



**Electric Power Board Meeting**  
**Wednesday, 5/28/2025**  
**8:30 - 10:00 AM CT**  
**Board Chair Michael Vandenberg**

**1. Call to Order**

*Call to Order - Page 4*

**2. Public Comment Period - David Frankenberg**

*Public Comment Period - Page 5*

**3. Committee Report**

*Committee Reports - Page 6*

**a. Audit and Ethics Committee**

*Audit and Ethics Committee - Page 7*

**4. Consent Agenda**

*Consent Agenda - Page 8*

**a. Recommendation for approval of minutes from the regular meeting held April 23, 2025**

*Electric Power Board Minutes - April 23, 2025 - Page 9*

**5. Discussion Items**

*Discussion Items - Page 18*

**a. Recommendation for approval of Company Memberships - Laura Smith**

*Recommendation for approval of Company Memberships - Page 19*

**b. Procurement Transformer Update and Recommendation for approval of Blanket Contract Extensions - Amanda Cochran**

*Procurement Transformer Update and Recommendation for approval of Blanket Contract Extensions - Page 20*

**c. Recommendation for approval of the Operating and Maintenance Budget for Fiscal Year 2026 and Capital Budget for Fiscal Years 2026 and 2027 - David Frankenberg and Matt Kiser**

*Recommendation for approval of the Operating and Maintenance Budget for Fiscal Year 2026 and Capital Budget for Fiscal Years 2026 and 2027 - Page 21*

**i. Fiscal Year 2026 Annual Budget Presentation**

*Fiscal Year 2026 Annual Budget Presentation - Page 37*

**ii. Operating and Capital Budgets Recommendation**

*Operating and Capital Budget Recommendation - Page 45*

**d. Recommendation for approval of Purchases - David Frankenberg**

*Purchases - Page 46*

**6. Financial Report - David Frankenberg**

*Financial Report - Page 51*

**7. Quarterly Asset Managers Report - David Frankenberg**

*Quarterly Asset Manager's Report - Page 54*

**8. Quarterly Home Uplift and Power of Change Update – Jay Neal**

*Quarterly Home Uplift and Power of Change Update - Page 57*

**9. Quarterly Operations Report - Daniel Johnson**

*Quarterly Operations Report - Page 59*

**10. Monthly Encompass Program Update - Brent Baker**

*Monthly Encompass Program Update - Page 62*

**11. Strategic Plan Update - Laura Smith**

*Strategic Plan Update - Page 67*

**12. President's Report - Teresa Broyles-Aplin**

*President's Report - Page 68*

**13. Miscellaneous**

*Miscellaneous - Page 71*

**14. Recess to Civil Service Board Meeting**

*Recess to Civil Service Board Meeting - Page 72*

**15. Consent Agenda**

*Consent Agenda - Page 73*

**a. Recommendation for approval of the minutes from the Civil Service meeting held April 23, 2025**

*Civil Service Minutes - April 23, 2025 - Page 74*

**16. Discussion Items**

*Discussion Items - Page 76*

**a. Recommendation for approval of a Civil Service Rules and a Policy Manual Revision to increase the Compensatory Time Maximum - Dr. Trish Holliday**

*Recommendation for approval of a Civil Service Rules and a Policy Manual Revision to increase the Compensatory Time Maximum - Page 77*

**i. Revisions Redline**

*Revisions Redline - Page 78*

**17. HR - Corporate Services Workforce Update - Dr. Trish Holliday**

*HR - Corporate Services Workforce Update - Page 80*

**18. Civil Service Annual Report - Dr. Trish Holliday**

*Civil Service Annual Report - Page 81*

**19. Miscellaneous**

*Miscellaneous - Page 82*

**20. Adjournment of Civil Service Board Meeting**

*Adjournment of Civil Service Meeting - Page 83*

**21. Reconvene to ratify actions taken by the Civil Service Board**

*Reconvene to ratify actions taken by Civil Service Board - Page 84*

## **22. Adjournment of Electric Power Board Meeting**

*Adjournment of Electric Power Board Meeting - Page 85*

## Call to Order

## Public Comment Period

## Committee Reports

## Audit and Ethics Committee

## Consent Agenda



**MINUTES OF THE  
ONE THOUSANDTH THREE HUNDREDTH AND SIXTY THIRD MEETING  
ELECTRIC POWER BOARD OF THE METROPOLITAN  
GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY  
HELD APRIL 23, 2025**

The regular meeting of the Electric Power Board was held on Wednesday, April 23, 2025.

