



***Preliminary***  
**2023 Budget and  
Service Improvement  
Plan**

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**MLGW Board of Commissioners  
10/5/2022**

*\* All dollars in thousands unless otherwise noted.*

*\*\* Numbers presented exclude all non-cash Pension  
and OPEB expense related to GASB 68 and GASB 75.*

# MLGW Mission, Vision & Values

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## Mission

*(Why we exist)*

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

## Vision

*(Where we're headed)*

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



# MLGW Budget- *Key Focus Areas*

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- 1. Effectively executing plans and projects**
  - Ø *Timing; budget; proactive engagement; power sourcing*
- 2. Preparing and equipping our workforce**
  - Ø *Safety; training and development; succession planning; employee feedback*
- 3. Reshaping the customer experience**
  - Ø *Reliability; billing; contact; energy burden; renewables; customer feedback*
- 4. Building on technology integration**
  - Ø *Leveraging and expanding technology solutions; operational efficiencies*
- 5. Elevating our image and public perception**
  - Ø *Community and economic impacts; soliciting public feedback; leveraging metrics*
- 6. Promoting good governance and compliance**
  - Ø *Various initiatives including streamlining approval processes and eliminating undue bureaucracy*



# 2023 Budget Overview

# Budget Highlights

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- No MLGW rate increases
- Wage increases of 5.0% and 3.5% for Management and Bargaining Unit respectively (Attempted to re-negotiate wages for BU).
- Reclamation of 56 Positions (51 FTE)
- O&M growth of 8.4% or \$35.3 million over the 2022 Budget
  - Total O&M Labor category increase of \$8.2 million
  - Total O&M Other category increase of \$26.7 million
- Significant grant reimbursement projects and activities planned beginning with the 2023 Budget
- Capital expenditures budget continues the infrastructure replacement work outlined in the Way Forward Plan

# Reclaimed Positions

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- Through the Way Forward initiative we have cut 152.0 FTE.
- Addition of 56 new positions (51 FTE, and 51.5 including reclasses).
  - 15 Customer Service (9 call center, 4 customer field ops, 2 customer experience)
  - 13 Customer Engineering (8 engineers, 1 builder/developer liaison, 2 service expeditors, 1 supervisor, 1 GIS specialist)
  - 8 Co-op/Interns positions
  - 7 Shared Services related (2 grounds crew positions, 2 security officers, 3 mechanics)
  - 7 Information Technology/Services (2 directors, 1 supervisor, 4 software specialists/analysts)
  - 3 Engineering (2 material handlers, 1 planner/coordinator)
  - 3 Legal (1 attorney, 1 compliance engineer, 1 admin assistant)

# Regular Labor increases to last year's Budget

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- Total Regular Labor increase of \$13.4 million over the 2022 Budget.
  - Wage increases, \$8.0 million
  - Net new positions, \$4.1 million
  - Line of Progression (LOP), \$0.9 million
  - Reclasses/Other, \$0.38 million

# Other Category Major O&M Increases

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- Total “Other O&M” category increase of \$26.7 million or 12.0%
  - Information Systems software maintenance (IS Other), \$5.2 million of a total \$7.9 million increase in the Information Systems Division.
  - Customer Call Center contract, \$5.0 million of a total \$6.4 million increase in the Customer Care Division.
  - General Division, \$4.4 million total increase primarily due to higher utility costs, lower O&M CIAC and slightly lower overhead allocations to capital (credits to O&M) offset by other reduction items.
  - Design Construction and Delivery Division total increases of \$3.9 million primarily related to contracted services, tree trimming and increased stand by pay.
  - Environmental projects, \$2.9 million of a total \$3.2 million increase in the Engineering Division.



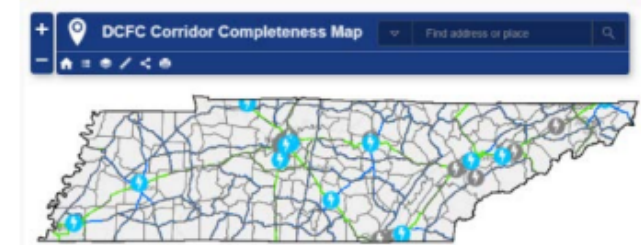
# Grants and Infrastructure Funding for Projects

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- Major source opportunities from American Rescue Plan (ARP) and Infrastructure Investment and Jobs Acts (IIJA) bills.
  - Most of these funding opportunities flow through the States.
- Electric Division
  - Electric Vehicle Fast Charge TN Network Grant, \$1.6 million
  - Working on obtaining Grid Resiliency funds through Tennessee Department of Environment and Conservation for reliability enhancement projects. Approximately \$37 million per year available.
- Gas Division
  - Pipeline and Hazardous Materials Safety Administration (PHMSA) funding of \$59.3 million over the next five years for our existing steel tap replacement projects and other projects.
- Water Division
  - ARP funds of approximately \$39.6 million.

# Electric – TDEC Electric Vehicle Charging Stations

## TDEC Awarded Grant to MLGW



- ▶ TDEC allocated funds from the VW Environmental Mitigation Trust to incentivize local power companies to build, own and operate DC Fast Chargers along designated corridors so that fast charging is available at least every 50 miles
- ▶ MLGW submitted grant application for two “corridor gaps” in Shelby County
  - ▶ I-40/I-69 (medical center area, site has been selected)
  - ▶ I-269 (Collierville, site has not been finalized)
- ▶ Grant is \$1.6 million maximum, with 80% reimbursement of eligible project costs
  - ▶ Covers 4 chargers at \$150,000 each (original minimum technical specs) and 4 chargers at \$250,000 (enhanced specs)
  - ▶ MLGW prefers to build both sites to the enhanced specs, so our investment will be more than 20% for one site
  - ▶ 2023 budget request for \$2.3 million; potential for some carryover into 2024
- ▶ Grant has an initial 15-month timeline but TDEC will consider extension requests with sufficient justification at no penalty
- ▶ MLGW must own and operate the charging stations for a minimum five years

# Gas Division – PHMSA funding

Project Applied  
For

## Steel Tap Replacement Program

- Funds Requested: \$28,490,000
- Scope: Replace leak prone Steel couplings

## Replacement of GL-001 & GL-212

- Funds Requested: \$28,935,500
- Scope: Replace GI-001 & GL-212 with single new pipeline

## Regulator Station Replacement

- Funds Requested: \$1,577,400
- Scope: Replace 3 Regulator Stations

## Replace Ground Beds

- Funds Requested: \$52,580
- Scope: Replace 53 Ground Beds

## Purchase of TDW Tapping and Stopping Machine

- Funds Requested: \$282,000
- Scope: Purchase two new TDW Tapping and Stopping Machines

# Water Division – ARP Funding

## Total Funding Breakdown

ARP Project Totals	\$45,413,980
City of Memphis ARP Share	\$38,613,144
Shelby County ARP Share	\$1,000,000
MLGW Match	\$5,800,836

### Non -Collaborative Projects

Filter Media  
System Upgrades

Lead Line  
Replacements



Filter media replacement and backwash upgrades are planned to occur at five pumping station deemed critical to be completed first. The five plants, with associated costs, are listed below:

- Mallory Pumping Station \$10,590,750
- Davis Pumping Station \$6,291,000
- McCord Pumping Station \$6,139,125
- Morton Pumping Station \$6,574,500
- Shaw Pumping Station \$6,574,500

Planning for full lead service line replacements - \$389,105

Private lead service line replacements - \$5,750,000



# Outage Improvement Advisory Team

# Outage Improvement Advisory Team Matrix

Category	In Current MLGW Plan?	Implementation Timeframe or Target	Reliability Impact	Lead Entity	Estimated Costs
<b>Infrastructure/Resiliency</b>					
<ul style="list-style-type: none"> <li>Overhead rebuild &amp; storm hardening (including rear lot line upgrades; deferred maintenance &amp; warranted redundancy)</li> </ul>	N	36 months	About 1% reduction in CMI but aimed at problem areas.	MLGW	\$4 M for pilot area in Map 18 (Orange Mound, Sherwood Forest, etc.) This is \$250 per customer and does not include previously budgeted ongoing work for DA, pole replacement, and tree trimming. Estimated cost for system wide project ~ \$25 M
<ul style="list-style-type: none"> <li>Accelerate Distribution Automation – Phase 1</li> </ul>	Y	24 Months	24% CMI reduction	MLGW	Phase 1 budgeted for \$130; May be difficult with supply chain
<ul style="list-style-type: none"> <li>Accelerate Distribution Automation – Phase 2</li> </ul>	N	24 months	4% CMI reduction	MLGW	Phase 2 includes ADMS and Wireless Communication - \$50M
<ul style="list-style-type: none"> <li>Accelerate Pole Replacements</li> </ul>	Y	18 months	2% CMI reduction	MLGW	Budgeted \$3 M per year or \$15 for five-year plan.
<ul style="list-style-type: none"> <li>Accelerate Underground Cable Replacements</li> </ul>	Y	24 months	2.6% CMI reduction	MLGW	Budgeted \$50 M for five-year plan.
<ul style="list-style-type: none"> <li>Substation equipment retrofits &amp; wildlife mitigation</li> </ul>	Y	36 months	1% CMI reduction	MLGW	Budgeted \$55 M for five-year capital plan
<ul style="list-style-type: none"> <li>Line Inspection to Identify Remedial Maintenances</li> </ul>	N	24 months	TBD	MLGW	\$200 K per year.
<ul style="list-style-type: none"> <li>Strategic Underground</li> </ul>	N	60+ months	TBD	MLGW	TBD 14



Outage Improvement Advisory Team Matrix (cont.)

