment for crews to complete job assignments. Replacement of fleet transportation equipment was evaluated based on age, actual operational usage, repair cost and frequency, parts availability, and effectiveness to meet organizational needs. The purchases of newly added fleet transportation equipment was based on the justifications and proper approvals of Division executives.

Years Ended December 31, 2024 and 2023
The Gas Division's capital assets, net of accumulated depreciation, were $397.6 million at December 31, 2024, an increase of 1.5% over 2023. (See Table 4.) During 2024, the Gas Division spent $30.2 million on construction activities and equipment purchases, an increase of $7.5 million compared to 2023.

Major Gas Division expenditures included:
- Distribution system of $23.2 million.
- Machinery and equipment extensions to serve new customers of $5.4 million.
- Building and structure upgrades of $5.4 million.

The Gas Division capital activities included roof replacements, HVAC improvements, elevator maintenance, the purchases of powered and non-powered transportation equipment and other capital purchases. Additions to maintenance and upgrades included gas leak repairs and steel tap replacements to replace aging services and enhance safety and system integrity.

Long-Term Financing Activity

At December 31, 2025, the Gas Division's outstanding bonded debt totaled $112.0 million compared to $116.8 million in 2024 and $121.3 million in 2023. The decrease in outstanding debt reflected the continued repayment of principal.

The Gas Division's latest debt issuance occurred in 2020 with bond ratings of AA- and Aa1 from Standards and Poor's Global and Moody's Ratings, respectively.

Gas remains in a strong financial position with respect to its debt obligation. For 2025, the debt service coverage ratio was 3.4, which exceeded the bond covenant requirement of 1.2.

Additional information regarding long-term liabilities and debt financing is presented in Notes 5, 6 and 14, Lease Liabilities, Subscription Based Information Technology Agreements (SBITAs) and Bonds, respectively.

Currently Known Facts, Decisions or Conditions

State Governance Legislation - Tennessee Senate Bill 2102, enacted during the 2026 legislative session and effective July 1, 2026, modifies the governance structure of the MLGW Board of Commissioners. The Board will be required to add two new voting members from the two largest municipalities outside of the City of Memphis, which will be the City of Bartlett and the Town of Collierville. The new members have yet to be appointed.

Customer Growth and Demand - Customer growth for the Gas Division has been stable, which continues to impact the Gas Division.

Gas Rate Sufficiency - MLGW will need to address gas rate levels in fiscal year 2027 due to two consecutive years of negative change in net position. MLGW will work with the Tennessee Board of Utility Regulation ("TBOUR") during the summer of 2026 to formulate a rate plan for remediation.

Statistical Highlights

The following schedule provides the Gas Division's historical information regarding operating revenues, customer accounts and sales. These statistics are intended to assist readers in evaluating trends in revenue and customer growth along with consumption. This information supplements the financial statements and provides additional information for understanding its operations.

Gas operating revenues increased $62.3 million to $298.9 million in 2025. The increase was primarily attributable to higher residential and commercial-general service natural gas prices which increased $40.1 million and $17.9 million, respectively. Residential revenue growth reflected higher consumption levels. Total customers increased by 3,954 reaching 316,964 at year-end. Total gas sales remained relatively stable at 37.5 million MCF. Residential consumption experienced an increase, offset by declines in industrial sales volume per MCF.

Although total MCF sales stabilized over the three-year period, gas operating revenues increased from $257.1 million in 2023 to $298.9 million in 2025, primarily due to increases in natural gas prices coupled with increase in the number of heating days.

STATISTICAL HIGHLIGHTS-GAS DIVISION
Years Ended December 31

CATEGORIES	2025	2024	2023
OPERATING REVENUE			
Residential	$ 164,782,302	$ 124,635,366	$ 131,447,264
Commercial - General Service	77,459,874	59,579,886	65,168,706
Industrial	1,947,189	1,695,094	1,111,349
Interdepartmental	256,323	147,853	157,281
Transported Gas	12,931,832	12,411,651	15,144,296
Market Gas	7,868,474	6,149,058	7,254,303
Liquefied Natural Gas (LNG)	1,135,165	1,176,038	4,826,667
Compressed Natural Gas (CNG)	261,653	346,626	511,120
Industrial Gas - Other Revenue	19,490,447	14,381,352	15,269,798
Lease Revenue	636,069	623,410	590,877
Miscellaneous	13,596,270	12,743,237	22,793,697
Accrued Unbilled Revenue	(384,180)	4,166,101	(4,806,898)
Accrued Unbilled Revenue - Other Industrial Gas	621,997	411,490	(1,238,135)
Revenue Adjustment for Uncollectibles	(1,699,032)	(1,825,694)	(1,170,862)
TOTAL OPERATING REVENUE	$ 298,904,383	$ 236,641,468	$ 257,059,463
CUSTOMERS			
Residential	295,467	292,004	285,590
Commercial - General Service	21,051	20,378	20,045
Industrial	29	21	23
Interdepartmental	13	12	13
Transported Gas	42	40	38
Market Gas	18	18	19
Subtotal	316,620	312,473	305,728
LNG	1	1	3
CNG (Sales Transactions)	342	535	707
Industrial Gas - Other	1	1	1
Total Customers	316,964	313,010	306,439
MCF SALES			
Residential	18,810,367	17,846,752	17,587,416
Commercial - General Service	10,327,576	10,215,315	10,354,573
Industrial	331,345	383,520	216,608
Interdepartmental	39,001	28,657	29,436
Market Gas	1,722,911	1,832,909	1,743,650
Subtotal	31,231,200	30,307,153	29,931,683
LNG	144,595	179,219	653,032
CNG	22,543	35,036	51,710
Industrial Gas - Other	6,054,133	7,008,340	6,370,556
Total MCF Sales	37,452,471	37,529,748	37,006,981
OPERATING REVENUE/CUSTOMER			
Residential	$ 557.70	$ 426.83	$ 460.27
Commercial - General Service	3,679.62	2,923.74	3,251.12
Industrial	67,144.45	80,718.75	48,319.51
Interdepartmental	19,717.13	12,321.10	12,098.53
Transported Gas	307,900.77	310,291.27	398,534.11
Market Gas	437,137.45	341,614.34	381,805.43
OPERATING REVENUE/MCF			
Residential	8.76	$ 6.984	$ 7.474
Commercial - General Service	7.50	5.832	6.294
Industrial	5.88	4.420	5.131
Interdepartmental	6.57	5.159	5.343
Market Gas	4.57	3.355	4.160
MCF/CUSTOMER			
Residential	63.66	61.12	61.58
Commercial - General Service	490.60	501.29	516.57
Industrial	11,425.69	18,262.86	9,417.74
Interdepartmental	3,000.08	2,388.08	2,264.31
Market Gas	95,717.28	101,828.28	91,771.05

Analysis of Water Division's Finances

Table 7 reflects the condensed financial information comparing the Water Division's net position as of December 31, 2025, 2024 and 2023.

Table 7
Water Division Condensed Statements of Net Position
December 31, 2025, 2024 and 2023
(In Thousands)

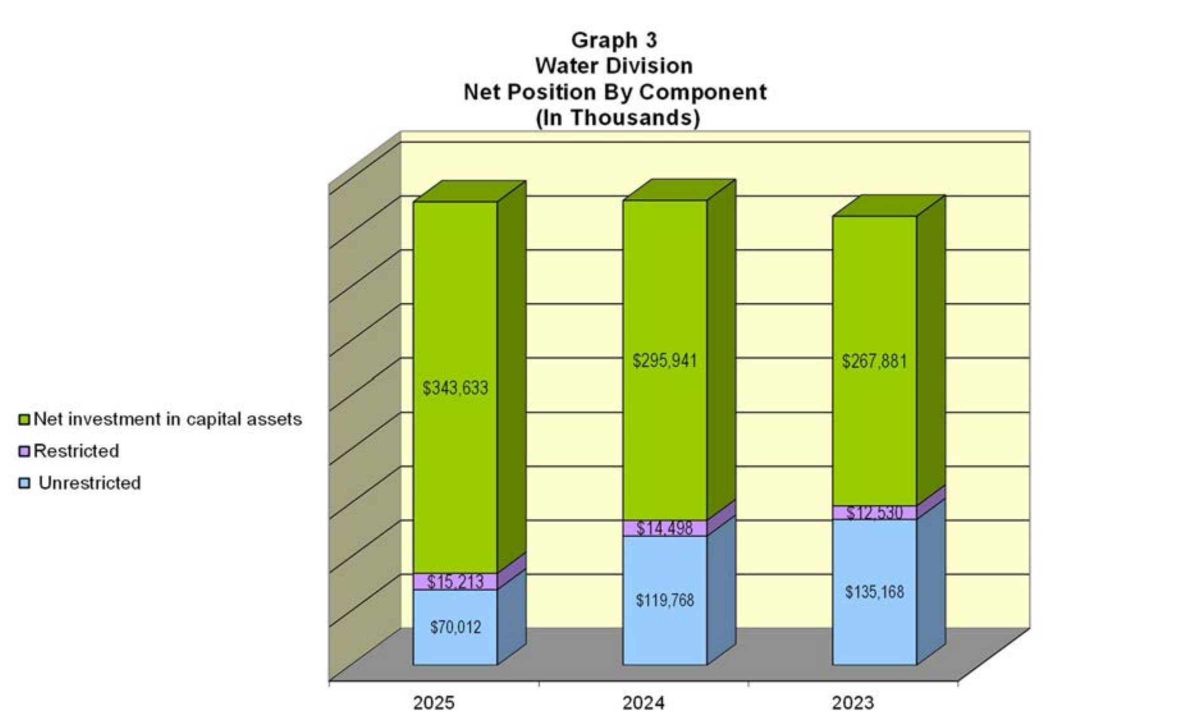
	2025	2024	FY25 - FY24 Percentage Change	2023 As Restated	FY24 - FY23 Percentage Change
Current assets (excluding restricted assets)	$ 109,568	$ 149,917	-26.9%	$ 171,464	-12.6%
Restricted assets	20,916	20,814	0.5%	20,354	2.3%
Other assets	6,323	7,066	-10.5%	7,667	-7.8%
Capital assets, net	465,213	421,098	10.5%	396,142	6.3%
Intangible assets - right of use assets (leases & subscriptions)	1,862	2,352	-20.8%	1,535	53.2%
Total assets	603,882	601,247	0.4%	597,162	0.7%
Deferred outflows of resources					
Employer pension contribution	6,053	4,877	24.1%	3,481	40.1%
Employer OPEB contribution	4,520	6,937	-34.8%	6,823	1.7%
Pension liability experience	15,246	13,542	12.6%	8,957	51.2%
OPEB liability experience	1,632	2,703	-39.6%	2,275	18.8%
Pension changes of assumptions	2,279	3,419	-33.3%	4,558	-25.0%
OPEB changes of assumptions	3,860	2,624	47.1%	3,498	-25.0%
Pension investment earnings experience	14,196	20,757	-31.6%	20,556	1.0%
OPEB investment earnings experience	3,201	4,218	-24.1%	5,484	-23.1%
Total assets and deferred outflows of resources	654,869	660,324	-0.8%	652,794	1.2%
Current liabilities payable from current assets	31,793	27,263	16.6%	30,459	-10.5%
Current liabilities payable from restricted assets	3,963	4,215	-6.0%	5,927	-28.9%
Long-term debt	111,989	117,796	-4.9%	123,453	-4.6%
Non-current liabilities	65,654	65,635	0.0%	71,407	-8.1%
Total liabilities	213,399	214,909	-0.7%	231,246	-7.1%
Deferred inflows of resources					
Leases	1,345	1,560	-13.8%	1,804	-13.5%
Pension liability experience	-	143		286	-50.0%
OPEB liability experience	591	866	-31.8%	1,229	-29.5%
Pension changes of assumptions	2,190	5	43700.0%	10	-50.0%
OPEB changes of assumptions	8,486	12,634	-32.8%	2,640	378.6%
Total liabilities and deferred inflows of resources	226,011	230,117	-1.8%	237,215	-3.0%
Net position:					
Net investment in capital assets	343,633	295,941	16.1%	267,881	10.5%
Restricted for:					
Casualty insurance	9,468	8,913	6.2%	8,382	6.3%
Medical benefits & other	5,745	5,585	2.9%	4,148	34.6%
Unrestricted	70,012	119,768	-41.5%	135,168	-11.4%
Total Net position	$ 428,858	$ 430,207	-0.3%	$ 415,579	3.5%

Years ended December 31, 2025 and 2024

Total assets and deferred outflows of resources were $654.9 million, a decrease of $5.5 million compared to 2024. The decrease was primarily attributed to decreases in current assets (excluding restricted assets) of $40.3 million and pension investment earnings experience of $6.6 million, offset by an increase of $44.1 million in net capital assets including pumping stations and production wells and lead service replacements.

Total liabilities and deferred inflows of resources were $226.0 million, representing a decrease of $4.1 million compared to 2024. This decrease was primarily driven by decreases in long-term debt of $5.8 million and OPEB changes of assumptions of $4.1 million, offset by increases in current liabilities payable from current assets of $4.5 million.

The Water Division's total net position (total assets and deferred outflows of resources less total liabilities and deferred inflows of resources) was $428.9 million, a decrease of $1.3 million from 2024. The decrease was attributed to a decrease in unrestricted net position of $49.8 million, offset by an increase in net investment in capital assets of $47.7 million.



Years ended December 31, 2024 and 2023

Total assets and deferred outflows of resources increased by $7.5 million from $652.8 million in 2023. The increase attributed to increases in net capital assets of $25.0 million and pension liability experience of $4.6 million, offset by a decrease in current assets (excluding restricted assets) of $21.5 million.

Total liabilities and deferred inflows of resources were $230.1 million, representing a decrease of $7.1 million compared to 2023. This decrease was primarily due to decreases in non-current liabilities of $5.8 million, long-term debt of $5.7 million and current liabilities payable from current assets of $3.2 million, offset by an increase in OPEB changes of assumptions of $10.0 million.

Total net position (total assets and deferred outflows of resources less total liabilities and deferred inflows of resources) increased by $14.6 million from $415.6 million to $430.2 million in 2024. The increase was mainly due to an increase in net investment in capital assets of $28.1 million including pumping stations and production wells, lead service replacements and water street improvements, offset by a decrease in unrestricted net position of $15.4 million. Overall, the Water Division continued to invest in capital assets.

Table 8 below presents the condensed financial information comparing the Water Division's revenues, expenses and increase (decrease) in net position for the past three fiscal years.

Table 8
Water Division
Condensed Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2025, 2024 and 2023
(In Thousands)

	2025	2024	FY25 - FY24 Percentage Change	2023 Restated	FY24 - FY23 Percentage Change
Total operating revenues	$ 127,077	$ 134,617	-5.6%	$ 130,636	3.0%
Operating expenses					
Depreciation & amortization	14,748	14,474	1.9%	12,911	12.1%
Other operating expenses	112,532	105,218	7.0%	88,780	18.5%
Total operating expenses	127,280	119,692	6.3%	101,691	17.7%
Operating income (loss)	(203)	14,925	-101.4%	28,945	-48.4%
Non-capital subsidies					
Transfers to City of Memphis	(4,800)	(4,700)	-2.1%	(4,600)	-2.2%
Total non-capital subsidies	(4,800)	(4,700)	-2.1%	(4,600)	-2.2%
Operating income (loss) and non-capital subsidies	(5,003)	10,225	-148.9%	24,345	-58.0%
Other non-operating revenues and expenses					
Contributions in aid of construction (CIAC)	16,240	5,185	213.2%	4,638	11.8%
Reduction of plant costs recovered through CIAC	(16,240)	(5,185)	-213.2%	(4,638)	-11.8%
Other nonoperating revenues	6,865	7,748	-11.4%	7,903	-2.0%
Other nonoperating expenses	(3,211)	(3,345)	4.0%	(3,505)	4.6%
Total other non-operating revenues and expenses	3,654	4,403	-17.0%	4,398	0.1%
Income before unusual or infrequent items	(1,349)	14,628	-109.2%	28,743	-49.1%
Unusual or infrequent items	-	-		-	
Increase (decrease) in net position	(1,349)	14,628	-109.2%	28,743	-49.1%
Net position, beginning of year	430,207	415,579	3.5%	386,836	7.4%
Net position, end of year	$ 428,858	$ 430,207	-0.3%	$ 415,579	3.5%

Years ended December 31, 2025 and 2024
The decrease in net position was ($1.3) million, down $16.0 million from $14.6 million gain in 2024. This decrease was primarily due to a decrease in total operating revenues of $7.5 million and an increase in other operating expenses of $7.3 million.

Total revenues were $127.1 million for 2025, a decrease of $7.5 million compared to 2024. This decrease resulted from higher water meter estimations recorded at lower customer consumption for an extended period of time.

Total operating expenses for the Water Division were $127.3 million, an increase of $7.6 million compared to 2024. The increase was due to an increase in other operating expenses of $7.3 million driven primarily from increases in maintenance to water meters, wells and pumping stations.

MLGW adopted GASB 103 resulting in the new reporting requirements for transfers to the City of Memphis which are required to be classified and presented as non-capital subsidies. 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. The City directed MLGW's Water Division to pay an additional $2.3 million, $2.2 million and $2.1 million to the City's General Fund for each of MLGW's fiscal years 2025, 2024 and 2023, respectively, on or about April 30th of said years. MLGW will continue to make incremental water payments for fiscal years after 2025 at the same $2.3 million level unless the City directs otherwise.

Contributions in aid of construction ("CIAC") were $16.2 million, an increase of $11.1 million from 2024. This increase was mainly the result of the Water Division experiencing an increase in construction contributions funded projects including pumping stations and general power service.

Years ended December 31, 2024 and 2023
The increase in net position was $14.6 million, down $14.1 million from $28.7 million gain in 2023. This decrease was caused by an increase in other operating expenses of $16.4 million, offset by an increase in operating revenues of $4.0 million.

Total operating revenues were $134.6 million, an increase of $4.0 million compared to 2023. This increase resulted from the Water Division experiencing an upward trend in customer growth resulting in higher consumption.

Total operating expenses for the Water Division were $119.7 million, an increase of $18.0 million compared to 2023. The increase was primarily due to an increase in other operating expenses of $16.4 million such as maintenance of transmission and distribution mains, maintenance of services and administrative and general expenses.

Non-capital subsidies increased by $0.1 million from $4.6 million in 2023, based on MLGW's agreement with the City.

CIAC were $5.2 million, an increase of $0.6 million from 2023. This increase was mainly the result of an increase in construction contributions of $0.8 million, offset by a decrease in donated easements of $0.2 million.

Significant Capital Assets

Table 9 details Water Division's capital expenditures for 2025, 2024 and 2023.

Table 9
Water Division
Capital Expenditures
Years Ended December 31, 2025, 2024 and 2023
(In Thousands)

	2025	2024	FY25 - FY24 Percentage Change	2023	FY24 - FY23 Percentage Change
Land Purchases	$ 26	$ (3)	966.7%	$ 6	-150.0%
Production System	45,247	18,795	140.7%	11,814	59.1%
Distribution System	25,270	24,093	4.9%	22,606	6.6%
Machinery and Equipment	2,289	1,713	33.6%	626	173.6%
Building & Structure Upgrades	627	651	-3.7%	39	1569.2%
Construction in Progress	288	(2,360)	112.2%	(24)	9733.3%
Contributions in Aid of Construction	(16,240)	(5,185)	-213.2%	(4,638)	-11.8%
Total Capital Expenditures	$ 57,507	$ 37,704	52.5%	$ 30,429	23.9%

Years ended December 31, 2025 and 2024

The Water Division's capital assets, net of accumulated depreciation were $465.2 million at December 31, 2025, an increase of 10.5% over 2024. (See Table 7.) During 2025, the Water Division expended $57.5 million on construction and equipment purchases, an increase of $19.8 million compared to 2024.

Major capital expenditures during the year included the following:

- Production system improvements and purchases, such as pumping stations and production wells totaled $45.2 million. Pumping Station improvements included filter media and support upgrades at the McCord, Davis, Mallory, Shaw and Morton Pumping Stations; aerator rehabilitation and

engineering design work at the Allen Pumping Station; and replacement of filter influent, effluent and backwash valves at the Palmer Pumping Station.
- Distribution system improvements and purchases totaled $25.3 million, which included lead service replacements, new water main improvements, utility relocations and extensions servicing new customers.
- Machinery and equipment included transportation purchases of $2.3 million.
- CIAC totaled $16.2 million.

MLGW discontinued installing lead service lines in the 1950s, and Shelby County banned lead on the customer side in 1973. MLGW has been replacing utility-side lines since 2012 and started a full lead line service replacement program in 2020. In 2025, MLGW spent funds restoring old lead service lines with new copper services and abandoned old lead tubing when necessary.

Years ended December 31, 2024 and 2023
The Water Division's capital assets, net of accumulated depreciation, were $421.1 million at December 31, 2024, an increase of 6.3%, over fiscal year 2023. During 2024, the Water Division spent $37.7 million on construction activities and equipment purchases, an increase of $7.3 million, or 23.9 %, compared to fiscal year 2023.

Major Water Division expenditures included:
- Distribution system of $24.1 million.
- Production system of $18.8 million.
- CIAC of $5.2 million.

During 2024, Water capital activities continued to ensure MLGW customers received safe and reliable water. This included pumping station rehabilitation activities such as engineering and design for a new Allen Pumping Station; design and installation of a new distributed process control system for the McCord Pumping Station; filter media and support upgrades for the Mallory Pumping Station; and drilling of new production wells at Mallory and Allen pumping stations.

Long-Term Financing Activity

At December 31, 2025, the Water Division's outstanding bonded debt totaled $105.8 million compared to $110.3 million and $114.8 million in years 2024 and 2023, respectively. The year over year reduction was reflective of the repayment of principal. The Water Division's last debt issuance occurred in 2020 at which time Standard and Poor's Global Ratings and Moody's Ratings affirmed an AAA and an Aa1, respectively. Debt service coverage was 3.2, which exceeded the bond requirement of 1.2.

Currently Known Facts, Decisions or Conditions

State Governance Legislation - Tennessee Senate Bill 2102, enacted during the 2026 legislative session and effective July 1, 2026, modifies the governance structure of the MLGW Board of Commissioners. The Board will be required to add two new voting members from the two largest municipalities outside of the

City of Memphis, which will be the City of Bartlett and the Town of Collierville. The new members have yet to be appointed.

Customer Growth and Demand - Customer growth has been stable. Large industrial and commercial loads, including new data center development, will continue to increase demand for water. This is not just a MLGW issue but a national issue.

Water Rate Sufficiency and Infrastructure Investment - MLGW recognizes the need for investment in an aging water system requiring sustained capital investment in pumping station rehabilitation and water storage facility improvements. Management anticipates that financing these improvements through a combination of revenue bonds, state revolving fund loans and available federal infrastructure grant programs will result in increased long-term debt service obligations. A water rate review is planned to assess the sufficiency of current revenues to support ongoing operations and capital investment requirements.

Private Water Lead Service Line Replacement - The U.S. Environmental Protection Agency's Lead and Copper Rule Revisions ("LCRR") and Lead and Copper Rule Improvements ("LCRI") require community water systems to inventory lead service lines and complete replacement within a mandated timeframe. MLGW's Water Division is currently executing its lead service line inventory and replacement program. The cost and timeline of full compliance remain subject to regulatory refinement, but management anticipates this program will represent a significant capital and operational commitment and may require dedicated rate recovery or grant funding.

Statistical Highlights

The following schedule provides the Water Division's historical information regarding operating revenues, customer accounts and sales. These statistics are intended to assist readers in evaluating trends in revenue and customer growth along with consumption. This information supplements the financial statements and provides additional information for understanding its operations.

Water operating revenues decreased $7.5 million to $127.1 million in 2025. The decrease was attributed to lower water consumption by residential and commercial customers. Total customers increased by 4,562 totaling 260,385 at year end. Metered water sales decreased to 45.3 million CCF compared to 50.2 in 2024. Both residential and commercial consumptions reductions resulted in decreases in revenues from 2025 to 2024. While metered water sales fluctuated annually, stable revenue growth was impacted through consistent customer growth.

STATISTICAL HIGHLIGHTS-WATER DIVISION
Years Ended December 31

CATEGORIES	2025	2024	2023
OPERATING REVENUE			
Residential	$ 59,884,659	$ 65,693,846	$ 64,136,738
Commercial - General Service	54,854,735	58,005,885	56,546,536
Resale	306,732	194,635	164,715
Fire Protection	7,394,393	7,124,907	7,234,952
Interdepartmental	115,687	110,997	88,777
Miscellaneous	5,603,442	5,436,465	5,976,973
Accrued Unbilled Revenue	(28,876)	68,962	(2,114,863)
Revenue Adjustment for Uncollectibles	(1,052,904)	(2,018,795)	(1,397,760)
TOTAL OPERATING REVENUE	$ 127,077,868	$ 134,616,902	$ 130,636,068
CUSTOMERS			
Residential	234,342	231,088	224,948
Commercial - General Service	20,322	19,357	18,991
Resale	8	7	9
Fire Protection	5,655	5,317	5,200
Interdepartmental	58	54	56
Total Customers	260,385	255,823	249,204
METERED WATER (CCF)			
Residential	19,971,697	22,761,956	21,680,083
Commercial - General Service	25,155,519	27,395,724	26,361,651
Resale	139,327	41,117	12,498
Interdepartmental	44,548	42,886	28,784
Total CCF Sales	45,311,091	50,241,683	48,083,016
OPERATING REVENUE/CUSTOMER			
Residential	$ 255.54	$ 284.28	$ 285.12
Commercial - General Service	2,699.28	2,996.64	2,977.54
Resale	38,341.53	27,804.97	18,301.66
Fire Protection	1,307.58	1,340.02	1,391.34
Interdepartmental	1,994.60	2,055.49	1,585.31
OPERATING REVENUE/CCF			
Residential	$ 2.998	$ 2.886	$ 2.958
Commercial - General Service	2.181	2.117	2.145
Resale	2.202	4.734	13.179
Interdepartmental	2.597	2.588	3.084
CCF/CUSTOMER			
Residential	85.22	98.50	96.38
Commercial - General Service	1,237.85	1,415.29	1,388.11
Resale	17,415.88	5,873.86	1,388.67
Interdepartmental	768.07	794.19	514.00

Additional Financial Information

This discussion was 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.