Members present: Board Chair Michael Vandenberg, Rob McCabe, and Anne Davis; Members Casey Santos and Clifton Harris attended virtually

Officers present: Teresa Broyles-Aplin, David Frankenberg, Laura Smith, Brent Baker and Dr. Trish Holliday

Board Chair Michael Vandenberg called the meeting to order at 8:11 a.m.

**PUBLIC COMMENT PERIOD**

David Frankenberg informed the Board that there was one public speaker for the month of April, Nikki Bennett, who wished to speak regarding frequent outages.

**COMMITTEE REPORTS**

*Legal Committee*

Board Chair Vandenberg reported that the Legal Committee met this morning and received a Quarterly Legal Report.

*Audit and Ethics Committee*

Committee Chair Rob McCabe stated that the Audit and Ethics Committee met this morning and approved the Audit and Ethics Committee minutes from the meeting held March 26, 2025.

The Committee received a Controls and Compliance Integrity Line Update, a review of the Audit and Ethics Committee Calendar, and the following four internal audit reports from Kraft CPA's:

- Infrastructure Design and Construction
- FY25 Board, Executive and Employee Accounts
- Contract Administration PATH Company
- Contract Administration BG Staffing

There was no motion to enter into an executive session.

**RECOMMENDATION FOR APPROVAL OF THE MINUTES FROM THE ELECTRIC POWER BOARD MEETING HELD MARCH 26, 2025**

Upon motion by Member Davis and seconded by Member Harris the Board approved the minutes from the Electric Power Board meeting held March 26, 2025, with five ayes and zero nays.

## **PURCHASES**

Mr. Frankenberg presented management's recommendation for approval of a list of purchases and contracts (greater than \$50,000) in the amount of \$5,439,160.23. This included \$2,121,596.23 of purchases and contract additions throughout the month that were between the \$50,000 and \$250,000 threshold that were approved by management.

Upon motion by Member McCabe and seconded by Member Davis, the Board approved the list of purchases and contracts with five ayes and zero nays. This list consists of four pages and has been attested to on each page by the signature of the Secretary and is attached hereto as "Appendix A"<sup>1</sup> to these minutes. Total cost of purchases and contracts, as approved, amounts to \$5,439,160.23.

## **FINANCIAL REPORT**

Mr. Frankenberg reported that for the first nine months of the fiscal year, operating revenues were \$1.2 billion, offset by purchased power of \$814 million, resulting in a sales margin of approximately \$370 million. He stated that it was favorable to budget by \$32 million mainly due to higher than anticipated retail degree days.

Mr. Frankenberg stated that on the expense side, operating expenses were positive by approximately \$174 million excluding purchased power which is favorable to budget by \$32 million due to cost-effective retirement costs, tree trimming levels, and IT shared services. There was a net gain of approximately \$66 million favorable to budget and cash on hand was \$509 million. He reported that Capital spend was \$153 million versus \$255 million, and the debt service coverage was 4.4 outperforming the target of 2.0. Mr. Frankenberg noted that the Fiscal Year 2026 annual budget will be brought before the Board for approval next month.

Chair Vandenberg asked if any issues are expected with the recent down draft in the market and the potential increase in inflation. Mr. Frankenberg responded that the recent market and tariff tensions have been an extreme guessing game while putting together the budget, but a long-term strategy has been created that we think will work which includes possible inflationary impacts.

Member Davis commented that prices may increase regardless if we purchase items that are manufactured overseas and asked if NES purchases many items abroad. Mr. Frankenberg replied that in the transformer space, NES has previously purchased from Canada and Mexico.

## **MONTHLY ENCOMPASS PROGRAM UPDATE**

Brent Baker presented the first Encompass Program Update since Go-live which occurred on March 30. He recognized key members of the core team which were in the audience and thanked them for their extensive work and dedication to the project.

Mr. Baker explained the hypercare efforts developed in an effort to resolve any issues Post Go-Live. He stated that there is a floorwalker team of 52 onsite experts available for real-time support.