Category	In Current MLGW Plan?	Implementation Timeframe or Target	Reliability Impact	Lead Entity	Estimated Costs
<b>Vegetation Management &amp; Policy</b>					
• Accelerate Tree Trimming	Y	1Q 2023	13% CMI Reduction	MLGW	Budgeted at \$98 M for Five Year Plan
• Standards/Ordinances	N	3Q 2023		Municipality	N/A
• Enforcement capacity/efficacy	N	3Q 2023		Municipality	N/A
• Set-back	N	3Q 2023		Municipality	N/A
• Homeowner assistance	N	3Q 2023		Municipality	N/A
<b>Technology/Communications</b>					
• Smart Meter	Y	3Q 2022		MLGW	May use DA wireless communications
• MLGW website dashboard enhancements	Y	3Q 2022		MLGW	TBD
• Other					
<b>Communications</b>					
• Pre-storm customer alerts	Y	3Q 2022	N/A	MLGW	TBD
• Restoration timeframe alerts	Y	3Q 2022	N/A	MLGW	TBD
• Text alerts enhancements	Y	3Q 2022	N/A	MLGW	TBD
<b>Logistics</b>					
• Early contract crew engagement	Y	3Q 2022	N/A	MLGW	N/A
• Pre-storm accommodation arrangements	N	3Q 2022	N/A	MLGW	N/A





Outage Improvement Advisory Team Matrix (cont.)

Category	In Current MLGW Plan?	Implementation Timeframe or Target	Reliability Impact	Lead Entity	Estimated Costs
<b>Miscellaneous/Other</b>					
<ul style="list-style-type: none"> <li>Premise-level back-up generators</li> </ul>	N	2Q 2023	N/A	MLGW	TBD
<ul style="list-style-type: none"> <li>Traffic signalization &amp; back up power</li> </ul>	N	36 Months	Safety	Municipality	TBD

- Additional engineering positions to support the Infrastructure/Resiliency items will be added before the final budget





**MLGW**

SERVING YOU IS  
WHAT WE DO

# 2023 Budget

# All Divisions Summary

Category (\$ in Thousands)	Electric	Gas	Water	Total
Operating Revenue	\$1,438,242	\$341,481	\$130,626	\$1,910,349
Purchased Power and Gas	\$1,096,347	\$196,719	\$0	\$1,293,066
O&M Expense	\$253,573	\$104,752	\$95,612	\$453,937
Depreciation & Amortization	\$62,437	\$23,930	\$11,649	\$98,015
PILOT & Taxes	\$47,031	\$19,969	\$5,114	\$72,114
Total Operating Expense	\$1,459,388	\$345,370	\$112,375	\$1,917,132
Total Capital Expenditures	\$231,923	\$24,161	\$42,532	\$298,616
Total Operating & Capital Budgets	\$1,691,311	\$369,531	\$154,907	\$2,215,748
Change in Net Position	\$12,828	(\$7,724)	\$15,895	\$20,999



# Electric Division Summary

Operating margin is in line with last year's budget. There no MLGW rate increases proposed for 2023. Power costs are projected to be 8.8% higher than last year's budget due to rising TVA fuel cost.

The Change in Net Position Variance (net income) is \$21.3 million lower than last year's budget primarily driven by the higher operating expenses.

Capital Expenditures are \$76.1 million higher than last year's budget.

Category	2021 Actual	2022 Proj	2022 Budget	2023 Budget
Operating Revenue	\$1,312,820	\$1,462,000	\$1,349,595	\$1,438,242
Power Cost	\$985,215	\$1,118,000	\$1,007,980	\$1,096,347
Operating Margin	\$327,605	\$344,000	\$341,615	\$341,895
<b>Operating Margin Variance</b>			<b>\$280</b>	<b>Increase</b>
O&M	\$196,400	\$214,000	\$230,146	\$253,573
Depreciation & Amortization	\$59,741	\$61,000	\$61,696	\$62,437
PILOT & Taxes	\$47,185	\$46,000	\$48,078	\$47,031
Total Operating Expense	\$303,326	\$321,000	\$339,920	\$363,041
<b>Expense Variance</b>			<b>\$23,121</b>	<b>Increase</b>
Other Income	\$41,244	\$42,000	\$41,600	\$42,608
Debt Expense	\$9,818	\$9,000	\$9,142	\$8,634
Change in Net Position	\$55,704	\$56,000	\$34,153	\$12,828
<b>Change in Net Position Variance</b>			<b>(\$21,325)</b>	<b>Decrease</b>
Capital Expenditures	\$71,818	\$97,107	\$155,782	\$231,923
<b>Total Operating &amp; Capital</b>	<b>\$1,360,359</b>	<b>\$1,536,107</b>	<b>\$1,503,682</b>	<b>\$1,691,311</b>

# Gas Division Summary

Operating margin is \$2.8 million higher than last year's budget. There no MLGW rate increases proposed for 2023.

The Change in Net Position Variance (net income) is \$4.7 million lower than last year's budget due primarily to the increase in operating expenses offset by the higher operating margin.

Capital Expenditures are \$15.6 million lower than last year's budget.

Category	2021 Actual	2022 Proj	2022 Budget	2023 Budget
Operating Revenue	\$295,473	\$346,270	\$263,059	\$341,481
Gas Cost	\$151,669	\$200,103	\$121,103	\$196,719
Operating Margin	\$143,805	\$146,167	\$141,956	\$144,762
<b>Operating Margin Variance</b>			<b>\$2,806</b>	<b>Increase</b>
O&M	\$90,152	\$91,000	\$97,122	\$104,752
Depreciation & Amortization	\$23,251	\$24,000	\$24,005	\$23,930
PILOT & Taxes	\$19,738	\$19,000	\$20,990	\$19,969
Total Operating Expense	\$133,142	\$134,000	\$142,117	\$148,651
<b>Expense Variance</b>			<b>\$6,534</b>	<b>Increase</b>
Other Income	\$59	(\$100)	\$1,045	(\$37)
Debt Expense	\$4,045	\$3,900	\$3,887	\$3,799
Change in Net Position	\$6,677	\$8,167	(\$3,003)	(\$7,724)
<b>Change in Net Position Variance</b>			<b>(\$4,722)</b>	<b>Decrease</b>
Capital Expenditures	\$14,452	\$19,344	\$39,759	\$24,161
<b>Total Operating &amp; Capital</b>	<b>\$299,262</b>	<b>\$353,447</b>	<b>\$302,979</b>	<b>\$369,531</b>

# Water Division Summary

Operating margin is \$2.6 million higher than last year's budget.

The Change in Net Position Variance (net income) is \$1.2 million lower than last year's budget primarily due to the higher operating expenses offset by higher operating revenues.

Capital Expenditures are \$8.2 million higher than last year's budget.

Category	2021 Actual	2022 Proj	2022 Budget	2023 Budget
Operating Revenue	\$126,145	\$132,036	\$128,003	\$130,626
<b>Operating Revenue Variance</b>			<b>\$2,623</b>	<b>Increase</b>
O&M	\$80,056	\$88,129	\$91,367	\$95,612
Depreciation & Amortization	\$11,522	\$11,735	\$12,016	\$11,649
PILOT & Taxes	\$5,007	\$5,850	\$4,988	\$5,114
Total Operating Expense	\$96,585	\$105,715	\$108,371	\$112,375
<b>Expense Variance</b>			<b>\$4,004</b>	<b>Increase</b>
Other Income	\$1,094	\$395	\$1,049	\$1,095
Debt Expense	\$3,646	\$3,560	\$3,560	\$3,450
Change in Net Position	\$27,009	\$23,156	\$17,121	\$15,895
<b>Change in Net Position Variance</b>			<b>(\$1,226)</b>	<b>Decrease</b>
Capital Expenditures	\$19,302	\$24,180	\$34,355	\$42,532
<b>Total Operating &amp; Capital</b>	<b>\$115,887</b>	<b>\$129,895</b>	<b>\$142,726</b>	<b>\$154,907</b>