MLGW

Financial Statements

Required and Supplemental Information

Memphis Light, Gas and Water Division
Years ended December 31, 2025 and 2024
with Independent Auditors' Report

STATEMENTS OF NET POSITION
DECEMBER 31, 2025 AND 2024
(Dollars in Thousands)

	Electric Division		Gas Division		Water Division	
	2025	**2024**	**2025**	**2024**	**2025**	**2024**
Assets						
Current assets:						
Cash and cash equivalents	**$ 144,927**	$ 113,539	**$ 50,239**	$ 107,212	**$ 33,348**	$ 63,570
Investments	**134,703**	78,174	**44,203**	73,243	**31,108**	43,908
Derivative instruments	**-**	-	**105**	160	**-**	-
Restricted funds - current	**251,266**	118,017	**10,560**	13,179	**9,707**	9,799
Accrued interest receivable	**-**	-	**144**	252	**-**	-
Accounts receivable - MLGW services (less allowance for doubtful accounts)	**144,940**	119,637	**28,998**	26,279	**16,810**	13,193
Accounts receivable - billing on behalf of other entities	**-**	-	**16,234**	16,171	**12,691**	12,891
Accounts receivable - Other Industrial Gas	**-**	-	**1,396**	1,118	**-**	-
Unbilled revenues	**67,174**	63,993	**17,266**	17,651	**4,345**	4,374
Unbilled revenues - Other Industrial Gas	**-**	-	**2,327**	1,705	**-**	-
Lease receivable - current	**613**	504	**540**	503	**263**	175
Unrecovered purchased power/gas cost	**13,961**	4,454	**-**	244	**-**	-
Gas stored - LNG	**-**	-	**2,995**	2,068	**-**	-
Inventories	**121,471**	131,607	**18,355**	19,365	**8,562**	8,795
Prepayment - insurance	**-**	-	**1,143**	1,319	**-**	-
Prepayment - City of Memphis pavement replacement permits	**-**	-	**1,729**	61	**-**	-
Unamortized debt expense - current	**309**	236	**68**	72	**72**	77
Meter replacement - current	**1,289**	1,265	**1,516**	1,495	**492**	486
LED Retrofit - current	**675**	623	**-**	-	**-**	-
Other current assets	**6,836**	6,542	**2,570**	2,505	**1,877**	2,448
Total current assets	**888,164**	638,591	**200,388**	284,602	**119,275**	159,716
Non-current assets:						
Restricted funds:						
Insurance reserves - injuries and damages	**5,179**	4,908	**3,405**	4,714	**1,266**	1,269
Insurance reserves - casualties and general	**25,819**	24,776	**11,660**	11,119	**9,468**	8,913
Medical benefits	**10,169**	12,173	**4,638**	5,552	**3,033**	3,630
Customer deposits	**33,357**	35,087	**5,443**	6,449	**2,854**	3,443
Interest fund - revenue bonds - series 2014	**-**	-	**-**	-	**26**	29
Interest fund - revenue bonds - series 2016	**98**	107	**99**	107	**52**	55
Interest fund - revenue bonds - series 2017	**217**	234	**109**	116	**57**	62
Interest fund - revenue bonds - series 2020	**-**	-	**191**	197	**198**	205
Interest fund - revenue bonds - series 2020A	**448**	462	**-**	-	**-**	-
Interest fund - revenue refunding bonds - series 2020B	**40**	41	**-**	-	**-**	-
Interest fund - revenue bonds - series 2024	**728**	734	**-**	-	**-**	-
Interest fund - revenue refunding bonds - series 2024	**62**	74	**-**	-	**-**	-
Interest fund - revenue bonds - series 2025	**1,077**	-	**-**	-	**-**	-
Sinking fund - revenue bonds - series 2014	**-**	10	**-**	-	**66**	64
Sinking fund - revenue bonds - series 2016	**163**	156	**163**	156	**123**	121
Sinking fund - revenue bonds - series 2017	**353**	338	**155**	148	**97**	94
Sinking fund - revenue bonds - series 2020	**-**	-	**114**	110	**125**	120
Sinking fund - revenue bonds - series 2020A	**269**	258	**-**	-	**-**	-
Sinking fund - revenue refunding bonds - series 2020B	**40**	39	**-**	-	**-**	-
Sinking fund - revenue bonds - series 2024	**293**	270	**-**	-	**-**	-
Sinking fund - revenue refunding bonds - series 2024	**247**	228	**-**	-	**-**	-
Sinking fund - revenue bonds - series 2025	**200**	-	**-**	-	**-**	-
Construction fund - revenue bonds - series 2024	**17**	84,301	**-**	-	**-**	-
Construction fund - revenue bonds - series 2025	**218,657**	-	**-**	-	**-**	-
Groundwater reserve fund	**-**	-	**-**	-	**3,551**	2,809
Total restricted funds	**297,433**	164,196	**25,977**	28,668	**20,916**	20,814
Less restricted funds - current	**(251,266)**	(118,017)	**(10,560)**	(13,179)	**(9,707)**	(9,799)
Restricted funds - non-current	**46,167**	46,179	**15,417**	15,489	**11,209**	11,015

See accompanying notes.

STATEMENTS OF NET POSITION
DECEMBER 31, 2025 AND 2024
(Dollars in Thousands)
(Continued)

	Electric Division		Gas Division		Water Division	
	2025	**2024**	**2025**	**2024**	**2025**	**2024**
Other assets:						
Prepayment - in lieu of taxes	**1,567**	1,583	**36**	36	**-**	-
Unamortized debt expense	**3,609**	2,379	**560**	628	**576**	648
Notes receivable	**-**	-	**-**	-	**1,265**	1,313
Lease receivable - long term	**5,597**	5,978	**18,372**	18,498	**1,283**	1,478
Meter replacement - long term	**10,868**	11,884	**14,517**	15,780	**3,199**	3,627
LED Retrofit - long term	**10,252**	9,890	-	-	-	-
Other prepayments	**28**	28	**-**	-	**-**	-
Total other assets	**31,921**	31,742	**33,485**	34,942	**6,323**	7,066
Capital assets						
Assets in service	**2,582,752**	2,441,357	**913,343**	850,408	**732,628**	680,179
Assets held for future use	**-**	-	**212**	212	**-**	-
Non-operating assets	**15,345**	15,345	**200**	200	**-**	-
Total capital assets	**2,598,097**	2,456,702	**913,755**	850,821	**732,628**	680,179
Less accumulated depreciation & amortization	**(1,087,872)**	(1,044,005)	**(436,738)**	(453,269)	**(267,415)**	(259,081)
Capital assets, net	**1,510,225**	1,412,697	**477,017**	397,551	**465,213**	421,098
Intangible assets						
Right of use assets	**13,102**	21,383	**5,331**	8,860	**4,094**	6,574
Less accumulated amortization	**(6,539)**	(13,505)	**(2,897)**	(5,752)	**(2,232)**	(4,222)
Intangible assets, net	**6,563**	7,878	**2,434**	3,108	**1,862**	2,352
Total non-current assets	**1,594,876**	1,498,496	**528,353**	451,090	**484,607**	441,531
Total assets	**2,483,040**	2,137,087	**728,741**	735,692	**603,882**	601,247
Deferred outflows of resources						
Employer pension contribution	**21,363**	17,213	**8,189**	6,598	**6,053**	4,877
Employer OPEB contribution	**15,953**	24,484	**6,115**	9,385	**4,520**	6,937
Pension liability experience	**53,810**	47,795	**20,627**	18,322	**15,246**	13,542
OPEB liability experience	**5,761**	9,539	**2,209**	3,656	**1,632**	2,703
Pension changes of assumptions	**8,044**	12,066	**3,084**	4,625	**2,279**	3,419
OPEB changes of assumptions	**13,623**	9,261	**5,222**	3,549	**3,860**	2,624
Pension investment earnings experience	**50,103**	73,261	**19,206**	28,083	**14,196**	20,757
OPEB investment earnings experience	**11,298**	14,887	**4,331**	5,707	**3,201**	4,218
Total deferred outflows of resources	**179,955**	208,506	**68,983**	79,925	**50,987**	59,077
Total assets and deferred outflows of resources	**$ 2,662,995**	$ 2,345,593	**$ 797,724**	$ 815,617	**$ 654,869**	$ 660,324

See accompanying notes.

STATEMENTS OF NET POSITION
DECEMBER 31, 2025 AND 2024
(Dollars in Thousands)
(Continued)

	Electric Division		Gas Division		Water Division	
	2025	2024	2025	2024	2025	2024
Liabilities						
Current liabilities:						
Accounts payable - purchased power and gas	$ 159,526	$ 159,317	$ 30,561	$ 22,422	$ -	$ -
Accounts payable - purchased gas adjustment and storage	-	-	6,425	1,084	-	-
Accounts payable - other payables and liabilities	49,860	44,670	11,120	7,819	12,515	8,982
Accounts payable - billing on behalf of other entities	-	-	12,633	12,520	10,590	10,399
Accrued compensated absences	12,385	11,657	4,557	4,389	3,395	3,146
Bonds payable	16,677	13,806	4,588	4,366	4,373	4,197
Lease liability - current	373	392	98	109	72	80
Subscription liability - current	2,994	1,706	1,148	619	848	459
Total current liabilities payable from current assets	241,815	231,548	71,130	53,328	31,793	27,263
Current liabilities payable from restricted assets:						
Insurance reserves - injuries and damages	5,179	4,908	3,405	4,714	1,266	1,269
Medical benefits	2,814	2,864	1,283	1,307	839	854
Customer deposits	13,009	13,684	1,687	2,078	1,113	1,343
Bonds payable - accrued interest	2,672	1,650	398	419	333	351
Bonds payable - principal	1,563	1,299	432	413	412	398
Total current liabilities payable from restricted assets	25,237	24,405	7,205	8,931	3,963	4,215
Total current liabilities	267,052	255,953	78,335	62,259	35,756	31,478
Non-current liabilities:						
Customer deposits	20,348	21,403	4,131	4,371	1,741	2,100
LNG deposits	-	-	25	25	-	-
Accrued compensated absences	6,615	4,917	2,609	2,011	1,809	1,320
Revenue bonds - series 2014	-	-	-	-	7,280	8,045
Revenue bonds - series 2016	24,545	26,435	24,545	26,435	17,305	18,740
Revenue bonds - series 2017	59,280	63,380	26,535	28,335	16,145	17,280
Revenue bonds - series 2020	-	-	55,870	57,200	60,235	61,685
Revenue bonds - series 2020A	131,245	134,375	-	-	-	-
Revenue refunding bonds - series 2020B	26,285	26,745	-	-	-	-
Revenue bonds - series 2024	174,405	177,270	-	-	-	-
Revenue refunding bonds - series 2024	11,245	14,645	-	-	-	-
Revenue bonds - series 2025	232,760	-	-	-	-	-
Unamortized debt premium	59,804	47,417	13,972	15,485	11,024	12,046
Lease liability - long term	317	679	80	174	59	129
Subscription liability - long term	881	3,939	338	1,696	281	1,270
Net pension liability	144,972	136,679	55,573	52,394	41,076	38,726
Net OPEB liability	72,477	77,431	27,783	29,682	20,535	21,939
City of Memphis Broadband Project	981	1,399	-	-	-	-
Other	543	1,531	208	503	153	151
Total non-current liabilities	966,703	738,245	211,669	218,311	177,643	183,431
Total liabilities	1,233,755	994,198	290,004	280,570	213,399	214,909
Deferred inflows of resources:						
Unamortized balance of refunded debt- Series 2024	85	127	-	-	-	-
Leases	5,559	6,298	17,240	17,847	1,345	1,560
Pension liability experience	-	504	-	193	-	143
OPEB liability experience	2,087	3,055	800	1,171	591	866
Pension changes of assumptions	7,729	17	2,963	7	2,190	5
OPEB changes of assumptions	29,949	44,591	11,481	17,093	8,486	12,634
hedging derivative instruments	-	-	105	160	-	-
Total deferred inflows of resources	45,409	54,592	32,589	36,471	12,612	15,208
Net position						
Net investment in capital assets	991,389	986,400	351,425	265,225	343,633	295,941
Restricted for:						
Casualty Insurance	25,819	24,776	11,660	11,119	9,468	8,913
Medical Benefits & other	7,355	9,308	2,955	4,221	5,745	5,585
Unrestricted	359,268	276,319	109,091	218,011	70,012	119,768
Total net position	1,383,831	1,296,803	475,131	498,576	428,858	430,207
Total liabilities, deferred inflows of resources and net position	$ 2,662,995	$ 2,345,593	$ 797,724	$ 815,617	$ 654,869	$ 660,324

See accompanying note

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024 (Dollars in Thousands)

	Electric Division		Gas Division		Water Division	
	2025	**2024**	**2025**	**2024**	**2025**	**2024**
Operating revenues:						
Sales and service revenues	**$ 1,659,184**	$ 1,464,722	**$ 249,811**	$ 196,007	**$ 121,474**	$ 129,081
Transported gas revenues	**-**	-	**13,880**	12,805	**-**	-
Other revenues	**30,275**	27,256	**35,213**	27,829	**5,603**	5,536
Total operating revenues	**1,689,459**	1,491,978	**298,904**	236,641	**127,077**	134,617
Operating expenses:						
Purchased power and gas for resale	**1,218,534**	1,084,669	**165,754**	99,692	**-**	-
Production	**-**	-	**-**	-	**25,237**	22,559
Operation	**225,001**	188,411	**106,988**	96,759	**72,228**	63,602
Maintenance	**92,060**	99,796	**11,443**	11,571	**15,067**	19,057
Depreciation & amortization	**74,170**	73,902	**26,655**	26,542	**14,748**	14,474
Total operating expenses	**1,609,765**	1,446,778	**310,840**	234,564	**127,280**	119,692
Operating income (loss)	**79,694**	45,200	**(11,936)**	2,077	**(203)**	14,925
Non-capital subsidies:						
Payment in lieu of taxes	**(7,553)**	(6,957)	**(832)**	(748)	**-**	-
Transfers to - City of Memphis	**(46,284)**	(41,924)	**(16,483)**	(15,632)	**(4,800)**	(4,700)
Total noncapital subsidies	**(53,837)**	(48,881)	**(17,315)**	(16,380)	**(4,800)**	(4,700)
Operating income (loss) and noncapital subsidies	**25,857**	(3,681)	**(29,251)**	(14,303)	**(5,003)**	10,225
Other non operating revenues and expenses:						
Contributions in aid of construction	**27,433**	26,074	**4,217**	4,223	**16,240**	5,185
Reduction of plant costs recovered through contributions in aid of construction	**(27,433)**	(26,074)	**(4,217)**	(4,223)	**(16,240)**	(5,185)
Transmission credits	**40,690**	40,037	**-**	-	**-**	-
Investment and other income	**37,490**	16,008	**9,332**	10,427	**6,865**	7,748
Interest expense	**(17,009)**	(11,052)	**(3,526)**	(3,691)	**(3,211)**	(3,345)
Total other nonoperating revenues and expenses	**61,171**	44,993	**5,806**	6,736	**3,654**	4,403
Income (loss) before unusual and infrequent items	**87,028**	41,312	**(23,445)**	(7,567)	**(1,349)**	14,628
Unusual or infrequent items:	-	-	-	-	-	-
Increase (decrease) in net position	**87,028**	41,312	**(23,445)**	(7,567)	**(1,349)**	14,628
Net position, beginning of period	**1,296,803**	1,255,491	**498,576**	506,143	**430,207**	415,579
Net position, end of period	**$ 1,383,831**	$ 1,296,803	**$ 475,131**	$ 498,576	**$ 428,858**	$ 430,207

See accompanying notes.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(Dollars in Thousands)

	Electric Division		Gas Division		Water Division	
	2025	2024	2025	2024	2025	2024
Cash flows from operating activities:						
Receipts from customers and users	**$ 1,679,056**	$ 1,492,933	**$ 298,257**	$ 230,901	**$ 124,853**	$ 142,001
Payments to suppliers	**(1,303,536)**	(1,171,857)	**(196,742)**	(139,000)	**(47,164)**	(54,565)
Payments to/on behalf of employees	**(169,860)**	(162,475)	**(70,311)**	(71,649)	**(52,111)**	(51,862)
Payments from (to) other Division funds	**(5,682)**	(4,648)	**(665)**	(354)	**(2,869)**	(2,243)
Payments for taxes	**(7,203)**	(7,117)	**(834)**	(748)	**-**	-
Net cash provided by operating activities	**192,775**	146,836	**29,705**	19,150	**22,709**	33,331
Cash flows from noncapital financing activities:						
Transfers to City of Memphis	**(46,284)**	(41,924)	**(16,483)**	(15,632)	**(4,800)**	(4,700)
Net cash used in noncapital financing activities	**(46,284)**	(41,924)	**(16,483)**	(15,632)	**(4,800)**	(4,700)
Cash flows from capital and related financing activities:						
Purchase and construction of utility plant	**(191,038)**	(189,797)	**(108,116)**	(35,834)	**(75,062)**	(45,849)
Purchase of leases and subscriptions	**8,281**	(8,534)	**3,529**	(3,640)	**2,481**	(2,723)
Contributions in aid of construction	**27,433**	26,074	**4,217**	4,223	**16,240**	5,184
Proceeds from issuance of long-term debt	**250,000**	214,819	**-**	-	**-**	-
Principal payments on long-term debt	**(15,105)**	(31,175)	**(4,780)**	(4,555)	**(4,595)**	(4,425)
Interest payments on debt	**(19,549)**	(13,254)	**(4,932)**	(5,159)	**(4,125)**	(4,294)
Principal paid on lease liabilities	**(381)**	672	**(105)**	265	**(77)**	196
Principal paid on subscription liabilities	**(1,770)**	3,449	**(829)**	1,396	**(599)**	1,014
Interest paid on lease liabilities	**(38)**	(17)	**(10)**	(6)	**(7)**	(4)
Interest paid on subscription liabilities	**(107)**	(113)	**(46)**	(56)	**(41)**	(43)
Net cash provided by (used in) capital and related financing activities	**57,726**	2,124	**(111,072)**	(43,367)	**(65,785)**	(50,944)
Cash flows from investing activities:						
Sales and maturities of investments	**13,630**	32,877	**53,343**	47,066	**29,748**	32,382
Purchases of investments	**(72,987)**	(46,123)	**(25,102)**	(40,713)	**(18,533)**	(25,137)
Payments received on notes receivable	**-**	-	**-**	-	**48**	(69)
Investment income earned on investments	**16,937**	10,147	**9,144**	10,631	**4,909**	6,194
Net cash provided by (used in) investing activities	**(42,420)**	(3,099)	**37,385**	16,984	**16,172**	13,370
Increase in cash and cash equivalents	**161,797**	103,936	**(60,465)**	(22,865)	**(31,704)**	(8,943)
Cash and cash equivalents, beginning of year	**265,603**	161,667	**129,409**	152,274	**79,074**	88,017
Cash and cash equivalents, end of year	**$ 427,400**	$ 265,603	**$ 68,944**	$ 129,409	**$ 47,370**	$ 79,074

See accompanying notes.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(Dollars in Thousands)

	Electric Division		Gas Division		Water Division	
	2025	2024	2025	2024	2025	2024
Reconciliation of operating income to net cash provided by operating activities:						
Operating income (loss)	**$ 79,694**	$ 45,200	**$ (11,936)**	$ 2,077	**$ (203)**	$ 14,925
Adjustments to reconcile net operating income to net cash provided by operating activities:						
Depreciation and amortization expense	**71,294**	69,760	**26,552**	25,801	**13,555**	12,926
Amortization of leases and subscriptions	**(1,143)**	5,488	**141**	3,069	**4,348**	1,805
Payment in lieu of taxes	**(7,553)**	(6,957)	**(832)**	(748)	**-**	-
Transmission credits	**40,690**	40,037	**-**	-	**-**	-
Other income (loss)	**13,166**	5,859	**(3,243)**	(604)	**(84)**	1,554
(Increase) decrease in assets and deferred outflows:						
Accounts receivable - MLGW services	**(25,303)**	1,403	**(2,846)**	(1,555)	**(3,617)**	1,227
Accounts receivable - billing on behalf of other entities	**-**	-	**63**	2,059	**200**	5,949
Accounts receivable - Other Industrial Gas	**-**	-	**(278)**	1,343	**-**	-
Lease receivable	**273**	378	**89**	397	**107**	149
Deferred outflows - Pension	**(6,143)**	(17,089)	**(2,355)**	(6,551)	**(1,741)**	(4,842)
Deferred outflows - Pension investment earnings experience	**39,213**	39,213	**15,032**	15,032	**11,110**	11,110
Net pension asset	**-**	-	**-**	-	**-**	-
Deferred outflows - OPEB	**7,946**	1,176	**3,046**	451	**2,251**	333
Deferred outflows - OPEB investment earnings experience	**14,765**	14,765	**5,660**	5,660	**4,183**	4,183
Unbilled revenues	**(3,181)**	(7,986)	**385**	(4,166)	**29**	(69)
Unbilled revenues - Other Industrial Gas	**-**	-	**(622)**	(411)	**-**	-
Prepayments - in lieu of taxes	**16**	15	**-**	-	**-**	-
Unrecovered purchased power and gas costs	**(9,507)**	2,462	**244**	(244)	**-**	-
Inventories	**10,136**	(27,926)	**1,010**	(2,345)	**233**	(1,001)
Other assets	**(23)**	315	**(3,017)**	499	**-**	-
Increase (decrease) in liabilities and deferred inflows:						
Accounts payable - purchased power and gas	**209**	24,105	**8,139**	4,583	**-**	-
Accounts payable - other payables and liabilities	**1,346**	2,238	**8,909**	(144)	**1,392**	982
Accounts payable - recovered gas cost due to customers	**-**	-	**-**	(7,140)	**-**	-
Accounts payable - billing on behalf of other entities	**-**	-	**113**	2,116	**191**	(2,501)
Accrued interest payable - subscriptions	**(15)**	15	**(13)**	13	**(10)**	10
Customer deposits	**(1,730)**	(223)	**(631)**	(2,070)	**(589)**	332
Insurance reserves	**271**	(1,235)	**(1,309)**	(514)	**(3)**	(206)
Medical benefit accrual	**(50)**	(5,468)	**(24)**	(2,494)	**(15)**	(1,631)
Compensated absences	**2,426**	791	**766**	243	**738**	83
Deferred inflows - Leases	**(740)**	(674)	**(608)**	(724)	**(215)**	(245)
Deferred inflows - Pension	**7,208**	(521)	**2,763**	(200)	**2,042**	(148)
Deferred inflows - Pension investment earnings experience	**(16,056)**	(39,923)	**(6,155)**	(15,304)	**(4,549)**	(11,312)
Net pension liability	**8,293**	36,547	**3,179**	14,010	**2,350**	10,355
Deferred inflows - OPEB	**(15,610)**	33,992	**(5,984)**	13,030	**(4,423)**	9,631
Deferred inflows - OPEB investment earnings experience	**(11,177)**	(10,297)	**(4,284)**	(3,947)	**(3,167)**	(2,917)
Net OPEB liability	**(4,954)**	(58,580)	**(1,899)**	(22,456)	**(1,404)**	(16,598)
Other liabilities	**(986)**	(44)	**(350)**	384	**-**	(753)
Total adjustments	**113,081**	101,636	**41,641**	17,073	**22,912**	18,406
Net cash provided by operating activities	**$ 192,775**	$ 146,836	**$ 29,705**	$ 19,150	**$ 22,709**	$ 33,331
Reconciliation of cash and cash equivalents per statements of cash flows to the statements of net position:						
Restricted funds	**$ 297,433**	$ 164,196	**$ 25,977**	$ 28,668	**$ 20,916**	$ 20,814
Less investments included in restricted funds	**(14,960)**	(12,132)	**(7,272)**	(6,471)	**(6,894)**	(5,310)
Cash and cash equivalents included in restricted funds	**282,473**	152,064	**18,705**	22,197	**14,022**	15,504
Current assets - cash and cash equivalents	**144,927**	113,539	**50,239**	107,212	**33,348**	63,570
Total cash and cash equivalents	**$ 427,400**	$ 265,603	**$ 68,944**	$ 129,409	**$ 47,370**	$ 79,074
Noncash capital activities:						
Capital assets additions included in accounts payable	**$ 3,343**	$ (535)	**$ 255**	$ (817)	**$ (2,149)**	$ (2,013)
Capital assets acquired through leases	**$ (411)**	$ 996	**$ (109)**	$ 255	**$ (81)**	$ 188
Capital assets acquired through subscriptions	**$ (904)**	$ 2,031	**$ (565)**	$ 821	**$ (410)**	$ 629

See accompanying notes.

