



MLGW **2026 BUDGET**

November 18, 2025
City Council Approved

Leadership

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Board of Commissioners & Senior Leadership Council

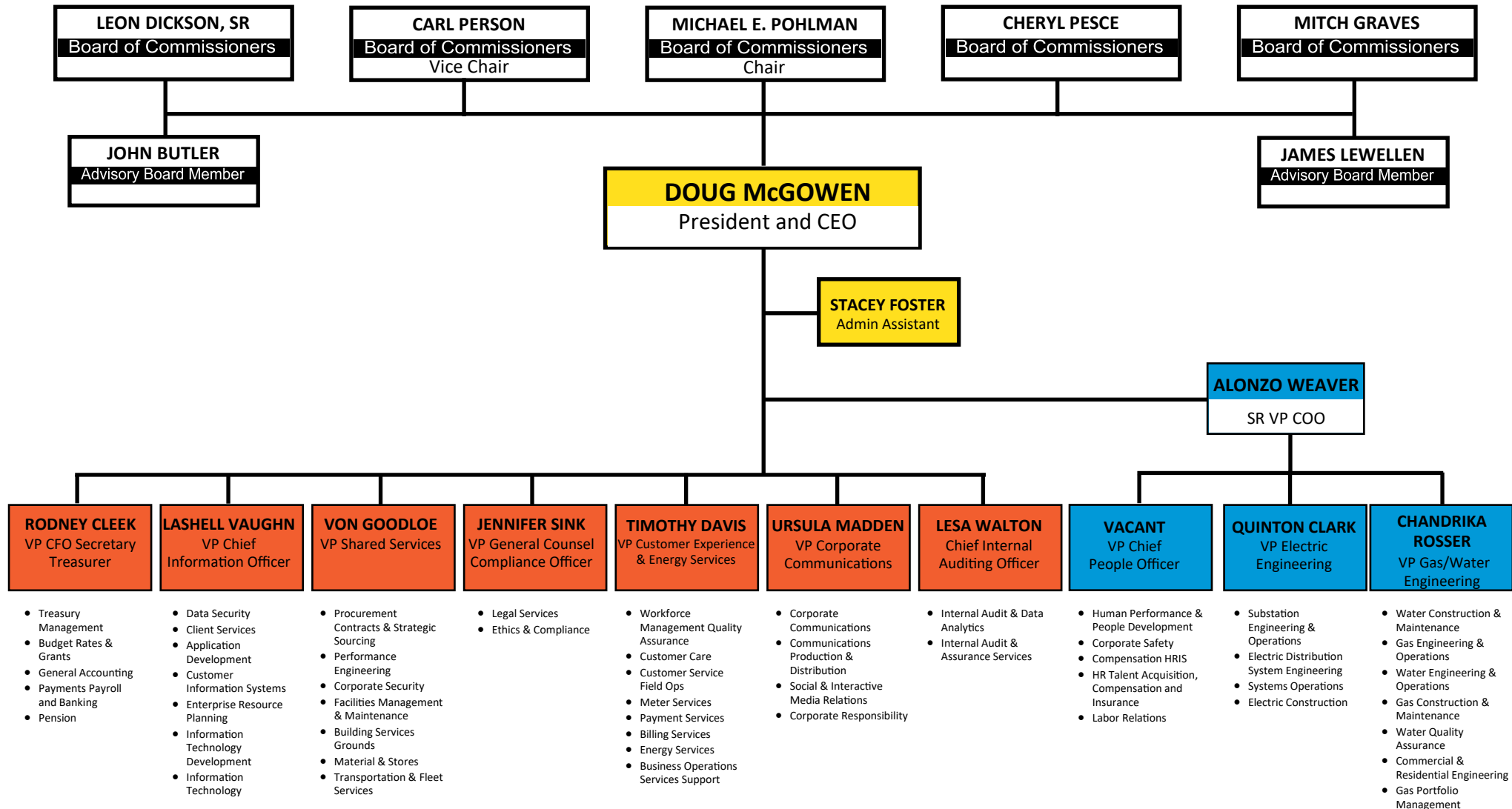


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President & Chief Executive's Letter

November 14, 2025

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

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 It will replace the outdated Covington Pike location with a modern hub designed for the next generation.

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

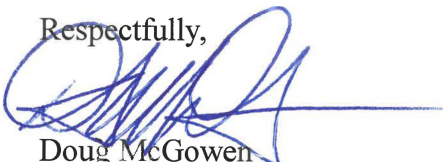
We are also investing in our people and facilities. The expansion of the North Service Center will streamline fleet and equipment maintenance. It will also allow us to repurpose valuable downtown property for higher community use. Our budget supports a dedicated workforce of approximately 2,700 full-time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

The Total Operating and Capital Budget for 2026 is \$2.6 billion. Of this, approximately \$1.5 billion is allocated to purchased power and gas costs. Operations and maintenance expenses total \$602 million, and our capital program is budgeted at \$291 million. Payments in lieu of taxes to local governments are projected to be \$87 million.

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

Thank you for your continued trust and partnership.

Respectfully,



Doug McGowen
President and CEO

MLGW Overview

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

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

Early Beginnings

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

Municipal Ownership and Expansion

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

Modern Developments

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

Community Impact

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

Conclusion

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

Community Engagement



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



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

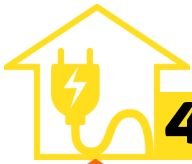


MLGW employees, joined by their family and friends, hit the lanes with purpose at the 39th Annual Bowl-A-Thon. Together, they raised funds to support K-12 students through Junior Achievement of Memphis and the Mid-South. Strikes, spares, and smiles filled the day as the community came together to inspire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



FAST FACTS

CUSTOMERS



447,219



317,337



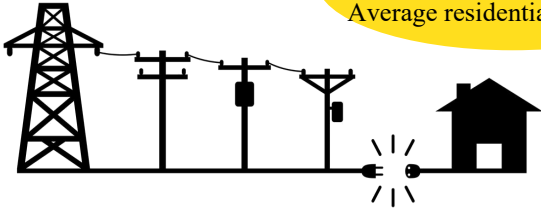
261,277

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



\$212.88

Average residential utility bill.



USAGE

Average annual use per residential customer:

- 13,692 kWh of power
- 616 cubic feet of gas
- 98 cubic feet of water

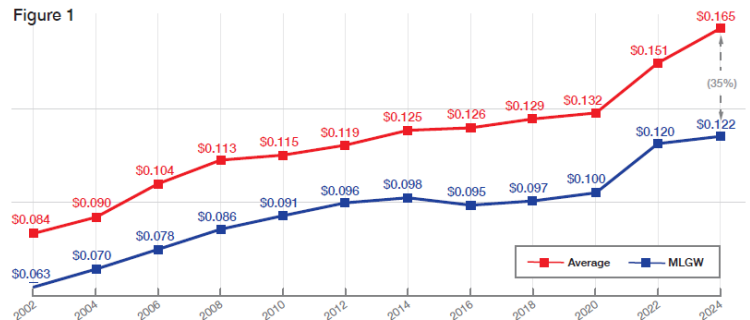
RANKINGS

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

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

Electric users saved almost \$600 more than the typical U.S. user in 2024

Figure 1



A typical MLGW residential electric customer spent about 12 cents per kilowatt hour (kWh), whereas a typical U.S. user spent 17 cents per kilowatt hour in 2024. Figure 1 compares MLGW residential prices to the U.S. average over the past 22 years. Using an annual average of 13,692 kWh, a MLGW residential customer saved \$589 more than a typical U.S. residential customer from a sampling of 500 electric utilities.

Sources: U.S. Energy Information Administration and MLGW Annual Reports

2713
EMPLOYEES

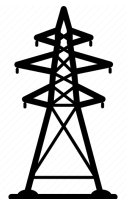
PROJECTS

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

7,339.5
Circuit
Miles

4,574
Miles of Gas
Mains

3,980
Miles of Water
Mains



2026 BUDGET: \$2.6B

Major Capital Improvement Plan

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

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

Electric:

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

Gas:

- | | |
|------------------------------|--------------|
| • Steel Tap Replacements | \$ 8,672,500 |
| • Operations Center Buildout | \$ 4,400,000 |

Water:

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



New Operations Center

How to Read the Budget Book

INTRODUCTION

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

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

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

THE BUDGET PROCESS

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

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

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

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

How to Read the Budget Book

CONTENTS OF THE BUDGET DOCUMENT

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

ALL DIVISIONS

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

ELECTRIC

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

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

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

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

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

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

How to Read the Budget Book

CONTENTS OF THE BUDGET DOCUMENT (continued)

GAS

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

WATER

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

CAPITAL IMPROVEMENT PLAN

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

APPENDIX

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

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

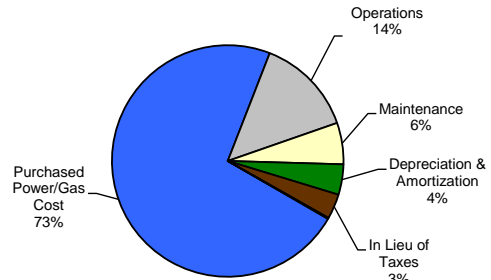
2026 MLGW BUDGET HIGHLIGHTS

ELECTRIC DIVISION

(In Thousands)

Total Operating Revenue	\$ 1,822,613
Purchased Power	\$ 1,282,660
Total O&M Expense	\$ 345,532
Other Operating Expense	\$ 139,133
Total Operating Expense	\$ 1,767,325
Operating Income (Loss)	\$ 55,288
Change in Net Position	\$ 81,257
CAPITAL PROGRAM	\$ 192,821

Electric Operating Expense

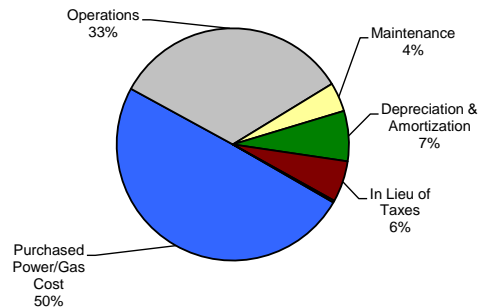


GAS DIVISION

(In Thousands)

Total Operating Revenue	\$ 321,523
Purchased Gas	\$ 178,744
Total O&M Expense	\$ 134,628
Other Operating Expense	\$ 46,813
Total Operating Expense	\$ 360,185
Operating Income (Loss)	\$ (38,662)
Change in Net Position	\$ (39,183)
CAPITAL PROGRAM	\$ 39,285

Gas Operating Expense

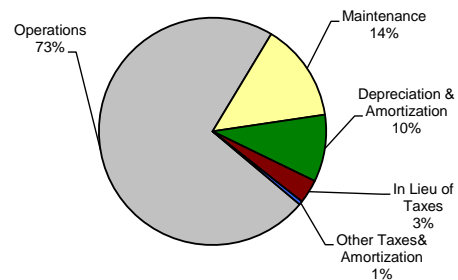


WATER DIVISION

(In Thousands)

Total Operating Revenue	\$ 128,193
Total O&M Expense	\$ 122,237
Other Operating Expense	\$ 19,013
Total Operating Expense	\$ 141,250
Operating Income (Loss)	\$ (13,057)
Change in Net Position	\$ (14,487)
CAPITAL PROGRAM	\$ 58,520

Water Operating Expense

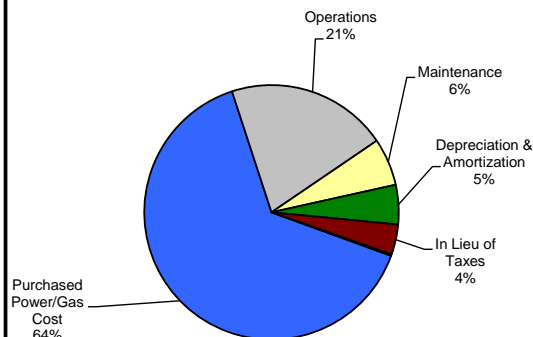


ALL DIVISIONS

(In Thousands)

TOTAL OPERATING REVENUE	\$ 2,272,329
TOTAL PURCHASED POWER & GAS	\$ 1,461,404
TOTAL O&M EXPENSE	\$ 602,397
TOTAL OTHER OPERATING EXPENSE	\$ 204,959
TOTAL OPERATING EXPENSE	\$ 2,268,760
OPERATING INCOME	\$ 3,569
CHANGE IN NET POSITION	\$ 27,587
TOTAL CAPITAL PROGRAM	\$ 290,626

Total All Divisions Operating Expense



2026 Operations & Maintenance Budget

Area of Responsibility	Category	Electric	Gas	Water	Grand Total
President and Board of Commissioners	Labor	\$ 250,226	\$ 95,888	\$ 70,864	\$ 416,978
	Material	\$ -	\$ -	\$ -	\$ -
	Equipment	\$ -	\$ -	\$ -	\$ -
	Other	\$ 42,975	\$ 16,431	\$ 12,141	\$ 71,547
	Total	\$ 293,201	\$ 112,319	\$ 83,005	\$ 488,525
Internal Audit	Labor	\$ 738,106	\$ 282,780	\$ 208,992	\$ 1,229,878
	Material	\$ 351	\$ 133	\$ 97	\$ 581
	Equipment	\$ 3,712	\$ 1,372	\$ 1,020	\$ 6,104
	Other	\$ 207,990	\$ 79,559	\$ 58,797	\$ 346,346
	Total	\$ 950,159	\$ 363,844	\$ 268,906	\$ 1,582,909
General Counsel	Labor	\$ 1,725,220	\$ 661,109	\$ 488,635	\$ 2,874,964
	Material	\$ 314	\$ 118	\$ 87	\$ 519
	Equipment	\$ 16,310	\$ 6,245	\$ 4,615	\$ 27,170
	Other	\$ 536,513	\$ 205,417	\$ 151,802	\$ 893,732
	Total	\$ 2,278,357	\$ 872,889	\$ 645,139	\$ 3,796,385
Finance and Accounting	Labor	\$ 3,827,376	\$ 1,549,632	\$ 1,152,466	\$ 6,529,474
	Material	\$ 9,012	\$ 3,444	\$ 2,544	\$ 15,000
	Equipment	\$ -	\$ -	\$ -	\$ -
	Other	\$ 2,850,487	\$ 1,143,158	\$ 849,304	\$ 4,842,949
	Total	\$ 6,686,875	\$ 2,696,234	\$ 2,004,314	\$ 11,387,423
Information Systems and Technology	Labor	\$ 10,419,631	\$ 4,365,112	\$ 3,228,866	\$ 18,013,609
	Material	\$ 5,792	\$ 2,186	\$ 1,617	\$ 9,595
	Equipment	\$ 7,180	\$ 2,851	\$ 2,118	\$ 12,149
	Other	\$ 21,518,420	\$ 8,832,777	\$ 6,572,580	\$ 36,923,777
	Total	\$ 31,951,023	\$ 13,202,926	\$ 9,805,181	\$ 54,959,130
Shared Services	Labor	\$ 12,247,244	\$ 5,987,597	\$ 6,240,918	\$ 24,475,759
	Material	\$ 311,121	\$ 121,207	\$ 89,695	\$ 522,023
	Equipment	\$ 666,095	\$ 276,523	\$ 494,421	\$ 1,437,039
	Other	\$ 8,159,664	\$ 3,087,667	\$ 2,938,306	\$ 14,185,638
	Total	\$ 21,384,124	\$ 9,472,994	\$ 9,763,340	\$ 40,620,459
People Services	Labor	\$ 8,006,862	\$ 3,067,944	\$ 2,267,411	\$ 13,342,217
	Material	\$ 8,989	\$ 3,399	\$ 2,518	\$ 14,906
	Equipment	\$ 190,536	\$ 72,998	\$ 53,937	\$ 317,471
	Other	\$ 4,611,016	\$ 1,766,804	\$ 1,305,755	\$ 7,683,574
	Total	\$ 12,817,403	\$ 4,911,145	\$ 3,629,621	\$ 21,358,168
SVP Chief Operation Officer	Labor	\$ 515,148	\$ 197,446	\$ 145,928	\$ 858,522
	Material	\$ -	\$ -	\$ -	\$ -
	Equipment	\$ -	\$ -	\$ -	\$ -
	Other	\$ 124,717	\$ 47,734	\$ 35,274	\$ 207,724
	Total	\$ 639,865	\$ 245,180	\$ 181,202	\$ 1,066,246

2026 Operations & Maintenance Budget

Area of Responsibility	Category	Electric	Gas	Water	Grand Total
Electric Engineering and Operations	Labor	\$ 67,940,652	\$ 3,028,993	\$ 2,275,241	\$ 73,244,886
	Material	\$ 2,189,551	\$ 41,046	\$ 27,470	\$ 2,258,067
	Equipment	\$ 6,075,445	\$ 111,517	\$ 85,557	\$ 6,272,519
	Other	\$ 90,392,027	\$ 7,049,840	\$ 6,548,513	\$ 103,990,380
	Total	\$ 166,597,675	\$ 10,231,396	\$ 8,936,781	\$ 185,765,852
Gas and Water Engineering and Operations	Labor	\$ 4,109,772	\$ 16,024,886	\$ 12,791,933	\$ 32,926,590
	Material	\$ 73,581	\$ 695,395	\$ 726,441	\$ 1,495,417
	Equipment	\$ 330,659	\$ 1,860,721	\$ 2,308,589	\$ 4,499,969
	Other	\$ 808,775	\$ 16,502,393	\$ 17,075,344	\$ 34,386,512
	Total	\$ 5,322,787	\$ 35,083,395	\$ 32,902,307	\$ 73,308,488
Customer Experiences and Energy Services	Labor	\$ 21,136,923	\$ 17,788,749	\$ 12,119,017	\$ 51,044,689
	Material	\$ 118,572	\$ 102,546	\$ 412,003	\$ 633,121
	Equipment	\$ 916,086	\$ 1,200,543	\$ 713,307	\$ 2,829,936
	Other	\$ 10,592,408	\$ 7,662,253	\$ 5,700,778	\$ 23,955,438
	Total	\$ 32,763,988	\$ 26,754,091	\$ 18,945,105	\$ 78,463,184
Corporate Communication	Labor	\$ 2,532,009	\$ 970,035	\$ 716,846	\$ 4,218,890
	Material	\$ 1,699	\$ 632	\$ 463	\$ 2,794
	Equipment	\$ 132,691	\$ 50,831	\$ 37,565	\$ 221,087
	Other	\$ 5,717,580	\$ 2,191,315	\$ 1,619,643	\$ 9,528,537
	Total	\$ 8,383,978	\$ 3,212,813	\$ 2,374,517	\$ 13,971,308
Common	Labor	\$ (10,197,757.67)	\$ (4,244,214.45)	\$ (3,388,909.57)	\$ (17,830,882)
	Material	\$ 425,491.79	\$ 209,875.25	\$ 220,422.53	\$ 855,790
	Equipment	\$ 674,875.20	\$ 307,707.71	\$ 321,699.99	\$ 1,304,283
	Other	\$ 92,728,369.38	\$ 38,603,525.21	\$ 43,432,111.57	\$ 174,764,006
	Total	\$ 83,630,979	\$ 34,876,894	\$ 40,585,325	\$ 159,093,197
Transfers to Capital	Labor	\$ -	\$ -	\$ -	\$ -
	Material	\$ -	\$ -	\$ -	\$ -
	Equipment	\$ -	\$ -	\$ -	\$ -
	Other	\$ (28,169,003)	\$ (7,407,559)	\$ (7,888,403)	\$ (43,464,965)
	Total	\$ (28,169,003)	\$ (7,407,559)	\$ (7,888,403)	\$ (43,464,965)
Grand Total	Labor	\$ 123,251,410	\$ 49,775,957	\$ 38,318,208	\$ 211,345,574
	Material	\$ 3,144,474	\$ 1,179,981	\$ 1,483,358	\$ 5,807,813
	Equipment	\$ 9,013,589	\$ 3,891,309	\$ 4,022,829	\$ 16,927,727
	Other	\$ 210,121,939	\$ 79,781,312	\$ 78,411,945	\$ 368,315,197
	Total	\$ 345,531,412	\$ 134,628,559	\$ 122,236,340	\$ 602,396,311

President & Board of Commissioners

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

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

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

Internal Audit

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

2026 Operations & Maintenance Budget (O&M)		
Category (Thousands of Dollars)	Total	
Labor	\$ 1,230	
Material	\$ 1	
Equipment	\$ 6	
Outside Purchases	\$ 80	
Outside Services	\$ 229	
Other Expenditures	\$ 38	
Grand Total	\$ 1,583	

General Counsel

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

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

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

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

2026 Operations & Maintenance Budget (O&M)			
Category (Thousands of Dollars)		Total	
Labor		\$ 2,875	
Material		\$ 1	
Equipment		\$ 27	
Outside Purchases		\$ 157	
Outside Services		\$ 656	
Other Expenditures		\$ 82	
Grand Total		\$ 3,797	

Finance & Accounting

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

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

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

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

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

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

2026 Operations & Maintenance Budget (O&M)		
Category (Thousands of Dollars)	Total	
Labor	\$	6,530
Material	\$	15
Equipment	\$	-
Outside Purchases	\$	490
Outside Services	\$	1,365
Other Expenditures	\$	2,989
Grand Total	\$	11,388

Information Services & Technology

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

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

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

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

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

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

2026 Operations & Maintenance Budget (O&M)		
Category (Thousands of Dollars)	Total	
Labor	\$	18,014
Material	\$	10
Equipment	\$	12
Outside Purchases	\$	4,019
Outside Services	\$	14,355
Other Expenditures	\$	18,551
Grand Total	\$	54,960

Shared Services

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

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

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

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

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

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

Shared Services

2026 Operations & Maintenance Budget (O&M)		
Category (Thousands of Dollars)	Total	
Labor	\$ 24,476	
Material	\$ 522	
Equipment	\$ 1,437	
Outside Purchases	\$ 3,934	
Outside Services	\$ 8,494	
Other Expenditures	\$ 1,758	
Grand Total	\$ 40,621	

People Services

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

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

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

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

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

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

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

2026 Operations & Maintenance Budget (O&M)		
Category (Thousands of Dollars)	Total	
Labor	\$	13,342
Material	\$	15
Equipment	\$	317
Outside Purchases	\$	2,127
Outside Services	\$	4,134
Other Expenditures	\$	1,423
Grand Total	\$	21,358

SVP & COO

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

2026 Operations & Maintenance Budget (O&M)		
Category (Thousands of Dollars)	Total	
Labor	\$	859
Material	\$	-
Equipment	\$	-
Outside Purchases	\$	128
Outside Services	\$	48
Other Expenditures	\$	32
Grand Total	\$	1,067

Electric Engineering & Operations

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

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

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

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

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

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

2026 Operations & Maintenance Budget (O&M)			
Category (Thousands of Dollars)		Total	
Labor		\$ 73,245	
Material		\$ 2,258	
Equipment		\$ 6,272	
Outside Purchases		\$ 8,353	
Outside Services		\$ 54,849	
Other Expenditures		\$ 40,788	
Grand Total		\$ 185,766	

Gas & Water Engineering & Operations

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

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

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

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

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

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

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

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

Gas & Water Engineering & Operations

2026 Operations & Maintenance Budget (O&M)		
Category (Thousands of Dollars)	Total	
Labor	\$ 32,927	
Material	\$ 1,495	
Equipment	\$ 4,500	
Outside Purchases	\$ 6,902	
Outside Services	\$ 23,827	
Other Expenditures	\$ 3,657	
Grand Total	\$ 73,308	