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<sup>1</sup> Appendix A Electronically Filed

He reviewed the stabilization metrics of the new system and said the fixes are tapering into normal change cycles as stabilization matures. Member Santos asked if the assists are because of a need for more training because it is a new system, or if it is due to defects. Mr. Baker responded that it was mostly familiarization, but there were also defects which is what hypercare was focused on and said the team has gone through the defect remediations promptly.

Mr. Baker stated that there has been an average of 10,000 users a day logging into the digital self-service e-portal. Member Santos asked if this is a new capability. Mr. Baker replied yes, although some aspects existed in a different form.

Teresa Broyles-Aplin commented that there have been a lot of hands on deck to make this project happen. She noted that the NES employee core team that is here today are the ones that have been dedicated from the beginning of the project years ago. She commended the team for their commitment in making this project successful.

Member Santos acknowledged the team for their hard work and stated that this was a transformational project and transformational projects are hard. She said the team handled it with grace and she was awed at their accomplishments.

Chair Vandenberg thanked Mr. Baker and Mr. Frankenberg for leading the effort and gave his appreciation to Ms. Broyles-Aplin for getting the team in place.

## **QUARTERLY CORPORATE COMMUNICATIONS ACTIVITY REPORT**

Mr. Baker presented the Quarterly Corporate Communications Activity Report and reviewed samples of Q4 media relations activities to include social media posts which garnered the highest engagement. He reported that during the April 5-7 severe weather event, NES' crisis communications approach provided the media, elected officials, and customers with consistent and reliable hourly updates.

He congratulated the team of NES Lineworkers who competed at the American Public Power Association's Lineworkers Rodeo and noted that two of the NES teams had perfect performances.

Member McCabe asked if NES collaborates with Ronald Roberts and his team at Finn Partners on these projects. Mr. Baker replied yes, Finn Partners assists NES with developing communication strategies.

## **QUARTERLY SUSTAINABILITY UPDATE**

Kat Pohlman presented the Quarterly Sustainability Update which highlighted several items in the 2025 Community Impact Report, an analysis of rooftop solar, an upcoming Silicon Ranch community meeting on the Magnolia Solar Array project and discussion of the Energy to Communities Partnership.

Member Davis commented, regarding rooftop solar, that NES will be looking at several different projects in the future and asked if Ms. Pohlman would provide more information.

Ms. Pohlman replied that the triple bottom line analysis is a great tool to look at all of the different aspects of a project and to have those deep conversations. She said the tool can be used for most anything including its potential use with electric vehicles to provide fleet benefits.

Mr. Baker added, regarding solar rooftops in our territory, we are looking around for those establishments that are adaptable and if they are not compatible immediately, we will have them on a shelf for when it may be more comprehensible.

Chair Vandenberg asked, if I am a customer that is worried about the cost of my monthly power bill, how does a project like Magnolia Solar benefit me. Mr. Frankenberg replied that Magnolia Solar provides a significant cost advantage because the price we are procuring is well below TVA's wholesale rate. Regarding rooftop solar, we use avoided costs for those customers who are under the TVA Flexibility Program. It has been our approach that we are not going to pay above TVA's cost, and we are looking at the components of the power bill to ask what it is worth for NES to acquire energy from that customer.

Mr. Baker added that the analysis that we are performing is setting us up for future battery projects or anything that may need a complete analysis to see what the impact may be. We would like to find a long-term total cost of ownership that benefits our customers.

Member Davis asked if avoided costs are the same as wholesale costs. Mr. Frankenberg replied no and explained that not all components of what we pay do we benefit from. He stated that NES may buy power from TVA at any part of the day where rooftop solar will support demand in the summer months but will not help during the winter months.

Member Harris asked what the workforce opportunities are around rooftop solar. Ms. Pohlman stated that she reviewed the Tennessee Advanced Energy Business Council to see how they quantified the different business opportunities. She stated that whether it may be people installing solar or those on the technology side that implement technologies to measure it, their work is really for the Tennessee Valley and the State of Tennessee. She stated that the scope was narrowed down to the Nashville area to see its impact on our service territory.

## **QUARTERLY SUPPLIER DIVERSITY REPORT**

Amy McGlothter reported that total Supplier Diversity payments for the third quarter of FY2025 were \$9,957,115 and represented fourteen percent of the total spend. The total supplier diversity spend for the third quarter of FY2025 included purchases of goods and services from 122 diverse business enterprises. She stated that the overall supplier diversity spend goal, and the minority spend goal, were both met for the quarter. A detailed report was provided in the board materials.