STATEMENTS OF FIDUCIARY NET POSITION – PENSION TRUST PLAN AND OPEB TRUST
DECEMBER 31, 2025 AND 2024
(Dollars in Thousands)

	2025	2024
ASSETS		
Cash and cash equivalents	**$ 89,355**	$ 48,113
Receivables:		
Employee and retiree contributions	**1,903**	1,105
Interest, dividends and real asset	**2,356**	2,189
Receivable for securities sold	**35**	2,812
Miscellaneous income	**1**	1
Total receivables	**4,295**	6,107
Collateral held in trust for securities on loan	**38,584**	36,633
Investments at fair value:		
Equity Funds:		
Common stock - domestic	**327,483**	298,892
Common stock & mutual funds - international	**226,468**	192,099
Common stock index mutual funds - domestic	**641,355**	600,609
Equity collective fund - domestic	**24,740**	54,279
Equity collective fund - international	**-**	29,186
Value Equity - international	**39,214**	-
Fixed Income Funds:		
Corporate bonds - domestic	**33,547**	36,819
Corporate bonds - international	**438**	818
Corporate bonds CIT - international	**74,270**	65,426
Corporate bond mutual funds - domestic	**46,133**	42,948
Convertible bond mutual funds - domestic	**14,833**	12,121
Government bonds - domestic	**41,763**	18,604
Government agencies - domestic	**2,061**	2,747
Global bond fund - international	**46,681**	50,771
Asset backed securities - domestic	**10,106**	4,112
Asset backed securities - international	**-**	403
Mortgage backed securities - domestic	**47,560**	20,246
Core fixed income CIT - domestic	**53,374**	49,776
Other fixed income - domestic	**250**	-
Special Strategies Funds:		
Private equity funds - domestic	**207,841**	193,829
Private equity funds - international	**33,541**	32,146
Distressed debt funds - domestic	**42,559**	59,590
Distressed debt funds - international	**35,548**	31,193
Private debt fund - domestic	**47,348**	35,946
Multi-asset fund -domestic	**29,727**	20,824
Life settlement funds - domestic	**41,029**	80,707
Equity hedge fund - domestic	**42,642**	35,501
Real Asset Funds		
Real asset funds - domestic	**295,930**	325,295
Real asset fund - international	**550**	674
Short-Term Investment	**-**	1,342
Total investments	**2,406,991**	2,296,903
Total assets	**2,539,225**	2,387,756
LIABILITIES		
Benefits payable	**4,832**	-
Liability for securities purchased	**308**	102
Accrued liabilities	**2,151**	2,361
Collateral subject to return to borrowers	**38,584**	36,633
Total liabilities	**45,875**	39,096
Restricted for:		
Pension benefits	**1,669,280**	1,591,678
Post-employment benefits other than pensions	**824,070**	756,982
FIDUCIARY NET POSITION RESTRICTED FOR PENSION AND OPEB	**$ 2,493,350**	$ 2,348,660

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION – PENSION TRUST PLAN AND OPEB TRUST FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(Dollars in Thousands)

MLGW

	2025	2024
ADDITIONS		
Contributions		
Employer	$ 62,193	$ 69,494
Member	17,753	16,471
Total contributions	79,946	85,965
Investment Income		
Net appreciation in fair value of investments	206,555	157,962
Interest income	12,657	11,982
Dividend income	17,634	16,839
Real asset funds income	4,204	4,556
Other income	175	31
Less: investment expenses, other than from securities lending	(5,956)	(5,776)
Net investment income, other than from securities lending	235,269	185,594
Securities lending income	2,109	2,093
Securities lending expenses:		
Borrower rebates	(1,930)	(1,936)
Management fees	(40)	(32)
Total securities lending expenses	(1,970)	(1,968)
Net securities lending income	139	125
Net investment income	235,408	185,719
Total additions	315,354	271,684
DEDUCTIONS		
Benefit payments:		
Retired members	143,596	160,320
Survivors (spouse and children)	20,032	19,881
Disable members	405	423
Deferred vested members	383	374
Alternate payees	328	247
Total benefit payments	164,744	181,245
Contributions refund	3,712	2,616
Administrative expenses	2,208	1,577
Total deductions	170,664	185,438
Increase in net position	144,690	86,246
FIDUCIARY NET POSITION RESTRICTED FOR PENSION AND OPEB		
Beginning of year	2,348,660	2,262,414
End of year	$ 2,493,350	$ 2,348,660

1. Summary of Significant Accounting Policies

Organization

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

Basis of Presentation

The financial statements present the Electric, Gas and Water major enterprise funds in conformity with accounting principles generally accepted in the United States of America that are applicable to a proprietary fund of a government unit. MLGW's basic financial statements were expanded in fiscal year 2020 to meet the requirements of Governmental Accounting Standards Board ("GASB") Statement No. 84, *Fiduciary Activities*. Therefore, in addition to the financial statements of the Divisions, the financial statements of MLGW's fiduciary activities are also presented in conformity with accounting principles generally accepted in the United States of America. The fiduciary activities of MLGW include the MLGW Pension Plan and the OPEB Trust. The financial statements, note disclosures, and required supplementary information for these fiduciary activities can also be found in separately issued reports. The accompanying financial statements do not present the financial position, results of operations or cash flows of the City. Accordingly, the accompanying disclosures relate separately to the Divisions and related fiduciary activities. These statements are not intended to present the financial position of the City, the results of the City's operations or the cash flows of the City's funds.

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1. Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included in the Statements of Net Position. Net Position (i.e., total assets and deferred outflows of resources net of total liabilities and deferred inflows of resources) is segregated into net investment in capital assets, restricted and unrestricted components.

The Statements of Revenue, Expenses and Change in Net Position presents operating revenues (increases) and expenses (decreases), non-operating revenues (increases) and expenses (decreases) and non-capital subsidies (decreases) in the total net position. Under the accrual basis of accounting, revenue is recognized in the period in which it is earned while expenses are recognized in the period in which the liability is incurred.

The fiduciary funds are reported using the economic resources measurement focus and accrual basis of accounting.

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

Where applicable, the Federal Energy Regulatory Commission's ("FERC") (Electric and Gas Divisions) and the National Association of Regulatory Utility Commissioners' ("NARUC") (Water Division) Uniform Systems of Accounts are used.

MLGW 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.

(Dollars in Thousands)

1. Summary of Significant Accounting Policies (continued)

Regulatory Accounting (continued)

In the event MLGW no longer meets the criteria for regulated operations under GASB 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, 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:

	Electric Division		Gas Division		Water Division	
	2025	2024	**2025**	2024	**2025**	2024
Regulatory Assets:						
Current:						
Unrecovered purchased power/gas cost	**$ 13,961**	$ 4,454	**$ -**	$ 244	**$ -**	$ -
Meter replacement	**1,289**	1,265	**1,516**	1,495	**492**	486
LED Retrofit	**675**	623	**-**	-	**-**	-
Unamortized debt expense	**309**	236	**68**	72	**72**	77
Total current	**16,234**	6,578	**1,584**	1,811	**564**	563
Non-Current:						
Meter replacement	**10,868**	11,884	**14,517**	15,780	**3,199**	3,627
LED Retrofit	**10,252**	9,890	**-**	-	**-**	-
Unamortized debt expense	**3,609**	2,379	**560**	628	**576**	648
Total non-current	**24,729**	24,153	**15,077**	16,408	**3,775**	4,275
Total Regulatory Assets	**$ 40,963**	$ 30,731	**$ 16,661**	$ 18,219	**$ 4,339**	$ 4,838
Regulatory Liabilities:						
Current:						
Purchased gas adjustment	**$ -**	$ -	**$ 6,425**	$ 1,084	**$ -**	$ -
Total Regulatory Liabilities	**$ -**	**$ -**	**$ 6,425**	$ 1,084	**$ -**	**$ -**

Fair Value of Financial Instruments

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

1. Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments (continued)

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

MLGW had the following recurring fair value measurements as of December 31, 2025:

- U.S. Treasury Securities of $262,375 (Level 1 inputs)

- Commercial Paper of $55,728; Government Mortgage-backed Securities of $36,612; and U.S. Government Agencies of $93,420 (Level 2 inputs)

MLGW had the following recurring fair value measurements as of December 31, 2024:

- U.S. Treasury Securities of $214,493 (Level 1 inputs)

- Commercial Paper of $40,189; Government Mortgage-backed Securities of $13,369; and U.S. Government Agencies of $225,456 (Level 2 inputs)

Cash and Cash Equivalents

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

Accounts Receivable

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

(Dollars in Thousands)

1. Summary of Significant Accounting Policies (continued)

Accounts Receivable (continued)

As of December 31, 2025 and 2024, accounts receivable and allowances for doubtful accounts were as follows:

	Electric Division		Gas Division		Water Division	
	2025	2024	**2025**	2024	**2025**	2024
Accounts Receivable	**$ 170,668**	$ 147,223	**$ 49,419**	$ 45,852	**$ 32,606**	$ 29,409
Allowance for doubtful accounts	**(25,728)**	(27,586)	**(2,791)**	(2,284)	**(3,105)**	(3,325)
Total A/R, net of allowance	**$ 144,940**	$ 119,637	**$ 46,628**	$ 43,568	**$ 29,501**	$ 26,084

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:

	2025	2024
Electric	**$ 8,417**	$ 7,873
Gas	**1,699**	1,826
Water	**1,053**	2,019

Unbilled Revenues

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

Inventories and Stored Natural Gas

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

1. Summary of Significant Accounting Policies (continued)

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.

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

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

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

Medical benefit reserves are maintained for MLGW's medical insurance program, which serves employees and retirees. The medical benefit reserves represent the estimated costs incurred but not yet paid plus fifty percent of the claims fluctuation reserve ("CFR") in providing medical benefits to employees and retirees which are not insured by third party providers. The inclusion of the CFR in the medical benefit reserve added assurance that the liability estimate is sufficient under moderately adverse conditions. Beginning January 1, 2025, retiree medical costs are paid through the OPEB Trust. With this transition, the medical benefit cost for the Division decreased. As a result of the decrease in claims activity, the medical benefit liability reserves excludes the CFR as of December 31, 2025 and 2024.

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

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

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

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

1. Summary of Significant Accounting Policies (continued)

Restricted Funds and Related Reserves (continued)

The Agreement was amended on July 1, 2023, and shall continue through June 30, 2028. MLGW will fund $5,000 to CAESER over the period of the contract for Aquifer Management and Protection Research.

A resolution was approved by the City Council on January 9, 2018, to increase Water annual sales revenue of 1.05% to be effective with meters read on Cycle 1 of the January 2018 revenue month to fund aquifer research. 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.

Capital Assets

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

Interest on debt is recovered through current revenues. The amount of interest cost incurred and charged to electric expense in 2025 and 2024 totaled $16,768 and $10,923 respectively. The amount of interest cost incurred and charged to gas expense in 2025 and 2024 totaled $3,471 and $3,629, respectively. The amount of interest cost incurred and charged to water expense in 2025 and 2024 totaled $3,163 and $3,297, respectively.

Depreciation and amortization are computed using the composite method based on estimated service lives of various classes of depreciable property at rates equivalent to annual rates of approximately 2.7% for the electric division, 2.5% for the gas division and 1.7% for the water division. Computations of the estimated service lives are the result of various depreciation studies and comparisons with industry standards.

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

1. Summary of Significant Accounting Policies (continued)

Compensated Absences

It is MLGW's policy to provide all eligible, full-time employees' vacation benefits. Vacation benefits are based on years of continuous service with the Division and the time spent on actual employment during the preceding vacation year. An employee may elect to carry over up to ten vacation days into the next benefit year. Any vacation days remaining at the end of the year over that which can be reimbursed or carried over are forfeited. Upon termination of employment, employees are paid for vacation benefits that are accrued in the current year, in addition to unused vacation benefits. An employee retiring will receive credit for vacation benefits accrued through last day worked.

It is MLGW's policy to grant bonus days to full-time employees at designated intervals according to prescribed standards of eligibility. An employee's bonus day accrual begins upon the completion of three months of service, regardless of the number of days an employee is absent. Upon completion of this period, an employee will earn a bonus day if there are no absences, which breaks or freezes a bonus day accrual. Bonus days expire after twelve months from the day earned. An employee may elect to take bonus days before the date of expiration, or the employee will automatically be compensated at regular rate of pay for bonus days allowed to expire. Upon termination of employment, employees are paid for bonus days accrued. An employee retiring will accrue bonus days through last day worked.

It is MLGW's policy to grant full-time employees a birthday holiday. Employee's birthday holiday is accrued each year on the birthday anniversary and will be taken or paid within twelve months from the day earned. A birthday holiday not taken or paid within twelve months of accrual will be forfeited.

It is MLGW's policy to grant paid sick leave to full-time employees according to prescribed standards of eligibility. Accrual for sick leave begins on the first day of employment. Sick leave is accrued at the rate of one day per month for any month in which an employee receives 100% pay for eleven or more workdays. An employee can accumulate unlimited sick leave. Exempt and non-exempt employees (hired on or after January 1, 1998) are paid for accrued unused sick leave over one hundred days at a rate of forty-two percent. Non-exempt employees hired on or before January 1, 1998, have the option of pay out on 42% of total sick leave or 100% on the first sixty-five days. Sick leave for employees eligible to retire represents 42% of total sick leave with the remaining 58% to be creditable pension service, which is a component of the pension expense. An employee terminated will not receive payment for unused sick leave.

All vacation, bonus days, birthday holiday and sick leave benefits are considered to be more likely than not to be paid out. As a result, MLGW has accrued, and the estimated current portion is reflected as a current liability and the estimated long-term portion is reflected as a long-term liability on the Statements of Net Position. Bonus days and birthday holidays are included in accrued vacation liability.

(Dollars in Thousands)

1. Summary of Significant Accounting Policies (continued)

Compensated Absences (continued)

Changes in compensated absences are summarized as of December 31, 2025:

	Beginning Balance	Increases	Decreases	Ending Balance
Year ended December 31, 2025				
Electric Division				
Current:				
Accrued vacation	$ 11,657	$ 9,810	$ (9,082)	$ 12,385
Non-Current:				
Reserve for unused sick leave	4,917	3,258	(1,560)	6,615
Total compensated absences	$ 16,574	$ 13,068	$ (10,642)	$ 19,000

	Beginning Balance	Increases	Decreases	Ending Balance
Year ended December 31, 2025				
Gas Division				
Current:				
Accrued vacation	$ 4,389	$ 3,551	$ (3,383)	$ 4,557
Non-Current:				
Reserve for unused sick leave	2,011	1,143	(545)	2,609
Total compensated absences	$ 6,400	$ 4,694	$ (3,928)	$ 7,166

	Beginning Balance	Increases	Decreases	Ending Balance
Year ended December 31, 2025				
Water Division				
Current:				
Accrued vacation	$ 3,146	$ 2,929	$ (2,680)	$ 3,395
Non-Current:				
Reserve for unused sick leave	1,320	923	(434)	1,809
Total compensated absences	$ 4,466	$ 3,852	$ (3,114)	$ 5,204

(Dollars in Thousands)

1. Summary of Significant Accounting Policies (continued)

Compensated Absences (continued)

Changes in compensated absences are summarized as of December 31, 2024:

	Beginning Balance	Increases	Decreases	Ending Balance
Year ended December 31, 2024	**As Restated**			
Electric Division				
Current:				
Accrued vacation	$ 11,053	$ 8,970	$ (8,366)	$ 11,657
Non-Current:				
Reserve for unused sick leave	4,730	1,332	(1,145)	4,917
Total compensated absences	$ 15,783	$ 10,302	$ (9,511)	$ 16,574

	Beginning Balance	Increases	Decreases	Ending Balance
Year ended December 31, 2024	**As Restated**			
Gas Division				
Current:				
Accrued vacation	$ 4,178	$ 3,374	$ (3,163)	$ 4,389
Non-Current:				
Reserve for unused sick leave	1,979	763	(731)	2,011
Total compensated absences	$ 6,157	$ 4,137	$ (3,894)	$ 6,400

	Beginning Balance	Increases	Decreases	Ending Balance
Year ended December 31, 2024	**As Restated**			
Water Division				
Current:				
Accrued vacation	$ 3,036	$ 2,624	$ (2,514)	$ 3,146
Non-Current:				
Reserve for unused sick leave	1,347	405	(432)	1,320
Total compensated absences	$ 4,383	$ 3,029	$ (2,946)	$ 4,466

1. Summary of Significant Accounting Policies (continued)

Leases

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

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

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

Subscription Based Information Technology Agreements

The Subscription Based Information Technology Agreements ("SBITAs") are contracts that define the right to use another party's information technology ("IT") software, as specified in the contract, for a period of time in an exchange or exchange-like transactions. The subscription term includes the period during which MLGW has a noncancelable right to use the underlying IT assets and includes periods covered by the option to extend (if it is reasonably certain that MLGW or the SBITA vendor will exercise that option) or terminate the contract.

For the SBITA contracts, MLGW recognizes an intangible subscription asset and a subscription liability, measured at present value of subscription payments over the subscription term on commencement date using MLGW's incremental borrowing rate. The subscription assets are amortized over the subscription term and are reported in Non-current Intangible Assets. The liabilities are reported in Current Liabilities for the current portion and Non-current Liabilities for the long-term portion on the Statements of Net Position.

Futures, Options and Swap Contracts

The Gas Division enters into futures contracts, swaps and options on futures contracts as cash flow hedges to manage the risk of volatility in the market price of natural gas on anticipated purchase transactions. The Electric Division periodically enters into futures contracts, swaps and options on futures contracts as cash flow hedges to manage the risk of volatility in the market price of unleaded gasoline and diesel fuel on anticipated purchase transactions. The market values of the open derivative positions are reported on the Statement of Net Position as derivative instruments. The changes in fair market value are recognized as

1. Summary of Significant Accounting Policies (continued)

Futures, Options and Swap Contracts (continued)

deferred inflows (gains) or deferred outflows (losses) until the related gas purchases are recognized in the Statement of Revenues, Expenses and Changes in Net Position.

Bond Premiums, Discounts, and Issuance Costs

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

Net Position

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

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

When both restricted and restricted resources are available for use, it is the Division’s policy to use restricted resources first, then unrestricted resources as they are needed.

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,

1. Summary of Significant Accounting Policies (continued)

Revenues and Expenses (continued)

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 and depreciation on capital assets. Expenses not meeting this definition are reported as non-capital subsidies and non-operating expenses. Subsidies are provided to the City, for which the City does not provide goods and services to the Division. See Note 17 for discussion of MLGW Transfers to the City.

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. 87, *Leases*, MLGW recognizes deferred inflows of resources associated with reporting the commencement of the lease term and recognition of revenue over the course of the lease.

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

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

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 MLGW Pension Plan and additions to and deductions from the MLGW Pension Plan's fiduciary net position have been determined

1. Summary of Significant Accounting Policies (continued)

Pensions (continued)

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 OPEB Trust and additions to and deductions from the MLGW OPEB Trust fiduciary net position have been determined on the same basis as they are reported by the MLGW OPEB Trust. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Related Parties

MLGW conducts business with related parties as “arm’s length” transactions. Generally, MLGW provides utility and related services to and receives payments from these parties in the same manner as other non-related customers. Major related party entities include the City of Memphis government. For the years ending December 31, 2025 and 2024, receivables from related parties for utility construction, pole rentals and utility related services excluding utility bills were $8,624 and $3,058, respectively.

As of December 31, 2025, 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 $122 for both 2025 and 2024.

The Electric, Gas and Water Divisions make transfers to the City. See Note 17 (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.

Prior Period Restatements

There were no restatements made as of December 31, 2025.

1. Summary of Significant Accounting Policies (continued)

Prior Period Restatements (continued)

In 2024, MLGW implemented GASB Statement No. 101, *Compensated Absences*. GASB 101 requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. This Statement also requires that leave that is more likely than not to be settled through conversion to defined benefits plan be excluded from the liability for compensated absences because such leave already is taken into account in a pension liability. Accordingly, the accompanying financial statements, as of and for year ended December 31, 2023, have been restated for the change, which did have a material impact on the net position. As a result of the implementation of this provision, MLGW increased Electric, Gas, and Water Divisions net position for 2023 by $2,552, $1,004, $679, respectively.

As a result of adopting GASB 101, as of December 31, 2023, MLGW's Electric Division increased current liability for accrued vacation by $93 and decreased non-current liability reserve for unused sick leave by $2,645. The Electric Division also reduced operation expenses by $2,552.

As a result of adopting GASB 101, as of December 31, 2023, MLGW's Gas Division increased current liability for accrued vacation by $35 and decreased non-current liability reserve for unused sick leave by $1,039. The Gas Division also reduced operation expenses by $1,004.

As a result of adopting GASB 101, as of December 31, 2023, MLGW's Water Division increased current liability for accrued vacation by $23 and decreased non-current liability reserve for unused sick leave by $702. The Water Division also reduced operation expenses by $679.

Additional disclosures also resulted from the adoption of GASB 101.

Events Occurring After Reporting Date

Management has evaluated events and transactions that have occurred between December 31, 2025 and July 15, 2026, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

Reclassifications

Certain amounts in the 2024 financial statements have been reclassified to conform to the 2025 presentation.

1. Summary of Significant Accounting Policies (continued)

Recent Accounting Standards

Effective for fiscal year 2025, MLGW adopted the provisions of GASB Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve the clarity, consistency and comparability of governmental financial reporting by reducing diversity in practice and enhancing the usefulness of information provided to financial statement users. This Statement provides guidance on targeted enhancements to the governmental financial reporting model and addresses multiple areas of financial statement presentation and disclosures. These include updates to the management's discussion and analysis (MD&A), unusual or infrequent items and proprietary fund statement presentation. Statement No. 103 is effective for fiscal years after June 15, 2025. Adoption of this Statement is reflected in the Division's financial statements. The implementation of this new standard had no impact on the Division's net position.

Effective for fiscal year 2025, MLGW adopted the provisions of GASB Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of governmental financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. Statement No. 102 is effective for fiscal years after June 15, 2024. Adoption of this Statement did not have an impact on the Division's financial statements.

In September 2024, the GASB issued GASB Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset. Statement No. 104 is effective for the fiscal years after June 15, 2025. MLGW has not completed the process of evaluating the impact of this statement on its financial statements and has not elected early implementation.

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2. Deposits and Investments

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

Custodial Credit Risk

Deposits

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

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

The depository bank shall provide collateral for MLGW deposits in accordance with requirements for public funds deposits in Tennessee. The market value of the pledged securities in the collateral pool must equal at least 105% of the value of the deposit secured, less the amount protected by federal deposit insurance. As of December 31, 2025 and December 31, 2024, MLGW deposits with financial institutions were $250,876 and $149,143, respectively. For 2025 and 2024, all bank deposits were maintained in collateralized accounts or covered by federal depository insurance and were not exposed to custodial credit risk.

Investments

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

(Dollars in Thousands)

2. Deposits and Investments (continued)

Investments (continued)

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

The following table presents the investments and maturities of MLGW's investment portfolio as of December 31, 2025:

		Remaining Maturities (in Years)		
Investment Type	**Fair Value**	**Maturities < 1 year**	**Maturities 1 to 4 years**	**Maturities > 4 years**
Tennessee Local Government Investment Pool	$ 78,100	$ 78,100	$ -	$ -
U.S. Treasuries	262,375	99,382	162,993	-
Federal Agency (Fixed Rate)	109,548	84,789	24,759	-
Federal Agency (Callable)	20,484 [1]	8,853 [2]	11,631 [3]	-
Commercial Paper	55,728	55,728	-	-
Total Investments	**$ 526,235**	**$ 326,852**	**$ 199,383**	$ -

[1] Bonds are guaranteed by the United States Government

[2] Bonds mature in 2026; Callable daily until maturity

[3] $9,293 of these bonds mature in 2028; Callable daily until maturity
$2,338 of these bonds mature in 2029; Callable daily until maturity

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(Dollars in Thousands)

2. Deposits and Investments (continued)

Investments (continued)

The following table presents the investments and maturities of MLGW's investment portfolio as of December 31, 2024:

		Remaining Maturities (in Years)		
Investment Type	**Fair Value**	**Maturities < 1 year**	**Maturities 1 to 4 years**	**Maturities > 4 years**
Tennessee Local Government Investment Pool	$ 46,100	$ 46,100	$ -	$ -
U.S. Treasuries	214,493	59,141	155,352	-
Federal Agency (Fixed Rate)	224,290	213,005	11,285	-
Federal Agency (Callable)	14,535 [1]	6,178 [2]	8,357 [3]	-
Commercial Paper	40,189	40,189	-	-
Total Investments	**$ 539,607**	**$ 364,613**	**$ 174,994**	$ -

[1] Bonds are guaranteed by the United States Government

[2] Bonds mature in 2025; Callable daily until maturity

[3] $3,664 of these bonds mature in 2026; Callable daily until maturity
$4,693 of these bonds mature in 2028; Callable daily until maturity

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, 2025 and 2024 were exposed to custodial credit risk.