Customer Experience & Energy Services

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

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

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

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

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

Customer Experience & Energy Services

2026 Operations & Maintenance Budget (O&M)		
Category (Thousands of Dollars)	Total	
Labor	\$ 51,045	
Material	\$ 633	
Equipment	\$ 2,830	
Outside Purchases	\$ 2,831	
Outside Services	\$ 20,662	
Other Expenditures	\$ 462	
Grand Total	\$ 78,463	

Corporate Communications

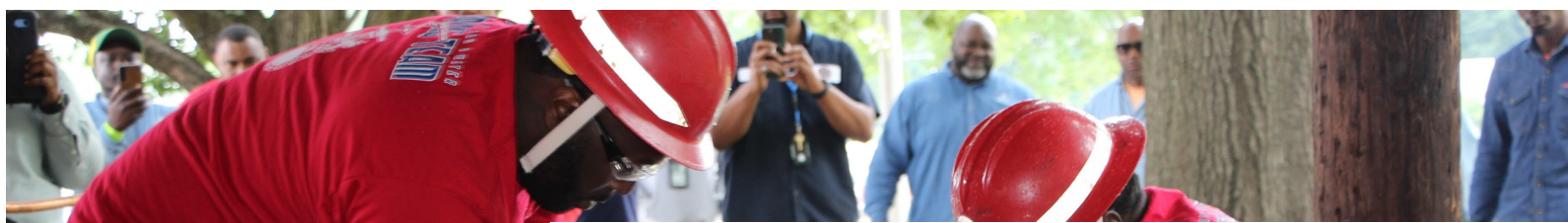
The Corporate Communication department is integral to maintaining and enhancing MLGW's public image and internal communication. It comprises three key areas:

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

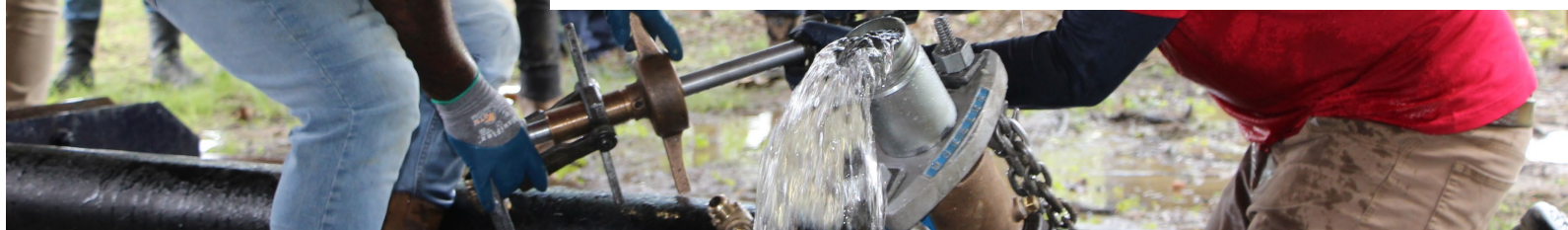
Corporate Social Responsibility (CSR) primary objective is to engage and educate the community about the positive impact that MLGW has on customers' lives through in-person meetings, curriculum, sponsorship and financial assistance programs. Working with the Finance department, CSR also oversees the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

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

2026 Operations & Maintenance Budget (O&M)		
Category (Thousands of Dollars)	Total	
Labor	\$ 4,219	
Material	\$ 3	
Equipment	\$ 221	
Outside Purchases	\$ 1,667	
Outside Services	\$ 2,151	
Other Expenditures	\$ 5,710	
Grand Total	\$ 13,971	



ALL DIVISIONS



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

ALL DIVISIONS

PAGE 2

DESCRIPTION	THOUSANDS OF DOLLARS			
	ELECTRIC DIVISION	GAS DIVISION	WATER DIVISION	TOTAL
<u>OPERATING REVENUE</u>				
Sales Revenue	1,797,973	267,802	124,700	2,190,475
Revenue Adjustment for Uncollectibles	(8,994)	(2,484)	(2,126)	(13,604)
Non-Sales Revenue	33,634	56,205	5,619	95,458
OPERATING REVENUE	1,822,613	321,523	128,193	2,272,329
<u>OPERATING EXPENSE</u>				
Purchased Power	1,282,660	-	-	1,282,660
Purchased Gas	-	150,070	-	150,070
Compressed Natural Gas (CNG)	-	456	-	456
Liquefied Natural Gas (LNG)	-	2,388	-	2,388
Industrial Gas	-	25,830	-	25,830
Production Expense	-	1,875	24,568	26,443
Transmission Expense	7,761	-	-	7,761
Distribution Expense	75,882	40,712	21,688	138,282
Customer Accounts Expense	23,368	17,028	12,026	52,422
Customer Service & Information Expense	2,579	2,194	1,335	6,108
Sales Expense	2,488	425	270	3,183
Administrative & General Expense	131,088	57,730	42,555	231,373
OPERATING EXPENSE	1,525,826	298,708	102,442	1,926,976
<u>MAINTENANCE EXPENSE</u>				
Transmission Expense	3,816	-	-	3,816
Production Expense	-	2,526	4,456	6,982
Distribution Expense	93,103	10,451	10,636	114,190
Administrative & General Expense	5,447	1,687	4,703	11,837
MAINTENANCE EXPENSE	102,366	14,664	19,795	136,825
<u>OTHER OPERATING EXPENSE</u>				
Depreciation Expense	71,672	20,154	13,013	104,839
Payment in Lieu of Taxes	61,559	20,634	4,800	86,993
F.I.C.A. Taxes	2,527	969	716	4,212
Amortization of Legacy Meters	1,280	1,522	484	3,286
Amortization - Right of Use Leases & Subscriptions	1,502	3,534	-	5,036
Amortization - Street Lighting Retrofit	593	-	-	593
OTHER OPERATING EXPENSE	139,133	46,813	19,013	204,959
TOTAL OPERATING EXPENSE	1,767,325	360,185	141,250	2,268,760
<u>INCOME</u>				
Operating Income	55,288	(38,662)	(13,057)	3,569
Other Income	53,228	2,802	1,595	57,625
Reduction of Plant Cost Recovered through CIAC	(17,581)	(3,683)	(21,519)	(42,783)
NET INCOME BEFORE DEBT EXPENSE	90,935	(39,543)	(32,981)	18,411
<u>DEBT EXPENSE</u>				
Interest Expense - Long Term Debt	30,610	4,693	3,930	39,233
Amortization of Debt Discount & Expense	(3,351)	(1,370)	(905)	(5,626)
TOTAL DEBT EXPENSE	27,259	3,323	3,025	33,607
NET INCOME AFTER DEBT EXPENSE	63,676	(42,866)	(36,006)	(15,196)
Contributions in Aid of Construction	17,581	3,683	21,519	42,783
CHANGE IN NET POSITION	81,257	(39,183)	(14,487)	27,587

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

ALL DIVISIONS

PAGE 2a

DESCRIPTION	THOUSANDS OF DOLLARS			
	ELECTRIC DIVISION	GAS DIVISION	WATER DIVISION	TOTAL
<u>OPERATING REVENUE</u>				
Sales Revenue	1,797,973	267,802	124,700	2,190,475
Revenue Adjustment for Uncollectibles	(8,994)	(2,484)	(2,126)	(13,604)
Non-Sales Revenue				
Forfeited Discounts	14,252	3,160	1,470	18,882
Miscellaneous Service Revenue	11,253	2,041	2,087	15,381
Cross Connection Revenue	-	-	1,422	1,422
Other Operating Revenue	1,716	660	480	2,856
Compressed Natural Gas (CNG)	-	516	-	516
Liquefied Natural Gas (LNG)	-	4,356	-	4,356
Industrial Gas Revenue	-	26,845	-	26,845
Rent from Electric/Gas/Water Property	6,413	7,862	160	14,435
Transported Gas	-	10,765	-	10,765
Total Non-Sales Revenue	33,634	56,205	5,619	95,458
OPERATING REVENUE	1,822,613	321,523	128,193	2,272,329
<u>OPERATING EXPENSE</u>				
Purchased Power	1,282,660	-	-	1,282,660
Purchased Gas	-	150,070	-	150,070
Compressed Natural Gas (CNG)	-	456	-	456
Liquefied Natural Gas (LNG)	-	2,388	-	2,388
Industrial Gas	-	25,830	-	25,830
Production Expense				
Chemicals	-	-	2,478	2,478
Fuel or Power Purchased for Pumping	-	-	11,500	11,500
Miscellaneous Expense	-	-	3,288	3,288
Operations Production Water Treatment	-	-	87	87
Operation Labor and Expenses	-	1,714	6,493	8,207
Operation Supervision and Engineering	-	161	351	512
Pumping Labor and Expenses	-	-	371	371
Total Production Expense	-	1,875	24,568	26,443
Transmission Expense				
Load Dispatching	877	-	-	877
Miscellaneous Transmission Expenses	1,595	-	-	1,595
Operation Supervision and Engineering	4,835	-	-	4,835
Station Expenses	454	-	-	454
Underground Transmission Line Expenses	-	-	-	-
Total Transmission Expense	7,761	-	-	7,761
Distribution Expense				
Customer Installation Expenses	-	6,203	3,143	9,346
Distribution Load Dispatching Expense	1,741	913	-	2,654
Mains and Services	-	7,160	-	7,160
Measuring and Regulating Expenses	-	115	-	115
Meter and House Regulator Expenses	1,068	3,348	1,263	5,679
Miscellaneous Distribution Expenses ⁽¹⁾	50,633	20,548	15,509	86,690
Operation Supervision and Engineering	6,028	2,425	1,169	9,622
Overhead Distribution Line Expense	6,846	-	-	6,846
Rents	-	-	-	-
Services on Customers' Premises	5,979	-	-	5,979
Station Expenses	1,768	-	-	1,768
Storage Facilities	-	-	133	133
Street Lighting and Signal System Expenses	147	-	-	147
Transmission and Distribution Lines	-	-	471	471
UG Distribution	1,672	-	-	1,672
Total Distribution Expense	75,882	40,712	21,688	138,282

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

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

ALL DIVISIONS

PAGE 2b

DESCRIPTION	THOUSANDS OF DOLLARS			
	ELECTRIC DIVISION	GAS DIVISION	WATER DIVISION	TOTAL
<u>OPERATING EXPENSE (Continued)</u>				
Customer Accounts Expense				
Customer Order, Records and Collection Expenses	20,301	12,542	8,763	41,606
Meter Reading Expenses	2,902	4,343	3,123	10,368
Supervision-Customer Accounting and Collection	165	143	140	448
Total Customer Accounts Expense	23,368	17,028	12,026	52,422
Customer Service & Information Expense				
Customer Assistance Expenses	1,033	780	584	2,397
Informational and Instructional Advertising Expenses	376	128	440	944
Miscellaneous Customer Service & Informational Expenses	771	959	-	1,730
Supervision-Customer Service and Information	399	327	311	1,037
Total Customer Service & Information Expense	2,579	2,194	1,335	6,108
Sales Expense				
Sales Supervision	91	-	-	91
Miscellaneous Sales Expenses	2,397	425	270	3,092
Total Sales Expense	2,488	425	270	3,183
Administrative & General Expense				
Administrative and General Salaries	23,053	9,334	6,501	38,888
Administration Expenses Transferred to Capital	(12,270)	(2,533)	(3,407)	(18,210)
Pension Expense	24,908	10,416	7,699	43,023
Other Active & Retiree Benefits	11,067	7,811	4,296	23,174
Other Post Employment Benefits Funding	14,894	6,228	4,603	25,725
Injuries and Damages	3,891	1,537	1,334	6,762
Miscellaneous General Expenses ⁽²⁾	19,295	8,144	7,082	34,521
Office Supplies and Expenses	8,299	3,091	2,230	13,620
Outside Services Employed	28,239	8,290	6,351	42,880
Property Insurance	2,853	1,437	997	5,287
Rents-Miscellaneous	6,859	3,975	4,869	15,703
Total Administrative & General Expense	131,088	57,730	42,555	231,373
OPERATING EXPENSE	1,525,826	298,708	102,442	1,926,976
<u>MAINTENANCE EXPENSE</u>				
Transmission Expense				
Maintenance of Overhead Transmission Lines	-	-	-	-
Maintenance of Station Equipment	1,603	-	-	1,603
Maintenance of Underground Transmission Lines	683	-	-	683
Maintenance of Structures and Improvements	177	-	-	177
Maintenance Supervision and Engineering	1,353	-	-	1,353
Total Transmission Expense	3,816	-	-	3,816
Production Expense				
Maintenance of Holders	-	223	-	223
Maintenance of Other Equipment	-	2,028	-	2,028
Maintenance of Pumping Equipment	-	-	1,460	1,460
Maintenance of Structures and Improvements	-	24	-	24
Maintenance of Water Treatment Equipment	-	-	1,245	1,245
Maintenance of Wells	-	-	1,581	1,581
Maintenance Supervision and Engineering	-	251	170	421
Total Production Expense	-	2,526	4,456	6,982
⁽²⁾ Includes, but not limited to, the following items: Mail distribution, property appraisals, security and janitorial services, and fuel use by MLGW.				

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

ALL DIVISIONS

PAGE 2c

DESCRIPTION	THOUSANDS OF DOLLARS			
	ELECTRIC DIVISION	GAS DIVISION	WATER DIVISION	TOTAL
<u>MAINTENANCE EXPENSE (Continued)</u>				
Distribution Expense				
Maintenance of Hydrants	-	-	854	854
Maintenance of Line Transformers	2,168	-	-	2,168
Maintenance of Mains	-	5,868	-	5,868
Maintenance of Meters	2,392	-	3,786	6,178
Maintenance of Miscellaneous Distribution Plant	1,176	-	41	1,217
Maintenance of Overhead Distribution Lines	52,412	-	-	52,412
Maintenance of Distribution Structures and Improvements	-	-	-	-
Maintenance of Services	-	2,395	2,282	4,677
Maintenance of Station Equipment	2,512	-	-	2,512
Maintenance of Street Lighting and Signal System	6,889	-	-	6,889
Maintenance of Gas Distribution Facilities	-	-	-	-
Maintenance of Transmission and Distribution Mains	-	-	3,673	3,673
Maintenance of Underground Distribution Lines	21,492	-	-	21,492
Maintenance Supervision and Engineering	4,062	105	-	4,167
Measuring and Regulating Equipment Expenses	-	2,083	-	2,083
Total Distribution Expense	93,103	10,451	10,636	114,190
Administrative & General Expense				
Maintenance of General Plant	5,078	1,567	2,351	8,996
Facilities Maintenance Expense	369	120	2,352	2,841
Total Administrative & General Expense	5,447	1,687	4,703	11,837
MAINTENANCE EXPENSE	102,366	14,664	19,795	136,825
<u>OTHER OPERATING EXPENSE</u>				
Depreciation Expense	71,672	20,154	13,013	104,839
Payment in Lieu of Taxes	61,559	20,634	4,800	86,993
F.I.C.A. Taxes	2,527	969	716	4,212
Amortization of Legacy Meters	1,280	1,522	484	3,286
Amortization - Right of Use Leases & Subscriptions	1,502	3,534	-	5,036
Amortization - Street Lighting Retrofit	593	-	-	593
OTHER OPERATING EXPENSE	139,133	46,813	19,013	204,959
TOTAL OPERATING EXPENSE	1,767,325	360,185	141,250	2,268,760
<u>INCOME</u>				
Operating Income	55,288	(38,662)	(13,057)	3,569
Other Income				
Expenses of Merchandising, Jobbing & Contracts	-	(3,300)	(2,979)	(6,279)
Revenues from Merchandising, Jobbing & Contracts	-	1,299	2,979	4,278
Revenues from Non-Utility Property	-	-	-	-
Revenues from Common Transportation Equipment	-	-	-	-
Revenues from Sinking & Other Funds-Interest Income	9,800	2,302	870	12,972
Medicare Part D Refund	83	428	500	1,011
Non-Operating Income - TVA Transmission Credit	40,428	-	-	40,428
Miscellaneous Non-Operating Income	2,917	2,073	225	5,215
Total Other Income	53,228	2,802	1,595	57,625
Contributions in Aid of Construction	(17,581)	(3,683)	(21,519)	(42,783)
NET INCOME BEFORE DEBT EXPENSE	90,935	(39,543)	(32,981)	18,411

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

ALL DIVISIONS

PAGE 2d

DESCRIPTION	THOUSANDS OF DOLLARS			
	ELECTRIC DIVISION	GAS DIVISION	WATER DIVISION	TOTAL
<u>DEBT EXPENSE</u>				
Interest Expense - Long-Term Debt				
Interest on Ltd - Series 2014	-	-	308	308
Interest on Ltd - Series 2016	1,162	1,162	610	2,934
Interest on Ltd - Series 2017	2,558	1,280	673	4,511
Interest on Ltd - Series 2020	5,764	2,251	2,339	10,354
Interest on Ltd - Series 2024	10,060	-	-	10,060
Interest on Ltd - Series 2025	11,066	-	-	11,066
Total Interest Expense - Long-Term Debt	30,610	4,693	3,930	39,233
Amortization of Debt Discount & Expense				
Amortization of Debt Disc & Exp - Series 2014	-	-	(34)	(34)
Amortization of Debt Disc & Exp - Series 2016	(414)	(416)	(125)	(955)
Amortization of Debt Disc & Exp - Series 2017	(640)	(372)	(142)	(1,154)
Amortization of Debt Disc & Exp - Series 2020	(1,320)	(582)	(605)	(2,507)
Amortization of Debt Disc & Exp - Series 2024	(977)	-	-	
Total Amortization of Debt Discount & Expense	(3,351)	(1,370)	(905)	(4,649)
TOTAL DEBT EXPENSE	27,259	3,323	3,025	34,584
NET INCOME AFTER DEBT EXPENSE	63,676	(42,866)	(36,006)	(15,196)
Contributions in Aid of Construction	17,581	3,683	21,519	42,783
CHANGE IN NET POSITION	81,257	(39,183)	(14,487)	27,587

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

ALL DIVISIONS

PAGE 3

DESCRIPTION	THOUSANDS OF DOLLARS				REF. NO.
	ELECTRIC DIVISION	GAS DIVISION	WATER DIVISION	TOTAL	
TOTAL 2026 CAPITAL EXPENDITURES					3-1
	192,821	39,285	58,520	290,626	



ELECTRIC DIVISION



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

ELECTRIC DIVISION

PAGE 4

DESCRIPTION	THOUSANDS OF DOLLARS			REF. NO.
	2024 ACTUAL	2025 BUDGET	2026 BUDGET	
<u>OPERATING REVENUE</u>				
Sales Revenue	1,472,595	1,613,540	1,797,973	4-1
Revenue Adjustment for Uncollectibles	(7,873)	(7,908)	(8,994)	4-2
Non-Sales Revenue	27,256	31,245	33,634	4-3
OPERATING REVENUE	1,491,978	1,636,877	1,822,613	
<u>OPERATING EXPENSE</u>				
Purchased Power	1,084,669	1,174,874	1,282,660	4-4
Transmission Expense	5,918	6,895	7,761	4-5
Distribution Expense	56,317	74,969	75,882	4-6
Customer Accounts Expense	18,556	22,746	23,368	4-7
Customer Service & Information Expense	2,023	2,696	2,579	4-8
Sales Expense	2,017	2,435	2,488	4-9
Administrative & General Expense*	102,040	124,758	131,088	4-10
OPERATING EXPENSE	1,271,541	1,409,373	1,525,826	
<u>MAINTENANCE EXPENSE</u>				
Transmission Expense	5,111	3,776	3,816	4-11
Distribution Expense	88,990	91,272	93,103	4-12
Administrative & General Expense	5,693	6,060	5,447	4-13
MAINTENANCE EXPENSE	99,794	101,108	102,366	
<u>OTHER OPERATING EXPENSE</u>				
Depreciation Expense	64,561	65,168	71,672	4-14
Payment in Lieu of Taxes	48,881	52,152	61,559	4-15
F.I.C.A. Taxes	2,257	1,938	2,527	4-16
Amortization of Legacy Meters	1,254	1,286	1,280	4-17
Amortization - Right of Use Leases & Subscriptions	7,543	1,635	1,502	4-18
Amortization - Street Lighting Retrofit	544	731	593	4-19
OTHER OPERATING EXPENSE	125,039	122,910	139,133	
TOTAL OPERATING EXPENSE	1,496,373	1,633,391	1,767,325	
<u>INCOME</u>				
Operating Income	(4,396)	3,486	55,288	4-20
Other Income	55,913	53,720	53,228	4-21
Reduction of Plant Cost Recovered through CIAC	(26,074)	(17,561)	(17,581)	4-22
NET INCOME BEFORE DEBT EXPENSE	25,444	39,645	90,935	
<u>DEBT EXPENSE</u>				
Interest Expense - Existing Long-Term Debt	13,938	25,174	30,610	4-23
Amortization of Debt Discount & Expense	(3,015)	(3,899)	(3,351)	4-24
TOTAL DEBT EXPENSE	10,923	21,275	27,259	
NET INCOME AFTER DEBT EXPENSE	14,522	18,370	63,676	
Contributions in Aid of Construction	26,074	17,561	17,581	4-25
CHANGE IN NET POSITION*	40,595	35,931	81,257	
* Excludes Pension Non-Cash and Other Post Employment Benefits Non-Cash				

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

ELECTRIC DIVISION

PAGE 4a

DESCRIPTION	THOUSANDS OF DOLLARS		
	2025 BUDGET	2026 BUDGET	DIFFERENCE
<u>OPERATING REVENUE</u>			
Sales Revenue	1,613,540	1,797,973	184,433
Revenue Adjustment for Uncollectibles	(7,908)	(8,994)	(1,086)
Non-Sales Revenue			
Forfeited Discounts	13,029	14,252	1,223
Miscellaneous Service Revenue	10,262	11,253	991
Other Operating Revenue	1,632	1,716	84
Rent from Gas/Water Property	6,322	6,413	91
Total Non-Sales Revenue	31,245	33,634	2,389
OPERATING REVENUE	1,636,877	1,822,613	185,736
<u>OPERATING EXPENSE</u>			
Purchased Power	1,174,874	1,282,660	107,786
Transmission Expense			
Load Dispatching	819	877	58
Miscellaneous Transmission Expenses	1,576	1,595	19
Operation Supervision and Engineering	4,051	4,835	784
Station Expenses	449	454	5
Total Transmission Expense	6,895	7,761	866
Distribution Expense			
Distribution Load Dispatching Expense	1,687	1,741	54
Meter Expenses	948	1,068	120
Miscellaneous Distribution Expenses ⁽¹⁾	50,441	50,633	192
Operation Supervision and Engineering	6,133	6,028	(105)
Overhead Distribution Line Expense	6,437	6,846	409
Services on Customers' Premises	5,895	5,979	84
Station Expenses	1,724	1,768	44
Street Lighting and Signal System Expenses	256	147	(109)
Underground Distribution Line Expenses	1,448	1,672	224
Total Distribution Expense	74,969	75,882	913
Customer Accounts Expense			
Customer Order, Records and Collection Expenses	19,586	20,301	715
Meter Reading Expenses	2,995	2,902	(93)
Supervision-Customer Service and Collection	165	165	-
Total Customer Accounts Expense	22,746	23,368	622
Customer Service & Information Expense			
Customer Assistance Expenses	1,036	1,033	(3)
Informational and Instructional Advertising Expenses	216	376	160
Miscellaneous Customer Service & Informational Expense	1,041	771	(270)
Supervision-Customer Service and Information	403	399	(4)
Total Customer Service & Information Expense	2,696	2,579	(117)
Sales Expense			
Sales Supervision	98	91	(7)
Miscellaneous Sales Expenses	2,337	2,397	60
Total Sales Expense	2,435	2,488	53
⁽¹⁾ Includes, but not limited to, the following items: Accrued vacation, absences such as holiday and sick leave, lost time due to bad weather, stand-by pay, and contract services.			