## **QUARTERLY COMMUNITY INVOLVEMENT AND ECONOMIC DEVELOPMENT REPORT**

Laura Smith provided the Community Involvement and Economic Development Report for the third quarter of FY2025. She reported that NES contributed \$52,000 to Community Involvement activities which contributed support to thirteen local organizations. Economic Development payments went to Partnership 2030 in the amount of \$54,918. She reminded the Board that the funds are generated from non-electric revenues.

## **PRESIDENT’S REPORT**

Teresa Broyles-Aplin presented the President’s Report and congratulated the Service Advisors of the Month and those that earned Pacesetter status. She reported on various community involvement activities in which NES employees have recently participated in and reviewed several conferences and workshops that were recently attended.

Ms. Broyles-Aplin welcomed fourteen engineering students to the Summer 2025 Internship Program to gain firsthand experience across NES departments. She reported that Ethan Jackson, son of Sean Jackson in Energy Services, is a recipient of one of the TVA Power Play Scholarships this year.

Ms. Broyles-Aplin announced that Brent Baker has been appointed as the new Executive Vice President-Chief Operations and Innovation Officer. She asked the Board to join her in welcoming Brent to his new role.

## **MISCELLANEOUS**

There were no miscellaneous items to report.

## **RECESS AND RECONVENE**

At this point, the Board recessed and reconvened to ratify the actions taken by the Civil Service Board.

Upon motion by Member McCabe and seconded by Member Davis, the Board ratified the actions taken during the Civil Service Board meeting with five ayes and zero nays.

## **ADJOURNMENT**

The meeting adjourned at 9:09 a.m.

Attest:

Approved,

Secretary

Board Chair

April 23, 2025


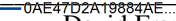
Appendix “A”

Approval of Purchases and Contracts  
at the Meeting on Wednesday April 23, 2025

Management recommends Board approval  
of the following purchases and contracts:

Total Materials and Supplies Purchases	\$1,127,564.00
Total Contracts and Services	\$1,450,000.00
Total Additions, Extensions, and Changes	\$740,000.00
Total Ratified Purchases and Contracts	\$2,121,596.23
TOTAL	\$5,439,160.23
Total Sales	\$568,159.30

<u>Ethnic/Gender/Size</u>	<u>Amount</u>
Caucasian, female, large	N/A
Caucasian, female, small	\$62,000.00
Caucasian, male, small	\$344,928.00
Hispanic, female, small	\$450,000.00
Supplier Diversity Program Total	\$856,928.00
Note: Vendors not otherwise indicated are not part of the NES Supplier Diversity Program.	

Signed by:   
Attested By:   
David Frankenberg, Secretary

All above items have been processed in accordance with Board approved policy and applicable rules and regulations.

April 23, 2025

**MATERIALS AND SUPPLIES PURCHASES**

<b><u>Item Description</u></b>	<b><u>Vendor</u></b>	<b><u>Amount</u></b>	<b><u>Type Contract</u></b>	<b><u>Bids Received/Sent</u></b>
Insulator, Polymer, Vertical Line (3,600)	Wesco Distribution	\$260,264.00	Competitive Blanket	3/9
<b>Senstar Perimeter Intrusion Detection Systems</b>	<b>Anixter, Inc.</b>	300,000.00	Competitive (3 Years) Sole Brand	2/12
Switch, Pad Mount, PMH-12, 125BIL, 600A, 25KV LB (15)	Stuart C. Irby	567,300.00	Competitive	3/4
<b>TOTAL</b>		<b>\$1,127,564.00</b>		

**CONTRACTS AND SERVICES**

<b><u>Item Description</u></b>	<b><u>Vendor</u></b>	<b><u>Amount</u></b>	<b><u>Type Contract</u></b>	<b><u>Bids Received/Sent</u></b>
Merchandise for Company Store and Miscellaneous Events	Blink Marketing, Inc. <i>Hispanic, female, small</i>	\$450,000.00	Competitive (3 Years)	4/14
Paving Related to Central Substation	Jones Bros. Contractors	1,000,000.00	Metro Contract (1 Year)	N/A
<b>TOTAL</b>		<b>\$1,450,000.00</b>		