2. Deposits and Investments (continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment in debt securities. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. MLGW's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, the investment policy states no investment will have a maturity of greater than four years from date of purchase. MLGW has not purchased investments in debt securities that were outside of the policy as of December 31, 2025 and 2024. MLGW uses the segmented time distribution method of disclosure, as shown above, to identify this risk. Some investments can be highly sensitive to changes in interest rates due to their terms or characteristics. In MLGW's investment portfolio, asset-backed and government mortgage-backed securities are most sensitive to changes in interest rates as their repayments can vary significantly with interest rate changes. As of December 31, 2025, these securities represent 5.9% of the total investment portfolio with a fair market value of $31,020. As of December 31, 2024, these securities represent 2.3% of the total investment portfolio with a fair market value of $12,571.

Credit Risk

Credit risk is the risk that an issuer of a debt security will not fulfill its obligation. This credit risk is measured by the credit quality of investments in debt securities as described by nationally recognized statistical rating organizations. Investments in obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk. As of December 31, 2025, MLGW debt securities that were subject to credit risk were $55,728, or 10.6% of total investments. These debt securities have a remaining maturity of less than one year. The Tennessee Local Government Investment Pool is a non-rated, SEC 2a-7-like fund and the amount stated is based on the pool price per share. The pool is reported at its amortized book value. The Local Government Investment Pool ("LGIP") is a TN Treasury Department program that manages state and local governments' short-term investments. The LGIP is commingled with the State Pooled Investment Fund ("SPIF"). The SPIF Investment Policy states, "For investment purposes, pursuant to T.C.A. §9-4-704, funds in the LGIP have been commingled with state funds held in the SPIF".

All cash, cash equivalents and investments are reported at fair value except for the position in the LGIP. The LGIP operates in conformity with GASB statement No. 79, *Certain External Investment Pools and Pool Participants*, as amended. Accordingly, the LGIP is reported at the net asset value per share which is calculated using the amortized cost method.

(Dollars in Thousands)

2. Deposits and Investments (continued)

Credit Risk (continued)

MLGW's ratings and policy limits as of December 31, 2025 are as follows:

Investment Type	Fair Value	S&P Rating	Moody's Rating
Tennessee Local Government Investment Pool	**$ 78,100**	N/A	N/A
Commercial Paper	10,254	AA+	Aa1
Commercial Paper	7,863	AA-	Aa2
Commercial Paper	37,611	AA-	Aa3
Total credit risk debt securities	**55,728**		
U.S. Treasuries	262,375	A-	A3
Federal Agency (Fixed Rate)	109,548	AA+	Aa1
Federal Agency (Callable)	20,484	AA+	Aa1
U.S. Government and Agencies	**392,407**		
Total debt securities investments	**$ 526,235**		

(Dollars in Thousands)

2. Deposits and Investments (continued)

Credit Risk (continued)

As of December 31, 2024, MLGW debt securities that were subject to credit risk were $40,189, or 7.45% of total investments. These debt securities have a remaining maturity of less than one year.

MLGW's ratings and policy limits as of December 31, 2024 are as follows:

Investment Type	Fair Value	S&P Rating	Moody's Rating
Tennessee Local Government Investment Pool	**$ 46,100**	N/A	N/A
Commercial Paper	37,217	AAA	Aaa
Commercial Paper	2,972	AA-	Aa2
Total credit risk debt securities	**40,189**		
U.S. Treasuries	214,493	AA+u	Aaa
Federal Agency (Fixed Rate)	224,290	AA+	Aaa
Federal Agency (Callable)	14,535	AA+	Aaa
U.S. Government and Agencies	**453,318**		
Total debt securities investments	**$ 539,607**		

Non-Rating Description	
NA	Not Available

(Dollars in Thousands)

2. Deposits and Investments (continued)

Concentration of Credit Risk

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

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

U.S. Treasuries	100%	maximum
US Government Obligations	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, *Deposit and Investment Risk Disclosures – An Amendment of GASB Statement No. 3*, governments should provide information about investments in any one issuer that represent 5 percent or more of total investments. As of December 31, 2025, the investments in any one issuer of commercial paper that represents 5 percent or more of MLGW's investments are as follows:

Issuer	Reported Amount	Percentage of Portfolio
Koch Companies LLC	$ 31,839	6.05%
Total	**$ 31,839**	

(Dollars in Thousands)

2. Deposits and Investments (continued)

Concentration of Credit Risk (continued)

As of December 31, 2024, the investments in any one issuer of commercial paper that represents 5 percent or more of MLGW's investments are as follows:

Issuer	Reported Amount	Percentage of Portfolio
Canada Government	$ 37,218	6.90%
Total	**$ 37,218**	

Restricted and Unrestricted Funds

Restricted funds, cash and cash equivalents and investments consisted of the following as of December 31, 2025 and 2024:

	Electric Division		Gas Division		Water Division	
	2025	2024	**2025**	2024	**2025**	2024
Restricted fund:						
Cash and cash equivalents	**$ 282,473**	$ 152,064	**$ 18,705**	$ 22,197	**$ 14,022**	$ 15,504
Investments	**14,960**	12,132	**7,272**	6,471	**6,894**	5,310
Total restricted funds	**$ 297,433**	$ 164,196	**$ 25,977**	$ 28,668	**$ 20,916**	$ 20,814

	Electric Division		Gas Division		Water Division	
	2025	2024	**2025**	2024	**2025**	2024
Unrestricted fund:						
Cash and cash equivalents	**$ 144,927**	$ 113,539	**$ 50,239**	$ 107,212	**$ 33,348**	$ 63,570
Investments	**134,703**	78,174	**44,203**	73,243	**31,108**	43,908
Total unrestricted funds	**$ 279,630**	$ 191,713	**$ 94,442**	$ 180,455	**$ 64,456**	$ 107,478

3. Notes Receivable

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

The Arlington note receivable is included in Notes Receivables in the accompanying 2025 Water Division's Statements of Net Position.

4. Lease Receivables

MLGW leases land, pole space and other assets to third parties. As of December 31, 2025, remaining lease terms range from two to 27 years, and several leases have an option to extend the lease term after the completion of the contracted term.

The Electric Division lease receivable balance as of December 31, 2025, was $6,210, of which $613 is current and $5,597 is long-term on the Statements of Net Position. The lease receivable balance as of December 31, 2024, was $6,482, of which $504 was current and $5,978 is long-term on the Statements of Net Position. The Electric Division recognized revenue of $653 for the year ended December 31, 2025, and $701 for the year ended December 31, 2024. The Electric Division interest income was $194 for the year ended December 31, 2025, and $277 for the year ended December 31, 2024. Revenue is reported in investment and other income on the Statements of Revenues, Expenses and Changes in Net Position. There were no material variable lease payments paid or received nor impairment losses in fiscal year 2025 or 2024.

The Gas Division lease receivable balance as of December 31, 2025, was $18,912, of which $540 is current and $18,372 is long-term on the Statements of Net Position. The lease receivable balance as of December 31, 2024, was $19,001, of which $503 was current and $18,498 is long-term on the Statements of Net Position. The Gas Division recognized revenue of $788 for the year ended December 31, 2025, and $778 for the year ended December 31, 2024. The Gas Division interest income was $721 for the year ended December 31, 2025, and $726 for the year ended December 31, 2024. Revenue is reported as other operating revenue and investment and other income on the Statements of Revenues, Expenses and Changes in Net Position. There were no material variable lease payments paid or received nor impairment losses in fiscal year 2025 or 2024.

The Water Division lease receivable balance as of December 31, 2025, was $1,546 of which $263 is current and $1,283 is long-term on the Statements of Net Position. The lease receivable balance as of December 31, 2024, was $1,653, of which $175 was current and $1,478 is long-term on the Statements of Net Position. The Water Division recognized revenue of $205 for the year ended December 31, 2025, and $247 for the year ended December 31, 2024. The Water Division interest income was $44 for the year ended December

(Dollars in Thousands)

4. Lease Receivables (continued)

and other income on the Statements of Revenues, Expenses and Changes in Net Position. There were no material variable lease payments paid or received nor impairment losses in fiscal year 2025 or 2024.

MLGW leases pole space to third party telecommunication companies through agreements which classify as regulated leases. The lease rates for these agreements are prescribed by TVA based on TVA's cost recovery model. These regulated lease assets are not subject to exclusive use by any counterparty. MLGW recognized revenue of $1.7 million for the year ended December 31, 2025 and $2.1 million for the year ended December 31, 2024.

The following table summarizes the expected future minimum payments as of December 31, 2025:

Year	Expected Future Minimum Payment
2026	$ 6,602
2027	6,602
2028	6,602
2029	6,602
2030	6,602
2031-2033	19,807
	$ 52,817

(Dollars in Thousands)

5. Lease Liabilities

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

Changes in lease liabilities are summarized as of December 31, 2025:

	Beginning Balance	Increases	Decreases	Ending Balance
Year ended December 31, 2025				
Electric Division				
Total lease liabilities	$ 1,071	$ 375	$ (756)	$ 690
Less current portion	(392)			(373)
Long-term portion	$ 679			$ 317

	Beginning Balance	Increases	Decreases	Ending Balance
Year ended December 31, 2025				
Gas Division				
Total lease liabilities	$ 283	$ 98	$ (203)	$ 178
Less current portion	(109)			(98)
Long-term portion	$ 174			$ 80

	Beginning Balance	Increases	Decreases	Ending Balance
Year ended December 31, 2025				
Water Division				
Total lease liabilities	$ 209	$ 72	$ (150)	$ 131
Less current portion	(80)			(72)
Long-term portion	$ 129			$ 59

(Dollars in Thousands)

5. Lease Liabilities (continued)

Changes in lease liabilities are summarized as of December 31, 2024:

	Beginning Balance	Increases	Decreases	Ending Balance
Year ended December 31, 2024				
Electric Division				
Total lease liabilities	$ 75	$ 1,250	$ (254)	$ 1,071
Less current portion	(75)			(392)
Long-term portion	$ -			$ 679

	Beginning Balance	Increases	Decreases	Ending Balance
Year ended December 31, 2024				
Gas Division				
Total lease liabilities	$ 29	$ 418	$ (164)	$ 283
Less current portion	(29)			(109)
Long-term portion	$ -			$ 174

	Beginning Balance	Increases	Decreases	Ending Balance
Year ended December 31, 2024				
Water Division				
Total lease liabilities	$ 21	$ 314	$ (126)	$ 209
Less current portion	(21)			(80)
Long-term portion	$ -			$ 129

(Dollars in Thousands)

5. Lease Liabilities (continued)

Maturities and future interest requirements related to the balances of lease liabilities outstanding as of December 31, 2025, are summarized as follows:

	Electric Division	
	Lease Maturities	Interest Requirements
2026	$ 372	$ 21
2027	231	8
2028	87	1
Total	$ 690	$ 30

	Gas Division	
	Lease Maturities	Interest Requirements
2026	$ 97	$ 5
2027	48	2
2028	33	1
Total	$ 178	$ 8

	Water Division	
	Lease Maturities	Interest Requirements
2026	$ 72	$ 4
2027	35	2
2028	24	-
Total	$ 131	$ 6

(Dollars in Thousands)

6. Subscription Based Information Technology Agreements

MLGW has SBITA Agreements, which are contracts that convey control of the right to use another party's information technology software, as specified in the contract for a period of time in an exchange or exchange-like transaction. The subscription term includes the period during which MLGW has a noncancelable right to use the underlying IT assets and includes periods covered by the option to extend (if it is reasonably certain that MLGW or the SBITA vendor will exercise that option). As of December 31, 2025, the remaining subscription terms range from two to three years.

Changes in SBITA liabilities are summarized as of December 31, 2025:

	Beginning Balance	Increases	Decreases	Ending Balance
Year ended December 31, 2025				
Electric Division				
Total SBITA liabilities	$ 5,645	$ 6,002	$ (7,772)	$ 3,875
Less current portion	(1,706)			(2,994)
Long-term portion	$ 3,939			$ 881

	Beginning Balance	Increases	Decreases	Ending Balance
Year ended December 31, 2025				
Gas Division				
Total SBITA liabilities	$ 2,315	$ 2,906	$ (3,735)	$ 1,486
Less current portion	(619)			(1,148)
Long-term portion	$ 1,696			$ 338

	Beginning Balance	Increases	Decreases	Ending Balance
Year ended December 31, 2025				
Water Division				
Total SBITA liabilities	$ 1,729	$ 2,278	$ (2,878)	$ 1,129
Less current portion	(459)			(848)
Long-term portion	$ 1,270			$ 281

(Dollars in Thousands)

6. Subscription Based Information Technology Agreements (continued)

Changes in SBITA liabilities are summarized as of December 31, 2024:

	Beginning Balance	Increases	Decreases	Ending Balance
Year ended December 31, 2024				
Electric Division				
Total SBITA liabilities	$ 2,538	$ 3,859	$ (752)	$ 5,645
Less current portion	(1,313)			(1,706)
Long-term portion	$ 1,225			$ 3,939

	Beginning Balance	Increases	Decreases	Ending Balance
Year ended December 31, 2024				
Gas Division				
Total SBITA liabilities	$ 1,050	$ 1,664	$ (399)	$ 2,315
Less current portion	(580)			(619)
Long-term portion	$ 470			$ 1,696

	Beginning Balance	Increases	Decreases	Ending Balance
Year ended December 31, 2024				
Water Division				
Total SBITA liabilities	$ 809	$ 1,243	$ (323)	$ 1,729
Less current portion	(462)			(459)
Long-term portion	$ 347			$ 1,270

(Dollars in Thousands)

6. Subscription Based Information Technology Agreements (continued)

Maturities and future interest requirements related to the balances of SBITA liabilities outstanding as of December 31, 2025, are summarized as follows:

Electric Division

	SBITA Maturities	Interest Requirements
2026	$ 2,994	$ 245
2027	696	31
2028	185	6
Total	$ 3,875	$ 282

Gas Division

	SBITA Maturities	Interest Requirements
2026	$ 1,148	$ 94
2027	267	12
2028	71	2
Total	$ 1,486	$ 108

Water Division

	SBITA Maturities	Interest Requirements
2026	$ 848	$ 69
2027	230	9
2028	51	2
Total	$ 1,129	$ 80

(Dollars in Thousands)

7. Capital Assets and Intangible Right of Use Assets

Utility plant and intangible right of use assets activity for the years ended December 31, 2025 and 2024 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Year ended December 31, 2025				
Electric Division				
Capital assets not being depreciated:				
Land	$ 38,587	$ -	$ -	$ 38,587
Land - Non-utility	15,345	-	-	15,345
Intangibles: Plant	27,270	-	-	27,270
Construction in progress	178,646	157,832	(129,415)	207,063
Total capital assets not being depreciated	259,848	157,832	(129,415)	288,265
Capital assets being depreciated or amortized:				
Structures and improvements	75,111	3,405	-	78,516
Transmission and distribution plant equipment	1,889,088	118,740	(14,688)	1,993,140
General plant equipment	217,615	7,289	(1,768)	223,136
Intangibles: Software	15,040	-	-	15,040
Total capital assets being depreciated or amortized	2,196,854	129,434	(16,456)	2,309,832
Less accumulated depreciation and amortization	(1,044,005)	(72,390)	28,523	(1,087,872)
Total capital assets being depreciated or amortized, net	1,152,849	57,044	12,067	1,221,960
Total capital assets, net	$ 1,412,697	$ 214,876	$ (117,348)	$ 1,510,225
Intangible right of use assets:				
SBITA	$ 20,215	$ 4,508	$ (12,792)	$ 11,931
Office Equipment	1,168	16	(13)	1,171
Total intangible right of use assets	21,383	4,524	(12,805)	13,102
Less accumulated amortization-SBITA	(13,397)	(5,251)	12,630	(6,018)
Less accumulated amortization-Office Equipment	(108)	(512)	99	(521)
Total intangible right of use assets, net	$ 7,878	$ (1,239)	$ (76)	$ 6,563

(Dollars in Thousands)

7. Capital Assets and Intangible Right of Use Assets (continued)

Year ended December 31, 2025	Beginning Balance	Increases	Decreases	Ending Balance
Gas Division				
Capital assets not being depreciated:				
Land	$ 7,456	$ -	$ (30)	$ 7,426
Construction in progress	41,665	68,248	(20,342)	89,571
Plant held for future use	212	-	-	212
Total capital assets not being depreciated	49,333	68,248	(20,372)	97,209
Capital assets being depreciated or amortized:				
Structures and improvements	73,365	36	(858)	72,543
Processing and distribution plant equipment	589,980	14,665	(491)	604,154
General plant equipment	80,757	5,640	(3,933)	82,464
Intangibles: Software	57,185	-	-	57,185
Non-utility plant equipment	200	-	-	200
Total capital assets being depreciated or amortized	801,487	20,341	(5,282)	816,546
Less accumulated depreciation and amortization	(453,269)	(26,828)	43,359	(436,738)
Total capital assets being depreciated or amortized, net	348,218	(6,487)	38,077	379,808
Total capital assets, net	$ 397,551	$ 61,761	$ 17,705	$ 477,017
Intangible right of use assets:				
SBITA	$ 8,546	$ 2,346	$ (5,876)	$ 5,016
Office Equipment	314	6	(5)	315
Total intangible right of use assets	8,860	2,352	(5,881)	5,331
Less accumulated amortization-SBITA	(5,718)	(2,496)	5,461	(2,753)
Less accumulated amortization-Office Equipment	(34)	(140)	30	(144)
Total intangible right of use assets, net	$ 3,108	$ (284)	$ (390)	$ 2,434

(Dollars in Thousands)

7. Capital Assets and Intangible Right of Use Assets (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Year ended December 31, 2025				
Water Division				
Capital assets not being depreciated:				
Land	$ 2,651	$ -	$ -	$ 2,651
Construction in progress	77,619	53,718	(36,772)	94,565
Total capital assets not being depreciated	80,270	53,718	(36,772)	97,216
Capital assets being depreciated or amortized:				
Structures and improvements	62,054	-	-	62,054
Pumping, transmission and distribution plant equipment	496,766	35,667	(662)	531,771
General plant equipment	38,912	1,105	(607)	39,410
Intangibles: Software	2,177	-	-	2,177
Total capital assets being depreciated or amortized	599,909	36,772	(1,269)	635,412
Less accumulated depreciation and amortization	(259,081)	(13,248)	4,914	(267,415)
Less acquisition adjustment	-	-	-	-
Total capital assets being depreciated or amortized, net	340,828	23,524	3,645	367,997
Total capital assets, net	$ 421,098	$ 77,242	$ (33,127)	$ 465,213

Intangible right of use assets:				
SBITA	$ 6,343	$ 1,880	$ (4,361)	$ 3,862
Office Equipment	231	4	(3)	232
Total intangible right of use assets	6,574	1,884	(4,364)	4,094
Less accumulated amortization-SBITA	(4,197)	(1,935)	4,006	(2,126)
Less accumulated amortization-Office Equipment	(25)	(104)	23	(106)
Total intangible right of use assets, net	$ 2,352	$ (155)	$ (335)	$ 1,862

(Dollars in Thousands)

7. Capital Assets and Intangible Right of Use Assets (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Year ended December 31, 2024				
Electric Division				
Capital assets not being depreciated:				
Land	$ 38,587	$ -	$ -	$ 38,587
Land - Non-utility	15,345	-	-	15,345
Intangibles: Plant	-	27,270	-	27,270
Construction in progress	173,634	150,726	(145,714)	178,646
Total capital assets not being depreciated	227,566	177,996	(145,714)	259,848
Capital assets being depreciated or amortized:				
Structures and improvements	78,324	(3,198)	(15)	75,111
Transmission and distribution plant equipment	1,810,112	86,508	(7,532)	1,889,088
General plant equipment	203,368	35,067	(20,820)	217,615
Intangibles: Software	14,938	102	-	15,040
Total capital assets being depreciated or amortized	2,106,742	118,479	(28,367)	2,196,854
Less accumulated depreciation and amortization	(1,014,158)	(70,510)	40,663	(1,044,005)
Total capital assets being depreciated or amortized, net	1,092,584	47,969	12,296	1,152,849
Total capital assets, net	$ 1,320,150	$ 225,965	$ (133,418)	$ 1,412,697
Intangible right of use assets:				
SBITA	$ 12,578	$ 7,637	$ -	$ 20,215
Office Equipment	643	1,113	(588)	1,168
Total intangible right of use assets	13,221	8,750	(588)	21,383
Less accumulated amortization-SBITA	(7,792)	(5,947)	342	(13,397)
Less accumulated amortization-Office Equipment	(578)	(136)	606	(108)
Total intangible right of use assets, net	$ 4,851	$ 2,667	$ 360	$ 7,878

(Dollars in Thousands)

7. Capital Assets and Intangible Right of Use Assets (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Year ended December 31, 2024				
Gas Division				
Capital assets not being depreciated:				
Land	$ 7,456	$ -	$ -	$ 7,456
Construction in progress	27,646	27,614	(13,595)	41,665
Plant held for future use	212	-	-	212
Total capital assets not being depreciated	35,314	27,614	(13,595)	49,333
Capital assets being depreciated or amortized:				
Structures and improvements	72,608	757	-	73,365
Processing and distribution plant equipment	584,013	6,473	(506)	589,980
General plant equipment	75,910	6,365	(1,518)	80,757
Intangibles: Software	57,185	-	-	57,185
Non-utility plant equipment	200	-	-	200
Total capital assets being depreciated or amortized	789,916	13,595	(2,024)	801,487
Less accumulated depreciation and amortization	(433,367)	(24,573)	4,671	(453,269)
Total capital assets being depreciated or amortized, net	356,549	(10,978)	2,647	348,218
Total capital assets, net	$ 391,863	$ 16,636	$ (10,948)	$ 397,551

Intangible right of use assets:				
SBITA	$ 5,249	$ 3,297	$ -	$ 8,546
Office Equipment	247	417	(350)	314
Total intangible right of use assets	5,496	3,714	(350)	8,860
Less accumulated amortization-SBITA	(3,242)	(2,606)	130	(5,718)
Less accumulated amortization-Office Equipment	(222)	(48)	236	(34)
Total intangible right of use assets, net	$ 2,032	$ 1,060	$ 16	$ 3,108

(Dollars in Thousands)

7. Capital Assets and Intangible Right of Use Assets (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Year ended December 31, 2024				
Water Division				
Capital assets not being depreciated:				
Land	$ 2,654	$ (3)	$ -	$ 2,651
Construction in progress	77,575	35,056	(35,012)	77,619
Total capital assets not being depreciated	80,229	35,053	(35,012)	80,270
Capital assets being depreciated or amortized:				
Structures and improvements	55,695	6,366	(7)	62,054
Pumping, transmission and distribution plant equipment	470,228	27,099	(561)	496,766
General plant equipment	37,578	1,550	(216)	38,912
Intangibles: Software	2,177	-	-	2,177
Total capital assets being depreciated or amortized	565,678	35,015	(784)	599,909
Less accumulated depreciation and amortization	(249,766)	(12,495)	3,180	(259,081)
Less acquisition adjustment	-	-	-	-
Total capital assets being depreciated or amortized, net	315,912	22,520	2,396	340,828
Total capital assets, net	$ 396,141	$ 57,573	$ (32,616)	$ 421,098
Intangible right of use assets:				
SBITA	$ 3,874	$ 2,469	$ -	$ 6,343
Office Equipment	182	308	(259)	231
Total intangible right of use assets	4,056	2,777	(259)	6,574
Less accumulated amortization-SBITA	(2,357)	(1,933)	93	(4,197)
Less accumulated amortization-Office Equipment	(164)	(32)	171	(25)
Total intangible right of use assets, net	$ 1,535	$ 812	$ 5	$ 2,352

7. Capital Assets and Intangible Right of Use Assets (continued)

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 2026 are estimated as follows (unaudited):

Electric Division	192,821
Gas Division	39,285
Water Division	58,520

8. Futures, Options and Swap Contracts

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

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

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

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

(Dollars in Thousands)

8. Futures, Options and Swap Contracts (continued)

Gas Division:

The Gas Division enters into futures contracts, options on futures contracts and swap contracts as cash flow hedges to manage the risk of volatility in the market price of natural gas on anticipated purchase transactions. The market values of the open derivative positions are reported on the Statements of Net Position as derivative financial instruments. MLGW maintained a margin deposit balance of $2,853 and $1,248 with its FCM at December 31, 2025 and 2024, respectively.

The schedule below shows the market values and notional amounts of the open futures contracts and options on futures contracts as of December 31, 2025 and 2024.

	December 31, 2025		December 31, 2024	
Type	**Market Value**	**Notional Amount**	Market Value	Notional Amount
Futures	**$ -**	**$ -**	$ -	$ -
Options	**105**	**88,500**	160	66,180
Total	**$ 105**	**$ 88,500**	$ 160	$ 66,180

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

	December 31, 2025	December 31, 2024
Type	**Deferred Gains (Losses)**	Deferred Gains (Losses)
Futures	**$ -**	$ -
Options	**(796)**	444
Total	**$ (796)**	$ 444

(Dollars in Thousands)

8. Futures, Options and Swap Contracts (continued)

Gas Division (continued):

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

Type	December 31, 2025 Deferred Gains (Losses)	December 31, 2024 Deferred Gains (Losses)
Futures	$ (21)	$ -
Options	(758)	(614)
Total	$ (779)	$ (614)

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

Electric Division:

The Electric Division periodically enters into futures contracts, options on futures contracts and swap contracts to manage the risk of volatility in the market price of unleaded and diesel fuel on anticipated purchase transactions. The balance in MLGW's FCM fuel margin at December 31, 2025 and 2024 was ($0) and ($0), respectively.