ELECTRIC DIVISION

DESCRIPTION	THOUSANDS OF DOLLARS		
	2025 BUDGET	2026 BUDGET	DIFFERENCE
<u>OPERATING EXPENSE (Continued)</u>			
Administrative & General Expense			
Administrative and General Salaries	24,919	23,053	(1,866)
Administration Expenses Transferred to Capital	(9,410)	(12,270)	(2,860)
Pension Expense	19,513	24,908	5,395
Other Active & Retiree Benefits	22,630	11,067	(11,563)
Other Post Employment Benefits Funding	888	14,894	14,006
Injuries and Damages	5,019	3,891	(1,128)
Miscellaneous General Expenses ⁽²⁾	18,627	19,295	668
Office Supplies and Expenses	7,659	8,299	640
Outside Services Employed	27,166	28,239	1,073
Property Insurance	1,947	2,853	906
Rents-Miscellaneous	5,800	6,859	1,059
Total Administrative & General Expense	124,758	131,088	6,330
OPERATING EXPENSE	1,409,373	1,525,826	116,453
<u>MAINTENANCE EXPENSE</u>			
Transmission Expense			
Maintenance of Station Equipment	1,537	1,603	66
Maintenance of Underground Transmission Lines	806	683	(123)
Maintenance of Structures and Improvements	24	177	153
Maintenance Supervision and Engineering	1,409	1,353	(56)
Total Transmission Expense	3,776	3,816	40
Distribution Expense			
Maintenance of Line Transformers	2,170	2,168	(2)
Maintenance of Meters	2,141	2,392	251
Maintenance of Miscellaneous Distribution Plant	1,468	1,176	(292)
Maintenance of Overhead Distribution Lines	53,767	52,412	(1,355)
Maintenance of Distribution Structures and Improvements	4	-	(4)
Maintenance of Station Equipment	2,426	2,512	86
Maintenance of Street Lighting and Signal System	7,646	6,889	(757)
Maintenance of Underground Distribution Lines	17,623	21,492	3,869
Maintenance Supervision and Engineering	4,027	4,062	35
Total Distribution Expense	91,272	93,103	1,831
Administrative & General Expense			
Maintenance of General Plant	5,776	5,078	(698)
Facilities Maintenance Expense	284	369	85
Total Administrative & General Expense	6,060	5,447	(613)
MAINTENANCE EXPENSE	101,108	102,366	1,258

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

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

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

ELECTRIC DIVISION

PAGE 4c

DESCRIPTION	THOUSANDS OF DOLLARS		
	2025 BUDGET	2026 BUDGET	DIFFERENCE
<u>OTHER OPERATING EXPENSE</u>			
Depreciation Expense	65,168	71,672	6,504
Payment in Lieu of Taxes	52,152	61,559	9,407
F.I.C.A. Taxes	1,938	2,527	589
Amortization of Legacy Meters	1,286	1,280	(6)
Amortization - Right of Use Leases & Subscriptions	1,635	1,502	(133)
Amortization - Street Lighting Retrofit	731	593	(138)
OTHER OPERATING EXPENSE	122,910	139,133	16,223
TOTAL OPERATING EXPENSE	1,633,391	1,767,325	133,934
<u>INCOME</u>			
Operating Income	3,486	55,288	51,802
Other Income			
Revenues from Sinking & Other Funds - Interest Income	10,464	9,800	(664)
Medicare Part D Refund	1,000	83	(917)
Non-Operating Income - TVA Transmission Credit	39,390	40,428	1,038
Miscellaneous Non-Operating Income	2,866	2,917	51
Total Other Income	53,720	53,228	(492)
Reduction of Plant Cost Recovered through CIAC	(17,561)	(17,581)	(20)
NET INCOME BEFORE DEBT EXPENSE	39,645	90,935	51,290
<u>DEBT EXPENSE</u>			
Interest Expense - Long-Term Debt			
Interest on Ltd - Series 2016	1,252	1,162	(90)
Interest on Ltd - Series 2017	2,754	2,558	(196)
Interest on Ltd - Series 2020	5,917	5,764	(153)
Interest on Ltd - Series 2024	9,626	10,060	434
Interest on Ltd - Series 2025	5,625	11,066	5,441
Total Interest Expense - Long-Term Debt	25,174	30,610	5,436
Amortization of Debt Discount & Expense			
Amortization of Debt Disc & Exp - Series 2014	(470)	-	470
Amortization of Debt Disc & Exp - Series 2016	(446)	(414)	32
Amortization of Debt Disc & Exp - Series 2017	(690)	(640)	50
Amortization of Debt Disc & Exp - Series 2020	(1,358)	(1,320)	38
Amortization of Debt Disc & Exp - Series 2024	(935)	(977)	(42)
Total Amortization of Debt Discount & Expense	(3,899)	(3,351)	548
TOTAL DEBT EXPENSE	21,275	27,259	5,984
NET INCOME AFTER DEBT EXPENSE	18,370	63,676	45,306
Contributions in Aid of Construction	17,561	17,581	20
CHANGE IN NET POSITION	35,931	81,257	45,326

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

ELECTRIC DIVISION

PAGE 5

		REF. NO.
<u>SOURCE OF FUNDS:</u>		
FROM OPERATIONS:		
Change in Net Position	81,257	5-1
Non-Cash Charges to Income:		
Depreciation Charged to Operating Income	71,672	5-2
Depreciation Charged to Other Accounts	2,261	5-3
Amortization of Legacy Meters	1,280	5-4
Amortization - Right of Use Leases & Subscriptions	1,502	5-5
Amortization - Streetlighting Retrofit	593	5-6
TOTAL FUNDS FROM OPERATIONS	158,565	
Salvage	1,813	5-7
Financing: 2025 Debt Proceeds	250,000	5-8
TOTAL FUNDS AVAILABLE	410,378	
<u>APPLICATION OF FUNDS:</u>		
Capital Expenditures	192,821	5-9
Costs of Removal and Other Charges to the Reserve for Depreciation	6,409	5-10
Retirement of Long-Term Debt	15,845	5-11
TOTAL APPLICATION OF FUNDS	215,075	
INCREASE (DECREASE) IN WORKING CAPITAL	195,303	

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

ELECTRIC DIVISION

PAGE 6

DESCRIPTION	THOUSANDS OF DOLLARS			REF. NO.
	2024 Actual	2025 BUDGET	2026 BUDGET	
PRODUCTION				
ELEC - DISTRIBUTIVE ENERGY RESOURCE	-	51,875	-	6-1
TOTAL - PRODUCTION	-	51,875	-	
SUBSTATION AND TRANSMISSION				
ELEC - SUBSTATION	34,498	19,008	26,805	6-2
ELEC - SUBSTATION TRANSFORMERS REPLACEMENT	3,703	2,473	7,500	6-3
ELEC - SUBSTATION CIRCUIT BREAKERS REPLACEMENT	7,463	3,675	5,200	6-4
ELEC - TRANSMISSION LINES	1,261	5,019	4,564	6-5
CONTRIBUTION IN AID OF CONSTRUCTION - CIAC	-	-	-	6-6
TOTAL - SUBSTATION AND TRANSMISSION	46,925	30,175	44,069	
DISTRIBUTION SYSTEM				
ELEC - RESIDENTIAL SERVICE IN S/D	875	1,705	763	6-7
ELEC - RESIDENTIAL SERVICE NOT IN S/D		3,103	3,025	6-8
ELEC - RESIDENTIAL S/D	192	1,615	1,762	6-9
ELEC - APARTMENTS	997	601	1,188	6-10
ELEC - GENERAL POWER SERVICE	4,638	4,297	5,534	6-11
ELEC - GENERAL POWER S/D	678	224	1,183	6-12
ELEC - MOBILE HOME PARK	-	326	-	6-13
ELEC - TEMPORARY SERVICE	-	520	389	6-14
ELEC - MULTIPLE-UNIT GENERAL POWER	220	282	302	6-15
ELEC - RELOCATE AT CUSTOMER REQUEST	2,739	1,416	3,670	6-16
ELEC - STREET IMPROVEMENTS	8,414	4,967	6,775	6-17
ELEC - NEW CIRCUITS	3,580	10,117	11,700	6-18
ELEC - LINE RECONSTRUCTION/REMOVE IDLE FACILITIES	2,260	14,202	8,875	6-19
ELEC - DEFECT CABLE/FEEDER CABLE REPLACEMENT	7,139	11,052	16,800	6-20
ELEC - DISTRIBUTION POLES	5,159	2,705	2,500	6-21
ELEC - POLE-DUCT USE AND ESCORTS	14	-	-	6-22
ELEC - PMNI MAINTENANCE	-	3,864	-	6-23
ELEC - OMNI MAINTENANCE	-	-	6,000	6-24
ELEC - DISTRIBUTION AUTOMATION	4,721	6,183	15,000	6-25
ELEC - STREET LIGHTS INSTALL	14,351	7,638	3,205	6-26
ELEC - DEMOLITION	165	130	165	6-27
ELEC - STREET LIGHT MAINTENANCE	3,929	2,898	3,750	6-28
ELEC - PLANNED MAINTENANCE	8,617	7,343	9,880	6-29
ELEC - TREE TRIMMING	-	8	-	6-30
ELEC - OPERATIONS MAINTENANCE	(1,184)	-	-	6-31
ELEC - LEASED OUTDOOR LIGHTING	1,505	1,551	6,000	6-32
ELEC - STORM RESTORATION	522	-	-	6-33
ELEC - SHARED USE CONTRACT	-	386	500	6-34
ELEC - DUCT LINE LEASE	-	58	75	6-35
ELEC - EMERGENCY MAINTENANCE	8,438	6,183	8,160	6-36
JT - RESIDENTIAL SERVICE IN S/D	1,065	1,278	865	6-37
JT - RESIDENTIAL SERVICE NOT IN S/D	-	-	-	6-38
JT - RESIDENTIAL S/D	3,620	3,288	4,873	6-39
JT - APARTMENTS	9	17	-	6-40
PCI - CAPACITOR BANKS	-	773	-	6-41
PCI - DIST TRANSFORMERS	10,405	11,593	15,000	6-42
ELEC - METERS	2,431	1,542	1,501	6-43
CONTRIBUTION IN AID OF CONSTRUCTION - CIAC	(23,579)	(17,561)	(17,581)	6-44
TOTAL - DISTRIBUTION SYSTEM	71,920	94,305	121,859	
GENERAL PLANT				
ELEC - BUILDINGS & STRUCTURES	533	9,790	16,187	6-45
ELEC - SECURITY AUTOMATION	919	841	2,088	6-46
ELEC - LAND PURCHASE	439	348	750	6-47
ELEC - FLEET CAPITAL POWER OPERATED EQUIPMENT	2,147	7,558	12,243	6-48
ELEC - TRANSPORTATION EQUIPMENT	2,907	3,773	3,619	6-49
ELEC - LAB & TEST	690	393	356	6-50
ELEC - COMMUNICATION EQUIPMENT	94	132	176	6-51
ELEC - COMMUNICATION TOWERS	26,882	271	500	6-52
ELEC - TELECOMMUNICATION NETWORK	2,169	12,134	20,300	6-53
ELEC - UTILITY MONITORING	246	4,970	6,659	6-54
ELEC - CIS DEVELOPMENT	1,083	-	3,375	6-55
ELEC - BUSINESS CONTINUITY	-	155	-	6-56
ELEC - DATA PROCESSING EQUIPMENT	-	13,248	18,352	6-57
ELEC - IS/IT PROJECTS	3,772	-	-	6-58
ELEC - CONTINGENCY FUND	-	155	200	6-59
TOTAL - GENERAL PLANT	41,881	53,767	84,805	
TOTAL - ELECTRIC DIVISION CATEGORIES	160,726	230,123	250,733	
Delayed Cost Allocations	(620)	-	(57,911)	6-60
TOTAL - ELECTRIC DIVISION	160,106	230,123	192,821	

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

ELECTRIC DIVISION

PAGE 7

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

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

ELECTRIC DIVISION

PAGE 8

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

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

ELECTRIC DIVISION

PAGE 9

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

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

ELECTRIC DIVISION

PAGE 10

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

MEMPHIS LIGHT, GAS AND WATER DIVISION
CAPITAL CARRYOVER SUMMARY*
FOR CALENDAR YEAR OF 2026

ELECTRIC DIVISION

PAGE 11

<u>CAPITAL CARRYOVER CATEGORY</u>	<u>CARRYOVER AMOUNT</u>
Telecommunication Network & Communication Towers	10,350,000
Distribution	9,650,000
Power Operated and Transportation Equipment	6,702,528
Substations, Transmission & Distribution System	5,614,458
Buildings & Structures	4,377,600
Purchase of Data Processing Equipment	3,972,604
Utility Monitoring	3,594,410
Security Automation	988,403
TOTAL CAPITAL CARRYOVER SUMMARY	<u>45,250,003</u>

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



GAS DIVISION

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

GAS DIVISION

PAGE 12

DESCRIPTION	THOUSANDS OF DOLLARS			REF. NO.
	2024 ACTUAL	2025 BUDGET	2026 BUDGET	
OPERATING REVENUE				
Sales Revenue	197,833	231,743	267,802	12-1
Revenue Adjustment for Uncollectibles	(1,826)	(1,388)	(2,484)	12-2
Non-Sales Revenue	40,634	48,553	56,205	12-3
OPERATING REVENUE	236,641	278,908	321,523	
OPERATING EXPENSE				
Production - LNG Plant	1,788	1,870	1,875	12-4
Purchased Gas	85,313	114,047	150,070	12-5
Compressed Natural Gas (CNG)	171	456	456	12-6
Liquefied Natural Gas (LNG)	385	3,084	2,388	12-7
Industrial Gas	13,824	18,864	25,830	12-8
Distribution Expense	32,010	38,828	40,712	12-9
Customer Accounts Expense	13,281	16,567	17,028	12-10
Customer Service & Information Expense	1,736	1,930	2,194	12-11
Sales Expense	300	431	425	12-12
Administrative & General Expense*	47,055	55,851	57,730	12-13
OPERATING EXPENSE	195,860	251,928	298,708	
MAINTENANCE EXPENSE				
Production Expense	852	5,435	2,526	12-14
Distribution Expense	8,951	11,293	10,451	12-15
Administrative & General Expense	1,768	1,970	1,687	12-16
MAINTENANCE EXPENSE	11,571	18,698	14,664	
OTHER OPERATING EXPENSE				
Depreciation Expense	18,744	18,419	20,154	12-17
Payment in Lieu of Taxes	16,380	16,425	20,634	12-18
F.I.C.A. Taxes	865	749	969	12-19
Amortization of Legacy Meters	1,482	1,518	1,522	12-20
Amortization - Right of Use Leases & Subscriptions	6,315	3,690	3,534	12-21
OTHER OPERATING EXPENSE	43,787	40,801	46,813	
TOTAL OPERATING EXPENSE	251,218	311,427	360,185	
INCOME				
Operating Income	(14,576)	(32,519)	(38,662)	12-22
Other Income	10,364	5,975	2,802	12-23
Reduction of Plant Cost Recovered through CIAC	(4,223)	(10,877)	(3,683)	12-24
NET INCOME BEFORE DEBT EXPENSE	(8,436)	(37,421)	(39,543)	
DEBT EXPENSE				
Interest Expense - Long-Term Debt	5,140	4,932	4,693	12-25
Amortization of Debt Discount & Expense	(1,511)	(1,491)	(1,370)	12-26
TOTAL DEBT EXPENSE	3,629	3,441	3,323	
NET INCOME AFTER DEBT EXPENSE	(12,065)	(40,862)	(42,866)	
Contributions in Aid of Construction	4,223	10,877	3,683	12-27
CHANGE IN NET POSITION*	(7,842)	(29,985)	(39,183)	
* Excludes Pension Non-Cash and Other Post Employment Benefits Non-Cash				

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

GAS DIVISION

PAGE 12a

DESCRIPTION	THOUSANDS OF DOLLARS		
	2025 BUDGET	2026 BUDGET	DIFFERENCE
OPERATING REVENUE			
Sales Revenue	231,743	267,802	36,059
Revenue Adjustment for Uncollectibles	(1,388)	(2,484)	(1,096)
Non-Sales Revenue			
Forfeited Discounts	3,108	3,160	52
Miscellaneous Service Revenue	2,083	2,041	(42)
Other Operating Revenue	624	660	36
Compressed Natural Gas (CNG)	516	516	-
Liquefied Natural Gas (LNG)	4,824	4,356	(468)
Industrial Gas	19,879	26,845	6,966
Rent from Electric/Water Property	7,228	7,862	634
Transported Gas	10,291	10,765	474
Total Non-Sales Revenue	48,553	56,205	7,652
OPERATING REVENUE	278,908	321,523	42,615
OPERATING EXPENSE			
Purchased Gas	114,047	150,070	36,023
Compressed Natural Gas (CNG)	456	456	-
Liquefied Natural Gas (LNG)	3,084	2,388	(696)
Industrial Gas	18,864	25,830	6,966
Production Expense			
Operation Labor and Expenses	1,720	1,714	(6)
Operation Supervision and Engineering	150	161	11
Total Production Expense	1,870	1,875	5
Distribution Expense			
Customer Installation Expenses	6,044	6,203	159
Distribution Load Dispatching Expense	884	913	29
Mains and Services	8,035	7,160	(875)
Measuring and Regulating Expenses	67	115	48
Meter and House Regulator Expenses	3,081	3,348	267
Miscellaneous Distribution Expenses ⁽¹⁾	18,256	20,548	2,292
Rents	1	-	(1)
Operation Supervision and Engineering	2,460	2,425	(35)
Total Distribution Expense	38,828	40,712	1,884
Customer Accounts Expense			
Customer Order, Records and Collection Expenses	11,953	12,542	589
Meter Reading Expenses	4,470	4,343	(127)
Supervision-Customer Accounting and Collection	144	143	(1)
Total Customer Accounts Expense	16,567	17,028	461
Customer Service & Information Expense			
Customer Assistance Expenses	780	780	-
Informational and Instructional Advertising Expenses	72	128	56
Miscellaneous Customer Service & Informational Expenses	748	959	211
Supervision-Customer Service and Information	330	327	(3)
Total Customer Service & Information Expense	1,930	2,194	264
Sales Expense			
Miscellaneous Sales Expenses	431	425	(6)
Total Sales Expense	431	425	(6)
 ⁽¹⁾ Includes, but not limited to, the following items: Accrued vacation, absences such as holiday and sick leave, lost time due to bad weather, stand-by pay, and contract services.			

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

GAS DIVISION

PAGE 12b

DESCRIPTION	THOUSANDS OF DOLLARS		
	2025 BUDGET	2026 BUDGET	DIFFERENCE
<u>OPERATING EXPENSE (Continued)</u>			
Administrative & General Expense			
Administrative and General Salaries	10,046	9,334	(712)
Administration Expenses Transferred to Capital	(1,850)	(2,533)	(683)
Pension Expense	8,160	10,416	2,256
Other Active & Retiree Benefits	13,588	7,811	(5,777)
Other Post Employment Benefits Funding	371	6,228	5,857
Injuries and Damages	2,984	1,537	(1,447)
Miscellaneous General Expenses ⁽²⁾	7,646	8,144	498
Office Supplies and Expenses	3,257	3,091	(166)
Outside Services Employed	8,817	8,290	(527)
Property Insurance	969	1,437	468
Rents-Miscellaneous	1,863	3,975	2,112
Total Administrative & General Expense	55,851	57,730	1,879
OPERATING EXPENSE	251,928	298,708	46,780
<u>MAINTENANCE EXPENSE</u>			
Production Expense			
Maintenance of Holders	297	223	(74)
Maintenance of Other Equipment	4,884	2,028	(2,856)
Maintenance of Structures and Improvements	21	24	3
Maintenance Supervision and Engineering	233	251	18
Total Production Expense	5,435	2,526	(2,909)
Distribution Expense			
Maintenance of Mains	6,899	5,868	(1,031)
Maintenance of Meters	-	-	-
Maintenance of Services	2,351	2,395	44
Maintenance Supervision and Engineering	100	105	5
Measuring and Regulating Equipment Expenses	1,943	2,083	140
Total Distribution Expense	11,293	10,451	(842)
Administrative & General Expense			
Maintenance of General Plant	1,887	1,567	(320)
Facilities Maintenance Expense	83	120	37
Total Administrative & General Expense	1,970	1,687	(283)
MAINTENANCE EXPENSE	18,698	14,664	(4,034)
<u>OTHER OPERATING EXPENSE</u>			
Depreciation Expense	18,419	20,154	1,735
Payment in Lieu of Taxes	16,425	20,634	4,209
F.I.C.A. Taxes	749	969	220
Amortization of Legacy Meters	1,518	1,522	4
Amortization - Right of Use Leases & Subscriptions	3,690	3,534	(156)
OTHER OPERATING EXPENSE	40,801	46,813	6,012
TOTAL OPERATING EXPENSE	311,427	360,185	48,758
⁽²⁾ Includes, but not limited to, the following items: Mail distribution, property appraisals, security and janitorial services, and fuel use by MLGW.			