# Total Capital Expenditures By Division

## Electric Division

2022 Budget	\$155,782
2023 Budget	\$231,923
\$ Change	\$76,141
% Change	48.9%

## Gas Division

2022 Budget	\$39,759
2023 Budget	\$24,161
\$ Change	(\$15,598)
% Change	-39.2%

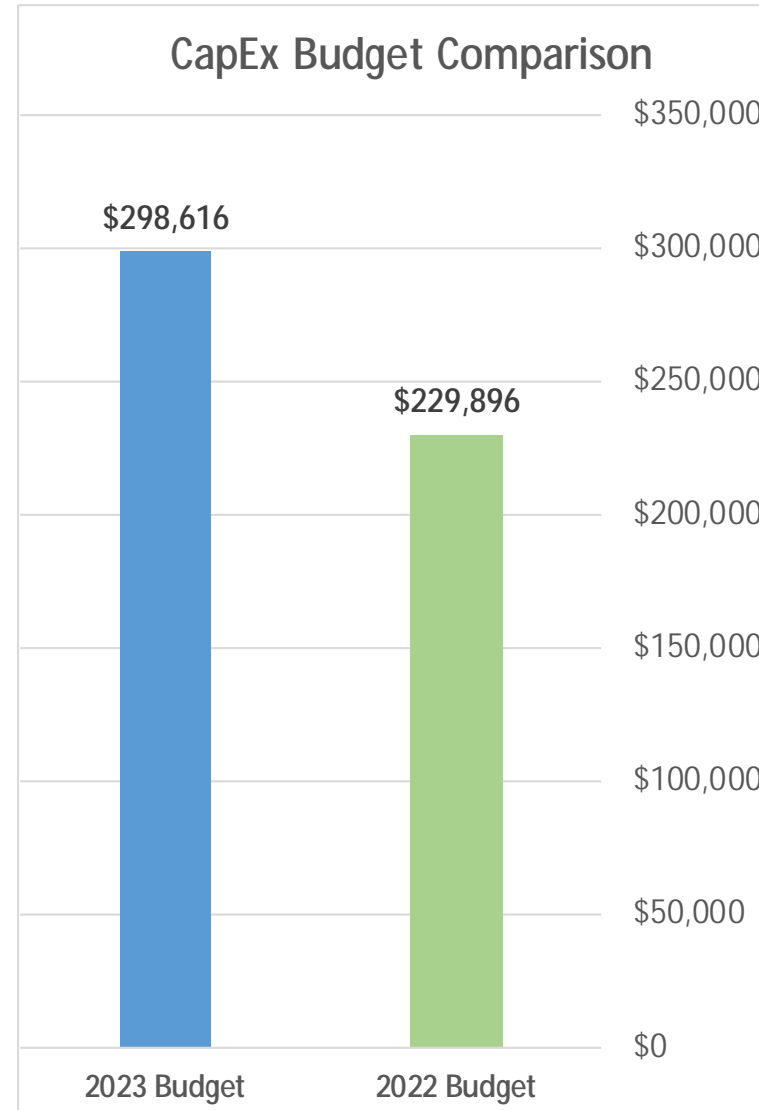
## Water Division

2022 Budget	\$34,355
2023 Budget	\$42,532
\$ Change	\$8,177
% Change	23.8%

## All Divisions

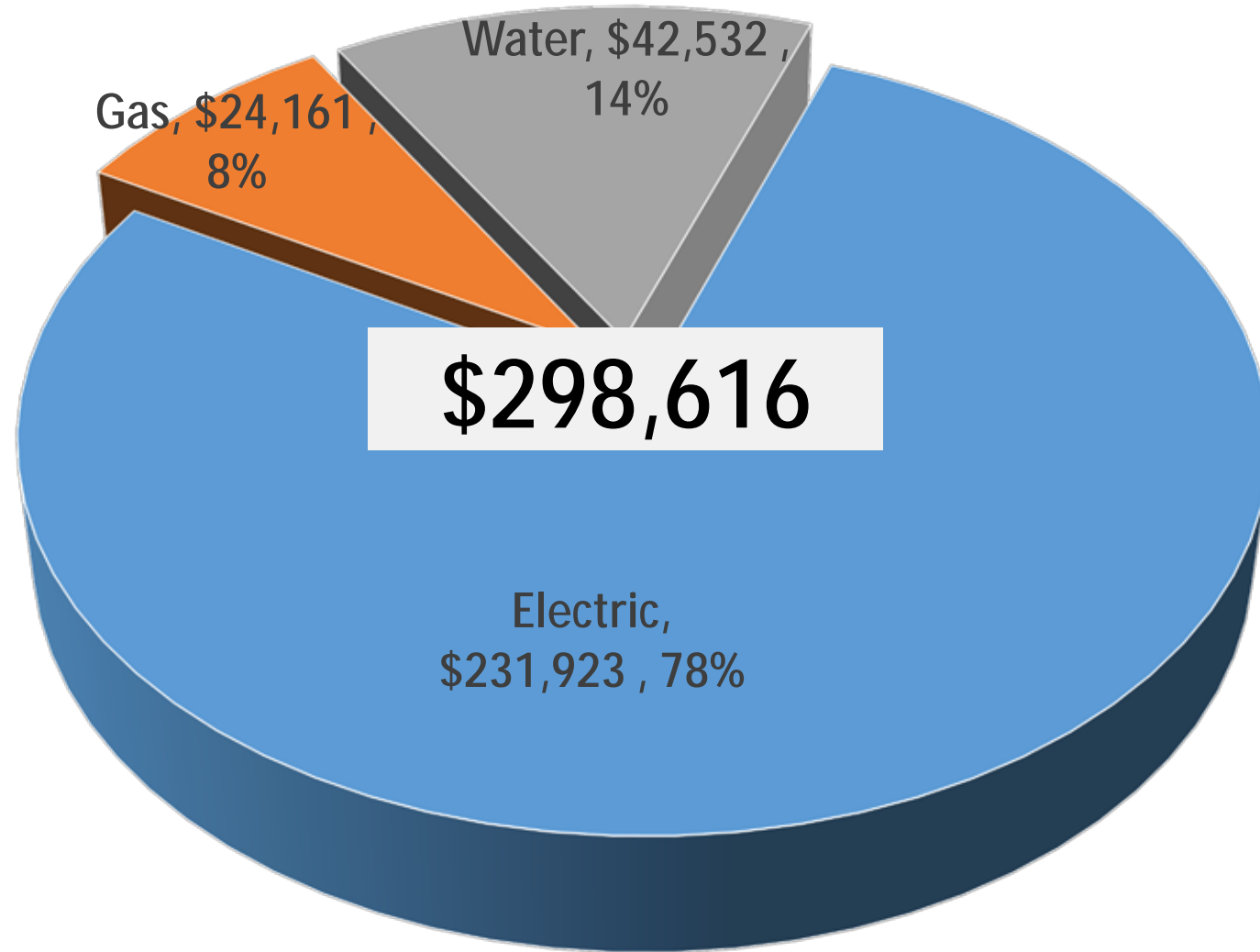
2022 Budget	\$229,896
2023 Budget	\$298,616
\$ Change	\$68,720
% Change	29.9%

CapEx Budget Comparison



# Total Capital Expenditures By Division

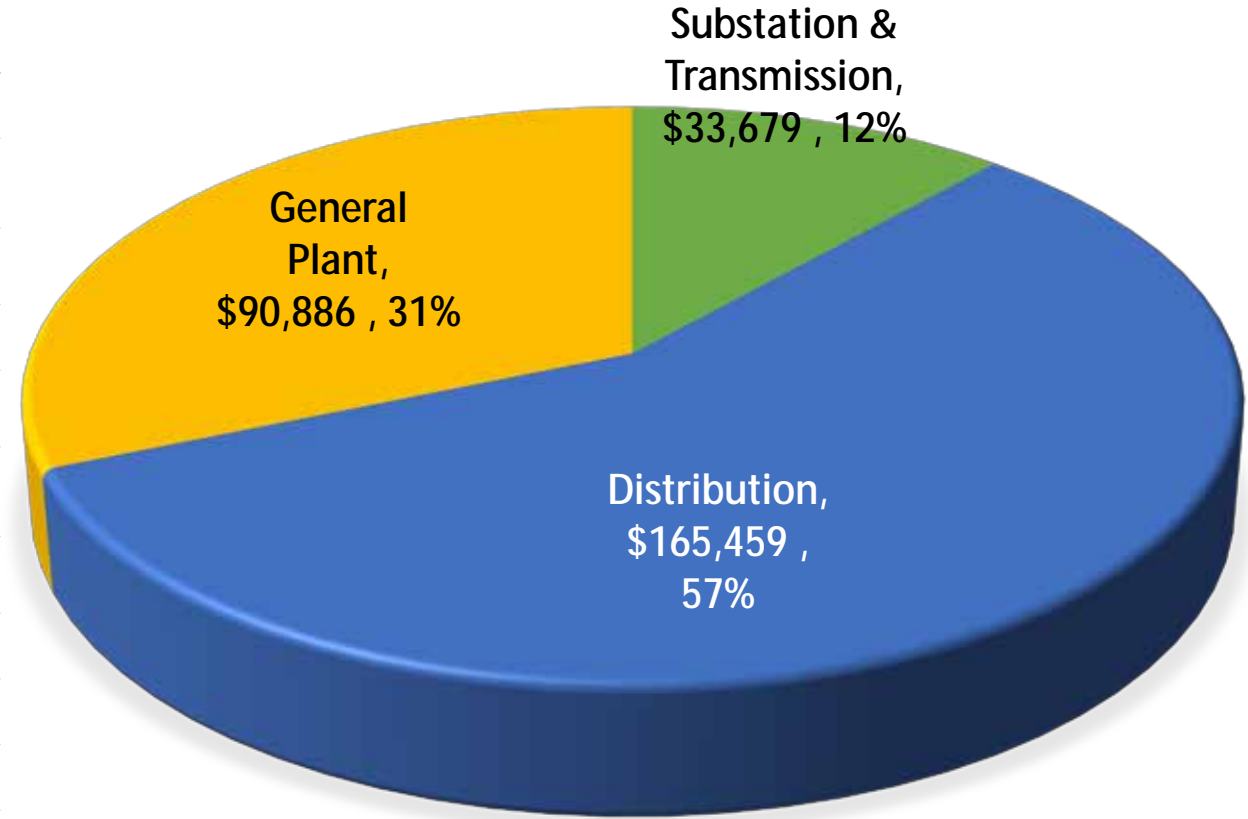
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# Electric Capital Highlights

## Electric Capital Highlights

LED Street Light Installation (City of Memphis)	\$51,580
Extensions to Serve New Customers - UG Apts. & Commercial	\$35,617
Installation & Various Upgrades of Substations	\$32,148
Distribution Automation	\$31,000
Communication Towers & Telecommunication Network	\$27,009
Information Technology Continuity, Replacement, and Expansion	\$23,488
Purchase of Trans. & Power Operated Equipment	\$12,822
New Electric Circuits	\$12,025
Replacement of Underground Cable	\$10,800
Distribution Automation Management System	\$10,000
Replacement of Distribution Transformers	\$6,529
Line Reconstruction & Removal of Idle Lines	\$5,250
Distribution Pole Replacement	\$4,000