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

(Dollars in Thousands)

10. Employee Retirement System

Plan Description

The MLGW Pension Plan is a single employer defined benefit pension plan administered by the MLGW Pension Board. The plan covers permanent, full-time employees and appointed commissioners who opt to participate. MLGW issues a separate audited financial report for the MLGW Pension Plan that includes financial statements and required supplementary information. That report may be obtained at www.mlgw.com.

Benefits Provided

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

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

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

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

(Dollars in Thousands)

10. Employee Retirement System (continued)

Benefits Provided (continued)

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

The annual retirement allowance shall not exceed 85% of the member's final average compensation. Effective January 1, 2022, the minimum monthly retirement benefit for all members is the greater of $60 per year of service or $600 per month.

Cost-of-Living Adjustments

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

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

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

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

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

(Dollars in Thousands)

10. Employee Retirement System (continued)

Cost-of-Living Adjustments (continued)

The cost-of-living adjustment for any retired participant, surviving spouse or handicapped child in any plan year shall not exceed 5% of the retired participant's, surviving 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. For 2025, MLGW's net pension liability was measured as of December 31, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2025.

For 2024, MLGW's net pension liability (asset) was measured as of December 31, 2023 and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of January 1, 2024.

Employees Covered

Plan membership consisted of the following participants as of December 31, 2024 and 2023:

	2024	2023
Retirees and beneficiaries receiving benefits	**2,765**	2,751
Participants inactive during year ended December 31 with vested rights	**29**	33
Active members fully vested	**945**	971
Active members not vested	**1,621**	1,453
Total	**5,360**	5,208

(Dollars in Thousands)

10. Employee Retirement System (continued)

Contributions

The contribution requirements of pension plan members and MLGW are established and may be amended and approved by the MLGW Pension Board, the MLGW Board of Commissioners and the Memphis City Council. Pension plan members are required to contribute 8% of their annual covered salary. Under Article III, Section 3.2 of the pension plan, MLGW shall contribute to the pension fund such amounts as from time to time are estimated by the actuary. MLGW also funds the 8% pension plan member's contributions on behalf of the president and vice presidents. For 2024, MLGW contributed 13.83% of the annual covered payroll. Employer contributions recognized by the MLGW Pension Plan during 2024 totaled $28,688. For 2023, MLGW contributed 10.71% of the annual covered payroll. Employer contributions recognized by the MLGW Pension Plan during 2023 totaled $20,474.

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, 2024, is based on the January 1, 2023, actuarial valuation.

The actuarial assumptions used in the valuation as of January 1, 2025, are based on the results of an experience study for the period January 1, 2019 to December 31, 2023.

Inflation	2.50%
Salary increases	Inflation plus merit increases that vary by age and service, ranging from 0.00% to 8.50%
Investment rate of return	7.00% including inflation, net of pension plan investment expenses
Cost-of-living adjustments	0.75% for ages 56-58 1.50% for ages 59-61 1.875% for ages 62 and older, and all disabled participants
Mortality rates	PRI-2012 Mortality Tables for males or females, as appropriate, with adjustments for mortality improvements based on SSA-2021.

(Dollars in Thousands)

10. Employee Retirement System (continued)

Actuarial Assumptions (continued)

Pre-retirement mortality rates are based on the PRI-2012 Blue Collar Employee Mortality Table with sex-distinct rates. Healthy annuitant mortality rates are based on PRI-2012 Blue Collar Healthy Annuitant Mortality Table with sex-distinct rates, plus a 20% load for males and a 12% load for females. Disabled annuitant mortality rates are based on PRI-2012 Disabled Retiree Mortality Table with sex-distinct rates, plus a 20% load. Beneficiaries are based on PRI-2012 Contingent Survivor Mortality Table with sex-distinct rates, plus a 12% load. All mortality tables above are projected generationally with Scale MP-2021.

The ADC for the year ended December 31, 2023, is based on the January 1, 2022, actuarial valuation. The actuarial assumptions used in the valuation as of January 1, 2024, are based on the results of an experience study for the period January 1, 2014 to December 31, 2018.

Inflation	2.50%
Salary increases	Inflation plus merit increases that vary by age and service, ranging from 0.00% to 8.50%
Investment rate of return	7.00% including inflation, net of pension plan investment expenses
Cost-of-living adjustments	0.75% for ages 56-58 1.50% for ages 59-61 1.875% for ages 62 and older, and all disabled participants
Mortality rates	PRI-2012 Mortality Tables for males or females, as appropriate, with adjustments for mortality improvements based on SSA-2021.

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

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

(Dollars in Thousands)

10. Employee Retirement System (continued)

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 as of December 31, 2024:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	35.00%	6.10%
International Equity	9.00%	6.60%
Fixed Income	24.00%	2.17%
Private Equity	10.00%	9.65%
Hedge Funds	5.00%	2.90%
Real Estate	15.00%	3.50%
Short Term Investments	2.00%	1.10%
Total	100.00%	

The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table as of December 31, 2023:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	35.00%	6.49%
International Equity	9.00%	7.02%
Fixed Income	24.00%	1.99%
Alternatives	15.00%	7.49%
Real Estate	15.00%	3.29%
Short Term Investments	2.00%	0.89%
Total	100.00%	

(Dollars in Thousands)

10. Employee Retirement System (continued)

Discount Rate

The discount rate used to measure the total pension liability is 7.00% as of December 31, 2025 and 2024. 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, 2024 and 2023.

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

The following table presents the net pension liability (asset) of MLGW as of December 31, 2024, calculated using the discount rate of 7.00%, as well as what MLGW's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage-point lower (6.00%) or one percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net pension liability (asset) as of December 31, 2024	**$ 438,551**	**$ 241,621**	**$ 75,832**

The following table presents the net pension liability (asset) of MLGW as of December 31, 2023, calculated using the discount rate of 7.00%, as well as what MLGW's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage-point lower (6.00%) or one percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net pension liability (asset) as of December 31, 2023	$ 421,785	$ 227,799	$ 64,708

10. Employee Retirement System (continued)

Pension Plan's Fiduciary Net Position

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

The MLGW Pension Plan's financial statements are prepared using the accrual basis of accounting in accordance with generally accepted accounting principles promulgated by GASB. 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.

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(Dollars in Thousands)

10. Employee Retirement System (continued)

Net Pension Liability (Asset)

The following table presents the Changes in Net Pension Liability (Asset) for the year-ended December 31, 2024.

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at December 31, 2023	$ 1,792,144	$ 1,564,345	$ 227,799
Changes for the Year:			
Service Costs	36,856		36,856
Interest	122,967		122,967
Changes of Benefit Terms	-		-
Differences Between Expected and Actual Experience	42,084		42,084
Changes of Assumptions	(16,102)		(16,102)
Contributions – Employer		28,688	(28,688)
Contributions – Employee		16,471	(16,471)
Net Investment Income		127,839	(127,839)
Benefit Payments / Refunds	(144,650)	(144,650)	-
Administrative Expenses		(1,015)	1,015
Net Change	$ 41,155	$ 27,333	$ 13,822
Balance at December 31, 2024	$ 1,833,299	$ 1,591,678	$ 241,621

10. Employee Retirement System (continued)

Net Pension Liability (Asset) continued

Plan Changes Since Prior Valuation

Benefit Changes:

- There were no changes in benefit provisions in the last two years.

Assumption changes:
Effective January 1, 2025 valuation, the following assumptions were changed:

- The healthy annuitant mortality assumption was changed from the PRI-2012 Healthy Annuitant Mortality Table, to the PRI-2012 Blue Collar Healthy Annuitant Mortality Table.
- The contingent survivor mortality assumption was changed from PRI-2012 Contingent Survivor Mortality Table, with rates loaded by 20%, to the same table with load of 12%.
- The pre-retirement mortality assumption was changed from the PRI-2012 Employee Mortality Table to the PRI-2012 Blue Collar Employee Mortality Table.
- Future mortality improvements for healthy, annuitant, disabled annuitant, beneficiary and pre-retirement lives are not projected generationally from 2012 with the MP-2021 projection scale, updated from the SSA-2019 projection scale.
- Retirement rates for those hired before 2014 with under 25 years of service were adjusted slightly based on observed experience during study period and were switched-based rates upon reaching 25 years of service.
- Percent assumed married upon retirement was updated from age-based rates starting at 75% and grading down at older ages to a flat rate of 50% for all participants regardless of age.
- Turnover rates were updated from aged-based to service-based rates.
- Assumed accumulated sick leave for active participants was lowered from three months of sick leave to one month of sick leave.
- The adjustment to use the prior year salary if a participant's reported pay decreased from year to year was removed.
- Salary Scale was updated to an entirely service-based table and the rates updated to coincide with recent experience.
- Lump Sum conversion interest was lowered from 3.50% to 3.00%.
- Actuarial Cost Method was updated from Ultimate Entry Age to Traditional Entry Age to align with recent Actuarial Standards of Practice and GASB requirements.

(Dollars in Thousands)

10. Employee Retirement System (continued)

Net Pension Liability (Asset) continued

The following table presents the Changes in Net Pension Liability (Asset) for the year-ended December 31, 2023.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at December 31, 2022	$ 1,718,979	$ 1,552,092	$ 166,887
Changes for the Year:			
Service Costs	36,221		36,221
Interest	118,226		118,226
Changes of Benefit Terms	-		-
Differences Between Expected and Actual Experience	51,235		51,235
Changes of Assumptions	-		-
Contributions – Employer		20,474	(20,474)
Contributions – Employee		15,216	(15,216)
Net Investment Income		110,038	(110,038)
Benefit Payments / Refunds	(132,517)	(132,517)	-
Administrative Expenses		(958)	958
Net Change	$ 73,165	$ 12,253	$ 60,912
Balance at December 31, 2023	$ 1,792,144	$ 1,564,345	$ 227,799

(Dollars in Thousands)

10. Employee Retirement System (continued)

Pension Expense

The following table presents the pension expense for the year-ended December 31, 2025 and 2024.

	2025	2024
Service cost	**$ 36,856**	$ 36,221
Interest on Total Pension Liability	**122,967**	118,226
Employee contributions	**(16,471)**	(15,216)
Adminstrative Expenses	**1,015**	958
Expected return on assets	**(105,986)**	(105,224)
Expensed portion of current year period differences between expected and actual experience in Total Pension Liability	**8,417**	10,247
Expensed portion of current year period assumptions changes	**(3,221)**	-
Changes of Benefit Terms	**-**	-
Expensed portion of current year period differences between projected and actual investment earnings	**(4,371)**	(963)
Current year recognition of deferred inflows and outflows established in prior years	**50,591**	14,817
Total Pension expense	**$ 89,797**	$ 59,066

(Dollars in Thousands)

10. Employee Retirement System (continued)

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

The following table presents the projected deferred outflows of resources and deferred inflows of resources related to pension for the year-ended December 31, 2025.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	$ 35,605	$ -
Net difference between projected and actual earnings on pension plan investments	83,506	-
Net difference between projected and actual experience in Total Pension Liability	89,683	-
Assumption changes	13,407	(12,882)
Total	$ 222,201	$ (12,882)

Note: The $35,605 contribution made subsequent to the measurement date will be recognized as a reduction of the net pension liability in 2026.

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

Year Ended December 31:	
2026	$ 68,730
2027	94,048
2028	10,110
2029	826
Thereafter	-

(Dollars in Thousands)

10. Employee Retirement System (continued)

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

The following table presents the projected deferred outflows of resources and deferred inflows of resources related to pension for the year-ended December 31, 2024.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	$ 28,688	$ -
Net difference between projected and actual earnings on pension plan investments	122,102	-
Net difference between projected and actual experience in Total Pension Liability	79,659	(840)
Assumption changes	20,110	(29)
Total	$ 250,559	$ (869)

Note: The $28,688 contribution made subsequent to the measurement date will be recognized as a reduction of the net pension liability in 2025.

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

Year Ended December 31:	
2025	$ 50,591
2026	67,904
2027	93,222
2028	9,284
Thereafter	-

11. Other Postemployment Benefits

The 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 at www.mlgw.com.

Plan Description

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

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

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

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

(Dollars in Thousands)

11. Other Postemployment Benefits (continued)

Plan Description (continued)

Members of the Plan consisted of the following at December 31, 2024 (valuation date):

	Medical	Life
Retired members currently receiving benefits	2,086	2,086
Beneficiaries currently receiving benefits	1,684	-
Vested terminated members entitled to, but not yet receiving benefits	-	-
Deferred disabled members entitled to, but not yet receiving benefits	42	-
Active members	2,566	2,566
Total	6,378	4,652

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

MLGW contributed $26,588 and $40,806 for the years ended December 31, 2025 and 2024, respectively to the OPEB Trust.

Actuarial Assumptions

The actuarial assumptions used in the December 31, 2024, valuation were based on the results of an actuarial experience study for the period December 31, 2019 to December 31, 2023. The plan's measurement date is December 31, 2024.

(Dollars in Thousands)

11. Other Postemployment Benefits (continued)

Actuarial Assumptions (continued)

Inflation	2.50%
Salary increases	Inflation plus merit increases based on age and service
Discount Rate	7.00%
Healthcare costs trend rates	
Medical	7.00% grading to 4.50% over 10 years
Prescription drug	10.00% grading to 4.50% over 11 years
Dental, administrative costs	3.00%
Mortality rates	
Pre-retirement	PRI-2012 Blue Collar Employee Mortality Table, Headcount-Weighted, with sex-distinct rates, projected generationally with Scale MP-2021.
Healthy annuitants	PRI-2021 Blue Collar Healthy Annuitant Mortality Table, Headcount-Weighted, with sex-distinct rates, plus a 20% load for males and a 12% load for females projected with Scale MP-2021.
Disable annuitants	PRI-2012 Disable Retiree Mortality Table, Headcount-Weighted, with sex-distinct rates, plus a 20% load, projected generationally with Scale MP-2021.
Beneficiaries	PRI-2012 Contingent Survivor Mortality Table, Headcount-Weighted, with sex-distinct rates, plus a 12% load, projected generationally with Scale MP-2021.

Pre-retirement mortality rates are based on PRI-2012 Blue Collar Employee Mortality Table with sex-distinct rates. Healthy annuitant mortality rates are based on the PRI-2012 Blue Collar Healthy Annuitant Mortality Table with sex-distinct rates, plus a 20% load for males and a 12% load for females. Disabled annuitant mortality rates are based on PRI-2012 Disabled Retiree Mortality Table with sex-distinct rates, plus a 20% load. Beneficiaries mortality rates are based on PRI-2012 Contingent Survivor Mortality Table with sex-distinct rates, plus 12% load. All mortality tables above are Headcount-Weighted and projected generationally with Scale MP-2021.

(Dollars in Thousands)

11. Other Postemployment Benefits (continued)

Actuarial Assumptions (continued)

The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018. The plan's measurement date is December 31, 2023.

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

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

Investment Rates of Return

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

The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table as of December 31, 2024:

(Dollars in Thousands)

11. Other Postemployment Benefits (continued)

Investment Rates of Return (continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	35.00%	6.10%
International Equity	12.00%	6.20%
Fixed Income	21.50%	1.90%
Alternatives	15.50%	7.40%
Real Estate	15.00%	3.50%
Short Term Investments	1.00%	1.10%
Total	100.00%	

The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table as of December 31, 2023:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	35.00%	6.60%
International Equity	12.00%	6.70%
Fixed Income	21.50%	1.80%
Alternatives	15.50%	7.60%
Real Estate	15.00%	3.40%
Short Term Investments	1.00%	1.00%
Total	100.00%	

Discount Rate

The discount rate used to measure the Total OPEB Liability (TOL) was 7.00% as of December 31, 2024 and December 31, 2023. The projection of cash flows used to determine the discount rate assumed that MLGW contributions would be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on these assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore,

(Dollars in Thousands)

11. Other Postemployment Benefits (continued)

Discount Rate (continued)

the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the TOL as of both December 31, 2024 and December 31, 2023.

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, 2024, calculated using the discount rate of 7.00%, as well as what the Division's NOL would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage point higher (8.00%) than the current rate. Also, shown is the NOL as if it were calculated using healthcare cost trend rates that were 1-percentage point lower or 1-percentage point higher than the current healthcare trend rates:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB Liability (Asset)	$ 237,760	$ 120,795	$ 24,409
	1% Decrease in Health Care Cost Trend Rates	**Current Health Care Cost Trend Rates**	**1% Increase in Health Care Cost Trend Rates**
Net OPEB Liability (Asset)	$ 27,940	$ 120,795	$ 234,687

The following presents the Net OPEB Liability (NOL) of MLGW as of December 31, 2023, calculated using the discount rate of 7.00%, as well as what the Division's NOL would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage point higher (8.00%) than the current rate. Also, shown is the NOL as if it were calculated using healthcare cost trend rates that were 1-percentage point lower or 1-percentage point higher than the current healthcare trend rates:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB Liability (Asset)	$ 242,029	$ 129,051	$ 36,414
	1% Decrease in Health Care Cost Trend Rates	**Current Health Care Cost Trend Rates**	**1% Increase in Health Care Cost Trend Rates**
Net OPEB Liability (Asset)	$ 39,656	$ 129,051	$ 238,968

11. Other Postemployment Benefits (continued)

OPEB Plan's Fiduciary Net Position

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

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

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(Dollars in Thousands)

11. Other Postemployment Benefits (continued)

Net OPEB Liability

The following table presents the Changes in Net OPEB Liability for the year-ended December 31, 2024.

	Total OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balance at December 31, 2023	$ 827,120	$ 698,069	$ 129,051
Changes for the Year:			
Service Costs	17,631	-	17,631
Interest	57,764	-	57,764
Differences Between Expected and Actual Experience	137	-	137
Contributions – Employer	-	40,806	(40,806)
Net Investment Income	-	57,880	(57,880)
Changes of Assumptions	14,898	-	14,898
Benefit Payments / Refunds	(38,703)	(38,703)	-
Administrative Expenses	(1,069)	(1,069)	-
Net Change	$ 50,658	$ 58,914	$ (8,256)
Balance at December 31, 2024	$ 877,778	$ 756,983	$ 120,795

11. Other Postemployment Benefits (continued)

Net OPEB Liability (continued)

Plan Changes Since Prior Valuation

Benefit Changes:

- There were no material changes in benefit provisions.

Assumption changes:
Effective with the December 31, 2024 measurement, the following assumptions were changed:

- Healthcare claims cost, contributions and trend rates were updated to reflect most recent experience and future expectations.
- The demographic assumptions were updated for the December 31, 2024, OPEB liability based on the five-year experience study ending in December 31, 2023.

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(Dollars in Thousands)

11. Other Postemployment Benefits (continued)

Net OPEB Liability (continued)

The following table presents the Changes in Net OPEB Liability for the year-ended December 31, 2023.

	Total OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balance at December 31, 2022	$ 861,575	$ 634,890	$ 226,685
Changes for the Year:			
Service Costs	18,547	-	18,547
Interest	60,267	-	60,267
Differences Between Expected and Actual Experience	8,924	-	8,924
Contributions – Employer	-	40,136	(40,136)
Net Investment Income	-	62,043	(62,043)
Changes of Assumptions	(83,193)	-	(83,193)
Benefit Payments / Refunds	(38,406)	(38,406)	-
Administrative Expenses	(594)	(594)	-
Net Change	$ (34,455)	$ 63,179	$ (97,634)
Balance at December 31, 2023	$ 827,120	$ 698,069	$ 129,051

11. Other Postemployment Benefits (continued)

Net OPEB Liability (continued)

Plan Changes Since Prior Valuation

Benefit Changes:

- There were no material changes in benefit provisions.

Assumption changes:
Effective with the December 31, 2023 measurement, the following assumptions were changed:

- Healthcare claims cost and trend rates were updated to reflect the most recent experience and future expectations.
- The actuarial factors used to estimate individual retiree and spouse costs by age and by gender were updated. The new factors are based on a review of historical claims experience by age, gender and status (active vs retired) from Segal's claims data warehouse.

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(Dollars in Thousands)

11. Other Postemployment Benefits (continued)

OPEB Expense

The following table presents the OPEB expense for the year-ended December 31, 2025 and 2024.

	2025	2024
Service cost	$ 17,631	$ 18,547
Interest on the Total OPEB Liability	57,764	60,267
Expensed portion of current-period difference between expected and actual experience in the Total OPEB Liability	23	1,784
Expensed portion of current-period changes of assumptions or other inputs	2,483	(16,638)
Projected earnings on plan investments	(48,901)	(44,482)
Expensed portion of current-period differences between actual and projected earnings on plan investments	(1,796)	(3,512)
Recognition of beginning of year deferred outflows of resources as OPEB expense	36,163	34,377
Recognition of beginning of year deferred inflows of resources as OPEB expense	(51,827)	(41,110)
Total OPEB expense	$ 11,540	$ 9,233

(Dollars in Thousands)

11. Other Postemployment Benefits (continued)

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

The following table presents the projected deferred outflows of resources and deferred inflows of resources related to OPEB for the year-ended December 31, 2025.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	$ 26,588	$ -
Changes of assumptions or other inputs	22,706	(49,915)
Net difference between projected and actual earnings on OPEB plan investments	18,831	-
Difference between expected and actual experience in the Total OPEB Liability	9,602	(3,478)
Total	$ 77,727	$ (53,393)

NOTE: $26,588 contribution made subsequent to the measurement date will be recognized as a reduction of net OPEB liability in 2026.

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

Year Ended December 31:	
2026	$ (115)
2027	13,232
2028	(18,588)
2029	710
2030	2,506
Thereafter	-

(Dollars in Thousands)

11. Other Postemployment Benefits (continued)

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

The following table presents the projected deferred outflows of resources and deferred inflows of resources related to OPEB for the year-ended December 31, 2024.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	$ 40,806	$ -
Changes of assumptions or other inputs	15,434	(74,318)
Net difference between projected and actual earnings on OPEB plan investments	24,812	-
Difference between expected and actual experience in the Total OPEB Liability	15,898	(5,092)
Total	$ 96,950	$ (79,410)

NOTE: $40,806 contribution made subsequent to the measurement date will be recognized as a reduction of net OPEB liability in 2025.

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

Year Ended December 31:	
2025	$ (15,665)
2026	(825)
2027	12,521
2028	(19,298)
2029	-
Thereafter	-

(Dollars in Thousands)

12. Pollution Remediation Obligation

MLGW has contracts with state licensed environmental remediation companies. 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, 2025, and 2024 for the lead and soil pollution current and non-current liability from various substations and equipment by Division:

		2025	2024
Electric			
	Lead	**$ 1,258**	$ 573
Total Electric		**1,258**	573
Gas			
	Soil	**939**	295
	Lead	**482**	220
Total Gas		**1,421**	515
Water			
	Lead	**356**	162
Total Water		**356**	162
Total Liability		**$ 3,035**	$ 1,250

(Dollars in Thousands)

13. Risk Management

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

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

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

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

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

MLGW is party to various lawsuits filed against it in the normal course of business (see Note 18).

The changes in the self-insurance reserves for medical benefits and injuries and damages for the years ended December 31, 2025 and 2024 are as follows:

	Medical Benefits			Injuries and Damages		
	Electric Division	Gas Division	Water Division	Electric Division	Gas Division	Water Division
Balance -- December 31, 2023	$ 8,333	$ 3,801	$ 2,485	$ 6,143	$ 5,228	$ 1,475
Payments	(44,951)	(20,504)	(13,406)	(1,872)	(449)	(711)
Incurred claims expense	39,482	18,010	11,775	637	(65)	505
Balance -- December 31, 2024	2,864	1,307	854	$ 4,908	$ 4,714	$ 1,269
Payments	**(32,041)**	**(14,616)**	**(9,556)**	**(1,962)**	**(1,361)**	**(626)**
Incurred claims expense	**31,991**	**14,592**	**9,541**	**2,233**	**52**	**623**
Balance -- December 31, 2025	**$ 2,814**	**$ 1,283**	**$ 839**	**$ 5,179**	**$ 3,405**	**$ 1,266**

(Dollars in Thousands)

14. Bonds

Bonds as of December 31, 2025 and 2024 consist of the following:

	Interest Rates	2025	2024
Electric Division:			
Electric System Revenue Bonds:			
Series 2016, due serially 2024-2036	4.00 - 5.00%	$ 26,435	$ 28,235
Series 2017, due serially 2024-2037	3.50 - 5.00%	63,380	67,285
Series 2020A, due serially 2024-2050	3.00 - 5.00%	134,375	137,355
Series 2020B, due serially 2024-2034	1.10 - 1.97%	26,745	27,200
Series 2024, due serially 2024-2054	4.25 - 5.00%	177,270	180,000
Series 2024 refunding, due serially 2024-2029	5.00 - 5.00%	14,645	17,880
Series 2025, due serially 2026-2055	4.25 - 5.00%	235,155	-
Premium on revenue bonds		59,804	47,417
Total		737,809	505,372
Less: current portion of bonds payable		(18,240)	(15,105)
		$ 719,569	$ 490,267
Gas Division:			
Gas System Revenue Bonds:			
Series 2016, due serially 2024-2036	4.00 - 5.00%	$ 26,435	$ 28,235
Series 2017, due serially 2024-2037	4.00 - 5.00%	28,335	30,045
Series 2020, due serially 2024-2050	3.00 - 5.00%	57,200	58,470
Premium on revenue bonds		13,972	15,485
Total		125,942	132,235
Less: current portion of bonds payable		(5,020)	(4,780)
		$ 120,922	$ 127,455
Water Division:			
Water System Revenue Bonds:			
Series 2014, due serially 2024-2034	3.00 - 4.00%	$ 8,045	$ 8,785
Series 2016, due serially 2024-2036	2.00 - 4.00%	18,740	20,135
Series 2017, due serially 2024-2037	3.00 - 5.00%	17,280	18,360
Series 2020, due serially 2024-2050	3.00 - 5.00%	61,685	63,065
Premium on revenue bonds		11,024	12,046
Total		116,774	122,391
Less: current portion of bonds payable		(4,785)	(4,595)
		$ 111,989	$ 117,796

(Dollars in Thousands)

14. Bonds (continued)

Principal payments on bonds are due annually on December 1. Debt service requirements as of December 31, 2025 are as follows:

	Electric Division	
	Principal	Interest
2026	$ 18,240	$ 31,740
2027	20,365	29,611
2028	21,365	28,611
2029	22,425	27,559
2030	23,715	26,456
2031-2035	128,660	116,934
2036-2040	100,070	92,312
2041-2045	104,850	71,168
2046-2050	131,275	44,738
2051-2055	107,040	15,408
Total	$ 678,005	$ 484,537

	Gas Division	
	Principal	Interest
2026	$ 5,020	$ 4,693
2027	5,270	4,442
2028	5,535	4,179
2029	5,805	3,902
2030	6,100	3,611
2031-2035	35,055	13,505
2036-2040	20,045	7,082
2041-2045	13,185	4,733
2046-2050	15,955	1,964
Total	$ 111,970	$ 48,111

(Dollars in Thousands)

14. Bonds (continued)

	Water Division	
	Principal	Interest
2026	$ 4,785	$ 3,930
2027	4,970	3,749
2028	5,195	3,524
2029	5,420	3,300
2030	5,655	3,066
2031-2035	30,845	11,673
2036-2040	17,745	6,859
2041-2045	14,260	4,684
2046-2050	16,875	2,077
Total	$ 105,750	$ 42,862

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

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

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

MLGW pledges revenues to ensure the repayment of all outstanding revenue bonds. These bonds' proceeds are used for capital improvement and replacement programs and repayment come from and is collateralized by MLGW's sales and service revenues. These revenues are pledged through 2055 at an approximate amount of $263,565. The proportion of the future pledged revenues to future revenues is not estimable as annual total revenues fluctuate.