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

GAS DIVISION

PAGE 12c

DESCRIPTION	THOUSANDS OF DOLLARS		
	2025 BUDGET	2026 BUDGET	DIFFERENCE
<u>INCOME</u>			
Operating Income	(32,519)	(38,662)	(6,143)
Other Income			
Expenses of Merchandising, Jobbing & Contracts	(3,300)	(3,300)	-
Revenues from Merchandising, Jobbing & Contracts	1,302	1,299	(3)
Revenues from Sinking & Other Funds-Interest Income	5,473	2,302	(3,171)
Medicare Part D Refund	1,000	428	(572)
Miscellaneous Non-Operating Income	1,500	2,073	573
Total Other Income	5,975	2,802	(3,173)
Reduction of Plant Cost Recovered through CIAC	(10,877)	(3,683)	7,194
NET INCOME BEFORE DEBT EXPENSE	(37,421)	(39,543)	(2,122)
<u>DEBT EXPENSE</u>			
Interest Expense - Long-Term Debt			
Interest on Ltd - Series 2016	1,252	1,162	(90)
Interest on Ltd - Series 2017	1,365	1,280	(85)
Interest on Ltd - Series 2020	2,315	2,251	(64)
Total Interest Expense - Long-Term Debt	4,932	4,693	(239)
Amortization of Debt Discount & Expense			
Amortization of Debt Disc & Exp - Series 2016	(446)	(416)	30
Amortization of Debt Disc & Exp - Series 2017	(396)	(372)	24
Amortization of Debt Disc & Exp - Series 2020	(649)	(582)	67
Total Amortization of Debt Discount & Expense	(1,491)	(1,370)	121
TOTAL DEBT EXPENSE	3,441	3,323	(118)
NET INCOME AFTER DEBT EXPENSE	(40,862)	(42,866)	(2,004)
Contributions in Aid of Construction	10,877	3,683	(7,194)
CHANGE IN NET POSITION	(29,985)	(39,183)	(9,198)

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

GAS DIVISION

PAGE 13

		REF. NO.
<u>SOURCE OF FUNDS:</u>		
FROM OPERATIONS:		
Change in Net Position	(39,183)	13-1
Non-Cash Charges to Income:		
Depreciation Charged to Operating Income	20,154	13-2
Depreciation Charged to Other Accounts	2,115	13-3
Amortization of Legacy Meters	1,522	13-4
Amortization - Right of Use Leases & Subscriptions	3,534	13-5
TOTAL FUNDS FROM OPERATIONS	(11,858)	
 Salvage	 238	 13-6
TOTAL FUNDS AVAILABLE	(11,620)	
<u>APPLICATION OF FUNDS:</u>		
Capital Expenditures	39,285	13-7
Costs of Removal and Other Charges to the Reserve for Depreciation	149	13-8
Retirement of Long Term Debt	5,020	13-9
TOTAL APPLICATION OF FUNDS	44,454	
 INCREASE (DECREASE) IN WORKING CAPITAL	 (56,074)	

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

GAS DIVISION

PAGE 14

DESCRIPTION	THOUSANDS OF DOLLARS			REF. NO.
	2024 Actual	2025 BUDGET	2026 BUDGET	
PRODUCTION SYSTEM				
GAS - LNG PROCESSING FACILITIES	52	798	1,106	14-1
GAS - CNG STATIONS	(32)	-	-	
TOTAL PRODUCTION SYSTEM	20	798	1,106	
DISTRIBUTION SYSTEM				
GAS -APARTMENTS	76	71	195	14-2
GAS - RESIDENTIAL SERVICE IN S/D	-	29	16	14-3
GAS - RESIDENTIAL SERVICE NOT IN S/D	854	1,223	2,216	14-4
GAS - RESIDENTIAL S/D	-	-	44	14-5
GAS - LAND PURCHASE	-	82	250	14-6
GAS - GENERAL POWER SERVICE	1,163	4,600	3,207	14-7
GAS - GENERAL POWER S/D	72	-	97	14-8
GAS - MULTIPLE-UNIT GENERAL POWER	33	165	65	14-9
GAS - RELOCATE AT CUSTOMER REQUEST	605	389	810	14-10
GAS - PURCHASE OF METERS	4,454	3,900	8,455	14-11
GAS - STREET IMPROVEMENTS	1,949	3,705	4,615	14-12
GAS - NEW GAS MAIN	602	205	250	14-13
GAS - GAS MAIN/SERVICE REPL (D.O.T.)	3,472	6,287	9,129	14-14
GAS - PLANNED MAINTENANCE	3,515	3,087	3,836	14-15
GAS - TRANSMISSION PIPELINES AND FACILITIES	238	24,368	750	14-16
GAS - REGULATOR STATIONS	1,630	821	670	14-17
GAS - GATE STATIONS	396	-	150	14-18
JT - RESIDENTIAL SERVICE IN S/D	-	617	459	14-19
JT - RESIDENTIAL S/D	1,535	1,166	2,006	14-20
JT - APARTMENTS	12	5	-	14-21
GAS - EMERGENCY MAINTENANCE	858	1,375	1,708	14-22
GAS - DEMOLITION	68	16	70	14-23
CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)	(2,570)	(10,877)	(4,498)	14-24
TOTAL - DISTRIBUTION SYSTEM	18,962	41,234	34,500	
GENERAL PLANT				
GAS - BUILDINGS & STRUCTURES	5,391	23,660	8,830	14-25
GAS - SECURITY AUTOMATION	-	353	450	14-26
GAS - FURNITURE & FIXTURES	-	493	-	14-27
GAS - AUDIOVISUAL	-	48	95	14-28
GAS - FLEET CAPITAL COMMON POWER OPERATED EQUIP	735	1,396	834	14-29
GAS - FLEET CAPITAL COMON TRANSPORTATION EQUIP	2,247	3,463	3,641	14-30
GAS - FLEET GAS POWER OPERATED EQUIPMENT	1,405	519	1,752	14-31
GAS - FLEET GAS TRANSPORTATION EQUIPMENT	265	2,220	2,123	14-32
GAS - AUTOMATED FUELING STRUCTURE	80	-	49	14-33
GAS - TOOLS & EQUIPMENT	143	-	125	14-34
GAS - COMMON TOOLS & EQUIPMENT	179	329	191	14-35
GAS - COMMUNITY OFFICE KIOSKS	-	-	374	14-36
GAS - CONTINGENCY FUNDS	-	164	200	14-37
TOTAL - GENERAL PLANT	10,445	32,645	18,664	
TOTAL - GAS DIVISION CATEGORIES	29,427	74,677	54,270	
Delayed Cost Allocations	459	-	(14,985)	14-38
TOTAL - GAS DIVISION	29,886	74,677	39,285	

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

GAS DIVISION

PAGE 15

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

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

GAS DIVISION

PAGE 16

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

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

GAS DIVISION

PAGE 17

DESCRIPTION	IN BUDGET YEAR	REF.
		NO.
<u>GENERAL PLANT (Continued)</u>		
ADMINISTRATION BUILDING		
Administration Building Upgrades & renovations (elevator modernization)	300,000	17-1
TOTAL ADMINISTRATION BUILDING	300,000	
CHOCTAW		
New Concrete Wash Bay Area	500,000	17-2
Roof Replacement, Wing B - 14,352 sf	17,000	17-3
Roof Replacement, Wing A - 13,605 sf	16,000	17-4
Roof Replacement, South Canopy - 1,173 sf	1,800	17-5
TOTAL CHOCTAW SERVICE CENTER	534,800	
NEW BUILDING		
Engineering & Operations Building 130,000 sq. ft.	4,400,000	17-6
TOTAL NEW BUILDING	4,400,000	
TOTAL BUILDINGS & STRUCTURES	8,829,584	
GAS - SECURITY AUTOMATION	450,000	17-7
GAS - AUDIOVISUAL	95,400	17-8
GAS - TOOLS & EQUIPMENT COMMON	191,221	17-9
GAS - TOOLS & EQUIPMENT	125,446	17-10
FLEET CAPITAL COMMON POWER OPERATED EQUIP	834,358	17-11
FLEET CAPITAL COMMON TRANSPORTATION EQUIP	3,640,965	17-12
FLEET GAS POWER OPERATED EQUIPMENT	1,752,279	17-13
FLEET GAS TRANSPORTATION EQUIPMENT	2,122,623	17-14
COMMUNITY OFFICE KIOSKS	374,000	17-15
ALTERNATIVE FUELING STRUCTURE	48,600	17-16
CONTINGENCY FUNDS - GENERAL PLANT	200,000	17-17
TOTAL GENERAL PLANT	18,664,476	

MEMPHIS LIGHT, GAS AND WATER DIVISION
CAPITAL CARRYOVER SUMMARY*
FOR CALENDAR YEAR OF 2026

GAS DIVISION

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<u>CAPITAL CARRYOVER CATEGORY</u>	<u>CARRYOVER AMOUNT</u>
Buildings & Structures	5,168,784
Distribution System	4,672,500
Power Operated and Transportation Equipment	2,259,893
Production System	972,000
Audiovisual	42,500
TOTAL CAPITAL CARRYOVER SUMMARY	<u>13,115,677</u>

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



WATER DIVISION

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

WATER DIVISION

PAGE 19

DESCRIPTION	THOUSANDS OF DOLLARS			REF. NO.
	2024 ACTUAL	2025 BUDGET	2026 BUDGET	
OPERATING REVENUE				
Sales Revenue	131,100	125,524	124,700	19-1
Revenue Adjustment for Uncollectibles	(2,019)	(1,349)	(2,126)	19-2
Non-Sales Revenue	5,536	5,766	5,619	19-3
OPERATING REVENUE	134,617	129,941	128,193	
OPERATING EXPENSE				
Production Expense	17,886	22,817	24,568	19-4
Distribution Expense	20,773	18,484	21,688	19-5
Customer Accounts Expense	9,387	11,695	12,026	19-6
Customer Service & Information Expense	1,137	1,182	1,335	19-7
Sales Expense	174	277	270	19-8
Administrative & General Expense*	31,695	41,072	42,555	19-9
OPERATING EXPENSE	81,052	95,527	102,442	
MAINTENANCE EXPENSE				
Production Expense	4,673	3,318	4,456	19-10
Distribution Expense	12,233	12,606	10,636	19-11
Administrative & General Expense	6,824	4,627	4,703	19-12
MAINTENANCE EXPENSE	23,730	20,551	19,795	
OTHER OPERATING EXPENSE				
Depreciation Expense	12,014	11,835	13,013	19-13
Payment in Lieu of Taxes	4,700	4,800	4,800	19-14
F.I.C.A. Taxes	639	600	716	19-15
Amortization of Legacy Meters	482	484	484	19-16
Amortization - Right of Use Leases & Subscriptions	1,977	-	-	19-17
OTHER OPERATING EXPENSE	19,813	17,719	19,013	
TOTAL OPERATING EXPENSE	124,595	133,797	141,250	
INCOME				
Operating Income	10,022	(3,856)	(13,057)	19-18
Other Income	7,700	2,237	1,595	19-19
Reduction of Plant Cost Recovered through CIAC	(5,185)	(20,256)	(21,519)	19-20
NET INCOME BEFORE DEBT EXPENSE	12,537	(21,875)	(32,981)	
DEBT EXPENSE				
Interest Expense - Existing Long - Term Debt	4,280	4,264	3,930	19-21
Amortization of Debt Discount & Expense	(982)	(946)	(905)	19-22
TOTAL DEBT EXPENSE	3,297	3,318	3,025	
NET INCOME AFTER DEBT EXPENSE	9,239	(25,193)	(36,006)	
Contributions in Aid of Construction	5,185	20,256	21,519	19-23
CHANGE IN NET POSITION*	14,425	(4,937)	(14,487)	

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

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

WATER DIVISION

PAGE 19a

DESCRIPTION	THOUSANDS OF DOLLARS		
	2025 BUDGET	2026 BUDGET	DIFFERENCE
<u>OPERATING REVENUE</u>			
Sales Revenue	125,524	124,700	(824)
Revenue Adjustment for Uncollectibles	(1,349)	(2,126)	(777)
Non-Sales Revenue			
Forfeited Discounts	1,685	1,470	(215)
Miscellaneous Service Revenue	2,081	2,087	6
Cross Connection Revenue	1,409	1,422	13
Other Operating Revenue	456	480	24
Rent from Electric/Gas Property	135	160	25
Total Non-Sales Revenue	5,766	5,619	(147)
OPERATING REVENUE	129,941	128,193	(1,748)
<u>OPERATING EXPENSE</u>			
Production Expense			
Chemicals	2,766	2,478	(288)
Operations Production Water Treatment	84	87	3
Fuel or Power Purchased for Pumping	8,948	11,500	2,552
Miscellaneous Expense	3,626	3,288	(338)
Operation Labor and Expenses	6,686	6,493	(193)
Operation Supervision and Engineering	341	351	10
Pumping Labor and Expenses	366	371	5
Total Production Expense	22,817	24,568	1,751
Distribution Expense			
Customer Installation Expenses	3,058	3,143	85
Meter Expenses	1,655	1,263	(392)
Miscellaneous Distribution Expenses ⁽¹⁾	12,747	15,509	2,762
Operation Supervision and Engineering	934	1,169	235
Storage Facilities	121	133	12
Transmission and Distribution Lines	(31)	471	502
Total Distribution Expense	18,484	21,688	3,204
Customer Accounts Expense			
Customer Order, Records and Collection Expenses	8,333	8,763	430
Meter Reading Expenses	3,222	3,123	(99)
Supervision-Customer Accounting and Collection	140	140	-
Total Customer Accounts Expense	11,695	12,026	331
Customer Service & Information Expense			
Customer Assistance Expenses	585	584	(1)
Informational and Instructional Advertising Expenses	284	440	156
Supervision-Customer Service and Information	313	311	(2)
Total Customer Service & Information Expense	1,182	1,335	153
Sales Expense			
Miscellaneous Sales Expenses	277	270	(7)
Total Sales Expense	277	270	(7)
⁽¹⁾ Includes, but not limited to, the following items: Accrued vacation, absences such as holiday and sick leave, lost time due to bad weather, stand-by pay, and contract services.			

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

WATER DIVISION

PAGE 19b

DESCRIPTION	THOUSANDS OF DOLLARS		
	2025 BUDGET	2026 BUDGET	DIFFERENCE
<u>OPERATING EXPENSE (Continued)</u>			
Administrative & General Expense			
Administrative and General Salaries	7,062	6,501	(561)
Administration Expenses Transferred to Capital	(2,649)	(3,407)	(758)
Pension Expense	6,031	7,699	1,668
Other Active & Retiree Benefits	7,798	4,296	(3,502)
Other Post Employment Benefits	274	4,603	4,329
Injuries and Damages	1,845	1,334	(511)
Miscellaneous General Expenses ⁽²⁾	7,090	7,082	(8)
Office Supplies and Expenses	2,371	2,230	(141)
Outside Services Employed	7,738	6,351	(1,387)
Property Insurance	691	997	306
Rents-Miscellaneous	2,821	4,869	2,048
Total Administrative & General Expense	41,072	42,555	1,483
OPERATING EXPENSE	95,527	102,442	6,915
<u>MAINTENANCE EXPENSE</u>			
Production Expense			
Maintenance of Pumping Equipment	1,098	1,460	362
Maintenance of Water Treatment Equipment	1,742	1,245	(497)
Maintenance of Wells	314	1,581	1,267
Maintenance Supervision and Engineering	164	170	6
Total Production Expense	3,318	4,456	1,138
Distribution Expense			
Maintenance of Hydrants	1,041	854	(187)
Maintenance of Meters	3,114	3,786	672
Maintenance of Miscellaneous Distribution Plant	32	41	9
Maintenance of Services	1,785	2,282	497
Maintenance of Transmission and Distribution Mains	6,634	3,673	(2,961)
Total Distribution Expense	12,606	10,636	(1,970)
Administrative & General Expense			
Maintenance of General Plant	2,141	2,351	210
Facilities Maintenance Expense	2,486	2,352	(134)
Total Administrative & General Expense	4,627	4,703	76
MAINTENANCE EXPENSE	20,551	19,795	(756)
<u>OTHER OPERATING EXPENSE</u>			
Depreciation Expense	11,835	13,013	1,178
Payment in Lieu of Taxes	4,800	4,800	-
F.I.C.A. Taxes	600	716	116
Amortization of Legacy Meters	484	484	-
Amortization of Leases	-	-	-
OTHER OPERATING EXPENSE	17,719	19,013	1,294
TOTAL OPERATING EXPENSE	133,797	141,250	7,453
⁽²⁾ Includes, but not limited to, the following items: Mail distribution, property appraisals, security and janitorial services, and fuel use by MLGW.			

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

WATER DIVISION

PAGE 19c

DESCRIPTION	THOUSANDS OF DOLLARS		
	2025 BUDGET	2026 BUDGET	DIFFERENCE
INCOME			
Operating Income	(3,856)	(13,057)	(9,201)
Other Income			
Revenues from Sinking & Other Funds-Interest Income	1,320	870	(450)
Medicare Part D Refund	500	500	-
Miscellaneous Non-Operating Income	417	225	(192)
Expenses of Merchandising, Jobbing & Contracts	(2,979)	(2,979)	-
Revenues from Merchandising, Jobbing & Contracts	2,979	2,979	-
Total Other Income	2,237	1,595	(642)
Reduction of Plant Cost Recovered through CIAC	(20,256)	(21,519)	(1,263)
NET INCOME BEFORE DEBT EXPENSE	(21,875)	(32,981)	(11,106)
DEBT EXPENSE			
Interest Expense - Long-Term Debt			
Interest on Ltd - Series 2014	359	308	(51)
Interest on Ltd - Series 2016	663	610	(53)
Interest on Ltd - Series 2017	768	673	(95)
Interest on Ltd - Series 2020	2,474	2,339	(135)
Total Interest Expense - Long-Term Debt	4,264	3,930	(334)
Amortization of Debt Discount & Expense			
Amortization of Debt Disc & Exp - Series 2014	(37)	(34)	3
Amortization of Debt Disc & Exp - Series 2016	(133)	(125)	8
Amortization of Debt Disc & Exp - Series 2017	(153)	(142)	11
Amortization of Debt Disc & Exp - Series 2020	(623)	(605)	18
Total Amortization of Debt Discount & Expense	(946)	(905)	41
TOTAL DEBT EXPENSE	3,318	3,025	(293)
NET INCOME AFTER DEBT EXPENSE	(25,193)	(36,006)	(10,813)
Contributions in Aid of Construction	20,256	21,519	1,263
CHANGE IN NET POSITION	(4,937)	(14,487)	(9,550)

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

WATER DIVISION

PAGE 20

		REF. NO.
<u>SOURCE OF FUNDS:</u>		
FROM OPERATIONS:		
Change in Net Position	(14,487)	20-1
Non-Cash Charges to Income:		
Depreciation Charged to Operating Income	13,013	20-2
Depreciation Charged to Other Accounts	495	20-3
Amortization of Legacy Meters	484	20-4
Amortization of Leases	-	20-5
TOTAL FUNDS FROM OPERATIONS	(495)	
Salvage	84	20-6
TOTAL FUNDS AVAILABLE	(411)	
<u>APPLICATION OF FUNDS:</u>		
Capital Expenditures	58,520	20-7
Costs of Removal and Other Charges to the Reserve for Depreciation	1,243	20-8
Retirement of Long-Term Debt	4,785	20-9
TOTAL APPLICATION OF FUNDS	64,548	
INCREASE (DECREASE) IN WORKING CAPITAL	(64,959)	

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

WATER DIVISION

PAGE 21

DESCRIPTION	THOUSANDS OF DOLLARS			REF. NO.
	2024 Actual	2025 BUDGET	2026 BUDGET	
PRODUCTION SYSTEM				
WATER - PUMPING STATIONS	9,214	44,262	33,870	21-1
WATER - UNDERGROUND STORAGE RESERVOIRS	127	83	2,500	21-2
WATER - PRODUCTION WELLS	11,036	14,563	10,650	21-3
WATER - LAND PURCHASE	(3)	167	150	21-4
WATER - OPERATIONS MAINTENANCE	(1,583)	1,252	1,500	21-5
Contingency Fund - Production System	-	42	50	21-6
SUBTOTAL - PRODUCTION SYSTEM	18,791	60,369	48,720	
WATER - BUILDINGS & STRUCTURES	465	2,895	4,286	21-7
CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)	-	(15,971)	(20,221)	21-8
TOTAL PROD. SYSTEM - BLDGS. & STRUCT.	19,256	47,293	32,785	
DISTRIBUTION SYSTEM				
WATER - RESIDENTIAL SERVICE IN S/D	176	354	269	21-9
WATER - RESIDENTIAL SERVICE NOT IN S/D	379	509	619	21-10
WATER - RESIDENTIAL S/D	194	334	286	21-11
WATER - APARTMENTS	8	8	9	21-12
WATER - GENERAL POWER SERVICE	2,794	3,740	2,372	21-13
WATER - RELOCATE AT CUSTOMER REQUEST	200	246	272	21-14
WATER - STREET IMPROVEMENTS	6,801	5,029	4,350	21-15
WATER - NEW WATER MAIN	440	2,169	2,499	21-16
WATER - LEAD SERVICE REPLACEMENT	2,662	8,554	10,530	21-17
WATER - STORM RESTORATION	936	-	-	21-18
WATER - PURCHASE OF METERS	542	4,163	10,039	21-19
WATER - PLANNED MAINTENANCE	4,342	3,338	4,000	21-20
WATER - BOOSTER STATIONS	-	416	500	21-21
WATER - EMERGENCY MAINTENANCE	3,441	2,950	3,605	21-22
CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)	(4,006)	(4,285)	(1,298)	21-23
TOTAL - DISTRIBUTION SYSTEM	18,909	27,525	38,052	
GENERAL PLANT				
WATER - BUILDINGS & STRUCTURE	186	38	45	21-24
WATER - SECURITY AUTOMATION	-	43	704	21-25
WATER - TOOLS & EQUIPMENT	52	43	57	21-26
WATER - FLEET CAPITAL POWER OPERATED EQUIP	919	233	1,001	21-27
WATER - FLEET CAPITAL WATER TRANSPORTATION EQUIP	742	1,992	1,641	21-28
WATER - IS/IT PROJECTS	-	-	-	21-29
MISCELLANEOUS CAPITAL (SIMULATOR)	-	234	280	21-30
WATER - CONTINGENCY FUND	-	167	200	21-31
TOTAL - GENERAL PLANT	1,899	2,750	3,928	
TOTAL - WATER DIVISION CATEGORIES	40,063	77,568	74,765	
Delayed Cost Allocations	(2,360)	-	(16,245)	21-32
TOTAL - WATER DIVISION	37,704	77,568	58,520	

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

WATER DIVISION

PAGE 22

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

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

WATER DIVISION

PAGE 23

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

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

WATER DIVISION

PAGE 24

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

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

WATER DIVISION

PAGE 25

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

MEMPHIS LIGHT, GAS AND WATER DIVISION
CAPITAL CARRYOVER SUMMARY*
FOR CALENDAR YEAR OF 2026

WATER DIVISION

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<u>CAPITAL CARRYOVER CATEGORY</u>	<u>CARRYOVER AMOUNT</u>
Production	12,915,000
Buildings & Structures	3,185,000
Power Transportation Equipment	444,476
Land Purchase/Property	150,000
TOTAL CAPITAL CARRYOVER SUMMARY	<u>16,694,476</u>