**ADDITIONS, EXTENSIONS, AND CHANGES**

<b><u>Item Description</u></b>	<b><u>Contractor</u></b>	<b><u>Additional Amount</u></b>	<b><u>Change Requested</u></b>
Develop and Administration of Safety Manual Test	Ramsay Corporation <i>Caucasian, male, small</i>	\$30,000.00	Addition (New NTE \$305,000.00)
Encompass C2M Project Implementation Consultant	Lois J Stark	150,000.00	Addition (New NTE \$602,760.00)
Interpretation and Translation Services	Lionbridge	360,000.00	Addition (New NTE \$660,000.00)
Legal Services	Bass, Berry and Sims PLC	50,000.00	Addition (New NTE \$350,000.00)
Milestone eNeighbor Software Module	I3-Milestone	0.00	Extension (1 Year)
Security Guard Service	Walden Security <i>Caucasian, female, large</i>	0.00	Extension (2 Months)

Signed by:



Attested By:

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David Frankenberg, Secretary

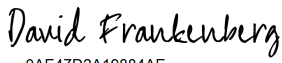
All above items have been processed in accordance with Board approved policy and applicable rules and regulations.

April 23, 2025

Small Motor Repair	Industrial Service of Nashville	150,000.00	Addition New NTE \$270,000.00)
<b>TOTAL</b>		<b>\$740,000.00</b>	

**RATIFIED PURCHASES AND CONTRACTS**

<u>Item Description</u>	<u>Vendor</u>	<u>Amount</u>	<u>Type Contract</u>	<u>Bids Received/Sent</u>
<b>Architectural Review and Data Readiness Assessment for Movement to the Utility Network</b>	<b>ESRI, Inc.</b>	\$145,000.00	<b>Sole Source</b> (1 Year)	N/A
Box Pad, Fiberglass, 48"x37 1/2" (312)	Gresco	167,232.00	Competitive	6/6
Cable, Copper, 600V EPR 500 1C (8,000 ft.)	Resitech Industries <i>Caucasian, male, small</i>	*164,928.00	Competitive	7/13
Collection Services for Property Damage Recovery	The Law Office of Jennifer McCoy <i>Caucasian, female, small</i>	50,000.00	Addition (New NTE \$100,000.00) Extension (1 Year)	N/A
Connector, Service Entrance (1,584)	Stuart C. Irby	75,176.64	Competitive	5/9
<b>Connector Straight Receptacle, BUS H C 25KV (121); Grounding Kit, CU Tape 750 (205)</b>	<b>Wesco Distribution</b>	107,893.00	<b>Competitive Sole Brand</b>	3/8
Connector Straight Receptacle, BUS Y CU 25KV (70)	Wesco Distribution	55,297.20	Competitive	4/7
Customer Behavior Change Advisory Services	Powering Potential <i>Caucasian, female, small</i>	12,000.00	Addition (New NTE \$60,000.00)	N/A
Document Shredding Service	Richards & Richards LLC	N/A	Extension (**1 Month)	N/A
Electrical Supplies	Border States Industries	N/A	Extension (1 Year)	N/A
Fuel, Oil and Other Fluid Systems Service and Parts	Nashville Equipment Service <i>Caucasian, male, small</i>	150,000.00	Competitive (2 Years)	1/5
<b>Line Module, 1470 NM SFP (42); Power Module, HV AC/DC 110-240V 92W (38)</b>	<b>Schweitzer Engineering Labs, Inc.</b>	121,044.94	<b>Competitive Sole Brand</b>	3/16

Signed by:  
  
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 David Frankenberg, Secretary

All above items have been processed in accordance with Board approved policy and applicable rules and regulations.