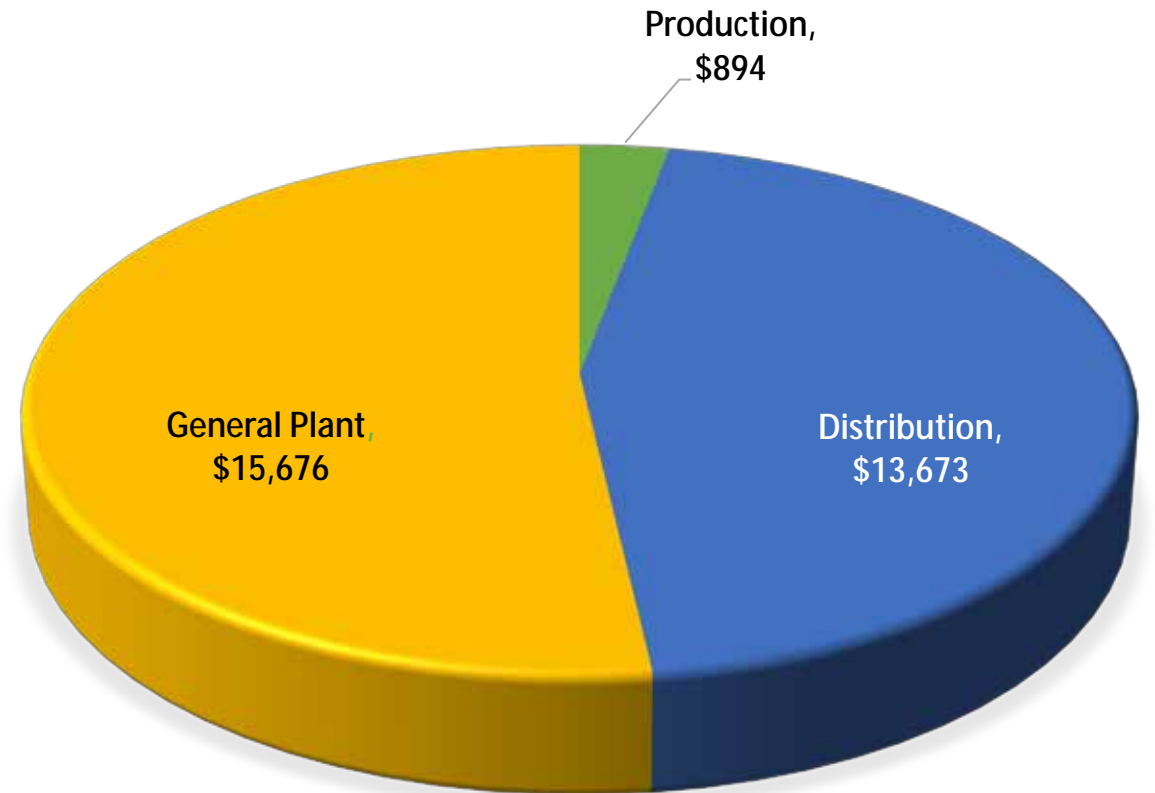
\* Excludes reductions for delays or anticipated carryovers.



# Gas Capital Highlights

## Gas Capital Highlights

Purch. of Trans. Equip. & Power Operated	\$8,506
Extensions to Serve New Customers	\$8,858
New Gas Main & Gas Main Service Replacement	\$6,406
Facility Upgrades	\$5,817
Relocations of Mains - Street Improvements	\$3,714
Purchase of Meters & Metering Equipment	\$3,446

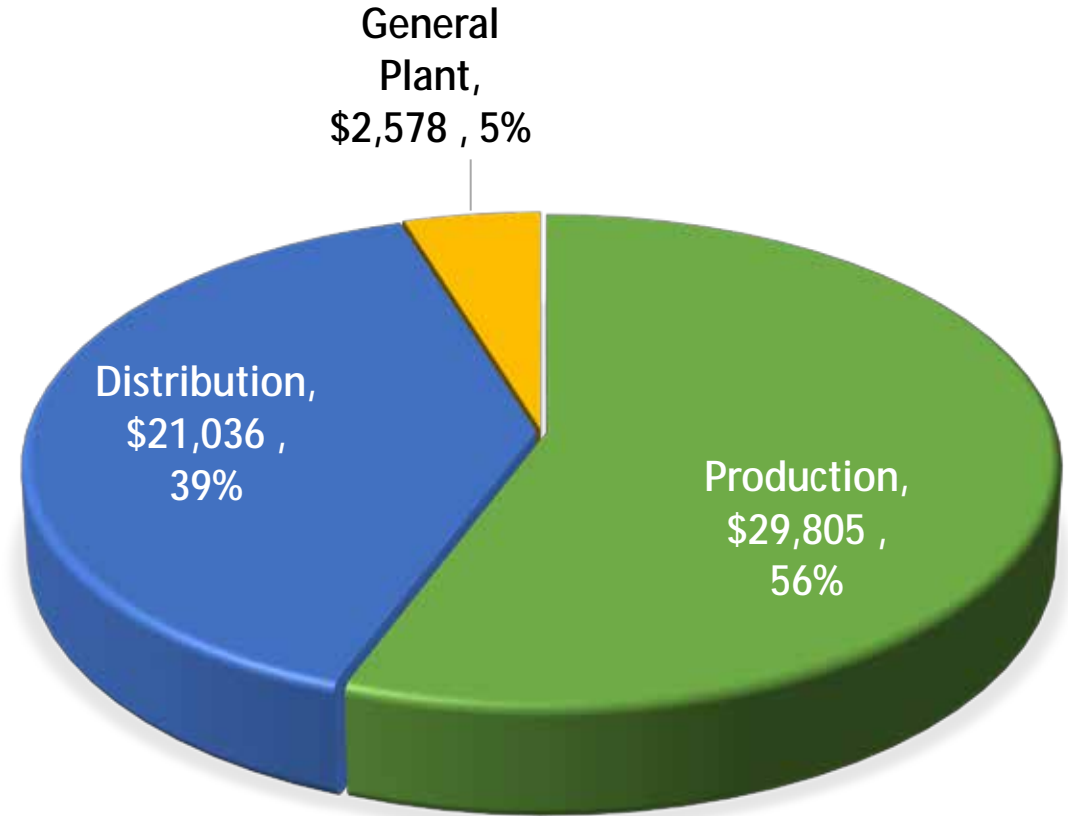


\* Excludes reductions for delays or anticipated carryovers.

# Water Capital Highlights

## Water Capital Highlights

Various Pumping Station Upgrades	\$19,938
Extensions to Serve New Customers	\$8,782
Various Production Well Upgrades	\$7,289
Various Underground Storage Reservoir Upgrades	\$7,150
New Water Main & Lead Service Replacements	\$6,153
Relocations of Mains - Street Improvements	\$4,094
Purch. of Trans. Equip. & Power Operated	\$2,295
Purchase of Meters	\$1,922



\* Excludes reductions for delays or anticipated carryovers.

# 5 Year Capex Plan Summary

- MLGW consistently plans to invest capital into each division.
- The total projected five-year investment for 2023 through 2027 is \$1.2 billion.
  - E, \$0.80 billion
  - G, \$0.12 billion
  - W, \$0.29 billion

<i>*In '000s</i>								
Electric	2022 Estimate	2022 Budget	2023 Budget	2024 Projection	2025 Projection	2026 Projection	2027 Projection	2023 - 2027 Totals
Substation/Transmission	\$ 25,666	\$ 32,753	\$ 33,679	\$ 33,950	\$ 35,375	\$ 34,273	\$ 19,032	\$ 156,309
Distribution	\$ 79,698	\$ 112,521	\$ 165,459	\$ 104,291	\$ 106,516	\$ 97,678	\$ 98,960	\$ 572,904
General Plant	\$ 16,019	\$ 46,099	\$ 90,766	\$ 73,771	\$ 57,084	\$ 26,077	\$ 24,109	\$ 271,806
<b>Sub-total</b>	<b>\$ 121,383</b>	<b>\$ 191,374</b>	<b>\$ 289,904</b>	<b>\$ 212,011</b>	<b>\$ 198,975</b>	<b>\$ 158,028</b>	<b>\$ 142,101</b>	<b>\$ 1,001,019</b>
<i>Delayed Cost Allocations</i>	<i>\$ (24,277)</i>	<i>\$ (35,592)</i>	<i>\$ (57,981)</i>	<i>\$ (42,402)</i>	<i>\$ (39,795)</i>	<i>\$ (31,606)</i>	<i>\$ (28,420)</i>	<i>\$ (200,204)</i>
<b>Total Electric</b>	<b>\$ 97,107</b>	<b>\$ 155,782</b>	<b>\$ 231,923</b>	<b>\$ 169,609</b>	<b>\$ 159,180</b>	<b>\$ 126,422</b>	<b>\$ 113,681</b>	<b>\$ 800,815</b>
Gas	2022 Estimate	2022 Budget	2023 Budget	2024 Projection	2025 Projection	2026 Projection	2027 Projection	2023 - 2027 Totals
Production	\$ 60	\$ 200	\$ 894	\$ 6,600	\$ 1,300	\$ 2,800	\$ 1,300	\$ 12,894
Distribution	\$ 17,231	\$ 29,657	\$ 13,673	\$ 41,707	\$ 13,893	\$ 13,883	\$ 20,089	\$ 103,244
General Plant	\$ 6,888	\$ 18,261	\$ 15,676	\$ 8,354	\$ 9,171	\$ 5,040	\$ 5,790	\$ 44,031
<b>Sub-total</b>	<b>\$ 24,180</b>	<b>\$ 48,117</b>	<b>\$ 30,243</b>	<b>\$ 56,661</b>	<b>\$ 24,364</b>	<b>\$ 21,723</b>	<b>\$ 27,179</b>	<b>\$ 160,169</b>
<i>Delayed Cost Allocations</i>	<i>\$ (4,836)</i>	<i>\$ (8,359)</i>	<i>\$ (6,082)</i>	<i>\$ (11,332)</i>	<i>\$ (4,873)</i>	<i>\$ (4,345)</i>	<i>\$ (5,436)</i>	<i>\$ (32,067)</i>
<b>Total Gas</b>	<b>\$ 19,344</b>	<b>\$ 39,758</b>	<b>\$ 24,161</b>	<b>\$ 45,329</b>	<b>\$ 19,491</b>	<b>\$ 17,378</b>	<b>\$ 21,743</b>	<b>\$ 128,102</b>
Water	2022 Estimate	2022 Budget	2023 Budget	2024 Projection	2025 Projection	2026 Projection	2027 Projection	2023 - 2027 Totals
Production	\$ 16,790	\$ 23,041	\$ 29,805	\$ 46,266	\$ 71,561	\$ 65,767	\$ 60,189	\$ 273,587
Distribution	\$ 12,682	\$ 17,915	\$ 21,036	\$ 9,879	\$ 9,701	\$ 9,380	\$ 19,668	\$ 69,664
General Plant	\$ 589	\$ 2,194	\$ 2,578	\$ 2,639	\$ 2,850	\$ 2,991	\$ 3,502	\$ 14,560
<b>Sub-total</b>	<b>\$ 30,061</b>	<b>\$ 43,151</b>	<b>\$ 53,419</b>	<b>\$ 58,784</b>	<b>\$ 84,113</b>	<b>\$ 78,137</b>	<b>\$ 83,359</b>	<b>\$ 357,812</b>
<i>Delayed Cost Allocations</i>	<i>\$ (6,012)</i>	<i>\$ (8,795)</i>	<i>\$ (10,887)</i>	<i>\$ (11,757)</i>	<i>\$ (16,823)</i>	<i>\$ (15,627)</i>	<i>\$ (16,672)</i>	<i>\$ (71,766)</i>
<b>Total Water</b>	<b>\$ 24,048</b>	<b>\$ 34,356</b>	<b>\$ 42,532</b>	<b>\$ 47,027</b>	<b>\$ 67,290</b>	<b>\$ 62,510</b>	<b>\$ 66,687</b>	<b>\$ 286,046</b>