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



2025 - 2030 CAPITAL IMPROVEMENT PROGRAM



2026 ELECTRIC 5-YEAR CAPITAL IMPROVEMENT PROGRAM

ELECTRIC DIVISION

DESCRIPTION	2025 BUDGET	2026 BUDGET	2027 PROJECTION	2028 PROJECTION	2029 PROJECTION	2030 PROJECTION
PRODUCTION						
Distributive Energy Resource	\$ 51,875,000	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL - PRODUCTION	\$ 51,875,000	\$ -	\$ -	\$ -	\$ -	\$ -
SUBSTATION AND TRANSMISSION						
Substation	\$ 19,007,964	\$ 26,804,644	\$ 41,611,056	\$ 39,737,413	\$ 26,942,413	\$ 22,930,000
Substation Circuit Breakers	\$ 2,473,277	\$ 5,200,000	\$ 5,200,000	\$ 5,200,000	\$ 5,200,000	\$ 5,200,000
Substation Transformers	\$ 3,676,132	\$ 7,500,000	\$ 7,487,787	\$ 7,500,000	\$ 7,500,000	\$ 7,500,000
Transmission Lines	\$ 5,018,941	\$ 4,564,458	\$ 1,400,000	\$ 1,325,000	\$ 1,325,000	\$ 1,050,000
CONTRIBUTIONS IN AID OF CONSTRUCTION	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL-SUBSTATION & TRANSMISSION	\$ 30,176,314	\$ 44,069,102	\$ 55,698,843	\$ 53,762,413	\$ 40,967,413	\$ 36,680,000
DISTRIBUTION SYSTEM						
Apartments	\$ 601,360	\$ 1,188,487	\$ 1,236,027	\$ 1,273,107	\$ 1,311,301	\$ 1,350,640
Def. Cable/Trans Replace	\$ 11,052,455	\$ 16,800,000	\$ 16,800,000	\$ 16,800,000	\$ 16,800,000	\$ 16,800,000
Demolition	\$ 129,850	\$ 165,000	\$ 169,950	\$ 175,049	\$ 180,300	\$ 185,709
Emergency Maintenance	\$ 6,183,191	\$ 8,160,000	\$ 8,323,200	\$ 8,489,664	\$ 8,659,457	\$ 8,832,646
General Power Service	\$ 4,296,961	\$ 5,534,193	\$ 5,743,560	\$ 5,906,867	\$ 6,075,073	\$ 6,248,325
General Power Service S/D	\$ 223,964	\$ 1,182,639	\$ 1,229,945	\$ 1,266,843	\$ 1,304,848	\$ 1,343,994
Mobile Home Park	\$ 325,748	\$ -	\$ -	\$ -	\$ -	\$ -
Leased Outdoor Lighting	\$ 1,551,150	\$ 6,000,000	\$ 16,000,000	\$ 16,000,000	\$ 11,000,000	\$ 1,500,000
Duct Line Lease	\$ 57,967	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000
Distribution Automation	\$ 6,183,191	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000
Line Reconstruction	\$ 14,202,018	\$ 8,875,000	\$ 9,375,000	\$ 12,375,000	\$ 12,375,000	\$ 11,375,000
Multiple-Unit Gen Power	\$ 281,927	\$ 301,741	\$ 313,810	\$ 323,224	\$ 332,921	\$ 342,909
New Circuits	\$ 10,117,247	\$ 11,700,000	\$ 13,000,000	\$ 10,345,000	\$ 3,150,000	\$ 5,400,000
Voltage Conversion	\$ -	\$ -	\$ -	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Operations Maintenance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Planned Maintenance	\$ 7,342,540	\$ 9,880,000	\$ 10,275,200	\$ 10,686,208	\$ 11,113,656	\$ 11,558,203
Distribution Pole Replacement	\$ 2,705,146	\$ 2,500,000	\$ 2,000,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000
ELEC - OMNI MAINTENANCE	\$ 3,864,495	\$ 6,000,000	\$ 6,000,000	\$ 4,000,000	\$ 3,000,000	\$ 2,000,000
Tree Trimming	\$ 7,729	\$ -	\$ -	\$ -	\$ -	\$ -
Relocate at Customer Req	\$ 1,416,232	\$ 3,669,700	\$ 3,816,488	\$ 3,930,983	\$ 4,048,912	\$ 4,170,379
Residential S/D	\$ 1,615,475	\$ 1,762,052	\$ 1,832,534	\$ 1,887,510	\$ 1,944,136	\$ 2,002,460
Residential Svc in S/D	\$ 1,704,902	\$ 762,806	\$ 793,318	\$ 817,118	\$ 841,632	\$ 866,881
Residential Svc not S/D	\$ 3,102,776	\$ 3,024,619	\$ 3,145,603	\$ 3,239,972	\$ 3,337,171	\$ 3,437,286
JT-Resident S/D	\$ 3,288,436	\$ 4,873,007	\$ 5,067,927	\$ 5,219,965	\$ 5,376,564	\$ 5,537,860
JT-Resident Svc not S/D	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
JT-Residential Svc in S/D	\$ 1,277,646	\$ 864,672	\$ 899,259	\$ 926,237	\$ 954,024	\$ 982,644
JT-Apartments	\$ 16,719	\$ -	\$ -	\$ -	\$ -	\$ -
Shared Use contract	\$ 386,449	\$ 500,000	\$ 500,000	\$ 500,000	\$ 20,000	\$ 20,000
Street Improvements	\$ 4,966,587	\$ 6,775,000	\$ 1,000,000	\$ 1,350,000	\$ 1,000,000	\$ 1,000,000
Street Light Maintenance	\$ 2,898,371	\$ 3,750,000	\$ 3,750,000	\$ 3,750,000	\$ 3,750,000	\$ 3,750,000
Street Lights Install	\$ 7,637,631	\$ 3,205,069	\$ 3,301,221	\$ 3,400,258	\$ 3,502,266	\$ 3,607,334
Temporary Service	\$ 519,508	\$ 388,745	\$ 404,295	\$ 416,424	\$ 428,917	\$ 441,784
Previously Capitalized items - Capacitor Banks	\$ 772,899	\$ -	\$ -	\$ -	\$ -	\$ -
Previously Capitalized Items - Transformers	\$ 11,593,484	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000
Previously Capitalized Items - Meters	\$ 1,542,420	\$ 1,501,400	\$ 1,081,960	\$ 1,136,058	\$ 1,192,818	\$ 1,505,243
Contributions in Aid of Construction	\$ (17,561,873)	\$ (17,581,383)	\$ (14,172,739)	\$ (14,708,399)	\$ (15,134,801)	\$ (15,573,995)
TOTAL - DISTRIBUTION SYSTEM	\$ 94,304,601	\$ 121,857,747	\$ 131,961,558	\$ 132,082,088	\$ 119,139,195	\$ 111,260,302
GENERAL PLANT						
Purchase of Land	\$ 347,805	\$ 750,000	\$ 450,000	\$ 500,000	\$ 500,000	\$ 650,000
Buildings/Structures	\$ 9,789,847	\$ 16,186,650	\$ 39,580,194	\$ 27,860,000	\$ 1,000,000	\$ 1,072,000
Capital Security Automation	\$ 841,226	\$ 2,088,403	\$ 350,000	\$ 1,240,000	\$ 740,000	\$ 1,000,000
Lab and Test	\$ 393,229	\$ 355,771	\$ 373,560	\$ 392,238	\$ 411,849	\$ 432,442
Tools and Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Utility Monitoring	\$ 4,969,856	\$ 6,659,410	\$ 4,225,000	\$ 2,900,000	\$ 2,975,000	\$ 625,000
Communication Equip	\$ 132,238	\$ 176,225	\$ 181,511	\$ 186,956	\$ 192,564	\$ 198,340
Communication Towers	\$ 270,515	\$ 500,000	\$ 375,000	\$ 100,000	\$ 100,000	\$ 100,000
Telecommunication Network	\$ 12,134,513	\$ 20,300,000	\$ 15,400,000	\$ 16,100,000	\$ 11,100,000	\$ 6,100,000
Fleet Capital Power Operated Equipment	\$ 3,773,153	\$ 12,243,082	\$ 12,732,805	\$ 13,242,117	\$ 13,771,802	\$ 14,322,674
Transportation Equipment	\$ 7,557,842	\$ 3,618,704	\$ 3,763,452	\$ 3,913,990	\$ 4,070,550	\$ 4,233,372
Data Processing	\$ 13,248,099	\$ 18,352,160	\$ 10,833,435	\$ 7,990,000	\$ 4,640,000	\$ 7,740,000
IS/IT Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
CIS Development	\$ -	\$ 3,375,000	\$ 33,750,000	\$ 23,625,000	\$ 20,250,000	\$ -
Business Continuity	\$ 154,580	\$ -	\$ -	\$ -	\$ -	\$ -
Contingency Fund - General Plant	\$ 154,580	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000
TOTAL - GENERAL PLANT	\$ 53,767,483	\$ 84,805,405	\$ 122,214,957	\$ 98,250,301	\$ 59,951,765	\$ 36,673,828
Delayed Cost Allocations	\$ -	\$ (57,911,433)	\$ (70,223,200)	\$ (65,397,014)	\$ (52,932,850)	\$ (46,200,849)
TOTAL - ELECTRIC DIVISION	\$ 230,123,398	\$ 192,820,821	\$ 239,652,158	\$ 218,697,788	\$ 167,125,523	\$ 138,413,281

2026 GAS 5-YEAR CAPITAL IMPROVEMENT PROGRAM

GAS DIVISION

DESCRIPTION	2025 BUDGET	2026 BUDGET	2027 PROJECTION	2028 PROJECTION	2029 PROJECTION	2030 PROJECTION
PRODUCTION SYSTEM						
LNG - Processing Facilities	\$ 797,891	\$ 1,106,300	\$ 8,500,000	\$ 6,500,000	\$ 1,000,000	\$ 1,000,000
CNG Stations	\$ -	\$ -	\$ -	\$ -		
TOTAL PRODUCTION SYSTEM	\$ 797,891	\$ 1,106,300	\$ 8,500,000	\$ 6,500,000	\$ 1,000,000	\$ 1,000,000
DISTRIBUTION SYSTEM						
Apartments	\$ 70,874	\$ 194,646	\$ 202,432	\$ 208,505	\$ 214,760	\$ 221,202
Demolition	\$ 16,418	\$ 70,000	\$ 70,000	\$ 70,000	\$ 70,000	\$ 70,000
Emergency Maintenance	\$ 1,374,716	\$ 1,708,190	\$ 1,742,354	\$ 1,777,201	\$ 1,830,517	\$ 1,885,433
Gas Main-Svc Repl (DOT)	\$ 6,287,493	\$ 9,128,500	\$ 9,078,500	\$ 9,078,500	\$ 9,078,500	\$ 9,078,500
Gate Stations	\$ -	\$ 150,000	\$ 5,000,000	\$ 150,000	\$ 2,000,000	\$ 2,000,000
General Power S/D	\$ -	\$ 97,322	\$ 101,215	\$ 104,252	\$ 107,379	\$ 110,601
General Power Service	\$ 4,599,572	\$ 3,207,717	\$ 1,814,026	\$ 1,507,947	\$ 1,553,185	\$ 1,599,781
Multiple-Unit Gen Power	\$ 165,308	\$ 64,531	\$ 67,113	\$ 69,126	\$ 71,200	\$ 73,336
New Gas Main	\$ 205,219	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000
Trans Pipeline/Facilities	\$ 24,368,088	\$ 750,000	\$ 1,750,000	\$ 1,250,000	\$ 1,250,000	\$ 1,250,000
Purchase of Land	\$ 82,088	\$ 250,000	\$ 250,000	\$ 300,000	\$ 300,000	\$ 400,000
Planned Maintenance	\$ 3,087,102	\$ 3,835,955	\$ 3,912,674	\$ 3,990,927	\$ 4,110,655	\$ 4,233,975
Regulator Stations	\$ 820,875	\$ 670,000	\$ 550,000	\$ 550,000	\$ 550,000	\$ 550,000
Relocate at Customer Req	\$ 389,156	\$ 810,218	\$ 842,626	\$ 867,905	\$ 893,942	\$ 920,761
Residential Svc in S/D	\$ 29,013	\$ 15,731	\$ 16,361	\$ 16,851	\$ 17,357	\$ 17,878
Residential Svc not S/D	\$ 1,222,822	\$ 2,216,466	\$ 2,305,125	\$ 2,374,279	\$ 2,445,507	\$ 2,518,872
Residential S/D	\$ -	\$ 43,600	\$ 45,344	\$ 46,704	\$ 48,105	\$ 49,548
Street Improvements	\$ 3,705,024	\$ 4,615,300	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
JT-Resident S/D	\$ 1,166,157	\$ 2,006,052	\$ 2,086,294	\$ 2,148,883	\$ 2,213,349	\$ 2,279,750
JT-Resident Svc not S/D	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
JT-Resident in S/D	\$ 617,202	\$ 459,164	\$ 477,531	\$ 491,857	\$ 506,612	\$ 521,811
JT-Apartments	\$ 5,327	\$ -	\$ -	\$ -	\$ -	\$ -
Previously Capitalized Items - Meters & Metering Equipment	\$ 3,900,365	\$ 8,454,773	\$ 5,811,872	\$ 3,688,937	\$ 3,829,943	\$ 4,158,365
Contributions in Aid of Construction	\$ (10,878,509)	\$ (4,497,933)	\$ (3,155,850)	\$ (2,890,026)	\$ (2,976,726)	\$ (3,066,028)
TOTAL DISTRIBUTION SYSTEM	\$ 41,234,310	\$ 34,500,232	\$ 34,217,617	\$ 27,051,848	\$ 29,364,285	\$ 30,123,785
GENERAL PLANT						
Buildings/Structures	\$ 23,660,083	\$ 8,829,584	\$ 29,364,000	\$ 5,154,488	\$ 1,187,000	\$ 456,000
Capital Security Automation	\$ 352,976	\$ 450,000	\$ 60,000	\$ 100,000	\$ 500,000	\$ -
Furniture & Fixtures	\$ 492,525	\$ -	\$ 600,000	\$ 625,000	\$ 650,000	\$ 675,000
Audiovisual	\$ 48,060	\$ 95,400	\$ 125,400	\$ 155,400	\$ 155,400	\$ 155,400
Tools and Equipment	\$ -	\$ 125,446	\$ 137,991	\$ 151,790	\$ 166,969	\$ 183,666
Tools and Equipment - Common	\$ 328,715	\$ 191,221	\$ 210,343	\$ 231,377	\$ 254,515	\$ 279,967
Fleet Capital Transportation & Power Operated Equipment - Gas	\$ 2,738,897	\$ 3,874,902	\$ 4,029,898	\$ 4,191,094	\$ 4,358,738	\$ 4,533,087
Fleet Capital Transportation Equipment & Power Operated Equipment - Common	\$ 4,859,382	\$ 4,475,323	\$ 4,654,336	\$ 4,840,509	\$ 5,034,130	\$ 5,235,495
Automated Fueling Structure	\$ -	\$ 48,600	\$ -	\$ -	\$ -	\$ -
IS/IT Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Community Office Kiosks	\$ -	\$ 374,000	\$ -	\$ -	\$ -	\$ -
Contingency Fund - General Plant	\$ 164,175	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000
TOTAL - GENERAL PLANT	\$ 32,644,813	\$ 18,664,476	\$ 39,381,968	\$ 15,649,658	\$ 12,506,752	\$ 11,718,615
Delayed Cost Allocations	\$ -	\$ (14,985,631)	\$ (20,762,034)	\$ (14,356,103)	\$ (13,270,641)	\$ (13,452,771)
TOTAL - GAS DIVISION	\$ 74,677,014	\$ 39,285,377	\$ 61,337,551	\$ 34,845,403	\$ 29,600,396	\$ 29,389,629

2026 WATER 5-YEAR CAPITAL IMPROVEMENT PROGRAM

DESCRIPTION	2025 BUDGET	2026 BUDGET	2027 PROJECTION	2028 PROJECTION	2029 PROJECTION	2030 PROJECTION
<u>PRODUCTION SYSTEM</u>						
Production Wells	\$ 14,563,123	\$ 10,650,000	\$ 10,650,000	\$ 10,650,000	\$ 10,650,000	\$ 10,650,000
Pumping Stations	\$ 44,261,878	\$ 33,870,000	\$ 34,750,000	\$ 53,050,000	\$ 33,450,000	\$ 14,500,000
Underground Storage Reservoirs	\$ 83,456	\$ 2,500,000	\$ 2,500,000	\$ -	\$ 4,250,000	\$ 14,000,000
Purchase of Land	\$ 166,913	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 250,000
Operations Maintenance	\$ 1,251,844	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000
Contingency Fund - Production system	\$ 41,728	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ -
Contributions in Aid of Construction	\$ (15,970,992)	\$ (20,220,992)	\$ -	\$ -	\$ -	\$ -
SUBTOTAL - PRODUCTION SYSTEM	\$ 44,397,950	\$ 28,499,008	\$ 49,600,000	\$ 65,400,000	\$ 50,050,000	\$ 40,900,000
SUBTOTAL - BLDGS. AND STRUCTURES	\$ 2,895,099	\$ 4,286,000	\$ 3,912,000	\$ 750,000	\$ 334,000	\$ 1,576,000
TOTAL PROD. SYSTEM w/BLDGS & STRUCT.	\$ 47,293,049	\$ 32,785,008	\$ 53,512,000	\$ 66,150,000	\$ 50,384,000	\$ 42,476,000
<u>DISTRIBUTION SYSTEM</u>						
Apartments	\$ 7,698	\$ 8,819	\$ 9,171	\$ 9,447	\$ 9,730	\$ 10,022
Emergency Maintenance	\$ 2,949,538	\$ 3,604,916	\$ 3,677,014	\$ 3,750,554	\$ 3,825,565	\$ 3,902,077
General Power Service	\$ 3,739,932	\$ 2,371,852	\$ 2,466,726	\$ 2,540,727	\$ 2,616,949	\$ 2,695,458
New Water Main	\$ 2,168,783	\$ 2,498,679	\$ 2,248,653	\$ 2,248,626	\$ 2,248,598	\$ 2,248,570
Lead Service Replacement	\$ 8,554,270	\$ 10,530,000	\$ 10,530,000	\$ 10,530,000	\$ 10,530,000	\$ 10,530,000
Planned Maintenance	\$ 3,338,252	\$ 4,000,000	\$ 4,000,000	\$ 4,000,000	\$ 4,000,000	\$ 4,000,000
Booster Stations	\$ 417,281	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
Relocate at Customer Req	\$ 246,438	\$ 272,335	\$ 283,228	\$ 291,725	\$ 300,477	\$ 309,491
Residential S/D	\$ 333,995	\$ 285,905	\$ 297,341	\$ 306,261	\$ 315,448	\$ 324,912
Residential Svc in S/D	\$ 353,616	\$ 268,957	\$ 279,716	\$ 288,107	\$ 296,750	\$ 305,653
Residential Svc not S/D	\$ 509,371	\$ 619,075	\$ 643,838	\$ 663,153	\$ 683,048	\$ 703,539
Street Improvements	\$ 5,029,178	\$ 4,350,000	\$ 2,200,000	\$ 2,050,000	\$ 2,050,000	\$ 2,050,000
Previously Capitalized Items - Meters	\$ 4,162,779	\$ 10,039,308	\$ 10,541,271	\$ 11,068,316	\$ 11,621,732	\$ 12,202,819
Contributions in Aid of Construction	\$ (4,285,760)	\$ (1,298,083)	\$ (1,344,006)	\$ (1,379,826)	\$ (1,416,721)	\$ (1,454,723)
TOTAL - DISTRIBUTION SYSTEM	\$ 27,525,371	\$ 38,051,763	\$ 36,332,952	\$ 36,867,090	\$ 37,581,576	\$ 38,327,818
GENERAL PLANT						
Buildings/Structures	\$ 37,555	\$ 45,000	\$ 900,000	\$ -	\$ -	\$ -
Capital Security Automation	\$ 43,264	\$ 704,000	\$ 950,000	\$ 220,000	\$ -	\$ -
Fleet Capital Power Operated Equipment	\$ 232,580	\$ 1,001,191	\$ 1,041,239	\$ 1,082,888	\$ 1,126,204	\$ 1,171,252
Transportation Equipment	\$ 1,992,271	\$ 1,641,240	\$ 1,706,890	\$ 1,775,165	\$ 1,846,172	\$ 1,920,019
Tools and Equipment	\$ 43,291	\$ 56,890	\$ 62,579	\$ 68,837	\$ 75,721	\$ 83,293
Contingency Fund - General Plant	\$ 166,913	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000
Miscellaneous Request (Simulator)	\$ 233,678	\$ 280,000	\$ -	\$ -	\$ -	\$ -
TOTAL - GENERAL PLANT	\$ 2,749,552	\$ 3,928,321	\$ 4,860,708	\$ 3,346,890	\$ 3,248,097	\$ 3,374,564
Delayed Cost Allocations	\$ -	\$ (16,245,320)	\$ (20,315,196)	\$ (22,701,823)	\$ (19,728,923)	\$ (18,381,312)
TOTAL - WATER DIVISION	\$ 77,567,972	\$ 58,519,772	\$ 74,390,464	\$ 83,662,157	\$ 71,484,750	\$ 65,797,070

ALL DIVISIONS

NOTES FOR PAGE 3—Capital Expenditures Budget

Total Capital Expenditures

3-1	Total Capital Expenditures	Expected capital spend in 2026 budget year.
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NOTES FOR PAGE 4—INCOME & EXPENSE COMPARISON

Operating Revenue

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

Operating Expense

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

Maintenance Expense

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

Other Operating Expense

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

NOTES FOR PAGE 4—INCOME & EXPENSE COMPARISON (continued)

Income

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

Debt Expense

4-23	Interest Expense - Existing Long-Term Debt	Bond interest payments due 06-01 and 12-01 per the bond debt schedules are funded in equal monthly installments.
4-24	Amortization of Debt Discount and Expense	This represents the spreading of bond issuance costs over the life span of the bond series rather than recognizing such costs all at the time of sale.
4-25	Contributions in Aid of Construction	Contributions in aid of construction are the donations or contributions of cash, services, or property from states, municipalities, or other governmental agencies, individuals, and others for construction purposes.

NOTES FOR PAGE 5- SOURCES AND APPLICATION OF FUNDS

Source of Funds

5-1	Change in Net Position	Please see Budget page 4c.
5-2	Depreciation Charged to Operating Income	Please see Appendix 4-14.
5-3	Depreciation Charged to Other Accounts	Depreciation charged to other accounts is the annual depreciation for transportation and power operated equipment. Depreciation on these plant items is charged to a clearing account and used in the equipment rate calculations.
5-4	Amortization of Legacy Meters	Non-cash expense related to amortization charges related to meter expenditures.
5-5	Amortization of Right of Use Leases & Subscriptions	Non-cash expense related to amortization charges related to lease and software expenditures.
5-6	Amortization of Streetlighting Retrofit	Non-cash expense related to amortization charges related to streetlighting retrofit expenditures.
5-7	Salvage	Salvage is the amount received for property retired from plant in service. The property may be sold for scrap or returned to stores inventory for reuse.
5-8	Debt Proceeds	Expected debt proceeds in the Electric Division for the 2026 budget year.

Application of Funds

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

NOTES FOR PAGE 6-CAPITAL EXPENDITURES

Production System

6-1	Distributive Energy Resource	Please see Appendix 6-1
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Substation and Transmission

6-2	Substation	Please see Appendix 7-1 through 7-15.
6-3	Substation Transformers Replacement	Please see Appendix 7-16 through 7-18.
6-4	Substation Circuit Breakers Replacement	Please see Appendix 7-19 through 7-21.
6-5	Transmission Lines	Please see Appendix 7-22 through 8-1.
6-6	Contributions in Aid of Construction	Contributions in aid of construction are the donations or contributions of cash, services, or property from states, municipalities, or other governmental agencies, individuals, and others for construction purposes.