(Dollars in Thousands)

14. Bonds (continued)

Principal and interest, pledged revenues after operating and maintenance expenses and the coverage ratio for each division for the period ending December 31, 2025 are as follows:

	Electric Division	Gas Division	Water Division
Debt Service	$ 34,654	$ 9,712	$ 8,719
Net Pledge Revenue	$ 255,531	$ 33,054	$ 28,065
Coverage Ratio	7.37	3.40	3.22

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, 2025 and 2024:

	2025	2024
Electric Division	**$ 702,540**	$ 465,083

	2025	2024
Gas Division	**$ 111,298**	$ 117,369

	2025	2024
Water Division	**$ 101,613**	$ 105,969

During 2025, the Electric Division issued $235,155 of Series 2025 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 2025 Electric Division Bonds. The first principal payment will be made December 1, 2026, and thereafter will be made annually with a final maturity date of December 1, 2055. The Series 2025 revenue bonds bear interest at annual fixed rates ranging from 4.25% to 5.00%.

During 2024, the Electric Division issued $180,000 in Revenue Bonds to finance the costs of acquiring, expanding and/or improving the Electric System and to pay certain costs of issuance with respect to the Series 2024 Electric Division Bonds. The Electric Division also issued $17,800 in Revenue Refunding Bonds to advance refund the remaining outstanding Electric System Revenue Bonds, Series 2014 (the "Refundable Bonds") and to pay certain costs of issuance with respect to the Series 2024 Electric System Refunding Bonds. In September 2024, the Electric Division defeased the Electric Revenue Bonds, Series 2014 in the amount of $139,613. The first principal payment was made December 1, 2025, and

14. Bonds (continued)

thereafter will be made annually with a final maturity date of December 1, 2054. The Series 2024 revenue bonds bear interest at annual fixed rates ranging from 4.25% to 5.00%.

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

During 2020, the Electric Division issued $29,000 of Series 2020B revenue refunding bonds to advance refund on a federally taxable basis, a portion of the outstanding Electric System Revenue Bonds, Series 2014 (the "Refundable Bonds") and to pay certain costs of issuance with respect to the Series 2020B Electric System Refunding Bonds. The refunding was undertaken to reduce total future debt service payments. The principal amount of the Refundable Bonds outstanding at December 31, 2020, was $23,865. The 2020 Series Bonds have a net present value benefit of $3,362, with a cash savings of $3,799 over the life of the bonds. The first principal payment was made December 1, 2021, and thereafter will be made annually with a final maturity date of December 1, 2034. The Series 2020B revenue bonds bear interest at annual fixed rates ranging from 1.10% to 1.97%.

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

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

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

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

14. Bonds (continued)

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

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

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

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

During 2014, the Water Division issued $15,000 of Series 2014 revenue bonds to finance the costs of acquiring, expanding and/or improving the Water Division and to pay certain costs of issuance with respect to the Series 2014 Water Division Bonds. The first principal payment was made December 1, 2015, and thereafter will be made annually with a final maturity date of December 1, 2034. The Series 2014 revenue bonds bear interest at annual fixed rates ranging from 3.00% to 4.00%.

MLGW's Electric Division bond covenants require that for Series 2016, 2017, 2020, 2024 and 2025 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, 2025 was 7.37.

MLGW's Gas Division bond covenants require that for Series 2016, 2017 and 2020 Bonds the ratio of net revenues to principal and interest for any fiscal year will equal at least 120%. The composite gas bonds debt service coverage as of December 31, 2025 was 3.40.

MLGW's Water Division bond covenants require that for Series 2014, 2016, 2017 and 2020 Bonds the ratio of net revenues to principal and interest for any fiscal year will equal at least 120%. The composite water bonds debt service coverage as of December 31, 2025 was 3.22.

(Dollars in Thousands)

14. Bonds (continued)

Long-term debt activity for the years ended December 31, 2025 and 2024 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Year ended December 31, 2025:				
Electric Division				
Bonds payable:				
Revenue bonds	**$ 457,955**	**$ 235,155**	**$ (15,105)**	**$ 678,005**
Premium on revenue bonds	**47,417**	**16,393**	**(4,006)**	**59,804**
Total bonds payable	**$ 505,372**	**$ 251,548**	**$ (19,111)**	**$ 737,809**
Gas Division				
Bonds payable:				
Revenue bonds	**$ 116,750**	**$ -**	**$ (4,780)**	**$ 111,970**
Premium on revenue bonds	**15,485**	**-**	**(1,513)**	**13,972**
Total bonds payable	**$ 132,235**	**$ -**	**$ (6,293)**	**$ 125,942**
Water Division				
Bonds payable:				
Revenue bonds	**$ 110,345**	**$ -**	**$ (4,595)**	**$ 105,750**
Premium on revenue bonds	**12,046**	**-**	**(1,022)**	**11,024**
Total bonds payable	**$ 122,391**	**$ -**	**$ (5,617)**	**$ 116,774**
Year ended December 31, 2024:				
Electric Division				
Bonds payable:				
Revenue bonds	$ 291,250	$ 197,880	$ (31,175)	$ 457,955
Premium on revenue bonds	33,121	18,281	(3,985)	47,417
Total bonds payable	$ 324,371	$ 216,161	$ (35,160)	$ 505,372
Gas Division				
Bonds payable:				
Revenue bonds	$ 121,305	$ -	$ (4,555)	$ 116,750
Premium on revenue bonds	17,072	-	(1,587)	15,485
Total bonds payable	$ 138,377	$ -	$ (6,142)	$ 132,235
Water Division				
Bonds payable:				
Revenue bonds	$ 114,770	$ -	$ (4,425)	$ 110,345
Premium on revenue bonds	13,108	-	(1,062)	12,046
Total bonds payable	$ 127,878	$ -	$ (5,487)	$ 122,391

15. Rates and Energy Supplies

Rates

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

As part of the MLGW multi-year service improvement plan proposed with the 2024 Budget, MLGW's Electric Division was granted approval for multi-year rate actions, with a focus on reliability improvements, infrastructure replacement and grid modernization. A rate increase of 12% is being spread evenly over three years beginning with a 4% increase for meters read on or after January 7, 2024, and continuing with a 4% increase for meters read on or after January 3, 2025. Remaining 4% will be implemented January 2026.

TVA implemented a wholesale rate increase effective with the October 2024 revenue month, increasing the cost of wholesale power (excluding fuel and purchased power) purchased by MLGW by approximately 5.25%. MLGW implemented changes to retail rate schedules effective with meters read on or after October 2, 2024, to pass along increased costs of wholesale power to its retail customers. The retail effect across all customer classes was an increase of approximately 3.0%.

As part of the MLGW Five-Year Service Improvement Plan proposed with the 2020 Budget, MLGW's Electric Division was granted approval for multi-year rate actions. The increases will be used primarily to fund the infrastructure improvements as part of the plan. MLGW implemented new electric rate schedules for meters read on or after January 4, 2022. The impact was a 1.5% increase for all customer classes.

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

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

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

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

15. Rates and Energy Supplies (continued)

Rates (continued)

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

In response to price increases in the natural gas market, MLGW restructured gas rate schedules by decreasing the projected base price used for rate development. New retail rate schedules were effective with meters read on or after October 2, 2024. The action was revenue neutral, neither decreasing nor increasing customer bills.

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

As part of the MLGW Five-Year Service Improvement Plan proposed with the 2020 Budget, MLGW's Water Division was granted approval for multi-year rate actions. The increases will be used primarily to fund the infrastructure improvements as part of the plan. MLGW implemented new water rate schedules for meters read on or after January 4, 2022. The impact was a 5.0% increase for all customer classes. In fiscal year 2021, MLGW implemented new water rate schedules for meters read on or after January 4, 2021. The impact was a 7.0% increase for all customer classes. In fiscal year 2020, MLGW implemented new water rate schedules for meters read on or after July 2, 2020. The impact was a 15.0% increase for all customer classes.

Energy Supplies

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

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

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

MLGW entered into a natural gas purchase contract with the Tennessee Energy Acquisition Corporation (TEAC) on December 1, 2006 in order to participate in a prepay natural gas opportunity. Natural gas began flowing to MLGW effective January 1, 2007. Effective January 1, 2007 through June 30, 2016, purchase volume for MLGW was 15,000 MMBtu/day for the November through March periods and 16,500 MMBtu/day for the April through October periods. Gas volumes were offered to MLGW for this period at

15. Rates and Energy Supplies (continued)

Energy Supplies (continued)

Panhandle Eastern Pipeline Field Zone Index pricing minus $0.530. Effective July 1, 2016 through December 31, 2026, purchase volume for MLGW increased to 35,000 MMBtu/day for the November through March periods and 26,500 MMBtu/day for the April through October periods. Gas volumes are offered to MLGW at Panhandle Eastern Pipeline Field Zone and Texas Gas Zone 1 Index pricing minus $0.530. This contract will expire December 31, 2026.

MLGW entered into a natural gas purchase contract with the Municipal Gas Authority of Georgia (MGAG) on July 24, 2018 in order to participate in a prepay natural gas opportunity. During the period of October 1, 2018 through December 31, 2023, gas volumes were 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 increased to 6,000 MMBtu/day effective January 1, 2024. An amendment to this contract dated November 7, 2023, changed the discount amount and the contract expiration date. As a result, starting January 1, 2024, gas volumes are offered to MLGW at Texas Gas Zone 1 Index minus $0.54 and the contract will expire December 31, 2053.

MLGW entered into a natural gas purchase contract with the Public Energy Authority of Kentucky ("PEAK") on December 4, 2018, in order to participate in a prepay natural gas opportunity. Gas volumes are offered to MLGW at Texas Gas Zone 1 Index minus $0.3350. Natural gas began flowing to MLGW effective July 1, 2019. Purchase volume for MLGW is 7,800 MMBtu/day for the November through March periods and 3,900 MMBtu/day for the April through October periods of the contract. An amendment to this contract dated March 1, 2025, changed the discount amount and the contract expiration date. As a result, starting May 1, 2025, gas volumes are offered to MLGW at Texas Gas Zone 1 Index minus $0.36 and the contract will expire April 30, 2055.

MLGW entered into a natural gas purchase contract with the Tennergy Energy Acquisition Corporation (Tennergy) on February 1, 2019, in order to participate in a prepay natural gas opportunity. Gas volumes are offered to MLGW at Texas Gas Zone 1 Index minus $0.27. Natural gas began flowing to MLGW effective January 1, 2020. Purchase volume for MLGW is 10,000 MMBtu/day for the November through March periods and 5,000 MMBtu/day for the April through October periods of the contract. An amendment to this contract dated July 1, 2024, changed the discount amount and the contract expiration date. As a result, starting September 1, 2024, gas volumes are offered to MLGW at Texas Gas Zone 1 index minus $0.4290 and the contract will expire August 31, 2054.

MLGW entered into a natural gas purchase contract with the 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. An amendment to this contract dated March 1, 2025 changed the discount amount and the contract expiration date. As a result, starting May 1, 2025, gas volumes are offered to MLGW at Texas Gas Zone 1 Index minus $0.36 and the contract will expire April 30, 2055.

(Dollars in Thousands)

15. Rates and Energy Supplies (continued)

Energy Supplies (continued)

MLGW entered into a natural gas purchase contract with the PEAK on December 1, 2019, in order to participate in a prepay natural gas opportunity. Gas volumes are offered to MLGW at Texas Gas Zone 1 and Trunkline Z1A Index pricing minus $0.2750. Natural gas began flowing to MLGW effective November 1, 2020. Effective November 1, 2020, purchase volume for MLGW is approximately 39,300 MMBtu/day for the November through March periods. Effective November 1, 2027, the November through March purchase volume will increase to approximately 47,000 MMBtu/day.

Effective April 1, 2027, the purchase volume is 850 MMBtu/day for the April through October periods of the contract. This contract will expire December 31, 2049.

16. Federal Grant Contributions

In May 2020, MLGW applied for a COVID-19 Response Grant. In April 2022, on behalf of the Department of Homeland Security, FEMA awarded grant contract 4514DR-TN for the Division. The award amount is $236 of which is 100% reimbursable. In 2022, MLGW submitted eligible costs of $236 for reimbursement of $236. There were no additional costs submitted. MLGW received and signed the contract April 2024 and received reimbursement August 2024. The grant is now closed.

All Divisions	2024	2023	2022
Total Expenditures	$ -	$ -	$ 236
Eligible Reimbursement	$ -	$ -	$ 236
Reimbursement Received	$ 236	$ -	$ -
Receivable Balance	$ -	$ (236)	$ (236)

(Dollars in Thousands)

16. Federal Grant Contributions (continued)

In March 2021, MLGW applied for a Public Assistance Grant 4594DR-TN for the restoration work performed after the February 2021 storm. In September 2022, on behalf of the Department of Homeland Security, FEMA awarded grant contract #34101-00123. The award amount is $2,636, of which $1,234 was reimbursement for the Electric Division and $1,402 to the Water Division. In 2021, total eligible expenditures submitted were $2,929, of which $1,371 was for the Electric Division and $1,558 for the Water Division. In September 2022, MLGW received $1,234 for the Electric Division and $129 for the Water Division. However, in December 2022, MLGW decreased the Water Division receivable by $128 representing hazard mitigation under runs that are currently being processed and pending de-obligation by FEMA. In October 2023, the grant contract was amended to include $38 de minimis indirect costs for the Water Division. In November 2024, MLGW received the final payment of $1,183 for the Water Division.

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

Water	2024	2023	2022
Total Expenditures	$ -	$ -	$ -
Eligible Reimbursement	$ -	$ 38	$ 1,402
Eligible Reimbursement	$ -	$ -	$ (128)
Reimbursement Received	$ 1,183	$ -	$ 129
Receivable Balance	$ -	$ (1,183)	$ (1,145)

(Dollars in Thousands)

16. Federal Grant Contributions (continued)

In February 2022, MLGW applied for a Public Assistance Grant 4645DR-TN for the restoration work performed after the February 2022 storm. In 2022, total eligible expenditures submitted were $16,582, of which $16,546 was for the Electric Division and $36 for the Water Division. In July 2024, on behalf of the Department of Homeland Security, FEMA awarded grant contract #34101-32424. The award amount is $12,451, of which $12,424 was reimbursement for the Electric Division and $27 to the Water Division. MLGW is awaiting reimbursement. In May 2025, MLGW decreased the Electric Division receivable by $16 representing ineligible costs that are currently being processed and pending de-obligation by FEMA. In July 2025, MLGW received a $27 payment for the Water Division.

Electric	2024
Total Expenditures	$ -
Eligible Reimbursement	$ (12,424)
Reimbursement Received	$ 16
Receivable Balance	$ (12,408)

Water	2025	2024
Total Expenditures	$ -	$ -
Eligible Reimbursement	$ (27)	$ (27)
Reimbursement Received	$ 27	$ -
Receivable Balance	$ -	$ (27)

In December 2022, MLGW applied for a Public Assistance Grant 4691DR-TN for the restoration work performed after the December 2022 storm. In 2022, total eligible expenditures submitted were $716, of which $283 was for the Electric Division and $433 for the Water Division. In July 2024, on behalf of the Department of Homeland Security, FEMA awarded grant contract #34101-41824. The award amount is $537, of which $212 was reimbursement for the Electric Division and $325 to the Water Division. In November 2024, MLGW received $537 payment for the Electric and Water Divisions.

(Dollars in Thousands)

16. Federal Grant Contributions (continued)

Electric	2024
Total Expenditures	$ -
Eligible Reimbursement	$ (212)
Reimbursement Received	$ 212
Receivable Balance	$ -

Water	2024
Total Expenditures	$ -
Eligible Reimbursement	$ (325)
Reimbursement Received	$ 325
Receivable Balance	$ -

In July 2023, MLGW applied for a Public Assistance Grant 4735DR-TN for the restoration work performed after the July 2023 storm. In 2023, total eligible expenditures submitted were $15,232 for the Electric Division. In September 2025, on behalf of the Department of Homeland Security, FEMA awarded grant contract #34101-16526. The award amount is $11,424 reimbursement for the Electric Division.

Electric	2025
Total Expenditures	$ -
Eligible Reimbursement	$(11,424)
Reimbursement Received	$ -
Receivable Balance	$(11,424)

(Dollars in Thousands)

16. Federal Grant Contributions (continued)

In August 2023, MLGW applied for the DWR-ARP Resource Protection Grants State Water Infrastructure Grants (SWIG) for the purchase and installation of a backup generator for the Arlington LNG Water Pumping Station. In May 2024, on behalf of the US Department of the Treasury, TDEC awarded grant contract 32701-05501 for the Water Division. The award amount is $403 of which MLGW must contribute a cost match of $21, or 5%, of the project cost of $424.

In August 2023, MLGW applied for the DWR-ARP Resource Protection Grants State Water Infrastructure Grants (SWIG) for the purchase and installation of a backup generator for select wells in the Davis and Shaw Pumping Station wellfields. In May 2024, on behalf of the US Department of the Treasury, TDEC awarded grant contract 32701-05502 for the Water Division. The award amount is $4,023 of which MLGW must contribute a cost match of $212, or 5%, of the project cost of $4,235. In November 2025, MLGW received two reimbursements of $888 and $21 for a total of $909.

Water	2025
Total Expenditures	$ -
Eligible Reimbursement	$ (909)
Reimbursement Received	$ 909
Receivable Balance	$ -

In January 2024, MLGW applied for the DWR-BIL Lead Service Line Inventory Grant to complete a comprehensive lead service line inventory. In August 2024, on behalf of the US Environmental Protection Agency, TDEC awarded grant contract 32701-25-013 for the Water Division. The award amount is $213 of which MLGW must contribute a cost match of $38, or 15%, of the total approved project cost of $250. In November 2025, MLGW received a reimbursement of $85.

Water	2025
Total Expenditures	$ -
Eligible Reimbursement	$ (85)
Reimbursement Received	$ 85
Receivable Balance	$ -

17. Transfers to City

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

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

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

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

18. 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. The City directed MLGW's Water Division to pay an additional $2,200, and $2,300 to the City's general fund for each of MLGW's fiscal years 2024 and 2025, respectively, on or about April 30th of said years. MLGW is to continue the incremental water payments for fiscal years after 2025 at the same $2,300 level unless the City directs otherwise.

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

See Note 15 for discussions of MLGW's power contract with TVA and gas purchase commitments.

19. Unusual or Infrequent Items

Unusual or infrequent items are transactions or events that are either (or both) abnormal in nature or not expected to recur in the foreseeable future. Unusual or infrequent items are reported in the Statements Revenues, Expenses and Changes in Net Position. As of December 31, 2025, and 2024, there were no unusual or infrequent items.

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Required Supplementary Information

REQUIRED SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)
DECEMBER 31, 2025
(Dollars in Thousands)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability										
Service cost	**$ 36,856**	$ 36,221	$ 34,220	$ 32,463	$ 32,142	$ 31,636	$ 31,185	$ 31,977	$ 32,591	$ 30,139
Interest	**122,967**	118,226	113,017	111,732	109,265	110,927	108,432	103,731	102,248	99,940
Change of benefit terms	**-**	-	-	4,760	-	-	-	-	-	-
Differences between expected and actual experience	**42,084**	51,235	54,247	6,177	9,102	(5,040)	3,726	4,908	(11,298)	2,275
Changes in assumptions	**(16,102)**	-	-	40,219	-	(174)	-	-	-	-
Benefit payments, including refunds of employee contributions	**(144,650)**	(132,517)	(125,633)	(121,781)	(111,826)	(107,731)	(113,316)	(104,919)	(102,628)	(100,528)
Net change in total pension liability	**41,155**	73,165	75,851	73,570	38,683	29,618	30,027	35,697	20,913	31,825
Total pension liability – beginning	**1,792,144**	1,718,979	1,643,128	1,569,558	1,530,875	1,501,257	1,471,230	1,435,533	1,414,620	1,382,794
Total pension liability – ending (a)	**$ 1,833,299**	$ 1,792,144	$ 1,718,979	$ 1,643,128	$ 1,569,558	$ 1,530,875	$ 1,501,257	$ 1,471,230	$ 1,435,533	$ 1,414,620
Plan fiduciary net position										
Contributions – employer	**$ 28,688**	$ 20,474	$ 20,941	$ 24,199	$ 24,504	$ 21,813	$ 22,174	$ 22,390	$ 21,390	$ 21,390
Contributions – employee	**16,471**	15,216	14,657	14,216	13,828	13,462	13,217	12,959	12,513	12,310
Net investment income (loss)	**127,839**	110,038	(200,888)	252,598	192,438	237,314	(39,996)	216,498	108,008	15,231
Benefit payments including refunds of employee contributions	**(144,650)**	(132,517)	(125,633)	(121,781)	(111,826)	(107,731)	(113,316)	(104,919)	(102,628)	(100,528)
Administrative expense	**(1,015)**	(958)	(886)	(868)	(779)	(931)	(871)	(860)	(730)	(759)
Net change in plan fiduciary net position	**$ 27,333**	$ 12,253	$ (291,809)	$ 168,364	$ 118,165	$ 163,927	$ (118,792)	$ 146,068	$ 38,553	$ (52,356)
Other Adjustments	**-**	-	-	-	-	-	-	-	-	788
Plan fiduciary net position – beginning	**$ 1,564,345**	$ 1,552,092	$ 1,843,901	$ 1,675,537	$ 1,557,372	$ 1,393,445	$ 1,512,237	$ 1,366,169	$ 1,327,616	$ 1,379,184
Plan fiduciary net position – ending (b)	**$ 1,591,678**	$ 1,564,345	$ 1,552,092	$ 1,843,901	$ 1,675,537	$ 1,557,372	$ 1,393,445	$ 1,512,237	$ 1,366,169	$ 1,327,616
System's net pension liability (asset) – ending (a) – (b)	**$ 241,621**	$ 227,799	$ 166,887	$ (200,773)	$ (105,979)	$ (26,497)	$ 107,812	$ (41,007)	$ 69,364	$ 87,004
Plan fiduciary net position as a percentage of the total pension liability	**86.82%**	87.29%	90.29%	112.22%	106.75%	101.73%	92.82%	102.79%	95.17%	93.85%
Covered employee payroll	**$ 207,483**	$ 191,237	$ 184,709	$ 175,790	$ 173,425	$ 170,946	$ 169,605	$ 167,221	$ 161,926	$ 160,641
System's net pension liability (asset) as a percentage of covered payroll	**116.45%**	119.12%	90.35%	-114.21%	-61.11%	-15.50%	63.57%	-24.52%	42.84%	54.16%

Notes to schedule:

Benefit changes: There were no changes in benefit provisions in the last two years.

Change of assumptions: The assumptions were updated for December 31, 2024 pension liability based on a five - year experience study ending December 31, 2023. See Note 10 Net Pension Liability (Asset) for full assumption changes effective January 1, 2025.