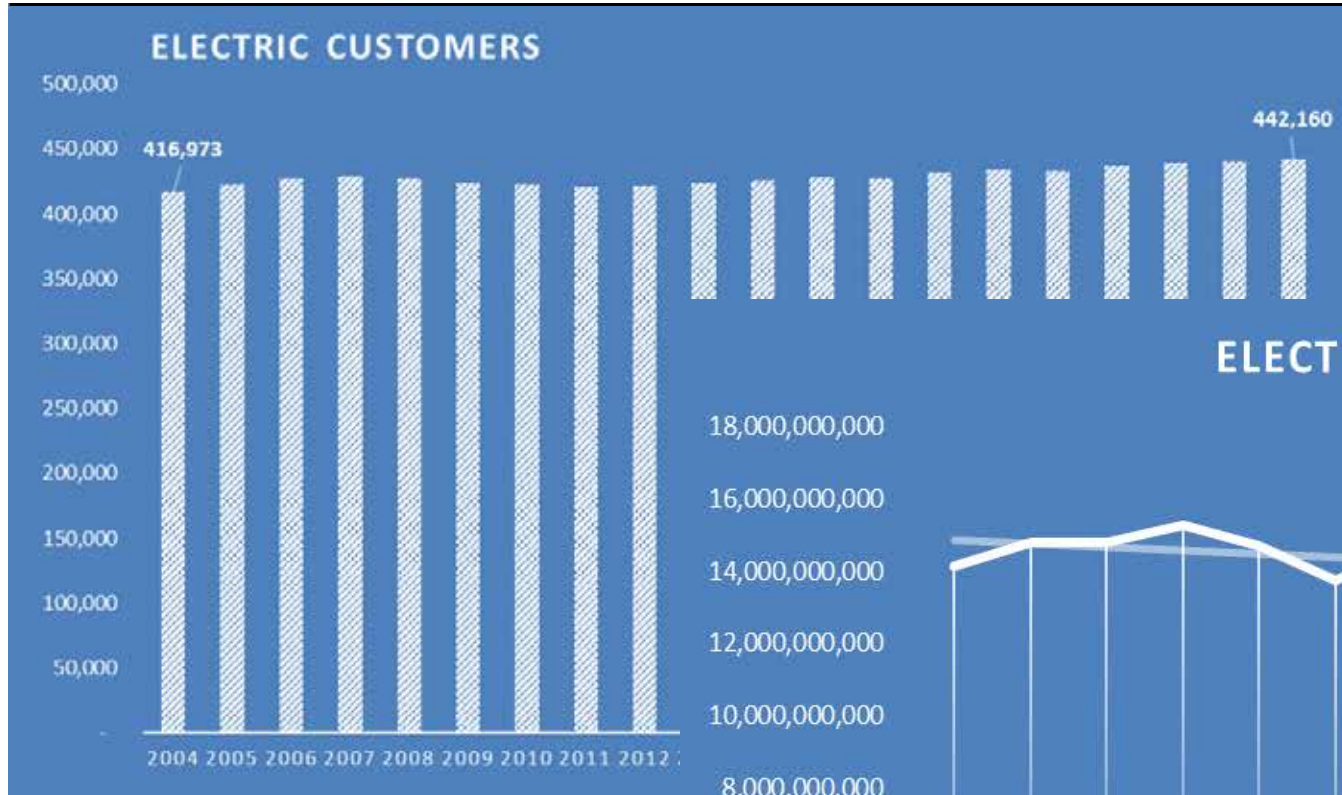
# Cash Flow Projections

# Financial Metric Targets

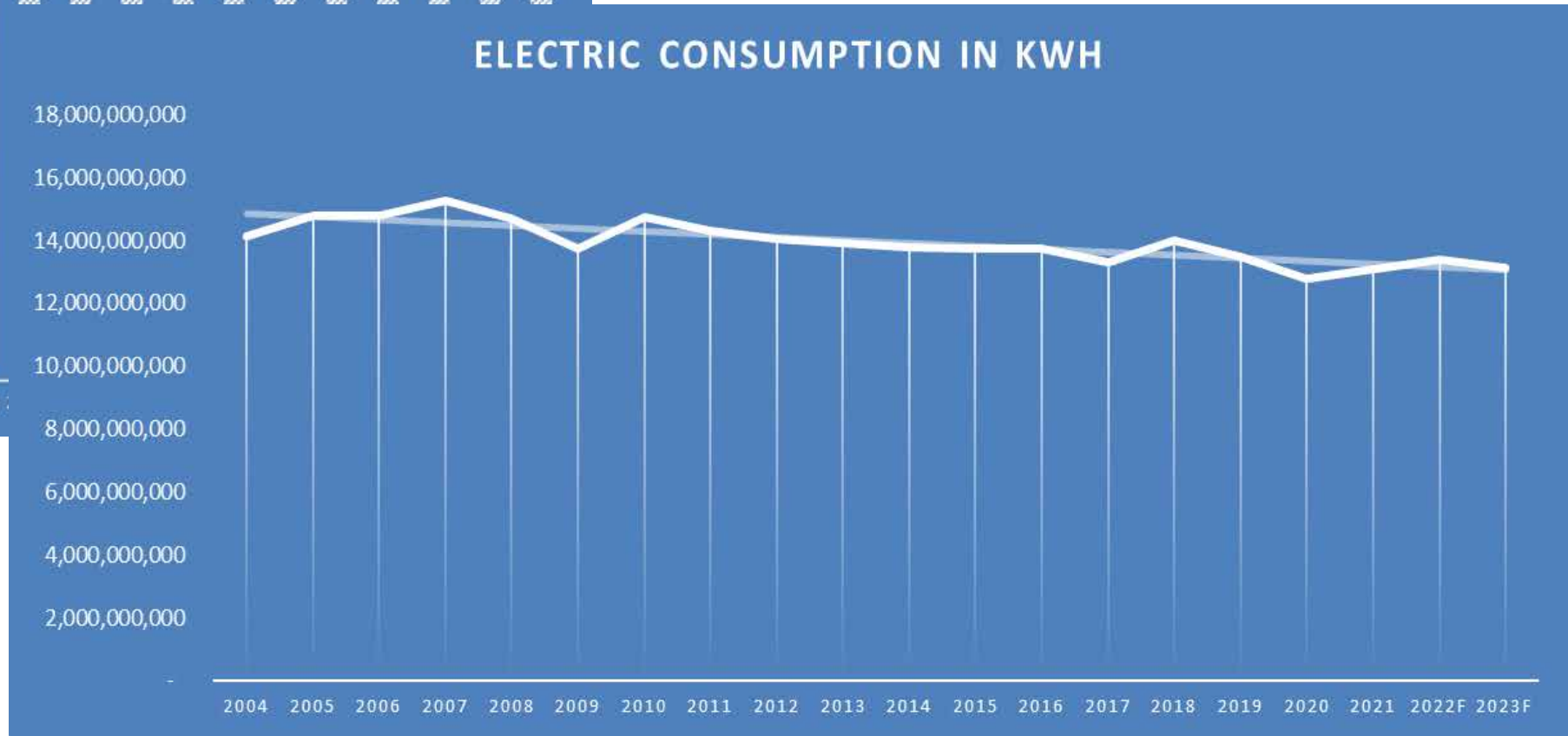
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- Days of cash
  - Target minimum of 45 days
  - Government Finance Officers Association (GFOA) best practice recommendation target minimum is 90 days
- Change in net position
  - Target is to have positive change in net position
  - State law prohibits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