Distribution System**Major Projects**

6-7	Residential Service in S/D	All subdivisions that are fed internally by overhead electric primary lines.
6-8	Residential Service Not in S/D	Property not in subdivisions fed internally by overhead electric primary lines.
6-9	Residential S/D	Other property not in subdivisions fed internally by overhead electric primary lines.
6-10	Apartments	All apartments and mobile home communities that are fed internally by overhead electric primary lines.
6-11	General Power Service	Commercial properties that are fed internally by overhead or underground electric primary lines
6-12	General Power S/D	Commercial properties in subdivisions that are fed internally by overhead or underground electric primary lines
6-13	Mobile Home Park	All apartments and mobile home communities that are fed internally by overhead electric primary lines. No expenditures for the 2026 budget year.
6-14	Temporary Service	Services used for temporary construction.
6-15	Multiple Unit General Power	Commercial properties and apartments that are fed internally by overhead or underground electric primary lines
6-16	Relocate At Customer Request	This budget category provides for the expenses incurred at customers request for facilities to be relocated.
6-17	Street Improvements	This budget category provides for the expenses incurred when City, State and Federal Street Improvements dictate that facilities must be relocated. Please see Appendix 8-12 through 8-22.
6-18	New Circuits	Please see Appendix 8-2 through 8-10.
6-19	Line Reconstruction/Remove Idle Facilities	This category describes projects whereby existing distribution lines are improved and/or removed. These projects can include instances where existing circuits are rebuilt to create ties to other circuits to improve reliability to customers; conductors are upgraded to increase the current carrying ability of the circuit; devices such as switches, voltage regulators, capacitors, or reclosers are added to a circuit to improve voltage/reliability; or existing idle facilities are removed to decrease losses.
6-20	Defect Cable/Feeder Cable Replacement	This category describes the systematic retrofitting of the Division's Underground Residential Distribution system. The cable is replaced as it reaches end-of-life as determined by in service failures. Obsolete transformers and other distribution hardware are also replaced in this category. Cable replacement was initiated in 1982.
6-21	Distribution Poles	The budget includes utility poles used to support overhead power lines and various other public utilities, such as electrical cable, fiber optic cable, and related equipment such as transformers and street lights.
6-22	Pole-Duct Use and Escorts	Pole-Duct Use and Escorts.No expenditures for the 2026 budget year.
6-23	PMNI Maintenance	This category is the Planned Maintenance Neighborhood Initiative program developed to make improvements in the various historical Memphis communities to improve reliability and resiliency. No expenditures for the 2026 budget year.
6-24	OMNI Maintenance	This category is the Optimize Maintenance Neighborhood Initiative program developed to make improvements in the various historical Memphis communities to improve reliability and resiliency.
6-25	Distribution Automation	To install communications and hardware to allow for remote/automated operation to provide for more advanced restoration capabilities.
6-26	Street Lights Install	The budget includes work necessary to provide street light maintenance in existing subdivisions, along roadways, Memphis city annexations, and adjustments to lights in existing developments requested by the cities throughout the year.
6-27	Demolition	The budget includes demolition work.
6-28	Street Light Maintenance	The budget includes work necessary to provide street light maintenance in existing subdivisions, along roadways, Memphis city annexations, and adjustments to lights in existing developments requested by the cities throughout the year.
6-29	Planned Maintenance	Construction in minor work that arises daily. These are mainly calls that go through the Control Room, to include pole knockdowns, gas, and water leaks, etc.
6-30	Tree Trimming	Trim or remove trees interfering with overhead lines.
6-31	Operations Maintenance	No expenditures planned for the 2026 budget year.
6-32	Leased Outdoor Lighting (LOL)	LOL provides area and security lighting for residential, commercial and industrial customers in Memphis and Shelby County. LOL customers pay aid-to-construction for the installation of lighting fixtures and a monthly flat rate energy and facility fee. Services provided through LOL include engineering design of lighting systems to meet customer needs as well as building codes and standards. Installation and maintenance are handled through Distribution Support, using Division personnel and contracted labor.

NOTES FOR PAGE 6—CAPITAL EXPENDITURES (continued)

Major Projects (continued)

6-33	Storm Restoration	This category shows actual expenditures for previous years related to storm restoration efforts. MLGW does not budget for unexpected storm related expenses. These storms are generally large enough to cause major damage to our electric distribution system. Funds expensed in this category are reimbursable by the Federal Emergency Management Agency.
6-34	Shared Use Contract	To account for small cell pole attachments.
6-35	Duct Line Lease	To account for leasing available duct line for fiber cable.
6-36	Emergency Maintenance	Emergency maintenance is minor capital unplanned work that arises daily. These are mainly calls that go through the Control Room, such as pole knockdowns, gas or water leaks, etc.
6-37	JT-Residential Service in S/D	All subdivisions that are fed internally by underground electric primary lines and all subdivisions and apartments that are joint trench (underground electric primary and gas in the same trench).
6-38	JT-Residential Service Not in S/D	All subdivisions that are fed internally by underground electric primary lines and all subdivisions and apartments that are joint trench (underground electric primary and gas in the same trench).
6-39	JT-Residential S/D	All subdivisions that are fed internally by underground electric primary lines and all subdivisions and apartments that are joint trench (underground electric primary and gas in the same trench).
6-40	JT-Apartments	All subdivisions that are fed internally by underground electric primary lines and all subdivisions and apartments that are joint trench (underground electric primary and gas in the same trench).
6-41	PCI-Capacitor Banks	Enhances the electrical supply quality and power systems efficiency
6-42	PCI- Dist. Transformers	Purchase, receive, test and stock overhead type transformers for the Overhead Electric Distribution System--inventory levels are closely managed based on growth, new construction, history, voltage conversions and failures.
6-43	Elec Meters	The Electric Meter Area's capital budget for the purchase of electric metering equipment along with installation of revenue metering at the gate stations.
6-44	Contributions in Aid of Construction	Contributions in aid of construction are the donations or contributions of cash, services, or property from states, municipalities, or other governmental agencies, individuals, and others for construction purposes.

General Plant

6-45	Buildings and Structures	Please see Appendix 9-2 through 9-11.
6-46	Security Automation	Please see Appendix 9-12.
6-47	Land Purchase	Please see Appendix 9-1.
6-48	Fleet Capital Power Operated Equipment	Please see Appendix 9-13.
6-49	Transportation Equipment	Please see Appendix 9-14.
6-50	Lab & Test	Please see Appendix 9-16.
6-51	Communication Equipment	Please see Appendix 9-15.
6-52	Communication Towers	Please see Appendix 10-1.
6-53	Telecommunication Network	Please see Appendix 10-2 through 10-7.
6-54	Utility Monitoring	Please see Appendix 10-8.
6-55	Customer Information System (CIS)	Please see Appendix 10-9
6-56	Business Continuity	No expenditures planned for the 2026 budget year.
6-57	Data Processing Equipment	Please see Appendix 10-10 through 10-20.
6-58	IS/IT Projects	No expenditures planned for the 2026 budget year.
6-59	Contingency Fund	Please see Appendix 10-21.
6-60	Delayed Cost Allocations	These are funds budgeted in the current year for items that may arrive late from the previous year's budget.

NOTES FOR PAGE 7-CAPITAL EXPENDITURES BUDGET

Substation & Transmission Major Projects**Substation**

7-1	Install Substation 68 Third 161/23 kV transformer	Description/Location	Various locations
		Purpose/Necessity	Substation 68 Third 161/23 kV transformer
7-2	Substation Feeder Electromechanical Relay Replacement Program	Description/Location	Various locations
		Purpose/Necessity	Replacement of protective relays to improve system coordination and align with reclosers and ADMS deployment. Protects circuits from overcurrent, ground, faults, phase loss, overload, and other detrimental conditions
7-3	Replace RTU's various locations	Description/Location	Replace RTU's various locations
		Purpose/Necessity	Replace failed breakers
7-4	Sub #49-Install Definite Purpose Capacitor Bank Breakers 49363 & 49373	Description/Location	
		Purpose/Necessity	
7-5	Replace Reactor Substation 1	Description/Location	To change out aging infrastructure
		Purpose/Necessity	
7-6	AC Service for Breaker Storage Yard @ Substation 33	Description/Location	
		Purpose/Necessity	
7-7	Replace relays various locations	Description/Location	Replace relays various locations
		Purpose/Necessity	
7-8	Sub 4 Lighting Enhancement Project	Description/Location	
		Purpose/Necessity	
7-9	Sub 4 Fence Replacement Project	Description/Location	
		Purpose/Necessity	
7-10	Replace batteries various locations	Description/Location	Replace batteries various locations
		Purpose/Necessity	To change out aging infrastructure
7-11	Replace switches various locations	Description/Location	Replace switches at various locations
		Purpose/Necessity	To change out aging infrastructure
7-12	Install JPAX Nodes to Upgrade JMUX SONET Nodes	Description/Location	Install JPAX Nodes
		Purpose/Necessity	Various locations
7-13	Refurbish Station Service, Transformer Storage AC, Power & Lighting Substation 32	Description/Location	
		Purpose/Necessity	Pinch District
7-14	Install Transmission Metering Equipment for Transmission Planning Monitoring	Description/Location	Transmission Metering Equipment
		Purpose/Necessity	Transmission Metering Equipment
7-15	Seismic Retrofit of Non-Structural Substation Components	Description/Location	Various locations
		Purpose/Necessity	Nonstructural anchorage, bracing or restraints for nonstructural control and metering equipment in substation control and oil buildings and in the electric operations/SCADA building. (2007 Multi-Hazard Risk Assessment)

Substation Transformers

7-16	Replace 161/115 kV transformer bank 32643	Description/Location	
		Purpose/Necessity	Replacement of failed transformers at substations
7-17	Replace 161/23 kV transformer bank 49647	Description/Location	
		Purpose/Necessity	Replacement of failed transformers at substations
7-18	Contingency Failed Transformers/Procure Spares	Description/Location	
		Purpose/Necessity	Replacement of failed transformers at substations

Substation Circuit Breakers

7-19	Replace breakers various locations	Description/Location	Replace breakers various locations
7-20	Contingency Failed Breakers/Procure Spares	Description/Location	Replace failed breakers
7-21	Replace 12 kV Breakers 1617 and 1631 @ Substation 21	Description/Location	Replace failed breakers

Substation/Transmission Projects

7-22	Storm/Tornado Material Assessment & Storage Solution	Description/Location	
7-23	Sub #36 - Install Two (2) New 161kV Breaker Bays, Terminate Ckt. 15621, Add sectionalizing breaker	Description/Location	
7-24	Misc. projects (OPGW, structure replacements, etc.)	Description/Location	
7-25	OPGW 11-35	Description/Location	OPGW 11-35
7-26	OPGW 42-23	Description/Location	OPGW 42-23
7-27	OPGW Sub 15	Description/Location	OPGW Sub 15
7-28	UAV Contract #12134	Description/Location	UAV Contract #12134
		Purpose/Necessity	Replace failed breakers

NOTES FOR PAGE 8-CAPITAL EXPENDITURES BUDGET

Transmission - Reimbursable

8-1	TDOT Lamar & Shelby Drive	Description/Location	TDOT Lamar & Shelby Drive
	Transmission Lines	Description/Location	

Distribution System - Major Projects**New Circuits Out of Substations**

8-2	Sub 68 New Ckt Ties	Description/Location	Install multiple circuit ties for station 68 circuits.
		Purpose/Necessity	Reliability and switching flexibility
8-3	Sub 84 Ckt Ties	Description/Location	Install multiple circuit ties for station 84 circuits.
		Purpose/Necessity	Reliability and switching flexibility
8-4	Sub 74 New Ckt Ties	Description/Location	Install multiple circuit ties for station 74 circuits.
		Purpose/Necessity	Reliability and switching flexibility
8-5	Circuit 61301 stepdown transformer change out	Description/Location	Circuit 61301 stepdown transformer change out
		Purpose/Necessity	Reliability and switching flexibility
8-6	Sub 68 Cabling (3 ckts)	Description/Location	Install multiple circuit ties for station 68 circuits.
		Purpose/Necessity	Reliability and switching flexibility
8-7	Sub 83 Cabling (6 ckts)	Description/Location	Install multiple circuit ties for station 83 circuits.
		Purpose/Necessity	Reliability and switching flexibility
8-8	Ckt Ties in Sub 15 & 84 Area	Description/Location	Install multiple circuit ties for station 15 and 84 circuits.
		Purpose/Necessity	Reliability and switching flexibility
8-9	Other New Circuits	Description/Location	Install multiple circuit ties for station circuits.
		Purpose/Necessity	Reliability and switching flexibility
8-10	Other 2026 - 2030 Projects	Description/Location	Install multiple circuit ties for Other Projects.

Miscellaneous Reimbursable Projects

8-11	Other Relocate at Customer Request Projects	Description/Location	Various Areas
		Purpose/Necessity	Relocating/improving electric facilities in conjunction with the proposed improvements in various areas at customers request.

Street Improvement Projects

8-12	Lamar Phase 3	Description/Location	Lamar Phase 3
		Purpose/Necessity	Relocate utilities for proposed street improvement project by TDOT or municipalities
8-13	Other 2026-2030 Projects	Description/Location	Other Projections 2026-2030
		Purpose/Necessity	Relocate utilities for proposed street improvement project by TDOT or municipalities
8-14	CV 22/04 Shelby Dr, Shelby Post to Jasper	Description/Location	CV 22/04 Shelby Dr, Shelby Post to Jasper
		Purpose/Necessity	
8-15	Hacks Cross Rd, Stateline to Shelby Dr	Description/Location	Hacks Cross Road, Stateline to Shelby Drive
		Purpose/Necessity	Relocate utilities for proposed street improvement project by TDOT or municipalities
8-16	LL 09/02 - New Canada Rd. (Re-Alignment N of I-40 to US-70)	Description/Location	LL 09/02 - New Canada Rd. (Re-Alignment N of I-40 to US-70)
		Purpose/Necessity	Relocate utilities for proposed street improvement project by TDOT or municipalities
8-17	Holmes Road, Malone to US-78/Lamar (CP 04/38)	Description/Location	Holmes Road, Malone to US-78/Lamar (CP 04/38)
		Purpose/Necessity	Relocate utilities for proposed street improvement project by TDOT or municipalities
8-18	Malone, Holmes to Shelby Drive	Description/Location	Malone, Holmes to Shelby Drive
		Purpose/Necessity	Relocate utilities Malone, Holmes to Shelby Drive
8-19	Elvis Presley Blvd. Middle Section	Description/Location	Elvis Presley Blvd. Middle Section
		Purpose/Necessity	Relocate utilities for proposed street improvement project by TDOT or municipalities
8-20	New Allen @ Ridgemont - Round-about	Description/Location	New Allen @ Ridgemont - Round-about
		Purpose/Necessity	Relocate utilities for proposed street improvement project by TDOT or municipalities
8-21	SC 15/01: Walnut Grove, Houston Levee to Rocky Point	Description/Location	SC 15/01: Walnut Grove, Houston Levee to Rocky Point
		Purpose/Necessity	Relocate utilities for proposed street improvement project by TDOT or municipalities
8-22	Mudville Road Bridge, over Big Creek Proj.# 100111	Description/Location	Mudville Road Bridge, over Big Creek Proj.# 100111
		Purpose/Necessity	Relocate utilities for proposed street improvement project by TDOT or municipalities

ELECTRIC DIVISION

NOTES FOR PAGE 9-CAPITAL EXPENDITURES BUDGET (Continued)

General Plant

Purchase Land

9-1	Purchase of Land	Description/Location	Land purchase or the acquisition of land rights for distribution and transmission line facilities.
		Purpose/Necessity	To accommodate electric facilities, transmission lines, feeder circuits, etc.

Substations

9-2	Replace Roofs - Various Substations	Description/Location	Various Substations
9-3	Road Paving Various Substations	Description/Location	Various Substations

Electrical & Systems Operations

9-4	ESO - Drainage and pavement upgrade	Description/Location	Electric Systems Operations
		Purpose/Necessity	Replacement of UPS batteries to maintain energy runtime for critical computer system.

Netters Business Operations Center

9-5	Replace 5 Liebert CRAC Units/Roof Condensers & Leak detection System	Description/Location	Netters Business Operations Center
9-6	Replace UPS & Emergency Generator	Description/Location	Replace UPS & Emergency Generator
9-7	Replace Cooling Tower Fill Media	Description/Location	Netters Business Operations Center
		Purpose/Necessity	Replace cooling tower fill media
9-8	Replace 7 Air Handlers & Upgrade TRANE Controls	Description/Location	Replace 7 Air Handlers & Upgrade TRANE Controls
		Description/Location	Netters Business Operations Center

New Buildings

9-9	Fabrication & Repair Shops Construction	Description/Location	Repair Shops
		Purpose/Necessity	Building upgrades
9-10	EV Charging Stations	Description/Location	Electric Vehicle charging stations
		Purpose/Necessity	Electric Vehicle charging stations
9-11	Expansion Property Site Development	Description/Location	Expansion property north of Choctaw
		Purpose/Necessity	Purchased property (Choctaw); site development which includes fencing, automatic gate, roads and stored items.
9-12	Security Automation	Description/Location	Various Locations
		Purpose/Necessity	Installation and upgrade of security features for various substations.
9-13	Fleet Capital Power Operated Equipment	Description/Location	Division equipment used for work in and around Shelby County.
		Purpose/Necessity	To purchase approved budget items, in order to provide equipment for crews to complete job assignments. Replacements are evaluated based on age, actual operational usage, projected usage, repair cost and frequency, parts availability, and effectiveness to meet areas needs. Additions are evaluated based on justification request and proper approval.
9-14	Transportation Equipment	Description/Location	Division equipment used for work in and around Shelby County.
		Purpose/Necessity	To purchase approved budget items, in order to provide equipment for crews to complete job assignments. Replacements are evaluated based on age, actual operational usage, projected usage, repair cost and frequency, parts availability, and effectiveness to meet areas needs. Additions are evaluated based on justification request and proper approval.
9-15	Communication Equipment	Description/Location	Control Area for Communication Equipment
		Purpose/Necessity	To satisfy the Division needs for Electric Communication Equipment for the Budget. The replacement policy is broken down into the following categories: 1. Lost or Stolen; 2. Damaged Beyond Repair; 3. Not Repairable/No Abuse; 4. Obsolete
9-16	Lab & Test	Description/Location	Control Area for Lab & Test Equipment
		Purpose/Necessity	To satisfy the Division needs for Electric Laboratory Equipment. The replacement policy is broken down into the following categories: 1. Lost or Stolen; 2. Damaged Beyond Repair; 3. Not Repairable/No Abuse; 4. Obsolete

NOTES FOR PAGE 10-CAPITAL EXPENDITURES BUDGET

General Plant (Continued)**Communication Towers**

10-1	Microwave/Mobile Radio	Description/Location	Reconfigure microwave loop for Netters radio tower
		Purpose/Necessity	Installation of Netters radio tower requires reconfiguration of microwave loop

Telecommunication Network

10-2	Distribution Automation Communication Infrastructure	Description/Location	Wireless and fiber infrastructure across Shelby County
10-3	Smart Meter GateKeepers/ Network Improvements	Description/Location	Memphis and Shelby County
10-4	Fiber Optic Cable and Equipment	Description/Location	Install fiber optic cable at various locations.
10-5	Fiber Optic Multiplexers	Description/Location	Purchase and install fiber optic end equipment (places light on the optical fibers and "makes them work") at various locations.
		Purpose/Necessity	Enable communications over proposed fiber optic cable.
10-6	Telecommunication Systems Growth	Description/Location	Telecom systems growth - various locations. This is to cover unplanned and unforeseen Telecom expenditures that typically occur.
10-7	Voice Network	Description/Location	Replace Administration Building telephone switch
		Purpose/Necessity	Provide fiber optic communications to specified facilities.

Utility Monitoring & Control Systems

10-8	Systems Backup Control & Communication Plan (CO)	Description/Location	SCADA and CARES Systems long-term development
		Purpose/Necessity	Support long-term development of SCADA and CARES systems which involves implementation of backup system, upgrade of SCADA communications systems which includes relocating communication paths from ESO to fiber ring.

Customer Info System Development

10-9	CIS Replacement	Description/Location	CIS Replacement
		Purpose/Necessity	This is a multi-year project upgrade disaster recovery systems to include an out-region location

Purchase of Data Processing Equipment

10-10	HPE Storage Area Network (SAN) Replacement/Expansion	Description/Location	HPE Storage Area Network (SAN) Replacement/Expansion
10-11	Server Blades and Chassis for Computer Systems	Description/Location	Server Blades and Chassis for Computer Systems
10-12	Field Use Laptop Replacements (New/Replacements)	Description/Location	Field Use Laptop Replacements(New/Replacements)
10-13	DNS/DHCP System Replacement	Description/Location	Virtual Server Infrastructure
10-14	Artificial Intelligence (AI) Infrastructure	Description/Location	Artificial Intelligence (AI) Infrastructure
10-15	GIS Utility Network Conversion	Description/Location	GIS Utility Network Conversion
10-16	SAN Fiber Channel Switches	Description/Location	Storage Area Network Fiber Channel Switches
10-17	Work Center Wireless (outdoor)	Description/Location	Work Center Wireless (outdoor)
		Purpose/Necessity	To expand MLGW's wireless outdoor network at North, South, Hickory Hill and Brunswick service centers.
10-18	Network Security Upgrades and Enhancements	Description/Location	Network Security Upgrades and Enhancements
10-19	Network Hardware Upgrades and Enhancements	Description/Location	Network Hardware Upgrades and Enhancements
	New/Replacement Servers	Description/Location	Annual New/Replacement Servers
10-20	PC Equipment (Capital)	Description/Location	PC equipment (above \$5,000 unit cost) requested for various reasons
10-21	Contingency Fund - General Plant	Description/Location	This is an estimated budget amount to cover unforeseen emergency items that may arise in the current year.

NOTES FOR PAGE 12—INCOME & EXPENSE COMPARISON

Operating Revenue

12-1	Sales Revenue	This account includes projected revenue from the sale of natural gas to the residential, commercial, industrial, and interdepartmental customer classes.
12-2	Revenue Adjustment for Uncollectible	Per Governmental Accounting Standards Board (GASB) 34 requirements, bad debt expense must be shown as a reduction of revenue. This is the amount that will not be collected due to customers inability to pay.
12-3	Non-Sales Revenue	This account includes revenue from forfeited discounts (extra charges for payments received after net due date), plus rent charged for Gas Division property that is used by the Electric and Water Divisions, other miscellaneous revenue (e.g., fees for connecting/disconnecting service), and charges for transporting gas, CNG and LNG within the MLGW system for those industrial

Operating Expense

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

Maintenance Expense

12-14	Production Expense	This account includes the cost of labor, materials and expenses incurred in the maintenance of liquefaction equipment, of measuring and regulating equipment, structures, station equipment and other equipment.
12-15	Distribution Expense	This account includes the cost of labor, materials and expenses incurred in the maintenance of distribution facilities, of structures, of distribution mains, of measuring and regulating equipment, of services, and of meters and house regulators.
12-16	Administrative and General Expense	Please see Appendix 12-13.