(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
2016	$ 21,390	$ 21,390	$ -	$ 161,926	13.21%
2017	22,390	22,390	-	167,221	13.39%
2018	22,174	22,174	-	169,605	13.07%
2019	21,813	21,813	-	170,946	12.76%
2020	24,504	24,504	-	173,425	14.13%
2021	24,199	24,199	-	175,790	13.77%
2022	20,941	20,941	-	184,710	11.34%
2023	20,474	20,474	-	191,237	10.71%
2024	28,688	28,688	-	207,483	13.83%
2025	35,605	35,605	-	222,145	16.03%

Valuation date	January 1, 2025
Actuarial cost method	Entry Age Actuarial Cost Method
Amortization method	Level percent of payroll, using 0.50% annual increases
Remaining amortization period	18 years remaining as of January 1, 2023
Asset valuation method	Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value basis, and is recognized over a five-year period. The deferred return is further adjusted, if necessary, so that the actuarial value of assets will stay within 30% of the market value of assets.
Actuarial Assumptions:	
Inflation	2.50%
Salary increases	Inflation plus merit increases that vary by age and service, ranging from 0.50% to 8.50%
Investment rate of return	7.00%, including inflation, net of pension plan investment expense
Cost-of-living adjustments	0.75% for ages 56-58 1.50% for ages 59-61 1.875% for ages 62 and older, and all disabled participants
Mortality rates	Pri-2012 Blue Collar Mortality Tables for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale MP-2021.
Other Information:	The actuarially determined contribution (ADC) is calculated using January 1 valuation date as of the beginning of the fiscal year prior to the year in which contributions are reported. Therefore, the ADC for the year ended December 31, 2024 is based on the January 1, 2023 actuarial valuation. The actuarial assumptions used in the January 1, 2025 valuation were based on the results of an experience study for the five-year period ended December 31, 2023. Please see the January 1, 2025 actuarial valuation report for a full listing of assumptions.

REQUIRED SCHEDULE OF CHANGES IN NET OPEB LIABILITY
DECEMBER 31, 2025
(Dollars in Thousands)

	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability								
Service cost	**$ 17,631**	$ 18,547	$ 18,094	$ 16,093	$ 15,401	$ 15,804	$ 15,381	$ 19,520
Interest	**57,764**	60,267	57,870	54,019	51,713	53,030	50,559	64,666
Change of benefit terms	**-**	-	-	-	-	-	-	(61,896)
Differences between expected and actual experience	**137**	8,924	(5,593)	12,400	(4,090)	15,351	(3,134)	3,674
Changes of assumptions	**14,898**	(83,193)	-	30,869	-	(46,584)	-	(200,370)
Benefit payments, including refunds of member contributions	**(39,772)**	(39,000)	(34,248)	(33,268)	(30,588)	(31,916)	(28,676)	(29,457)
Net change in Total OPEB Liability	**$ 50,658**	$ (34,455)	$ 36,123	$ 80,113	$ 32,436	$ 5,685	$ 34,130	$(203,863)
Total OPEB Liability - beginning	**827,120**	861,575	825,452	745,339	712,903	707,218	673,088	876,951
(a) Total OPEB Liability - ending	**$ 877,778**	$ 827,120	$ 861,575	$ 825,452	$ 745,339	$ 712,903	$ 707,218	$ 673,088
Plan Fiduciary Net Position								
Contributions - employer	**40,806**	40,136	38,381	37,561	34,895	33,949	48,972	45,184
Net investment income	**57,880**	62,043	(73,591)	106,511	84,891	76,564	(14,273)	57,671
Benefit payments, including refunds of member contributions	**(38,703)**	(38,406)	(33,805)	(32,445)	(29,775)	(31,146)	(27,876)	(28,765)
Administrative expense	**(1,069)**	(594)	(443)	(823)	(812)	(770)	(801)	(692)
Net change in Plan Fiduciary Net Position	**$ 58,914**	$ 63,179	$ (69,458)	$ 110,804	$ 89,199	$ 78,597	$ 6,022	$ 73,398
Plan Fiduciary Net Position - beginning	**698,069**	634,890	704,348	593,544	504,345	425,748	419,726	346,328
(b) Plan Fiduciary Net Position - ending	**$ 756,983**	$ 698,069	$ 634,890	$ 704,348	$ 593,544	$ 504,345	$ 425,748	$ 419,726
(c) Net OPEB Liability - ending (a) - (b)	**$ 120,795**	$ 129,051	$ 226,685	$ 121,104	$ 151,795	$ 208,558	$ 281,470	$ 253,362
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	**86.24%**	84.40%	73.69%	85.33%	79.63%	70.75%	60.20%	62.36%
Covered payroll [1]	**$ 207,483**	$ 191,237	$ 184,710	$ 175,790	$ 173,425	$ 170,946	$ 169,605	$ 167,221
Plan Net OPEB Liability as percentage of covered payroll	**58.22%**	67.48%	122.72%	68.89%	87.53%	122.00%	165.96%	151.51%

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

Notes to schedule:

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

Changes of assumptions:

Effective with the December 31, 2024 measurement, the following assumptions were changed:

- Healthcare claims cost, contributions, and trend rates were updated to reflect most recent experience and future expectations.
- The demographic assumptions were updated for the December 31, 2024 OPEB liability based on the five-year experience study ending December 31, 2023

Historical data : This schedule will be expanded to reflect ten years of data, as the information becomes available.

REQUIRED SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB
DECEMBER 31, 2025
(Dollars in Thousands)

Year Ended December 31	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions*	Contribution Deficiency / (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2016	$ 45,289	$ 42,496	$ 2,793	$ 161,926	26.24%
2017	46,978	45,184	1,794	167,221	27.02%
2018	48,270	48,972	(702)	169,605	28.87%
2019	31,701	33,949	(2,248)	170,946	19.86%
2020	32,111	34,895	(2,784)	173,425	20.12%
2021	32,403	37,561	(5,158)	175,790	21.37%
2022	31,406	38,381	(6,975)	184,710	20.78%
2023	34,131	40,136	(6,005)	191,237	20.99%
2024	33,933	40,806	(6,873)	207,483	19.67%
2025	26,584	26,588	(4)	222,145	11.97%

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

Valuation date	December 31, 2024
Actuarial cost method	Entry Age Actuarial Cost Method
Amortization method	30-year closed, level salary
Remaining amortization period	20 years remaining as of December 31, 2024
Asset valuation method	The market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between actual and expected returns on a market value basis and is recognized over a five-year period. The deferred return is further adjusted, if necessary, so that the actuarial value of assets will stay within 20% of the market value of assets.
Actuarial Assumptions:	
Inflation	2.50%
Salary increases	Inflation plus merit increases that vary by age and service
Investment rate of return	7.00%
Healthcare cost trend rates	
Medical	7% grading to 4.50% over 10 years
Presciption drug	10% grading to 4.50% over 11 years
Dental, administrative costs	3.00%
Mortality rates	
Pre-retirement	PRI-2012 Blue Collar Healthy Annuitant mortality Table, Headcount-Weighted, with sex-distinct rates, projected generationally with Scale MP-2021.
Healthy annuitants	PRI-2012 Blue Collar Healthy Annuitant Mortality Table, Headcount-Weighted, with sex-distinct rates, plus 20% load for males and a 12% load for females projected generationally with Scale MP-2021.
Disabled annuitants	PRI-2012 Diabled Retiree Mortality Table, Headcount-Weighted, with sex-distinct rates, plus a 20% load, projected generationally with Scale MP-2021.
Beneficiaries	PRI-2012 Contingent Survivor Mortality Table, Headcount-Weighted, with sex-distinct rates, plus a 12% load, projected generationally with Scale MP-2021.
Other Information:	The actuarially determined contribution (ADC) is calculated as of January 1, one year prior to the end of the fiscal year in which contributions are reported. The actuarial assumptions used in the December 31, 2024 valuation were based on the results of an actuarial experience study for the period January 1, 2019 to December 31, 2023. Please see the January 1, 2025 acturial valuation report for a full list of assumptions.

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SCHEDULE OF BONDS,
PRINCIPAL AND INTEREST REQUIREMENTS
DECEMBER 31, 2025
(Dollars in Thousands)

	Series 2016		Series 2017		Series 2020A		Series 2020B	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Electric Division:								
2026	$ 1,890	$ 1,162	$ 4,100	$ 2,558	$ 3,130	$ 5,288	$ 460	$ 476
2027	1,985	1,067	4,305	2,353	3,285	5,132	465	471
2028	2,085	968	4,520	2,138	3,450	4,968	470	465
2029	2,185	864	4,750	1,912	3,625	4,795	480	458
2030	2,295	755	4,985	1,675	3,805	4,614	4,805	451
2031	2,410	640	5,235	1,425	3,995	4,424	4,885	373
2032	2,510	543	5,420	1,242	4,195	4,224	4,965	289
2033	2,610	443	5,605	1,052	4,405	4,014	5,060	199
2034	2,710	339	5,805	856	4,625	3,794	5,155	102
2035	2,820	230	6,005	653	4,855	3,563	-	-
2036	2,935	117	6,215	443	5,000	3,417	-	-
2037	-	-	6,435	225	5,150	3,267	-	-
2038	-	-	-	-	5,305	3,113	-	-
2039	-	-	-	-	5,465	2,953	-	-
2040	-	-	-	-	5,630	2,789	-	-
2041	-	-	-	-	5,800	2,621	-	-
2042	-	-	-	-	5,970	2,447	-	-
2043	-	-	-	-	6,150	2,267	-	-
2044	-	-	-	-	6,400	2,021	-	-
2045	-	-	-	-	6,655	1,765	-	-
2046	-	-	-	-	6,920	1,499	-	-
2047	-	-	-	-	7,195	1,222	-	-
2048	-	-	-	-	7,485	935	-	-
2049	-	-	-	-	7,785	635	-	-
2050	-	-	-	-	8,095	324	-	-
Total	$ 26,435	$ 7,128	$ 63,380	$ 16,532	$ 134,375	$ 76,091	$ 26,745	$ 3,284

SCHEDULE OF BONDS,
PRINCIPAL AND INTEREST REQUIREMENTS
DECEMBER 31, 2025
(Dollars in Thousands)
(Continued)

	Series 2024 Revenue		Series 2024 Refunding		Series 2025	
	Principal	Interest	Principal	Interest	Principal	Interest
Electric Division:						
2026	$ 2,865	$ 8,596	$ 3,400	$ 732	$ 2,395	$ 12,928
2027	3,010	8,452	3,565	562	3,750	11,574
2028	3,160	8,302	3,745	384	3,935	11,386
2029	3,315	8,144	3,935	197	4,135	11,189
2030	3,485	7,978	-	-	4,340	10,983
2031	3,655	7,804	-	-	4,560	10,766
2032	3,840	7,621	-	-	4,785	10,538
2033	4,030	7,429	-	-	5,025	10,298
2034	4,235	7,227	-	-	5,275	10,047
2035	4,445	7,016	-	-	5,540	9,783
2036	4,665	6,793	-	-	5,815	9,506
2037	4,900	6,560	-	-	6,110	9,216
2038	5,145	6,315	-	-	6,415	8,910
2039	5,405	6,058	-	-	6,735	8,589
2040	5,675	5,788	-	-	7,070	8,253
2041	5,955	5,504	-	-	7,425	7,899
2042	6,255	5,206	-	-	7,795	7,528
2043	6,570	4,894	-	-	8,185	7,138
2044	6,895	4,565	-	-	8,595	6,729
2045	7,240	4,220	-	-	8,960	6,364
2046	7,605	3,858	-	-	9,405	5,916
2047	7,985	3,478	-	-	9,875	5,445
2048	8,380	3,079	-	-	10,370	4,952
2049	8,740	2,723	-	-	10,890	4,433
2050	9,110	2,351	-	-	11,435	3,888
2051	9,495	1,964	-	-	12,005	3,316
2052	9,900	1,561	-	-	12,605	2,716
2053	10,395	1,066	-	-	13,235	2,086
2054	10,915	546	-	-	13,900	1,424
2055	-	-	-	-	14,590	729
Total	$ 177,270	$ 155,098	$ 14,645	$ 1,875	$ 235,155	$ 224,529

SCHEDULE OF BONDS,
PRINCIPAL AND INTEREST REQUIREMENTS
DECEMBER 31, 2025
(Dollars in Thousands)
(Continued)

	Series 2016		Series 2017		Series 2020	
	Principal	Interest	Principal	Interest	Principal	Interest
Gas Division:						
2026	$ 1,890	$ 1,162	$ 1,800	$ 1,280	$ 1,330	$ 2,251
2027	1,985	1,067	1,885	1,190	1,400	2,185
2028	2,085	968	1,980	1,096	1,470	2,115
2029	2,185	864	2,080	997	1,540	2,041
2030	2,295	755	2,185	892	1,620	1,964
2031	2,410	640	2,295	783	1,700	1,883
2032	2,510	543	2,410	668	1,785	1,798
2033	2,610	443	2,530	548	1,875	1,709
2034	2,710	339	2,630	447	1,970	1,615
2035	2,820	230	2,735	342	2,065	1,517
2036	2,935	117	2,845	232	2,130	1,455
2037	-	-	2,960	118	2,195	1,391
2038	-	-	-	-	2,260	1,325
2039	-	-	-	-	2,325	1,257
2040	-	-	-	-	2,395	1,187
2041	-	-	-	-	2,470	1,116
2042	-	-	-	-	2,540	1,041
2043	-	-	-	-	2,620	965
2044	-	-	-	-	2,725	860
2045	-	-	-	-	2,830	751
2046	-	-	-	-	2,945	638
2047	-	-	-	-	3,065	520
2048	-	-	-	-	3,185	398
2049	-	-	-	-	3,315	270
2050	-	-	-	-	3,445	138
Total	$ 26,435	$ 7,128	$ 28,335	$ 8,593	$ 57,200	$ 32,390

SCHEDULE OF BONDS,
PRINCIPAL AND INTEREST REQUIREMENTS
DECEMBER 31, 2025
(Dollars in Thousands)
(Continued)

	Series 2014		Series 2016		Series 2017	
	Principal	Interest	Principal	Interest	Principal	Interest
Water Division:						
2026	$ 765	$ 308	$ 1,435	$ 610	$ 1,135	$ 673
2027	790	285	1,465	581	1,190	616
2028	820	253	1,525	523	1,250	557
2029	855	221	1,585	462	1,300	506
2030	890	186	1,645	398	1,355	455
2031	925	151	1,715	333	1,405	400
2032	960	114	1,765	281	1,455	351
2033	1,000	75	1,820	228	1,515	294
2034	1,040	35	1,870	174	1,575	232
2035	-	-	1,930	117	1,640	169
2036	-	-	1,985	60	1,705	103
2037	-	-	-	-	1,755	53
Total	$ 8,045	$ 1,628	$ 18,740	$ 3,767	$ 17,280	$ 4,409

(Dollars in Thousands)

	Series 2020	
	Principal	Interest
Water Division:		
2026	$ 1,450	$ 2,339
2027	1,525	2,267
2028	1,600	2,191
2029	1,680	2,111
2030	1,765	2,027
2031	1,850	1,938
2032	1,945	1,846
2033	2,040	1,749
2034	2,145	1,647
2035	2,250	1,539
2036	2,315	1,472
2037	2,385	1,402
2038	2,460	1,331
2039	2,530	1,257
2040	2,610	1,181
2041	2,685	1,103
2042	2,765	1,022
2043	2,850	939
2044	2,935	854
2045	3,025	766
2046	3,115	675
2047	3,240	550
2048	3,370	421
2049	3,505	286
2050	3,645	145
Total	$ 61,685	$ 33,058

SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
DECEMBER 31, 2025
(Dollars in Thousands)

Description	Original Amount of Issue	Interest Rate	Date of Issue	Final Maturity Date	Outstanding 2024	Issued 2025	Payments/ Matured 2025	Refunded 2025	Outstanding 2025
Electric System Revenue Bonds - Series 2016	$ 40,000	4.0 to 5.0%	9/1/2016	12/1/2036	$ 28,235	$ -	$ 1,800	$ -	$ 26,435
Electric System Revenue Bonds - Series 2017	$ 90,000	3.5 to 5.0%	9/28/2017	12/1/2037	$ 67,285	$ -	$ 3,905	$ -	$ 63,380
Electric System Revenue Bonds - Series 2020A	$ 148,000	3.0 to 5.0%	9/22/2020	12/1/2050	$ 137,355	$ -	$ 2,980	$ -	$ 134,375
Electric System Revenue Refunding Bonds - Series 2020B	$ 29,000	1.1 to 1.97%	9/22/2020	12/1/2034	$ 27,200	$ -	$ 455	$ -	$ 26,745
Electric System Revenue Bonds - Series 2024	$ 180,000	4.25 to 5.0%	9/12/2024	12/1/2054	$ 180,000	$ -	$ 2,730	$ -	$ 177,270
Electric System Revenue Refunding Bonds - Series 2024	$ 17,880	5.0 to 5.0%	9/12/2024	12/1/2029	$ 17,880	$ -	$ 3,235	$ -	$ 14,645
Electric System Revenue Bonds - Series 2025	$ 235,155	4.25 to 5.0%	10/23/2025	12/12055	$ -	$ 235,155	$ -	$ -	$ 235,155
Total Electric System Bonds					**$ 457,955**	**$ 235,155**	**$ 15,105**	**$ -**	**$ 678,005**

Description	Original Amount of Issue	Interest Rate	Date of Issue	Final Maturity Date	Outstanding 2024	Issued 2025	Payments/ Matured 2025	Refunded 2025	Outstanding 2025
Gas System Revenue Bonds - Series 2016	$ 40,000	4.0 to 5.0%	9/1/2016	12/1/2036	$ 28,235	$ -	$ 1,800	$ -	$ 26,435
Gas System Revenue Bonds - Series 2017	$ 40,000	4.0 to 5.0%	9/28/2017	12/1/2037	$ 30,045	$ -	$ 1,710	$ -	$ 28,335
Gas System Revenue Bonds - Series 2020	$ 63,000	3.0 to 5.0%	9/22/2020	12/1/2050	$ 58,470	$ -	$ 1,270	$ -	$ 57,200
Total Gas System Bonds					**$ 116,750**	$ -	**$ 4,780**	$ -	**$ 111,970**

Description	Original Amount of Issue	Interest Rate	Date of Issue	Final Maturity Date	Outstanding 2024	Issued 2025	Payments/ Matured 2025	Refunded 2025	Outstanding 2025
Water System Revenue Bonds - Series 2014	$ 15,000	3.0 to 4.0%	6/3/2014	12/1/2034	$ 8,785	$ -	$ 740	$ -	$ 8,045
Water System Revenue Bonds - Series 2016	$ 30,000	2.0 to 4.0%	9/1/2016	12/1/2036	$ 20,135	$ -	$ 1,395	$ -	$ 18,740
Water System Revenue Bonds - Series 2017	$ 25,000	3.0 to 5.0%	9/28/2017	12/1/2037	$ 18,360	$ -	$ 1,080	$ -	$ 17,280
Water System Revenue Bonds - Series 2020	$ 68,000	3.0 to 5.0%	9/22/2020	12/1/2050	$ 63,065	$ -	$ 1,380	$ -	$ 61,685
Total Water System Bonds					**$ 110,345**	$ -	**$ 4,595**	$ -	**$ 105,750**

SCHEDULE OF CHANGES IN LEASE LIABILITIES
DECEMBER 31, 2025
(Dollars in Thousands)

MLGW

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Maturity Date	Outstanding 12-31-2024	Issued During Period	Paid and/or Matured During Period	Remeasurements	Outstanding 12-31-2025
LEASES PAYABLE									
Konica Minolta - 2024-A	486	4.40%	7/1/2024	6/30/2028	$ 432	$ -	$ (116)	$ (1)	$ 315
Konica Minolta - 2024-B	314	4.40%	12/6/2024	12/5/2028	314	-	(80)	-	234
Konica Minolta - 2024-C	453	4.40%	10/1/2024	10/1/2026	399	-	(225)	-	174
Pitney Bowes - 2024-A	22	4.40%	5/15/2024	5/14/2025	9	-	(9)	-	-
Pitney Bowes - 2024-B	87	4.40%	11/3/2024	11/2/2026	76	-	(43)	-	33
Pitney Bowes - 2025-A	26	4.40%	7/12/2025	12/11/2026	-	26	(8)	-	18
Apexus	351	4.40%	11/1/2024	9/30/2027	333	-	(108)	-	225
Total Leases Payable					**$ 1,563**	**$ 26**	**$ (589)**	**$ (1)**	**$ 999**

SCHEDULE OF LEASE LIABILITIES, PRINCIPAL, AND INTEREST REQUIREMENT
BY FISCAL YEAR
DECEMBER 31, 2025
(Dollars in Thousands)

Year Ending	Total	Total		Apexus		Konica Minolta - 2024-A		Konica Minolta - 2024-B		Konica Minolta - 2024-C		Pitney Bowes - 2024-B		Pitney Bowes - 2025-A	
December 31,	Requirements	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2026	$ 571	$ 541	$ 30	$ 119	$ 7	$ 121	$ 11	$ 75	$ 8	$ 174	$ 3	$ 34	$ 1	$ 18	$ -
2027	326	314	12	106	2	127	5	81	5	-	-	-	-	-	-
2028	146	144	2	-	-	67	1	77	1	-	-	-	-	-	-
	$ 1,043	$ 999	$ 44	$ 225	$ 9	$ 315	$ 17	$ 233	$ 14	$ 174	$ 3	$ 34	$ 1	$ 18	$ -

SCHEDULE OF ADDITIONS AND RETIREMENTS TO CAPITAL ASSETS
DECEMBER 31, 2025
(Dollars in Thousands)

	Electric Division	Gas Division	Water Division
Capital assets in service, December 31, 2024	$ 2,262,710	$ 808,744	$ 602,560
Additions - Construction	129,405	20,342	36,772
Retirements	(16,364)	(5,406)	(1,067)
Transfers	(62)	93	(202)
Capital assets in service, December 31, 2025	**$ 2,375,689**	**$ 823,773**	**$ 638,063**

Note: Capital assets in service balances exclude amounts for construction work in process, non-operating assets and land held for future use.

Other Information

Electric Division Rate Class	Base Charge			Customers

All Electric Rate Schedules Are Subject To Adjustment Under The Provisions of the TVA Fuel Cost and Purchased Power Adjustment Rider.

Residential – Schedule RS	Effective meters read on or after January 3, 2025			384,954
Service Charge:	$15.94 per month, less Hydro Allocation Credit: $1.54			
Energy Charge:	Summer	Winter	Transition	
First 500 kWh per month:	$0.09681	$0.09288	$0.09052	
Additional kWh per month:	$0.09568	$0.09177	$0.08940	

The above rates are subject to adjustment under the provisions of the TVA Fuel Cost and Purchase Power Adjustment Rider.

Time-Of-Use Residential Rate Schedule RSTOU	Effective October 1, 2024			61
Service Charge:	$15.94 per month, less Hydro Allocation Credit: $1.54			
Energy Charge:	Summer	Winter	Transition	
On-Peak kWh per month:	$0.17178	$0.11638	$0.07748	
Off-Peak kWh per month:	$0.07748	$0.07748	$0.07748	

The above rates are subject to adjustment under the provisions of the TVA Fuel Cost and Purchase Power Adjustment Rider.