# Electric Customer and Sales trends

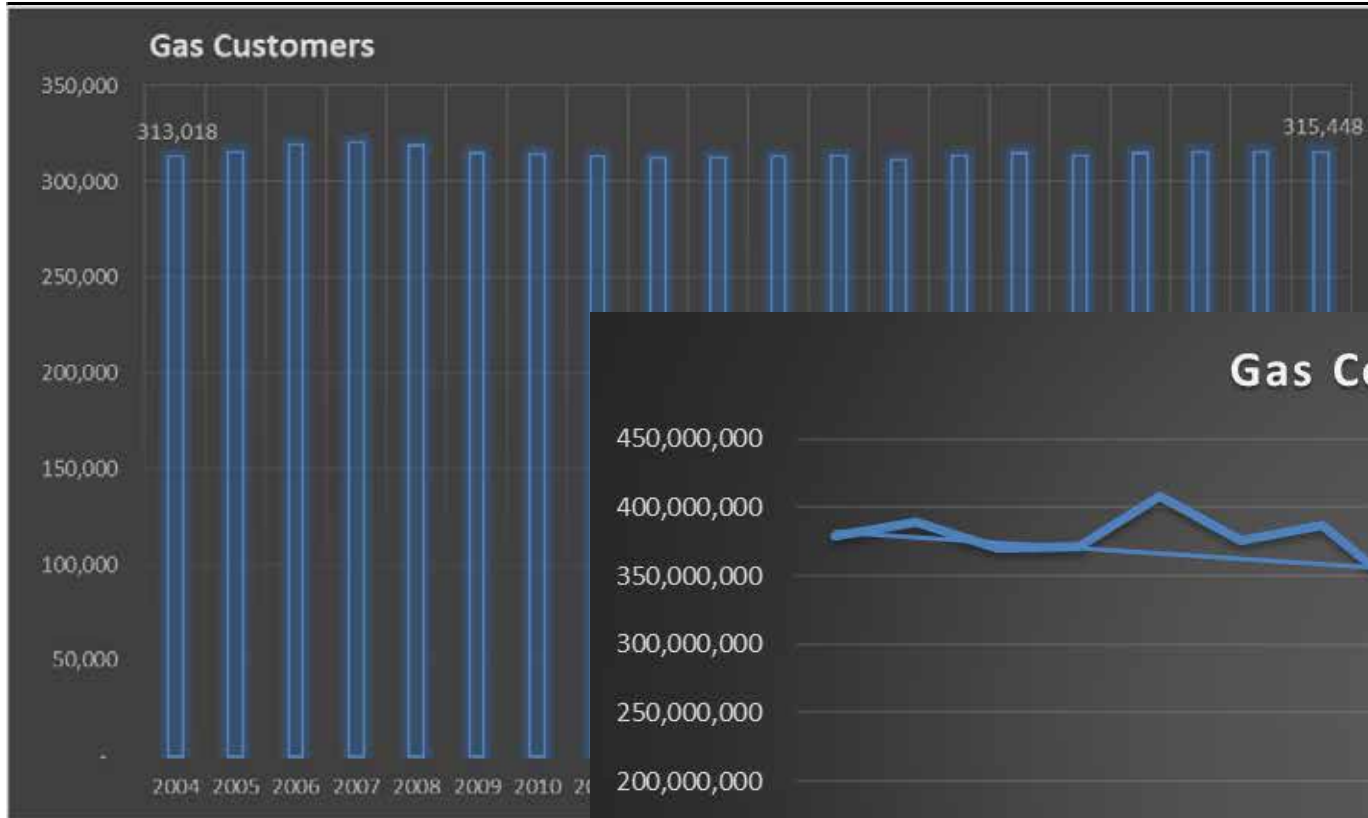


- 5 Year Compound Annual Growth Rate (CAGR) of 0.39% for customers.
- 5 Year CAGR of sales of -1.24%.

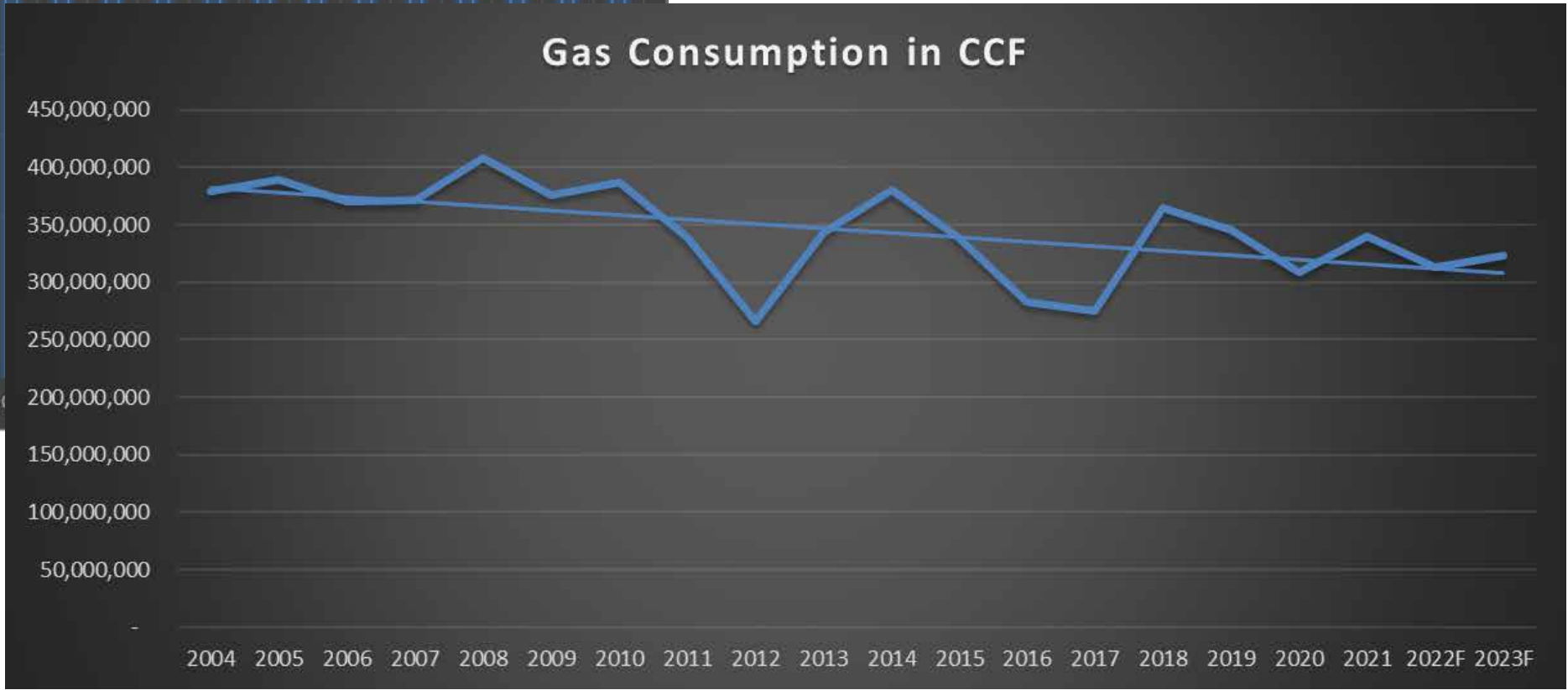




# Gas Customer and Sales trends

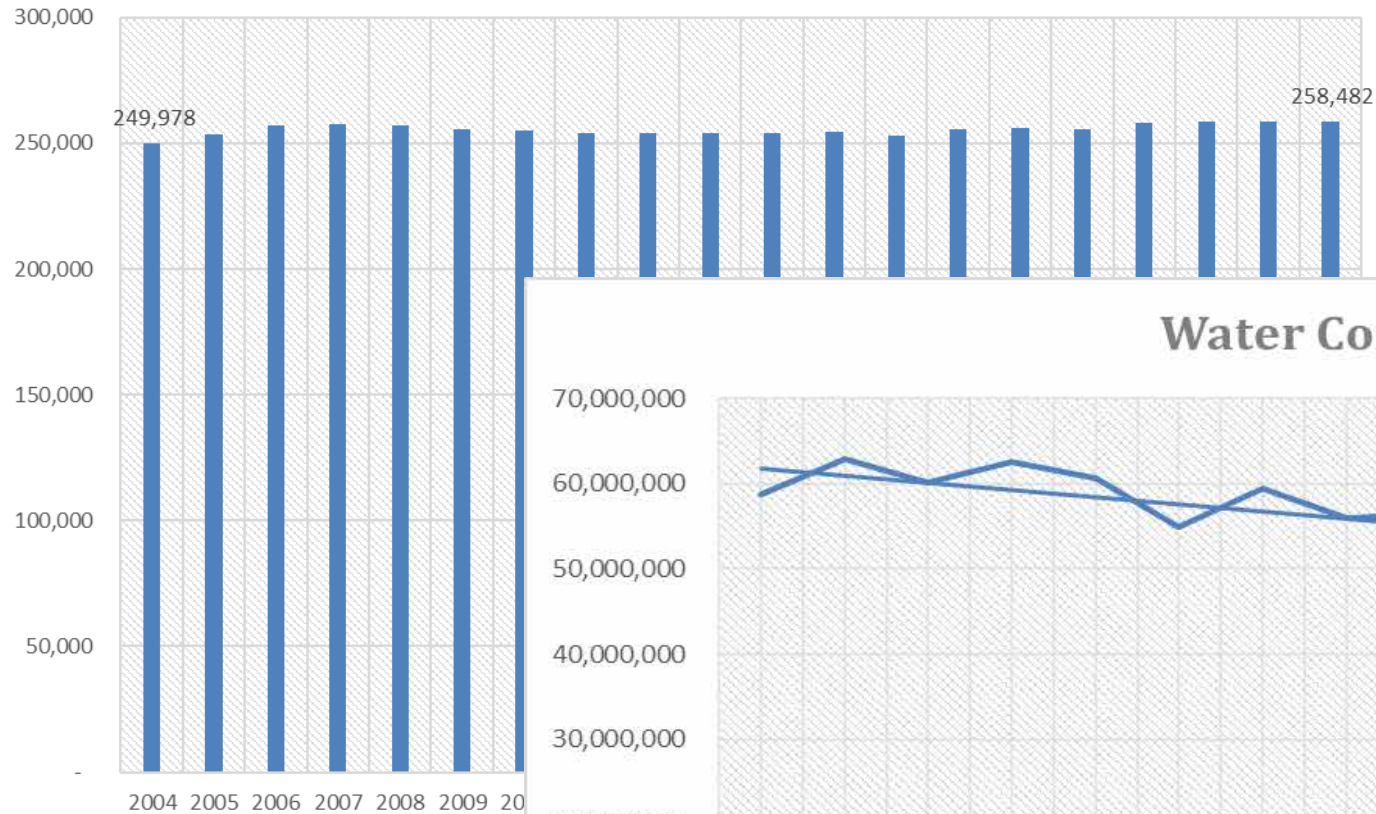


- 5 Year Compound Annual Growth Rate (CAGR) of 0.04% for customers.
- 5 Year CAGR of sales of -2.41% (primarily weather impacted).