Other Operating Expense

12-17	Depreciation Expense	The purpose of depreciation is to allocate the original cost of a fixed asset over its estimated useful life. In a utility environment, the annual depreciation rate also takes into account the estimated salvage and cost of removal upon retirement.
12-18	Payment in Lieu of Taxes	Payment in lieu of taxes is the amount paid to the municipalities in which MLGW has plant. The formula for payment in lieu of taxes is based on the Municipal Electric System Tax Equivalent Law of 1987 and the Municipal Gas Equivalent Law which became effective July 1, 1988. The tax formula has two parts -- net investment and revenue. The net investment includes plant in service and held for future use (net of depreciation), construction work in progress and materials inventory. The net investment is multiplied by an assessment ratio, the property tax rates for each governmental body, and an equalization rate set by the State. The revenue part of the formula is 4% of a three year average of operating revenue less gas cost.
12-19	F.I.C.A. Taxes	This represents the 1.45% Medicare portion of Social Security Tax that is required to be paid on all MLGW employees hired after 03-31-1986.
12-20	Amortization of Legacy Meters	This account includes amortization charges related to expenditures on meters.
12-21	Amortization-Right of Use Leases & Subscriptions	Non-cash expense related to amortization charges related to lease and software expenditures.

NOTES FOR PAGE 12—INCOME & EXPENSE COMPARISON (Continued)

Income

12-22	Operating Income	Operating income is equal to operating revenue less total operating expense.
12-23	Other Income	This consists primarily of investment income and property rentals. It does not include any sales of electricity, gas or water.
12-24	Reduction of Plant Recovered through CIAC	Contributions in aid of construction are the donations or contributions of cash, services, or property from states, municipalities, or other governmental agencies, individuals, and others for construction purposes.

Debt Expense

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

NOTES FOR PAGE 13—SOURCES AND APPLICATION OF FUNDS

Source of Funds

13-1	Change in Net Position	Please see Budget page 4.
13-2	Depreciation Charged to Operating Income	Please see Appendix 4-14.
13-3	Depreciation Charged to Other Accounts	Depreciation charged to other accounts is the annual depreciation for transportation and power operated equipment. Depreciation on these plant items is charged to a clearing account and used in the equipment rate calculations.
13-4	Amortization of Legacy Meters	Non-cash expense related to employee pension expenses above or below actual funding due to change in accounting principles.
13-5	Amortization-Right of Use Leases & Subscriptions	Non-cash expense related to amortization charges related to lease and software expenditures.
13-6	Salvage	Salvage is the amount received for property retired from plant in service. The property may be sold for scrap or returned to stores inventory for reuse.

Applications of Funds

13-7	Capital Expenditures	Please see Budget page 13.
13-8	Costs of Removal and Other Charges to the Reserve for Depreciation	Cost of removal is the cost associated with demolishing, dismantling, tearing down or otherwise removing utility plant, including the cost of transportation and labor.
13-9	Retirement of Long-Term Debt	Bond principal amounts due 12-01 per the bond debt schedules are funded in equal monthly installments during 2026.

NOTES FOR PAGE 14—CAPITAL EXPENDITURES BUDGET

Production System

14-1	LNG Processing Facilities	LNG Processing Facilities- Purchase and installation of regeneration heating equipment, replacement of existing 20 year old equipment.
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Distribution System

14-2	Apartments	This budget category provides for the expenses incurred by the Gas Division for developer requests for gas facilities located in a subdivision.
14-3	Residential Service in S/D	This budget category provides for the expenses incurred by the Gas Division for customer requests for service located in a subdivision.
14-4	Residential Service Not in S/D	This budget category provides for the expenses incurred by the Gas Division for customer requests for service not located in a subdivision.
14-5	Residential S/D	This budget category provides for the expenses incurred by the Gas Division for developer requests for gas facilities located in a subdivision.
		Construction in minor work that arises daily. These are mainly calls that go through the Control Room, to include pole knockdowns, gas, and water leaks, etc.
14-6	Land Purchase	This budget category provides for the purchase of land rights that will be needed for Capital Budget Projects.
14-7	General Power Service	This budget category provides for the expenses incurred by the Gas Division for customer requests for new General Power Service.
14-8	General Power S/D	This budget category provides for the expenses incurred by the Gas Division for customer requests for new General Power Service located in a subdivision.
14-9	Multiple-Unit General Power	This budget category provides for the expenses incurred by the Gas Division for customer requests for multiple units of new General Power Service by the same customer and general location.
14-10	Relocate At Customer Request	This budget category provides for the expenses incurred by the Gas Division for customer requests to relocate existing gas facilities.
14-11	Purchase of Meters	This budget category provides for the expenses incurred from buying new gas meters and reconditioning existing gas meters.
14-12	Street Improvements	This budget category provides for the expenses incurred when City, State and Federal Street Improvements dictate that facilities must be relocated. Please see Appendix 15-2 through 15-19.
14-13	New Gas Main	This budget category provides for the expenses incurred for the installation of miscellaneous new gas mains and facilities.
14-14	Gas Main/Service Reply (D.O.T.)	This budget category provides for replacement of steel taps and associated services, if needed, that have a history of leaking. This is a program initiated by DIMP findings.
14-15	Planned Maintenance	Construction in minor work that arises daily. These are mainly calls that go through the Control Room, to include pole knockdowns, gas, and water leaks, etc.
14-16	Transmission Pipelines and Facilities	This budget category provides for the expenses incurred for maintenance of cased gas transmission crossings required by regulatory changes, minor repair of transmission pipelines from scheduled inspections, and minor transmission improvements.
14-17	Regulator Stations	This budget line item provides for the expenses incurred from upgrading obsolete regulator station equipment. The DOT Code mandates that regulators must be maintained to operate within the design parameters of the gas distribution system.
14-18	Gate Stations	This budget line item provides for the expenses related to gas piping systems that are discovered to be unsafe due to corrosion defects, aged facilities, third party damages, or necessary relocations due to erosion problems for transmission as well as distribution.
14-19	JT-Residential Service in S/D	This budget category provides for the expenses incurred by the Gas Division for customer requests for gas facilities in a joint trench subdivision.
14-20	JT-Residential S/D	This budget category provides for the expenses incurred by the Gas Division for developer requests for gas facilities in a joint trench subdivision.
14-21	JT-Apartments	This budget category provides for the expenses incurred by the Gas Division for developer requests for gas facilities in a joint trench apartment development.
14-22	Emergency Maintenance	This budget line item provides for emergency repair work when leaks and cut facilities require immediate repair.
14-23	Demolition	The budget includes demolition work.
14-24	Contributions in Aid of Construction	This budget line item provides for the payment that was predicted to be received from the developer and/or customer for the requested gas facilities to serve their development, businesses and/or new homes.

NOTES FOR PAGE 14—CAPITAL EXPENDITURES BUDGET (Continued)

General Plant

14-25	Buildings and Structures	Please see Appendix 16-3 through 17-6
14-26	Security Automation	Please see Appendix 17-7.
14-27	Purchase of Furniture & Fixtures	No expenditures planned for the 2026 budget year.
14-28	Audiovisual	Please see Appendix 17-8.
	IS/IT Projects	No expenditures planned for the 2026 budget year.
14-29	Fleet Capital Common Power Operated Equip	Please see Appendix 17-11.
14-30	Fleet Capital Common Transportation Equip	Please see Appendix 17-12.
14-31	Fleet Gas Power Operated Equipment	Please see Appendix 17-13.
14-32	Fleet Gas Transportation Equipment	Please see Appendix 17-14.
14-33	Automated Fueling Structure	Please see Appendix 17-16.
14-34	Tools & Equipment	Please see Appendix 17-10.
14-35	Common Tools & Equipment	Please see Appendix 17-9.
14-36	Contingency Funds	Please see Appendix 17-17.
14-37	Delayed Cost Allocations	These are funds budgeted in the current year for items that may arrive late from the previous year's budget.

NOTES FOR PAGE 15—CAPITAL EXPENDITURES BUDGET

Production System

15-1	LNG Processing Facilities	Description/Location	Projects related to Capital Maintenance of the Capleville Liquefied Natural Gas Facility.
		Purpose/Necessity	Projects related to Capital Maintenance of the Capleville Liquefied Natural Gas Facility.

Distribution System- Major Projects

Street Improvements

15-2	Holmes Rd, Malone Rd to Lamar Ave.	Description/Location	Holmes Rd, Malone Rd to Lamar Ave
		Purpose/Necessity	Expenses incurred when City, State and Federal Street Improvements dictate that facilities must be relocated for the drainage, elevation changes and/or new sewer facilities.
15-3	SP 97/09, SR-1/Summer Ave, from Macon Rd To Elmore Rd	Description/Location	Summer Ave, from Macon Rd To Elmore Rd
		Purpose/Necessity	Expenses incurred when City, State and Federal Street Improvements dictate that facilities must be relocated for the drainage, elevation changes and/or new sewer facilities.
15-4	CP 19/10, Innovation Corridor, WO1252099, in design	Description/Location	Innovation Corridor
		Purpose/Necessity	Expenses incurred when City, State and Federal Street Improvements dictate that facilities must be relocated for the drainage, elevation changes and/or new sewer facilities.
15-5	LL 09/02 Canada Rd, Re-Alignment	Description/Location	Canada Rd, Re-Alignment
		Purpose/Necessity	Expenses incurred when City, State and Federal Street Improvements dictate that facilities must be relocated for the drainage, elevation changes and/or new sewer facilities.
15-6	CV 18/04, Shelby Dr, east of Sycamore Rd to US-72	Description/Location	Shelby Dr, east of Sycamore Rd to US-72
		Purpose/Necessity	Expenses incurred when City, State and Federal Street Improvements dictate that facilities must be relocated for the drainage, elevation changes and/or new sewer facilities.
15-7	CP 05/15, Malone Rd, Holmes to Shelby	Description/Location	Malone Rd, Holmes to Shelby
		Purpose/Necessity	Expenses incurred when City, State and Federal Street Improvements dictate that facilities must be relocated for the drainage, elevation changes and/or new sewer facilities.
15-8	SC 19/02, Hacks Cross Rd, Stateline - Shelby Dr	Description/Location	Hacks Cross Rd, Stateline - Shelby Dr
		Purpose/Necessity	Expenses incurred when City, State and Federal Street Improvements dictate that facilities must be relocated for the drainage, elevation changes and/or new sewer facilities.
15-9	SP 20/12, SR-57/Poplar, from Eastley to SR-385	Description/Location	Poplar, from Eastley to SR-385
		Purpose/Necessity	Expenses incurred when City, State and Federal Street Improvements dictate that facilities must be relocated for the drainage, elevation changes and/or new sewer facilities.
15-10	CP 23/21, Morningside Pl - Drainage	Description/Location	Morningside Pl - Drainage
		Purpose/Necessity	Expenses incurred when City, State and Federal Street Improvements dictate that facilities must be relocated for the drainage, elevation changes and/or new sewer facilities.
15-11	CP 23/18, Poplar, Angelus to Belvedere - Drainage	Description/Location	Poplar, Angelus to Belvedere - Drainage
		Purpose/Necessity	Expenses incurred when City, State and Federal Street Improvements dictate that facilities must be relocated for the drainage, elevation changes and/or new sewer facilities.
15-12	CP 20/06, Laudeen at Randall - drainage	Description/Location	Laudeen at Randall - Drainage
		Purpose/Necessity	Expenses incurred when City, State and Federal Street Improvements dictate that facilities must be relocated for the drainage, elevation changes and/or new sewer facilities.
15-13	CP 22/20, Peebles Road, east of Third St - Drainage	Description/Location	Peebles Road, east of Third St - Drainage
		Purpose/Necessity	Expenses incurred when City, State and Federal Street Improvements dictate that facilities must be relocated for the drainage, elevation changes and/or new sewer facilities.

NOTES FOR PAGE 15—CAPITAL EXPENDITURES BUDGET (Continued)

Street Improvements (continued)

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

New Gas Main

15-20	System Improvement Projections	Description/Location	System Improvement Projections
		Purpose/Necessity	Expenses incurred when City, State and Federal Street Improvements dictate that facilities must be relocated for the drainage, elevation changes and/or new sewer facilities.

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

15-21	Steel Tap Rep Replacement	Description/Location	Location(s) vary due to system prioritization needs and City paving schedules.
		Purpose/Necessity	This budget category provides for replacement of steel couplings on steel service taps that requires excessive maintenance and has a history of leaking.
15-22	Distribution Integrity Management Program (DIMP)	Description/Location	Locations vary due to system needs.
		Purpose/Necessity	Planned work to address risks to the distribution system, undocumented mains.
15-23	Unplanned Distribution Work	Description/Location	Locations vary due to system needs.
		Purpose/Necessity	This budget category provides for the expenses incurred from replacing steel services, valves or mains with new PE services, valves and mains due to a CP issue that must be addressed in that calendar year.
15-24	Corrosion Control	Description/Location	Locations vary due to system needs.
		Purpose/Necessity	This budget category provides for the expenses incurred from replacing steel services, valves or mains with new PE services, valves and mains due to a CP issue that must be addressed in that calendar year.

Transmission Pipelines and Facilities

15-25	TIMP Initiative	Description/Location	TIMP Initiative
		Purpose/Necessity	Pressure tests and other work on transmission piping required by PHMSA to confirm MAOP, Replace sections of transmission pipeline in MCA, Install pig launchers and receivers.
15-26	Unplanned Transmission Work	Description/Location	various locations
		Purpose/Necessity	Pressure tests and other work on transmission piping required by PHMSA to confirm MAOP, Replace sections of transmission pipeline in MCA, Install pig launchers and receivers.

NOTES FOR PAGE 16—CAPITAL EXPENDITURES BUDGET

Regulator Stations

16-1	Regulator Station Replacement	Description/Location	Regulator station replacement
		Purpose/Necessity	Regulator stations are used to reduce the pressure of the gas to the appropriate operating pressure for each system

Gate Stations

16-2	Gate Station Work	Description/Location	Gate Station Work
		Purpose/Necessity	Regulator stations are used to reduce the pressure of the gas to the appropriate operating pressure for each system

General Plant

Buildings and Structures

North Service Center

16-3	Generator/Transfer Switch Replacement	Description/Location	North Service Center
		Purpose/Necessity	This project was identified in the Master Plan. All asphalt drives, parking areas are in very bad shape. Also, there is a need to pave areas for safe movement of material.
16-4	Building #2: (Re-cover 36,000 square foot roof)	Description/Location	North Service Center
		Purpose/Necessity	This project is for roof improvements.
16-5	Building #6: Roof Replacement 23,684 square feet	Description/Location	North Service Center
		Purpose/Necessity	This project is for roof improvements.
16-6	Building #3: (Re-cover 30,650 square foot roof)	Description/Location	North Service Center
		Purpose/Necessity	This project is for roof replacement.
16-7	Building #1 Replace 3 HVAC Package Units	Description/Location	North Service Center
		Purpose/Necessity	This project is for replacing three HVAC package units.

BRUNSWICK SERVICE CENTER

16-8	Replace Main Building Roof	Description/Location	BRUNSWICK SERVICE CENTER
		Purpose/Necessity	All roof replacement projects are targeted in the Facilities master plan based on expected life expectancy and existing maintenance issues.

Buildings and Structures (continued)

HICKORY HILL SERVICE CENTER

16-9	HHSC Service Center Roof Replacement	Description/Location	HICKORY HILL SERVICE CENTER
		Purpose/Necessity	All roof replacement projects are targeted in the Facilities master plan based on expected life expectancy and existing maintenance issues.
16-10	Replace Canopy roofs	Description/Location	HICKORY HILL SERVICE CENTER
		Purpose/Necessity	All roof replacement projects are targeted in the Facilities master plan based on expected life expectancy and existing maintenance issues.

NOTES FOR PAGE 17—CAPITAL EXPENDITURES BUDGET

ADMINISTRATION BUILDING

17-1	Administration Building Upgrades & renovations (elevator modernization)	Description/Location	Administration Building
		Purpose/Necessity	Elevator upgrades

CHOCTAW

17-2	New Concrete Wash Bay Area	Description/Location	CHOCTAW
		Purpose/Necessity	This project is for a new concrete wash bay area
17-3	Roof Replacement, Wing B - 14,352 sf	Description/Location	CHOCTAW
		Purpose/Necessity	Roof Replacement, Wing B - 14,352 sf
17-4	Roof Replacement, Wing A - 13,605 sf	Description/Location	CHOCTAW
		Purpose/Necessity	Roof Replacement, Wing A - 13,605 sf
17-5	Roof Replacement, South Canopy - 1,173 sf	Description/Location	CHOCTAW
		Purpose/Necessity	Roof Replacement, South Canopy - 1,173 sf

NEW BUILDINGS

17-6	Engineering & Operations Building 130,000 sq. ft.	Description/Location	New Building
		Purpose/Necessity	This project is for a new Building

GENERAL PLANT

17-7	Security Automation	Description/Location	Division security automation equipment used for work in and around Shelby County.
		Purpose/Necessity	Security Automation
17-8	Audiovisual	Description/Location	Division audiovisual equipment used for work in and around Shelby County.
		Purpose/Necessity	To purchase approved budget items, in order to provide equipment for employees to complete job assignments. Tools are considered replacements for the following reasons: i. Damaged beyond repair; ii. Worn from time/age/use, cost does not justify repair; iii. Lost/Stolen report submitted in a timely manner; iv. No longer suited for work being done, replace with a new model; v. Safety hazard; vi. Repair cost is at or above 50% of cost of new tool; vii. High occurrence of maintenance that creates excessive downtime.
17-9	TOOLS & EQUIPMENT COMMON	Description/Location	Division tools/equipment common used for work in and around Shelby County.
		Purpose/Necessity	To purchase approved budget items, in order to provide equipment for employees to complete job assignments. Tools are considered replacements for the following reasons: i. Damaged beyond repair; ii. Worn from time/age/use, cost does not justify repair; iii. Lost/Stolen report submitted in a timely manner; iv. No longer suited for work being done, replace with a new model; v. Safety hazard; vi. Repair cost is at or above 50% of cost of new tool; vii. High occurrence of maintenance that creates excessive down time.
17-10	TOOLS & EQUIPMENT	Description/Location	Division tools/equipment common used for work in and around Shelby County.
		Purpose/Necessity	To purchase approved budget items, in order to provide equipment for employees to complete job assignments. Tools are considered replacements for the following reasons: i. Damaged beyond repair;
17-11	Fleet Capital Common Power Operated Equipment	Description/Location	Division vehicles/equipment used for work in and around Shelby County.
		Purpose/Necessity	To purchase approved budget items, in order to provide equipment for employees to complete job assignments. Tools are considered replacements for the following reasons: i. Damaged beyond repair;
17-12	Fleet Capital Common Transportation Equipment	Description/Location	Division vehicles/equipment used for work in and around Shelby County.
		Purpose/Necessity	To purchase approved budget items, in order to provide equipment for employees to complete job assignments. Tools are considered replacements for the following reasons: i. Damaged beyond repair;

NOTES FOR PAGE 17—CAPITAL EXPENDITURES BUDGET (Continued)

General Plant (continued)

17-13	Fleet Gas Power Operated Equipment	Description/Location	Division vehicles/equipment used for work in and around Shelby County.
		Purpose/Necessity	To purchase approved budget items, in order to provide equipment for employees to complete job assignments. Tools are considered replacements for the following reasons: i. Damaged beyond repair; ii. Worn from time/age/use, cost does not justify repair; iii. Lost/Stolen report submitted in a timely manner; iv. No longer suited for work being done, replace with a new model; v. Safety hazard; vi. Repair cost is at or above 50% of cost of new tool; vii. High occurrence of maintenance that creates excessive downtime.
17-14	Fleet Gas Transportation Equipment	Description/Location	Division vehicles/equipment used for work in and around Shelby County.
		Purpose/Necessity	To purchase approved budget items, in order to provide equipment for employees to complete job assignments. Tools are considered replacements for the following reasons: i. Damaged beyond repair; ii. Worn from time/age/use, cost does not justify repair; iii. Lost/Stolen report submitted in a timely manner; iv. No longer suited for work being done, replace with a new model; v. Safety hazard; vi. Repair cost is at or above 50% of cost of new tool; vii. High occurrence of maintenance that creates excessive downtime.
17-15	Community Office Kiosks	Description/Location	Community Office Kiosks for customer payment services.
		Purpose/Necessity	To provide secure, user friendly, and accessible payment solution available 24 hours a day.
17-16	Alternative Fueling Structure	Description/Location	Alternative Fueling Structure
		Purpose/Necessity	Terminal replacements grid maintenance of existing terminals.
17-17	Contingency Fund - General Plant	This is an estimated budget amount to cover unforeseen emergency items that may arise in the current year.	

WATER DIVISION

NOTES FOR PAGE 19—INCOME & EXPENSE COMPARISON

Operating Revenue

19-1	Sales Revenue	This account includes projected revenue from the sale of water to the residential, commercial, resale, and interdepartmental customer classes, as well as revenue from fire protection services.
19-2	Revenue Adjustment for Uncollectible	Per Governmental Accounting Standards Board (Water) 34 requirements, bad debt expense must be shown as a reduction of revenue. This is the amount that will not be collected due to customers inability to pay.
19-3	Non-Sales Revenue	This account includes revenue from forfeited discounts (charges for payments received after net due date), plus rent charged for Water Division property that is used by the Electric and Water Divisions, and other miscellaneous revenue (e.g., fees for connecting/disconnecting service).

Operating Expense

19-4	Production Expense	This account includes the cost of labor and expenses incurred in the general supervision and operation of the water source of supply facilities, the power production and pumping facilities, and the water treatment expenses. Also included is the fuel used in the production of power to operate the pumps, all chemicals used in the treatment of water and miscellaneous expenses including general clerical labor, building services, general operating supplies and care of grounds.
19-5	Distribution Expense	This account includes the cost of labor and expenses incurred in the operation of distribution reservoirs and tanks, meter expenses, customer installation expenses and miscellaneous expenses including preparing maps and prints, general clerical support, operating records, service interruption, trouble records, and other miscellaneous labor.
19-6	Customer Accounts Expense	This account includes the cost of labor and expenses incurred in the reading of customer meters, in customer applications, orders, contracts, credit investigations, billing and accounting, collections and complaints.
19-7	Customer Service and Information Expense	This account includes the cost of labor and expenses incurred in customer service and informational activities, the purpose of which is to encourage safe and efficient use of the utility's services, to promote the conservation of the utility's services and to assist customers in answering specific inquiries as to the proper and economic use of the utility's services.
19-8	Sales Expense	This account includes the cost of labor, materials and expenses incurred in promotional, demonstrating and selling activities, advertising designed to promote or retain the use of utility services and miscellaneous sales expense. Included are exhibitions, displays, lectures, engineering and technical advice, advertising in newspapers, periodicals, billboards, radio, etc., postage on direct mail advertising, printing booklets, bulletins, etc.
19-9	Administrative and General Expense	This account includes the compensation of board members, executives, and other administrative and general employees of the utility not chargeable directly to a particular operating function. It also includes the cost of insurance to protect the utility against physical plant losses, cost of reserve accruals to protect the utility against injuries and damage claims of employees or others, such as liability, property damage, casualty, and employee liability. Employee pensions and benefits including payments to pension funds, life insurance, group medical expenses, payments for accident, sickness, hospital and death benefits, and expenses in connection with educational and wellness activities are also included in this account. In accordance with Water 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pension, MLGW must recognize all postemployment benefits, such as medical insurance and life insurance, when earned, effective budget year 2007.

Maintenance Expense

19-10	Production Expense	This account includes the labor and expenses incurred in the maintenance of structures and improvements, collecting and impounding reservoirs, maintenance of wells, the maintenance of observation wells, the maintenance of structures and improvements used in connection with pumping, maintenance of power production equipment used directly in pumping operations, the maintenance of pumping equipment, maintenance of structures and improvements to the water treatment plant, and water treatment plant equipment.
19-11	Distribution Expense	This account includes the labor and expenses incurred in the maintenance of the distribution system including structures and improvements, mains, services, meters, meter testing equipment, fire hydrants, and miscellaneous plant.
19-12	Administrative & General Expense	Please see Appendix 19-9.