General Service – Schedule GSA	Effective meters read on or after January 3, 2025			44,031

Part 1)

If (a) the higher of (i) the customer's currently effective contract demand, if any, or (ii) its highest billing demand during the latest 12 month period is not more than 50 kW, and (b) customer's monthly energy takings for any month during such period do not exceed 15,000 kWh:

Service Charge:	$32.00 per delivery point per month		
Energy Charge:	Summer	Winter	Transition
	$0.10632	$0.10246	$0.10006

Part 2)

If (a) the higher of (i) the customer's currently effective contract demand or (ii) its highest billing demand during the latest 12 month period is greater than 50 kW but not more than 1,000 kW, or (b) if the customer's billing demand is less than 50 kW and its energy takings for any month during such period exceed 15,000 kWh:

Service Charge:	$95.00 per delivery point per month		
Demand Charge:	Summer	Winter	Transition
First 50 kW of billing demand per month:	$0.00	$0.00	$0.00
Excess over 50 kW of billing demand per month:	$18.54	$17.24	$17.24
Energy Charge:			
First 15,000 kWh per month:	$0.12227	$0.11848	$0.11605
Additional kWh per month:	$0.05566	$0.05206	$0.05072

Electric Division Rate Class (cont.)	Base Charge			Customers
General Service – Schedule GSA (cont.)				
Part 3)	If the higher of the customer's currently effective contract demand or its highest billing demand during the latest 12 month period is greater than 1,000 kW:			
Service Charge:	$400.00 per delivery point per month			
Demand Charge:	Summer	Winter	Transition	
First 1,000 kW of billing demand per month:	$17.34	$16.02	$16.02	
Excess over 1,000 kW of billing demand per month:	$17.09	$15.77	$15.77	
Excess of billing demand over the higher of 2,500 kW or the customer's contract demand per month:	$17.09	$15.77	$15.77	
Energy Charge:				
All kWh per month:	$0.06218	$0.05856	$0.05722	
Manufacturing Power Rate - Part A Schedule MSA	Effective January 1, 2025			
Service Charge:	$400.00 per delivery point per month			
	Summer	Winter	Transition	
Per kW coincident billing demand charge per month:	$9.35	$8.28	$8.28	
Per kW maximum billing demand charge per month:	$8.05	$7.81	$7.81	
	Summer	Winter	Transition	
Excess per kW charge per month by which billing demand exceeds contract demand:	$17.40	$16.09	$16.09	
On-peak per kWh energy charge:	$0.07945	$0.06740	$0.05722	
Off-peak per kWh energy charge:	$0.05679	$0.05710	$0.05722	
Time-of-Use General Service Schedule TGS	Effective January 1, 2025			12
Service Charge:	$1,900.00 per delivery point per month			
TVA Administrative Charge:	$350.00 per delivery point per month			
Excess Demand:	Demand amount that exceeds the effective contract demand			
Off-Peak Block 1:	First 200 hours use of on-peak metered demand multiplied by the ratio of metered off-peak energy to metered total energy			

Electric Division Rate Class (cont.)	Base Charge				Customers
Time-of-Use General Service Schedule TGS (cont.)					
Rates applicable for delivery at:	Transmission Voltage: 115 kV and up				
	TDGSAX	TGSBX	TGSCX	TGSDX	
Summer					
On-peak billing demand per kW:	$14.35	$14.26	$14.26	$14.19	
Maximum billing demand per kW:	$7.30	$7.29	$6.64	$6.30	
Excess demand per kW:	$14.35	$14.26	$14.26	$14.19	
On-peak energy per kWh:	$0.10831	$0.08854	$0.08854	$0.08698	
Off-peak block 1 per kWh:	$0.06440	$0.05587	$0.05587	$0.05446	
Off-peak block 2 per kWh:	$0.00874	$0.01021	$0.01021	$0.00754	
Off-peak block 3 per kWh:	$0.00479	$0.00573	$0.00573	$0.00457	
Winter					
On-peak billing demand per kW:	$13.11	$12.97	$12.97	$12.91	
Maximum billing demand per kW:	$7.30	$7.29	$6.64	$6.30	
Excess demand per kW:	$13.11	$12.97	$12.97	$12.91	
On-peak energy per kWh:	$0.08826	$0.07364	$0.07364	$0.07215	
Off-peak block 1 per kWh:	$0.06828	$0.05878	$0.05878	$0.05737	
Off-peak block 2 per kWh:	$0.00874	$0.01021	$0.01021	$0.00754	
Off-peak block 3 per kWh:	$0.00479	$0.00573	$0.00573	$0.00457	
Transition					
On-peak billing demand per kW:	$13.11	$12.97	$12.97	$12.91	
Maximum billing demand per kW:	$7.30	$7.29	$6.64	$6.30	
Excess demand per kW:	$13.11	$12.97	$12.97	$12.91	
On-peak energy per kWh:	$0.06988	$0.05546	$0.05546	$0.05405	
Off-peak block 1 per kWh:	$0.06988	$0.05546	$0.05546	$0.05405	
Off-peak block 2 per kWh:	$0.00874	$0.01021	$0.01021	$0.00754	
Off-peak block 3 per kWh:	$0.00479	$0.00573	$0.00573	$0.00457	
Rates applicable for delivery at:	Distribution Voltage: < 115 kV				
	TDGSA	TGSB	TGSC	TGSD	
Summer					
On-peak billing demand per kW:	$14.78	$14.65	$14.65	$14.65	
Maximum billing demand per kW:	$7.47	$7.46	$6.81	$6.48	
Excess demand per kW:	$14.78	$14.65	$14.65	$14.65	
On-peak energy per kWh:	$0.11141	$0.09106	$0.09106	$0.08990	
Off-peak block 1 per kWh:	$0.06620	$0.05744	$0.05744	$0.05629	
Off-peak block 2 per kWh:	$0.00892	$0.01044	$0.01044	$0.00774	
Off-peak block 3 per kWh:	$0.00484	$0.00583	$0.00583	$0.00469	
Winter					
On-peak billing demand per kW:	$13.48	$13.35	$13.35	$13.35	
Maximum billing demand per kW:	$7.47	$7.46	$6.81	$6.48	
Excess demand per kW:	$13.48	$13.35	$13.35	$13.35	
On-peak energy per kWh:	$0.09078	$0.07572	$0.07572	$0.07456	
Off-peak block 1 per kWh:	$0.07021	$0.06044	$0.06044	$0.05928	
Off-peak block 2 per kWh:	$0.00892	$0.01044	$0.01044	$0.00774	
Off-peak block 3 per kWh:	$0.00484	$0.00583	$0.00583	$0.00469	
Transition					
On-peak billing demand per kW:	$13.48	$13.35	$13.35	$13.35	
Maximum billing demand per kW:	$7.47	$7.46	$6.81	$6.48	
Excess demand per kW:	$13.48	$13.35	$13.35	$13.35	
On-peak energy per kWh:	$0.07184	$0.05700	$0.05700	$0.05585	
Off-peak block 1 per kWh:	$0.07184	$0.05700	$0.05700	$0.05585	
Off-peak block 2 per kWh:	$0.00892	$0.01044	$0.01044	$0.00774	
Off-peak block 3 per kWh:	$0.00484	$0.00583	$0.00583	$0.00469	

Electric Division Rate Class (cont.)	Base Charge	Customers
Time-of-Use Manufacturing Service Schedule TMS	Effective January 1, 2025	33
Service Charge:	$1,900.00 per delivery point per month	
TVA Administrative Charge:	$350.00 per delivery point per month	
Excess Demand:	Demand amount that exceeds the effective contract demand	
Off-Peak Block 1:	First 200 hours use of on-peak metered demand multiplied by the ratio of metered off-peak energy to metered total energy	
Off-Peak Block 2:	Next 200 hours use of on-peak metered demand multiplied by the ratio of metered off-peak energy to metered total energy	
Off-Peak Block 3:	Over 400 hours use of on-peak metered demand multiplied by the ratio of metered off-peak energy to metered total energy	

Rates applicable for delivery at:	Transmission Voltage: 115 kV and up			
	TDMSAX	TMSBX	TMSCX	TMSDX
Summer				
On-peak billing demand per kW:	$13.35	$13.35	$13.42	$13.35
Maximum billing demand per kW:	$4.98	$3.25	$2.61	$2.28
Excess demand per kW:	$13.35	$13.35	$13.42	$13.35
On-peak energy per kWh:	$0.07476	$0.07773	$0.07663	$0.07254
Off-peak block 1 per kWh:	$0.04218	$0.04512	$0.04384	$0.03995
Off-peak block 2 per kWh:	$0.00640	$0.00640	$0.00827	$0.00526
Off-peak block 3 per kWh:	$0.00306	$0.00306	$0.00827	$0.00451
Winter				
On-peak billing demand per kW:	$12.09	$12.09	$12.14	$12.09
Maximum billing demand per kW:	$4.98	$3.25	$2.61	$2.28
Excess demand per kW:	$12.09	$12.09	$12.14	$12.09
On-peak energy per kWh:	$0.05988	$0.06285	$0.06166	$0.05766
Off-peak block 1 per kWh:	$0.04508	$0.04804	$0.04675	$0.04281
Off-peak block 2 per kWh:	$0.00640	$0.00640	$0.00827	$0.00526
Off-peak block 3 per kWh:	$0.00306	$0.00306	$0.00827	$0.00451
Transition				
On-peak billing demand per kW:	$12.09	$12.09	$12.14	$12.09
Maximum billing demand per kW:	$4.98	$3.25	$2.61	$2.28
Excess demand per kW:	$12.09	$12.09	$12.14	$12.09
On-peak energy per kWh:	$0.04622	$0.04915	$0.04790	$0.04395
Off-peak block 1 per kWh:	$0.04622	$0.04915	$0.04790	$0.04395
Off-peak block 2 per kWh:	$0.00640	$0.00640	$0.00827	$0.00526
Off-peak block 3 per kWh:	$0.00306	$0.00306	$0.00827	$0.00451

Rates applicable for delivery at:	Distribution Voltage: < 115 kV			
	TDMSA	TMSB	TMSC	TMSD
Summer				
On-peak billing demand per kW:	$13.82	$13.82	$13.82	$13.82
Maximum billing demand per kW:	$5.09	$3.34	$2.66	$2.35
Excess demand per kW:	$13.82	$13.82	$13.82	$13.82
On-peak energy per kWh:	$0.07726	$0.08032	$0.07880	$0.07497
Off-peak block 1 per kWh:	$0.04354	$0.04660	$0.04507	$0.04126
Off-peak block 2 per kWh:	$0.00657	$0.00657	$0.00845	$0.00540
Off-peak block 3 per kWh:	$0.00311	$0.00311	$0.00845	$0.00462

Electric Division Rate Class (cont.)	Base Charge	Customers

Time Of Use Manufacturing Service
Schedule TMS
(cont.)

Rates applicable for delivery at:	Distribution Voltage: < 115 kV			
	TDMSA	TMSB	TMSC	TMSD
Winter				
On-peak billing demand per kW:	$12.51	$12.51	$12.51	$12.51
Maximum billing demand per kW:	$5.09	$3.34	$2.66	$2.35
Excess demand per kW:	$12.51	$12.51	$12.51	$12.51
On-peak energy per kWh:	$0.06186	$0.06493	$0.06341	$0.05957
Off-peak block 1 per kWh:	$0.04656	$0.04963	$0.04807	$0.04422
Off-peak block 2 per kWh:	$0.00657	$0.00657	$0.00845	$0.00540
Off-peak block 3 per kWh:	$0.00311	$0.00311	$0.00845	$0.00462
Transition				
On-peak billing demand per kW:	$12.51	$12.51	$12.51	$12.51
Maximum billing demand per kW:	$5.09	$3.34	$2.66	$2.35
Excess demand per kW:	$12.51	$12.51	$12.51	$12.51
On-peak energy per kWh:	$0.04775	$0.05079	$0.04924	$0.04542
Off-peak block 1 per kWh:	$0.04775	$0.05079	$0.04924	$0.04542
Off-peak block 2 per kWh:	$0.00657	$0.00657	$0.00845	$0.00540
Off-peak block 3 per kWh:	$0.00311	$0.00311	$0.00845	$0.00462

Drainage Pumping Station Rate
Schedule DPS

Effective meters read on or after January 3, 2025 — Customers: 6

Service Charge: $32.00 per delivery point per month

Energy Charge:	Summer	Winter	Transition
All kWh per month:	$0.05066	$0.04826	$0.04548

Outdoor Lighting Rate - Schedule LS

Effective meters read on or after January 3, 2025 — Customers: 16,661

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

Energy Charge:	Summer	Winter	Transition
All kWh per month:	$0.06255	$0.06255	$0.06255

Outdoor Lighting Facilities Charge:

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

Electric Division Rate Class (cont.)	Base Charge	Customers

Outdoor Lighting Rate - Schedule LS (cont.)

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

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

Part B – Charges for outdoor lighting for individual customers

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

Gas Division Rate Class	Base Charge	Customers
All Gas Rate Schedules Are Subject To Adjustment Under The Provisions of the Purchased Gas Adjustment Rider.		
Residential - Schedules G-1 & G-3	Effective for meters read on or after October 2, 2024	295,467
	Schedule G-1 is available for domestic use to residential customers in individual private residences or other individual dwelling units situated within the corporate limits of the City of Memphis, Tennessee. Schedule G-3 is available for domestic use to residential customers in individual private residences or other individual dwelling units situated outside the corporate limits of the City of Memphis, Tennessee.	
Service Charge:	$10.42 per month, plus	
Commodity Charge:	First 100 ccf per month @ $0.583 per ccf	
	Excess over 100 ccf per month @ $0.490 per ccf, plus the above rates are subject to adjustment under the provisions of the Purchased Gas Adjustment Rider.	
Minimum Bill:	$10.42 per meter per month	
Small General Service - Schedule G-7	Effective for meters read on or after October 2, 2024	20,714
	This rate schedule is available for gas service to all gas customers except residential.	
Service Charge:	For 0 to 425 cfh meter, $31.24 Over 426 to 1,400 cfh meter, $57.26 Over 1,400 cfh meter, $104.12 per month plus,	
Commodity Charge:	All gas consumed: $0.525 per ccf per month, plus	
	The above rates are subject to adjustment under the provisions of the Purchased Gas Adjustment Rider.	
Minimum Bill:	The minimum monthly bill shall be $0.681 for each ccf of the higher of:	
	(1) The maximum daily demand during the preceding eleven months, or	
	(2) The daily contract demand, but in no case less than the Service charge listed above.	
Large General Service Firm On-peak Schedules G-8 and G-9	Effective for meters read on or after October 2, 2024	364
	This rate schedule is available for gas service to all customers contracting for not less than 100 ccf of maximum daily demand.	
Demand Charge:	$0.261 ccf per month of contract demand or maximum daily demand during the twelve (12) months ending with the billing month, whichever is higher, plus	

Gas Division Rate Class (cont.)	Base Charge	Customers
Large General Service Firm On-peak Schedules G-8 and G-9 (cont.)		
Commodity Charge:	First 200,000 ccf per month @ $0.482 per ccf	
	Excess over 200,000 ccf per month @ $0.378 per ccf, plus	
	The above rates are subject to adjustment under the provisions of the Purchased Gas Adjustment Rider.	
Minimum Bill:	The minimum bill shall be $0.942 for each ccf of the higher of: (1) the maximum daily demand during the twelve (12) months ending with the billing month, or (2) the daily contract demand.	
Large General Service Interruptible Off-peak Schedules G-10 and G-12	Effective for meters read on or after October 2, 2024	15
	This rate schedule is available for gas service to all customers contracting for not less than 1,500 ccf of maximum daily demand and providing oil or other alternate fuel facilities approved by the Division as being adequate in design and capacity.	
Service Charge:	$520.59 per month, plus	
Commodity Charge:	First 200,000 ccf per month @ $0.450 per ccf	
	Excess over 200,000 ccf per month @ $0.378 per ccf, plus	
	The above rates are subject to adjustment under the provisions of the Purchased Gas Adjustment Rider.	
Minimum Bill:	The minimum monthly bill shall be $0.365 for each ccf of the higher of (1) the maximum daily demand during the twelve months ending with the billing month, or (2) the daily contract demand, but in no event less than the service charge.	

Water Division Rate Class	**Base Charge**	**Customers**
Residential – Inside City Rate Schedule W-1	Effective meters read on or after January 4, 2022 For water furnished to premises entirely within the corporate limits of the City of Memphis	186,189
Monthly Rate:	All water consumed: $2.393 per ccf per month	
Minimum Bill:	The minimum monthly bill shall be determined by the size of the meter installed, as follows:	
	5/8" meter $10.12 3/4" meter $14.60 1" meter $25.90 1-1/2" meter $58.28 2" meter $103.61	
Residential – Outside City Rate Schedule W-2	Effective meters read on or after January 4, 2022 For water furnished to premises outside the corporate limits of the City of Memphis.	28,330
Monthly Rate:	All water consumed: $3.726 per ccf per month	
Minimum Bill:	The minimum monthly bill shall be determined by the size of the meter installed, as follows:	
	5/8" meter $14.09 3/4" meter $20.26 1" meter $36.06 1-1/2" meter $81.09 2" meter $144.13	
General Service – Inside City Rate Schedule W-7	Effective meters read on or after January 4, 2022 For water service to all customers within the corporate limits of the City of Memphis, except residential customers.	18,584
Monthly Rate:	Water consumed per month:	
	First 30 ccf $3.051 per ccf Next 70 ccf $2.595 per ccf Next 100 ccf $1.974 per ccf Next 400 ccf $1.644 per ccf Next 5,400 ccf $1.279 per ccf Excess over 6,000 ccf $1.332 per ccf	

Water Division Rate Class (cont.)	Base Charge		Customers
General Service – Inside City Rate Schedule W-7 (cont.)			
Minimum Bill:	The minimum monthly bill shall be determined by the size of the meter installed, as follows:		
	5/8" meter	$19.38	
	3/4" meter	$22.61	
	1" meter	$38.73	
	1-1/2" meter	$77.51	
	2" meter	$161.55	
	3" meter	$322.99	
	4" meter	$483.01	
	6" meter	$611.01	
	8" meter	$739.06	
	10" meter	$1,530.94	
	12" meter	$2,136.16	
	14" meter	$2,937.25	
	Battery of 2-2" meters	$322.99	
	Battery of 3-2" meters	$483.01	
General Service – Outside City Rate Schedule W-8	Effective meters read on or after January 4, 2022		948
	For water service to all customers outside the corporate limits of the City of Memphis, except residential customers.		
Monthly Rate:	Water consumed per month:		
	First 30 ccf	$4.585 per ccf	
	Next 70 ccf	$3.855 per ccf	
	Next 100 ccf	$2.942 per ccf	
	Next 400 ccf	$2.467 per ccf	
	Next 5,400 ccf	$1.936 per ccf	
	Excess over 6,000 ccf	$2.009 per ccf	
Minimum Bill:	The minimum monthly bill shall be determined by the size of the meter installed, as follows:		
	5/8" meter	$29.64	
	3/4" meter	$34.58	
	1" meter	$59.27	
	1-1/2" meter	$118.50	
	2" meter	$246.92	
	3" meter	$493.87	
	4" meter	$738.05	
	6" meter	$933.70	
	8" meter	$1,129.32	
	10" meter	$2,339.41	
	12" meter	$3,264.26	
	14" meter	$4,485.28	
	Battery of 2-2" meters	$493.87	
	Battery of 3-2" meters	$738.05	

Water Division Rate Class (cont.)	Base Charge	Customers
Residential – Shelby County Water Distribution System - Schedule W-51	Effective meters read on or after January 4, 2022	19,674
	For water service within the area served by the Shelby County Water Distribution System at the time of its acquisition on June 30, 1999, for domestic uses to residential customers in individual private residences or other individual dwelling units.	
Monthly Rate:	All water consumed: $3.726 per ccf per month	
Minimum Bill:	The minimum monthly bill shall be determined by the size of the meter installed, as follows:	
	5/8" meter $14.09 3/4" meter $20.26 1" meter $36.06 1-1/2" meter $81.09 2" meter $144.13	
	Residential customers shall be served through a single meter not larger than 2" in size.	
General Service – Shelby County Water Distribution System - Schedule W-57	Effective meters read on or after January 4, 2022	725
	For water service within the area served by the Shelby County Water Distribution System at the time of its acquisition on June 30, 1999, for all customers except residential customers using service exclusive for domestic use.	
Monthly Rate:	Water consumed per month: First 30 ccf $4.585 per ccf Next 70 ccf $3.855 per ccf Next 100 ccf $2.942 per ccf Next 400 ccf $2.467 per ccf Next 5,400 ccf $1.936 per ccf Excess over 6,000 ccf $2.009 per ccf	
Minimum Bill:	The minimum monthly bill shall be determined by the size of the meter installed, as follows:	
	5/8" meter $29.64 3/4" meter $34.58 1" meter $59.27 1-1/2" meter $118.50 2" meter $246.92 3" meter $493.87 4" meter $738.05 6" meter $933.70 8" meter $1,129.32 10" meter $2,339.41 12" meter $3,264.26 14" meter $4,485.28	

MLGW

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"), the financial statements of the Electric, Gas, and Water major enterprise funds and the aggregate remaining fund information of Memphis Light, Gas and Water Division ("MLGW"), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise MLGW's basic financial statements, and have issued our report thereon dated July 15, 2026. Our report includes a reference to other auditors who audited the financial statements of Memphis Light, Gas and Water Division Retirement and Pension System and the Memphis Light, Gas and Water Division Other Post Employment Benefits Trust, as described in our report on MLGW's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2025-001, that we consider to be a significant deficiency.

MLGW's Response to Finding

Government Auditing Standards require the auditor to perform limited procedures on MLGW's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. MLGW's response was not subjected to the other auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the response.

Report on Compliance and Other Matters

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

Purpose of This Report

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

CBIZ CPAs P.C.

Memphis, Tennessee
July 15, 2026

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for The Major Federal Program

Opinion on The Major Federal Program

We have audited Memphis Light, Gas and Water Division's ("MLGW") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on MLGW's major federal program for the year ended December 31, 2025. MLGW's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, MLGW complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2025.

Basis for Opinion on The Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of MLGW and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of MLGW's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding MLGW's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of MLGW's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of MLGW's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

Report on Schedule of Expenditures of Federal Awards

We have audited the financial statements of the Electric, Gas and Water major enterprise funds and the aggregate remaining fund information of MLGW as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise MLGW's basic financial statements. We issued our report thereon dated July 15, 2026, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

CBIZ CPAs P.C.

Memphis, Tennessee
July 15, 2026

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2025
(Dollars in Thousands)

Federal Grantor/Pass-Through Grantor Federal Awards	Federal Assistance Listing Number	Contract Number	Beginning (Accrued)	Cash Receipts	Expenditures	Ending (Accrued)
U.S. Department of the Treasury						
Passed through the Tennessee Department of Environment & Conservation						
Coronavirus State & Local Fiscal Recovery Funds*	21.027	32701-05501	$ -	$ -	$ -	$ -
Coronavirus State & Local Fiscal Recovery Funds*	21.027	32701-05502	(909)	909	-	-
			$ (909)	$ 909	$ -	$ -
U.S. Environmental Protection Agency						
Passed through the Tennessee Department of Environment & Conservation						
Drinking Water State Revolving Fund**	66.468	32701-25-013	$ (85)	$ 85	$ -	$ -
U.S. Department of Homeland Security						
Passed through the State of Tennessee Emergency Management Agency:						
Disaster Grants - Public Assistance (Presidentially Declared Disaster)	97.036	4735DR-TN	$ (11,424)	$ -	$ -	$ (11,424)
Total Federal Awards			$ (12,418)	$ 994	$ -	$ (11,424)

TDEC Award Name:
*DWR-ARP Resource Protection Grants State Water Infrastructure Grants (SWIG)
**Lead Service Line Inventory Grant

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the federal award activity of MLGW under programs of the federal government for the year ended December 31, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a portion of the operations of the MLGW, it is not intended to and does not present the financial position, changes in net assets, or cash flows of MLGW.

2. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

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

3. INDIRECT COST RATE

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

4. DISASTER GRANTS – PRESIDENTIAL DECLARED DISASTERS (97.036)

After a presidentially declared disaster, FEMA provides Disaster Grants – Public Assistance (Presidentially Declared Disaster) (Assistance Listing 97.036) to reimburse for eligible cost associated with disaster recovery. Reimbursements are provided in the form of cost-shared grants. Approximately, $11,424 was incurred in fiscal year 2025.

SECTION I — SUMMARY OF INDEPENDENT AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP:	***UNMODIFIED***	
Internal control over financial reporting:		
Material weakness(es) identified?	____ Yes	X No
Significant deficiency(ies) identified?	X Yes	____ None reported
Non-compliance material to financial statements noted?	____ Yes	X No

FEDERAL AWARDS

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

Identification of major federal programs:

ASSISTANCE LISTING NUMBER	***NAME OF FEDERAL PROGRAM OR CLUSTER***
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disaster)

Dollar threshold used to distinguish between type A and type B programs:	$1,000,000	
Auditee qualified as low-risk auditee?	____ Yes	X No

Section II — Financial Statement Findings

Significant Deficiency in Internal Control over Financial Reporting

2025-001 – Timeliness of financial closing process

Criteria: Management is responsible for establishing and maintaining effective internal control over financial reporting, including timely preparation and closing of the accounting records to ensure that financial information is available for the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Condition: During our audit, we noted that MLGW did not complete the year-end financial closing process in a timely manner. Significant adjustments and reconciliations, including account analyses and supporting schedules, were not completed until several months after year-end and after the commencement of audit fieldwork. Financial reporting areas impacted included cash and investment allocation, miscellaneous accounts receivable, inventory, capital assets, leases, and net position.

Cause: The delay in closing the accounting records appears to be primarily attributable to limited accounting personnel resources, resulting in missing the established closing timelines.

Effect: The lack of a timely financial close increases the risk that errors or omissions in the accounting records and financial statements may not be identified and corrected on a timely basis. In addition, the delay resulted in extended audit timelines.

Recommendation: We recommend that management enhance its financial closing process by:

- Evaluating staff levels to determine the need for additional resources
- Ensuring compliance with the established financial reporting close timeline
- Ensuring timely preparation and review of key account reconciliations and supporting schedules

Views of Responsible Officials and Planned Corrective Action: See page Z-10 for management's response and planned corrective action.

Section III — Federal Award Findings and Questioned Costs

None reported.

MEMPHIS LIGHT, GAS AND WATER DIVISION

Management's Corrective Action Plan

Finding: 2025-001 - Timeliness of financial closing process.

1. Management acknowledges the suggested cause of limited accounting personnel resources in the accounting department combined with the year-end inventory allocation impacted the audit process and timeline communicated to the auditors. During 2025 and early 2026 Management and Property Accounting Department experienced a significant increase in vacancies due to retirement, termination and resignations. These vacancies left the leadership team to assume non-supervisory responsibilities which also impacted deliverables. At present, 7 of 13 accounting positions in the area are vacant.

   Corrective Action Plan: To address the limited accounting personnel resources, management engaged a qualified third-party specialized talent solutions and business consulting firm during the 2025 annual audit process. MLGW recruited four skilled professionals specializing in finance and accounting to assist with monthly and year-end closing procedures. The employees will have the opportunity to complete six months' training that will allow them to deeply integrate into our team and will have the opportunity to transition into a permanent role. Additionally, the CFO is in the process of hiring a Director of Finance and Accounting that will assist in the oversight and direction of the accounting and finance functions. Management believes the financial close process will be addressed with adequate staffing levels and the oversight of the Director.

   Anticipated
   Completion Date October 31, 2026

   DocuSigned by:
   Rodney Cleek
   C84E2E63D610415...
   Rodney Cleek
   VP, CFO and Secretary-Treasurer

MEMPHIS LIGHT, GAS AND WATER DIVISION
Schedule of Prior Year Audit Findings
For the Year Ended December 31, 2025

There were no prior year findings reported.

MLGW

MLGW