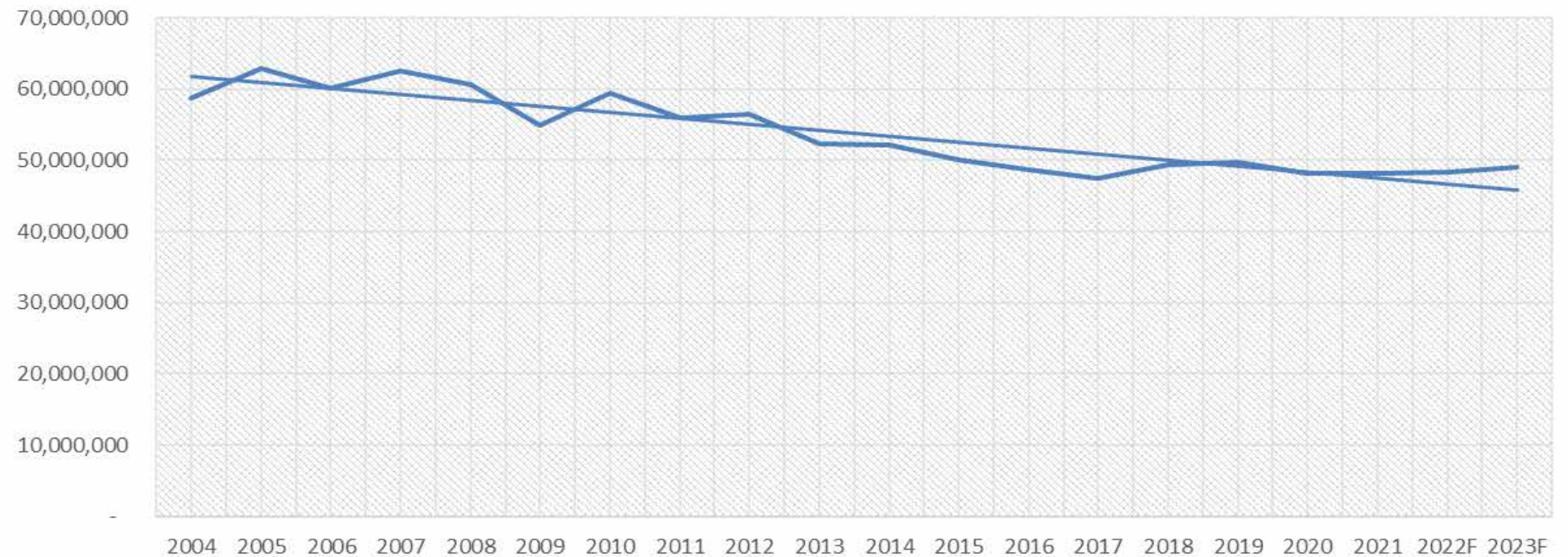
# Water Customer and Sales trends

**Water Customers**



- 5 Year Compound Annual Growth Rate (CAGR) of 0.18% for customers.
- 5 Year CAGR of sales of -0.14%.

**Water Consumption in CCF**





# Electric Division Cash Flow Projection

Electric Division - 2023 Budget	2022	2023	2024	2025	2026	2027
Ending Cash & Investments	372,546	236,089	272,808	259,187	266,889	318,959
Days Cash of OpExp	99	62	71	67	68	80
Debt Service Coverage	7.29	6.03	3.43	4.82	6.02	7.05
Change in Net Assets (Net Income)	56,391	24,896	(9,754)	33,090	69,421	99,319
Capital Expenditures	\$97,107	\$208,817	\$152,648	\$143,262	\$113,780	\$102,312
O&M Expenditures	\$215,800	\$243,246	\$265,793	\$274,592	\$284,582	\$294,953
Rate Increase %	1.5%			4.0%	3.5%	3.0%
Rate Increase Revenue	\$20,073			\$56,479	\$51,396	\$45,595
Debt Issuance	\$0	\$0	\$200,000			
Average Residential Bill Impact	\$1.92			\$5.60	\$5.10	\$4.52

# Gas Division Cash Flow Projection

Gas Division - 2023 Budget	2022	2023	2024	2025	2026	2027
Ending Cash & Investments	148,815	164,078	130,974	113,910	93,605	85,407
Days Cash of OpExp	175	189	146	125	102	91
Debt Service Coverage	5.62	4.55	3.59	3.23	2.81	4.58
Change in Net Assets (Net Income)	8,367	(2,793)	(13,992)	(19,631)	(25,935)	(11,119)
Capital Expenditures	\$19,344	\$21,745	\$40,796	\$17,542	\$15,640	\$19,569
O&M Expenditures	\$91,686	\$100,609	\$109,931	\$113,453	\$117,534	\$121,769
Rate Increase %	2.0%					9.0%
Rate Increase Revenue	\$4,354					\$20,943
Debt Issuance						
Average Residential Bill Impact	\$0.74	\$0.00	\$0.00	\$0.00	\$0.00	\$4.95

# Water Division Cash Flow Projection

Water Division - 2023 Budget	2022	2023	2024	2025	2026	2027
Ending Cash & Investments	109,226	126,660	103,140	58,126	64,335	63,332
Days Cash of OpExp	448	481	360	197	211	201
Debt Service Coverage	5.44	4.61	3.70	3.33	1.76	2.38
Change in Net Assets (Net Income)	27,439	20,495	12,086	8,348	301	8,903
Capital Expenditures	\$24,038	\$38,461	\$42,324	\$60,561	\$56,259	\$60,019
O&M Expenditures	\$76,967	\$84,027	\$92,235	\$95,316	\$98,798	\$102,412
Rate Increase %	5.0%					10.0%
Rate Increase Revenue	\$5,790					\$12,573
Debt Issuance					\$100,000	
Average Residential Bill Impact (W1)	\$0.91	\$0.00	\$0.00	\$0.00	\$0.00	\$1.92

# Budget Schedule

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- Preliminary presentation to MLGW Board, 10/5
- MLGW Board vote, 10/26
- MLGW City Council Committee, 11/15
- Full Council Meetings remaining for 2022 thereafter:
  - 12/6
  - 12/20

# Budget Summary

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- No MLGW rate increases
- MLGW continues to execute the five-year Way Forward Plan as approved by the Board and the Memphis City Council
- Adding personnel and call center contract to increase front line customer service levels
- Adding engineering and technical personnel to help plan and design enhanced reliability initiatives
- Continued investment in infrastructure and taking advantage of grant funding when available



# Questions

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# Appendix

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# MLGW Five-Year Plan Update

August 23, 2022

*\* Data as of August 2022 meeting.*





# Operational Dashboard

Labor Reductions	Labor Savings	Total Other Operational Savings	Total Operational Savings	Procurement Timeline	Procurement Bids
2022 FTE Target	2022 FTE Target	2022 Annual Target	<b>2022 Annual Target</b>	Days to Complete Target	Bids per RFP Target
75	\$7,100	\$11,521	<b>\$18,621</b>	215	3.0
2022 YTD Actual	2022 YTD Actual*	2022 YTD Actual*	<b>2022 YTD Actual*</b>	2022 YTD Actual	2022 YTD Actual
0	\$3,334	\$7,681	<b>\$11,015</b>	235	3.7
0%	47%	67%	<b>59%</b>	109%	123%
% of Annual Target	% of Annual Target	% of Annual Target	<b>% of Annual Target</b>	% of Annual Target	% of Annual Target
375	\$67,200	\$24,500	<b>\$91,700</b>		
Cumulative Target	Cumulative Target	Cumulative Target	<b>Cumulative Target</b>		
152.0	\$13,696	\$19,202	<b>\$32,898</b>		
Cumulative Actual	Cumulative Actual	Cumulative Actual	<b>Cumulative Actual</b>		
40.5%	14.9%	78.4%	<b>35.9%</b>		
% of Cumulative Target	% of Cumulative Target	% of Cumulative Target	<b>% of Cumulative Target</b>		