NOTES FOR PAGE 19—INCOME & EXPENSE COMPARISON (Continued)

Other Operating Expense

19-13	Depreciation Expense	The purpose of depreciation is to allocate the original cost of a fixed asset over its estimated useful life. In a utility environment, the annual depreciation rate also takes into account the estimated salvage and cost of removal upon retirement.
19-14	Payment In Lieu of Taxes	MLGW and the City of Memphis have agreed on a P.I.L.O.T. in the amount of \$2,500,000 to be made on an annual basis to the City from the revenues of the Water Division through fiscal years 2028.
19-15	F.I.C.A. Taxes	This represents the 1.45% Medicare portion of Social Security Tax that is required to be paid on all MLGW employees hired after 03-31-1986.
19-16	Amortization of Legacy Meters	This account includes amortization charges related to expenditures on meters.
19-17	Amortization-Right of Use Leases & Subscriptions	This account includes amortization charges related to expenditures on leases and software.

Income

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

Debt Expense

19-21	Interest Expense – Existing Long-Term Debt	Bond interest payments due 06-01- and 12-01 per the bond debt schedules are funded in equal monthly installments.
19-22	Amortization of Debt Discount & Expense	This represents the spreading of bond issuance costs over the life span of the bond series rather than recognizing such costs all at the time of sale.
19-23	Contributions in Aid of Construction	Contributions in aid of construction are the donations or contributions of cash, services, or property from states, municipalities, or other governmental agencies, individuals, and others for construction purposes.

NOTES FOR PAGE 20—INCOME & EXPENSE COMPARISON

Source of Funds

20-1	Change in Net Position	Please see page 19.
20-2	Depreciation Charged to Operating Income	Please see page 19-3.
20-3	Depreciation Charged to Other Accounts	Depreciation charged to other accounts is the annual depreciation for transportation and power operated equipment. Depreciation on these plant items is charged to a clearing account and used in the equipment rate calculations.
20-4	Amortization of Legacy Meters	Non-cash expense related to employee pension expenses related to meter expenditures.
20-5	Amortization of Leases	This account includes non-cash amortization charges related to expenditures on leases.
20-6	Salvage	Salvage is the amount received for property retired from plant in service. The property may be sold for scrap or returned to stores inventory for reuse.

Application of Funds

20-7	Capital Expenditures	Please see page 21.
20-8	Costs of Removal and Other Charges to the Reserve for Depreciation	Cost of removal is the cost associated with demolishing, dismantling, tearing down or otherwise removing utility plant, including the cost of transportation and labor.
20-9	Retirement of Long-Term Debt	Bond principal amounts due 12-01 per the bond debt schedules are funded in equal monthly installments during.

WATER DIVISION

NOTES FOR PAGE 21—CAPITAL EXPENDITURES BUDGET

Production System

21-1	Pumping Stations	Please see Appendix 23-1 through 23-7.
21-2	Underground Storage Reservoirs	Please see Appendix 23-8
21-3	Production Wells	Please see Appendix 23-9 through 23-13
21-4	Land Purchase	Please see Appendix 23-15.
21-5	Operations Maintenance	Please see Appendix 23-14.
21-6	Contingency Fund - Production	Please see Appendix 24-10.
21-7	Buildings and Structures - Production System	Please see Appendix 24-1 through 24-9, 25-13
21-8	Contributions in Aid of Construction	Contributions in aid of construction are the donations or contributions of cash, services, or property from states, municipalities, or other governmental agencies, individuals, and others for construction purposes.

Distribution System

21-9	Residential Service in S/D	This budget category provides for the expenses incurred by the Water Division for customer requests for service located in a subdivision.
21-10	Residential Service not in S/D	This budget category provides for the expenses incurred by the Water Division for customer requests for service not located in a subdivision.
21-11	Residential S/D	This budget category provides for the expenses incurred by the Water Division for developer requests for Water facilities located in a subdivision.
21-12	Apartments	This budget category provides for the expenses incurred by the Water Division for developer requests for Water facilities for new apartment developments.
21-13	General Power Service	This budget category provides for the expenses incurred by the Water Division for customer requests for new General Power Service.
21-14	Relocate At Customer Request	This budget category provides for the expenses incurred to relocate at the customer's request.
21-15	Street Improvements	This budget category provides for the expenses incurred when City, State and Federal Street Improvements dictate that facilities must be relocated. Please see Appendix 25-7 through 25-11.
21-16	New Water Main	This budget category provides for the expenses incurred for the installation of miscellaneous new water mains and facilities.
21-17	Lead Service Replacement	Replace lead services with copper at known locations throughout Shelby County.
21-18	Storm Restoration	No expenditures planned for the 2026 budget year.
21-19	Purchase of Meters	The number of meters purchased is based on projections for the coming year. These meters include meters that will be paid for by customer contributions relating to new residential and commercial development and replacement of existing meters.
21-20	Planned Maintenance	Construction in minor work that arises daily. These are mainly calls that go through the Control Room, to include pole knockdowns, gas, and water leaks, etc.
21-21	Booster Stations	This budget category is used to boost constant supply.
21-22	Emergency Maintenance	This budget line item provides for emergency repair work when leaks and cut facilities require immediate repair.
21-23	Contributions in Aid of Construction	Contributions in aid of construction are the donations or contributions of cash, services, or property from states, municipalities, or other governmental agencies, individuals, and others for construction purposes.

General Plant

21-24	Buildings and Structures	Please see Appendix 24-1 through 24-9, 25-13.
21-25	Security Automation	Please see Appendix 25-14.
21-26	Tools & Equipment	Please see Appendix 25-17
21-27	Fleet Capital Power Operated Equip	Please see Appendix 25-15..
21-28	Fleet Capital Water Transportation Equip	Please see Appendix 25-16..
21-29	IS/IT Projects	None budgeted for 2026.
21-30	Miscellaneous Request (Simulator)	Please see Appendix 25-18.
21-31	Contingency Fund	This is an estimated budget amount to cover unforeseen emergency items that may arise in the current year. See Appendix 25-19.
21-32	Delayed Cost Allocations	These are funds budgeted in the current year for items that may arrive late from the previous year's budget.

NOTES FOR PAGE 22-CAPITAL EXPENDITURES BUDGET

Production System

Pumping Stations

Allen Pumping Station

22-1	Generator Upgrades	Description/Location	Generator Upgrades
		Purpose/Necessity	

Davis Pumping Station

22-2	Filter Media Rehab and Replacement (Station Rehab)	Description/Location	Davis Pumping Station
		Purpose/Necessity	Filter media rehab and replacement.
22-3	Station Rehabilitation (CO)	Description/Location	The purchase and installation of replacement valves, piping, hardware, meters, actuators, etc.... Rehabilitation of concrete structural components.
		Purpose/Necessity	The existing infrastructure can no longer be operated safely or reliably.
22-4	VFD, Motor & Transformer Replacements	Description/Location	Design, Construction Administration and Integration needed to replace high service pump drive equipment.
		Purpose/Necessity	The existing VFD's chronically overheat and replacement parts are unavailable when the VFD's fail.

Lichterman Pumping Station

22-5	Station Rehabilitation (CO)	Description/Location	The purchase and installation of replacement valves, piping, hardware, meters, actuators, etc.... Rehabilitation of concrete structural components.
		Purpose/Necessity	The existing infrastructure can no longer be operated safely or reliably.
22-6	VFD, Motor & Transformer Replacements	Description/Location	Design, Construction Administration and Integration needed to replace high service pump drive equipment.
		Purpose/Necessity	The existing VFD's chronically overheat and replacement parts are unavailable when the VFD's fail.

LNG Pumping Station

22-7	Station Rehabilitation	Description/Location	The purchase and installation of replacement valves, piping, hardware, meters, actuators, etc.... Rehabilitation of concrete structural components.
		Purpose/Necessity	The existing infrastructure can no longer be operated safely or reliably.

Mallory Pumping Station

22-8	Filter Media Rehab and Replacement (Station Rehab)	Description/Location	Mallory Pumping Station
		Purpose/Necessity	Filter media rehab and replacement
22-9	Generator Upgrades	Description/Location	Generator Upgrades
		Purpose/Necessity	
22-10	Station Rehabilitation	Description/Location	The purchase and installation of replacement valves, piping, hardware, meters, actuators, etc.... Rehabilitation of concrete structural components.
		Purpose/Necessity	The existing infrastructure can no longer be operated safely or reliably.

McCord Pumping Station

22-11	Filter Media Rehab and Replacement (Station Rehab)	Description/Location	McCord Pumping Station
		Purpose/Necessity	Filter media rehab and replacement
22-12	Station Rehabilitation	Description/Location	The purchase and installation of replacement valves, piping, hardware, meters, actuators, etc.... Rehabilitation of concrete structural components.
		Purpose/Necessity	The existing infrastructure can no longer be operated safely or reliably.

Morton Pumping Station

22-13	Filter Media Rehab and Replacement (Station Rehab)	Description/Location	Morton Pumping Station
		Purpose/Necessity	Filter media rehab and replacement
22-14	Station Rehabilitation	Description/Location	The purchase and installation of replacement valves, piping, hardware, meters, actuators, etc.... Rehabilitation of concrete structural components.
		Purpose/Necessity	The existing infrastructure can no longer be operated safely or reliably.

NOTES FOR PAGE 22—CAPITAL EXPENDITURES BUDGET (Continued)

Morton Pumping Station (Continued)

22-15	VFD, Motor, Transformer Replacements	Description/Location	Design, Construction Administration and Integration needed to replace high service pump drive equipment.
		Purpose/Necessity	The existing VFD's chronically overheat and replacement parts are unavailable when the VFD's fail.

WATER DIVISION

NOTES FOR PAGE 23–CAPITAL EXPENDITURES BUDGET

Palmer Pumping Station

23-1	Station Rehabilitation	Description/Location	The purchase and installation of replacement valves, piping, hardware, meters, actuators, etc.... Rehabilitation of concrete structural components.
		Purpose/Necessity	The existing infrastructure can no longer be operated safely or reliably.

Shaw Pumping Station

23-2	Filter Media Rehab and Replacement (Station Rehab)	Description/Location	Shaw Pumping Station
		Purpose/Necessity	Filter media rehab and replacement
23-3	Station Rehabilitation	Description/Location	The purchase and installation of replacement valves, piping, hardware, meters, actuators, etc.... Rehabilitation of concrete structural components.
		Purpose/Necessity	The existing infrastructure can no longer be operated safely or reliably.

Sheehan Pumping Station

23-4	Medium Voltage Breaker & Switchgear Replacements	Description/Location	Design, purchase and installation of the 12kV and 5 kV circuit breakers/Switchgear.
		Purpose/Necessity	Parts for the existing 12kV and 5 kV Circuit Breakers are unavailable and there are safety concerns related to the existing breakers
23-5	Station Rehabilitation	Description/Location	The purchase and installation of replacement valves, piping, hardware, meters, actuators, etc.... Rehabilitation of concrete structural components.
		Purpose/Necessity	The existing VFD's chronically overheat and replacement parts are

Miscellaneous Pumping Facilities

23-6	Engineer Water Treatment Plant	Description/Location	Pickle Pumping Station
		Purpose/Necessity	Design, construction, and maintenance needed for water treatment plants.
23-7	Water Operations Capital Items (CO)	Description/Location	This item is to account for unplanned Capital Items. / As-needed
		Purpose/Necessity	This is a projected budget amount to cover unforeseen Capital Items in the current year due to mechanical/electrical/etc. failure. / When equipment breaks, it must be fixed.

Underground Storage Reservoirs

Allen Pumping Station

23-8	Engineer Wash Recovery Basin Replacement	Description/Location	
		Purpose/Necessity	

Production Wells

Sheehan Pumping Station

23-9	Construct/Replace Well	Description/Location	Construction of a large water production well.
		Purpose/Necessity	A number of the wells need to be replaced.

Davis Pumping Station

23-10	Construct/Replace Well	Description/Location	Construction of a large water production well.
		Purpose/Necessity	A number of the wells need to be replaced.

McCord Pumping Station

23-11	Construct/Replace Well	Description/Location	Construction of a large water production well.
		Purpose/Necessity	A number of the wells need to be replaced.

Shaw Pumping Station

23-12	Construct/Replace Well	Description/Location	Construction of a large water production well.
		Purpose/Necessity	A number of the wells need to be replaced.

Miscellaneous Pumping Station

23-13	Construct/Replace Well	Description/Location	Construction of a large water production well.
		Purpose/Necessity	A number of the wells need to be replaced.

Operations Maintenance

23-14	Operations Maintenance	Description/Location	Maintenance necessary for the continuation of normal operations
		Purpose/Necessity	Maintenance necessary for the continuation of normal operations

Land Purchase

23-15	Land Purchase	Description/Location	Purchase water production well lots/Various locations.
		Purpose/Necessity	Well lots are needed to install new/replacement water production wells to provide an adequate source water supply for customers.

NOTES FOR PAGE 24—CAPITAL EXPENDITURES BUDGET

Buildings and Structures

McCord Pumping Station

24-1	New Mechanical Maintenance & Special Storage Building	Description/Location	McCord Pumping Station
		Purpose/Necessity	
24-2	Reroof Main Building (15,930 sf)	Description/Location	McCord Pumping Station
		Purpose/Necessity	This project is needed to replace roof.
24-3	Aerator Bldg: Replace Roof (6,825 sf)	Description/Location	McCord Pumping Station
		Purpose/Necessity	This project is needed to replace roof.

Allen Pumping Station

24-4	Roof Replacement (Design/Construction)	Description/Location	Allen Pumping Station
		Purpose/Necessity	This project is needed to replace roof.

Mallory Pumping Station

24-5	Roof Replacement (Design/Construction)	Description/Location	Mallory Pumping Station
		Purpose/Necessity	This project is needed to replace roof.
24-6	Replace Site Paving	Description/Location	Mallory Pumping Station
		Purpose/Necessity	This project is needed to repave drives. The existing pavement is past it's life expectancy and is getting frequent requests.

Shaw Pumping Station

24-7	Roof Replacement	Description/Location	Shaw Pumping Station
		Purpose/Necessity	This project is needed to replace roof.

Lichterman Pumping Station

24-8	Roof Replacement-Pump Building	Description/Location	Lichterman Pumping Station
		Purpose/Necessity	This project is needed to replace roof.
24-9	Roof Replacement-Aerator Bldg	Description/Location	Lichterman Pumping Station
		Purpose/Necessity	This project is needed to replace roof.

Contingency Fund

24-10	Contingency Funds	This is an estimated budget amount to cover unforeseen emergency items that may arise in the current year.	
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CIAC

24-11	Contributions in Aid of Construction	Contributions in aid of construction are the donations or contributions of cash, services, or property from states, municipalities, or other governmental agencies, individuals, and others for construction	
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NOTES FOR PAGE 25—CAPITAL EXPENDITURES BUDGET

Distribution System

New Water Main

25-1	Collecting Main Installation	Description/Location	Various locations
		Purpose/Necessity	The ties bring water from the aquifer to the plant.
25-2	Main Replacement Projects	Description/Location	Older cast iron mains in older parts of town sometimes break several times and it is more feasible to replace the main.
		Purpose/Necessity	Older cast iron mains in older parts of town sometimes break several times and it is more feasible to replace the main.
25-3	Large Main Extensions	Description/Location	Large Main Extensions
		Purpose/Necessity	Provides more water to parts of Shelby County where there is a need or future need to more water.
25-4	Major Valve Replacements/Additions	Description/Location	The project will involve the replacement and additions of 12" and larger valves
		Purpose/Necessity	Replacement of non-functioning and key valves and adding strategically place valves on primary and secondary feeders to optimize the ability to isolate large mains while minimizing the number of cut off customers
25-5	Miscellaneous Projects - Reimbursable	Description/Location	This line item covers former SCBPU projects aimed at improving the Distribution System in former SCBPU areas of the county. These projects mostly center around improvements in the Shelby Forest area.
		Purpose/Necessity	This line item covers former SCBPU projects aimed at improving the Distribution System in former SCBPU areas of the county.
25-6	Minor System Improvements	Description/Location	Minor System Improvements to Water Distribution System
		Purpose/Necessity	Minor System Improvements to Water Distribution System.

Street Improvements

25-7	City of Lakeland Projects	Description/Location	These are street improvement projects done by the City of Lakeland requiring the relocation of MLGW water mains.
		Purpose/Necessity	MLGW will meet the utility relocation needs of the City, County, and State for their street improvement projects.
25-8	City of Memphis Projects	Description/Location	These are street improvement projects done by the City of Memphis requiring the relocation of MLGW water mains.
		Purpose/Necessity	MLGW will meet the utility relocation needs of the City, County, and State for their street improvement projects.
25-9	Shelby County Projects	Description/Location	These are street improvement projects done by Shelby County requiring the relocation of MLGW water mains.
		Purpose/Necessity	MLGW will meet the utility relocation needs of the City, County, and State for their street improvement projects.
25-10	City of Arlington Projects	Description/Location	These are street improvement projects done by the City of Arlington requiring the relocation of MLGW water mains.
		Purpose/Necessity	MLGW will meet the utility relocation needs of the City, County, and State for their street improvement projects.
25-11	TDOT Projects	Description/Location	These are street improvement projects done by TDOT requiring the relocation of MLGW water mains.
		Purpose/Necessity	MLGW will meet the utility relocation needs of the City, County, and State for their street improvement projects.

Lead Replacement

25-12		Description/Location	Lead Replacement
		Purpose/Necessity	Lead Replacement

General Plant

25-13	Buildings & Structures	Description/Location	MLGW University
		Purpose/Necessity	Canopy for MLGW University lineman pole training.
25-14	Security Automation	Description/Location	Various locations
		Purpose/Necessity	Install card readers on control house doors, install a CCTV system, install fence alarms and various security upgrades throughout the division.
25-15	Fleet Capital Power Operated Equipment	Description/Location	Division vehicles/equipment used for work in and around Shelby County.
		Purpose/Necessity	To purchase approved budget items in order to provide equipment for crews to complete job assignments. Replacements are evaluated based on age, actual operational usage, repair cost and frequency, parts availability, and effectiveness to meet area's needs. Additions are evaluated based on justification request and proper approval.

NOTES FOR PAGE 25—CAPITAL EXPENDITURES BUDGET (Continued)

General Plant (continued)

25-16	Fleet Capital Transportation Equipment	Description/Location	Division vehicles/equipment used for work in and around Shelby County.
		Purpose/Necessity	To purchase approved budget items in order to provide equipment for crews to complete job assignments. Replacements are evaluated based on age, actual operational usage, repair cost and frequency, parts availability, and effectiveness to meet area's needs. Additions are evaluated based on justification request and proper approval.
25-17	Tools & Equipment	Description/Location	Division tools/equipment used for work in and around Shelby County.
		Purpose/Necessity	To purchase approved budget items, in order to provide equipment for employees to complete job assignments. Tools are considered replacements for the following reasons: i. Damaged beyond repair; ii. Worn from time/age/use, cost does not justify repair; iii. Lost/Stolen report submitted in a timely manner; iv. No longer suited for work being done, replace with a new model; v. Safety hazard; vi. Repair cost is at or above 50% of cost of new tool; vii. High occurrence of maintenance that creates excessive down time.
25-18	Miscellaneous Capital (Simulator)	Description/Location	Construction & Maintenance Labs Equipment Training Simulator
25-19	Contingency Funds – General Plant	This is an estimated budget amount to cover unforeseen emergency items that may arise in the current year.	

GLOSSARY

ACD: Automatic Call Distributor.

ACSR: Aluminum, Cable Steel Reinforced cable.

ADA: Americans with Disabilities Act.

BNSF: Burlington Northern Santé Fe Railway Company.

BTU: British Thermal Unit.

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

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

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

CA: Cab to Axle.

CARES: Computer Assisted Restoration of the Electric System.

CCTV: Closed-circuit television.

C&C: Cab and Chassis.

CC&C: Crew Cab & Chassis.

CKT: Circuit.

CN: Canadian National Railway.

CNG: Compressed Natural Gas.

CO: Carryover.

CPU: Central Processing Unit.

CSX: CSX Transportation.

CSX/RR: CSX Transportation Railroad.

DA: Distribution Automation.

DASD: Direct Access Storage Device.

DB: Decibel.

DDC: Direct Digital Controller.

DER: Distributive Energy Resources

GLOSSARY

Debt Service: Principal and interest payments on outstanding bonds.

DIMP: Distribution Integrity Management Program.

DOT: Department of Transportation.

ERC: Emergency Response Center.

ESO: Electric Systems Operations.

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

FC: Suffix for connector type.

FCI: Failed Circuit Indicators.

FEMA: Federal Emergency Management Agency.

FIS: Facility Information System.

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

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

GASB: Governmental Accounting Standards Board.

GIS: Geographic Information System.

GPS: Global Positioning System.

HHSC: Hickory Hill Service Center.

HMI: Human Machine Interface.

HP: High Pressure.

HSP: High Service Pump.

HVAC: Heating, Ventilation, and Air Conditioning.

IC RR: Illinois Central Railroad.

IDS: Intrusion Detection System.

IR: Infrared.

JT: Joint Trench.

GLOSSARY

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

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

KW: Kilowatt.

LC: Suffix for connector type.

LNG: Liquefied Natural Gas.

LOL: Leased Outdoor Lighting.

LWB: Long Wheel Base pickup.

MAOP: Maximum allowable operating pressure.

MDMS: Meter Data Management System.

MG: Millions of gallons.

MGD: Million gallons per day.

MH/DL: Manhole/Duct line.

MHz: Megahertz.

MSS: Management Support System.

NERC: North American Electric Reliability Corporation.

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

O&M: Operations and Maintenance.

OH: Overhead.

OPEB: Other Post Employment Benefits.

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

OPGW: Optical Ground Wire.

OTL: Oracle Time and Labor.

OTDR: Optical Time Domain Reflectometer.

Pad: Pad-mounted transformer.

PCB: Polychlorinated Bithenyls.

GLOSSARY

PSI: Pound per Square Inch.

PTAC: Packaged terminal air conditioning.

PTO: Power Take Off.

PV: Photo-Voltaic or solar cells.

ROW: Right of Way.

RR: Railroad.

RTU: Remote Terminal Unit.

SAN: Storage Area Network.

SC: Suffix for connector type.

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

SCBPU: Shelby County Board of Public Utilities.

SPCC: Spill Prevention, Control and Countermeasure.

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

T-line: Transmission line.

TDOT: Tennessee Department of Transportation.

TEMA: Tennessee Emergency Management Agency.

TIMP: Transmission Integrity Management Program

TOU: Time of Use.

UG: Underground.

UPS: Uninterruptible Power Source.

URD: Underground Residential Development.

USPS: United States Postal Service.

VAV: Variable Air Volume.

VFD: Variable Frequency Drive.

WAQL: Water Assurance Quality Lab.

WWRB: Wash water Recovery Basin.

GLOSSARY

XFMR: Symbol used to denote transformer.

XHP: Extra High Pressure.

XXHP: Extra, Extra High Pressure.