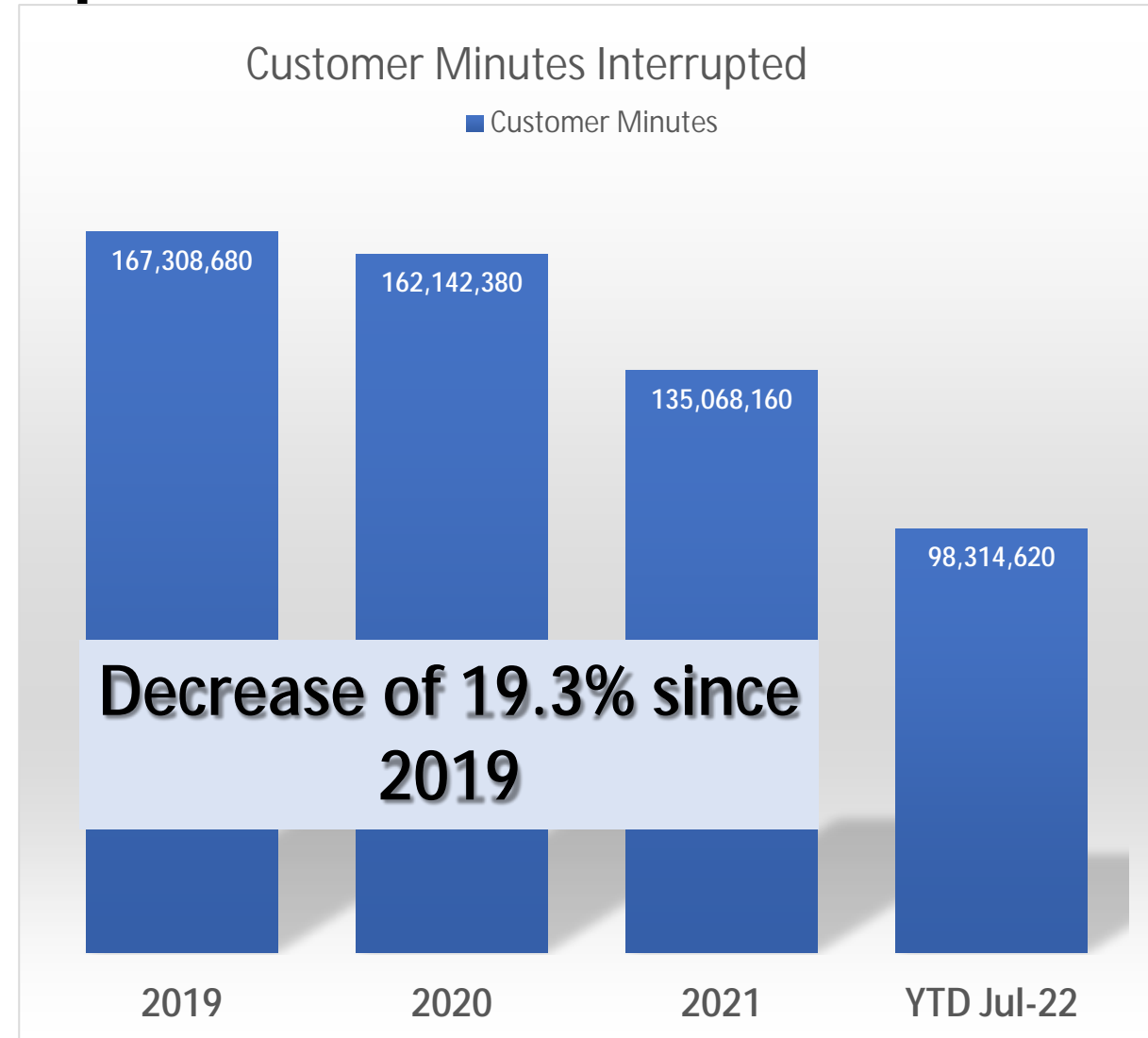
# Electric Division Selected Projects

Electric Division	Metric	2022 YTD Actual	2022 Target	Cumulative Five Year Actual	Cumulative Five Year Target	% of Annual Target	% of Project Complete	% of Cumulative Target	Notes/Issues/Updates
Tree trimming	Miles trimmed	190.5	1400	1433.3	7000	13.6%	13.6%	20.5%	8/15/22 - 190.5 miles (+24.7), 54 total crews, still in negotiations with Asplundh (may be adding 3 crews next week), ABC adding 1
Wood poles replaced	# of Poles	505	600	1624	2600	84.2%	84.2%	62.5%	8/15/22 - 505 YTD (+59)
Distribution Automation deployment	# of units installed (designed/installed)	83	336	215	1100	24.7%	24.7%	19.5%	8/17/22 - Dashboard info: 134 designs completed, 94 devices installed, 83 (+11) devices commissioned; slow down on installs due to materials, expecting to get connectors in at the end of Aug; Burns & Mc contract was approved, looking at communications study and change mgmt; SCADA points contract was approved and access points are now available for commissioning (OSI may be able to assist as labor was included)
Substation Breaker replacements	# of units installed	12	15	33	60	80.0%	80.0%	55.0%	8/17/22 - 12 complete, 7 in progress
Substation Transformer replacements	# of units installed	1	2	11	20	50.0%	50.0%	55.0%	8/17/22 - 1 complete, 4 in progress (5335 A, B & C-phase transformers all at Sub 5), 6557 transformer at Sub 6
Underground cable replacements	Feet of cable (designed/installed)	37,582	89,870	131,147	392,400	41.8%	51.0%	33.4%	8/17/22 - 3,950 cut over this reporting period, 3 full time inspectors vacate; waiting on 3 retiree positions to fill; still experiencing some material issues (hand holes, #2 elbows, tap kits, terminal bars, 2in straps); Don will confirm but believe we have enough jobs released to meet this year's goal (96k in construction/complete, approx 60k in design)

# Electric Reliability: Five-Year Improvement Plan

## Areas of Focus

- Replacement of Defective UG Cable
- Wood Pole Management
- Tree Trimming
- Aging Substation Equipment
- Automation of Distribution System
- Hardening of OH Electric System



# Gas Division Selected Projects

Gas Division	Metric	2022 YTD Actual	2022 Target	Cumulative Five Year Actual	Cumulative Five Year Target	% of Annual Target	% of Project Complete	% of Cumulative Target	Notes/Issues/Updates
Steel tap replacements	# of units R/P	477	1000	1264	2050	47.7%	68.0%	61.7%	8/15/22 - 477 (+36); construction expects to get to the goal
Gas Transmission & Extra HP Pipelines	Miles completed	0	0.72	0.7	5	0.0%	63.0%	14.0%	8/15/22 - 100% design, 100% material ordered, 100% received, 25% construction; all pipe installed
Regulator Stations	# of Stations	0	2	5	12	0.0%	50.0%	41.7%	8/15/22 - 100% design, 100% material ordered, 96% received, 0% construction; Airways is started and larger of the two, second is smaller project

# Water Division Selected Projects

Water Division	Metric	2022 YTD Actual	2022 Target	Cumulative Five Year Actual	Cumulative Five Year Target	% of Annual Target	% of Project Complete	% of Cumulative Target	Notes/Issues/Updates
Production Wells	# of new wells	1.95	3	8	14	65.0%	65.0%	57.1%	8/17/22 - Davis Well 427 In service. Davis Well 410 in water testing. Morton Well 604A GC is working on foundations. Electric finalizing design. Mallory Well 22D is waiting on distribution tie-in and electric tie in. McCord 255A Drill contractor has moved on site.
Station rehabilitation	% progress	0%	TBD	TBD	TBD	TBD	TBD	TBD	8/17/22 - HDR onsite this week. Currently doing McCord, Lichterman, Sheahan and Davis condition assessments.
Lead service line replacements/removals	# of services installed	652	1000	2169	5000	65.2%	65.2%	43.4%	8/15/22 - 652 YTD (+82)
Digital Process Control Systems	# of units installed	1	2	1	7	50.0%	50.0%	14.3%	8/17/22 - Allen is currently active and in progress. Lichterman DPC is complete. Morton & Palmer DPC Panels and cabinets PO are issued. Contractor to start prep work for installs.
VFD Replacements	% progress	1	2			50.0%	50.0%		8/17/22 - Allen VFD has been installed. Shaw VFD has been delivered and contractor is onsite wiring up for motor and VFD. Morton VFD has been delivered but has to wait for off-peak season to complete install.
Mallory Washwater Recovery Basin	% progress	95%	100%			95.0%	95.0%		8/17/22 - Electric tie in for decant pumps in progress. WO in Job Site Ready. Waiting on two large valves to be delivered to get installed before WWRB can be completed and put into service. Estimated 12 weeks to delivery, late October. Valves have been delayed due to supply chain backup.

# Water Division Station Rehabilitation Project

Infrastructure Assessment Project					
Project Name	Phase 1 Scoping	Phase 2 Prep & Planning	Phase 3 Evaluation	Phase 4 Final Reports	Issue - Executive Summary
Hydraulic Water Model Update	\$258,780.00	100%	100%	95%	Model is calibrated and returned.
Pump Analysis	\$113,030.00	100%	100%	90%	Pump technical memo and report has been delivered to MLGW.
Filter Media Analysis	\$380,650.00	100%	100%	95%	Had final review meeting with results.
Allen & Shaw Condition Assessments	\$255,739.00	100%	100%	100%	Allen & Shaw final report delivered.
Condition Assessments (Remaining Pumping Stations)	\$501,420.00	0%	0%	0%	On site this week. Currently doing McCord, Lichterman, Sheahan and Davis
Well Field Analysis	\$81,245.00	80%	15%	0%	Evaluation in Process

# Summary

- Improvements in Procurement timeline and Procurement bids.
- Electric Division
  - Challenges continue in Tree Trimming.
- Gas Division
  - Shifting efforts and resources to Steel Tap Replacements.
  - Applied for Infrastructure Investment & Jobs Act 2021 (IIJA) funding of \$59.33 million to assist with Way Forward projects.
- Water Division
  - Received notification of \$39.5 million in American Rescue Plan grant funding for various water projects.
  - Received the HDR final report regarding Allen and Shaw pumping stations.
  - Engineering Services contracts related to the new Allen Pumping Station Design and Filter Media upgrades have been approved.