April 23, 2025


Lineworker Climbing Equipment	Altec Supply	90,000.00	Addition (New NTE \$150,000.00)	N/A
Medical Supplies	McKesson Medical-Surgical, Inc.	N/A	Extension (1 Year, 8 Months)	N/A
Photocell, Long-Life, Multivolt (8,400)	Gresco	115,248.00	Competitive <b>Blanket</b>	5/9
Pole, Wood, C1, 50 ft. (120)	Trans Canada Forest Products	79,200.00	Competitive	4/7
Pole, Steel, H3, 50' (15)	Stuart C. Irby	60,654.30	Competitive	6/9
Pole, Steel, H3, 65' (12)	Stuart C. Irby	69,780.00	Competitive	7/9
<b>Protected Line Module, Sel Icon (38); Server Module, Sel Icon (19)</b>	<b>Schweitzer Engineering Labs, Inc.</b>	114,586.15	Competitive <b>Sole Brand</b>	3/16
<b>Recloser, 27KV, Triple Single W FCI/Ground (4)</b>	<b>Gresco</b>	130,620.00	Competitive <b>Sole Brand</b>	1/3
Small Motor Repair	Industrial Service of Nashville	N/A	Extension (2 Years)	N/A
<b>Switch, Load Break, 1200 Amp (13)</b>	<b>S&amp;C Electric</b>	227,500.00	Competitive <b>Sole Brand</b>	2/12
Switch, Pad Mount, PMH-11, 125BIL, 600A, 25KV LB (6)	Wesco Distribution	185,436.00	Competitive	3/4
Third Party Administration and Case Management Services for Non-Work Related Disability Plan	Genex Services, Inc.	N/A	Extension (2 Years)	N/A
<b>TOTAL</b>		<b>\$2,121,596.23</b>		

\*Price includes a 20% contingency.

\*\*Total contract term is five (5) years and one (1) month.

**SALES**

<u>Item Description</u>	<u>Vendor</u>	<u>Amount</u>	<u>Type Sale</u>	<u>Bids Received/Sent</u>
Scrap Wire	Thornton Iron & Metal	\$568,159.30	Competitive	3/10
<b>TOTAL</b>		<b>\$568,159.30</b>		

Signed by:  
  
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 David Frankenberg, Secretary

All above items have been processed in accordance with Board approved policy and applicable rules and regulations.

## Discussion Items

## **RECOMMENDATION FOR APPROVAL OF COMPANY MEMBERSHIPS**

The NES Policy Manual requires that any company memberships for which the annual dues exceed \$50,000 require Board approval. (Policy Manual, Part I, Section 10(D)(1)(a).) NES is a member of four such organizations, the American Public Power Association (APPA), the Middle Tennessee Industrial Development Association (MTIDA) and the Tennessee Valley Public Power Association (TVPPA) and the Large Public Power Council (LPPC).

APPA is a membership organization representing more than 1,400 public power utilities, electric cooperatives, public power associations, and joint action agencies across the country and in U.S. territories. APPA works nationally to protect the interests of public power. They offer expertise and training on electricity policy, operations, technology, and industry trends, and they provide forums for the exchange of ideas and best practices. NES's annual dues are approximately \$150,000.00; dues are based on revenue and kWh.

MTIDA is an economic development agency funded by electric cooperatives, municipal electric systems, and natural gas distributors in Middle Tennessee. They represent and promote industrial development in 40 Middle Tennessee counties, providing plant location services in cooperation with the State of Tennessee Department of Economic and Community Development and the Tennessee Valley Authority. NES's annual MTIDA dues are approximately \$60,000.00, about half of which is reimbursable from TVA.

TVPPA is the nonprofit, regional service organization that represents the interests of consumer-owned electric utilities within the Tennessee Valley Authority's service area. TVPPA members include both municipal utilities and electric cooperatives, collectively serving more than 9 million people. TVPPA's mission is two-fold: to serve as an effective advocate for member interests and to be a successful independent provider of competitive business services. NES's annual dues are approximately \$60,000.00.

LPPC is comprised of 27 of the nation's largest public power systems. The membership includes CEO engagement in a variety of formats, including roundtable discussions. There are also opportunities for sharing of best practices and networking. LPPC has a large number of task force and working groups that engage many other members of the management team in meetings with their peers. NES's annual dues are approximately \$140,000.00. NES is also a member of the American Public Power Association and the Large Public Power Council. Management will defer recommendation regarding membership in those organizations to a later date.

Management recommends approval of the APPA, MTIDA, TVPPA, and LPPC memberships for the fiscal year ending June 2026.

## **RECOMMENDATION FOR APPROVAL OF TRANSFORMER PURCHASES**

Over the past two years, NES has seen moderate improvements in the distribution transformer supply chain compared to the severe constraints experienced in prior years. Many of the units received during this period stemmed from orders placed as far back as 2022. These extended lead times—often exceeding 24 months—continue to limit NES’s operational flexibility.

In 2024, a substantial influx of transformer deliveries temporarily stabilized inventory levels. However, demand across the utility industry remains elevated, driven by ongoing grid modernization, storm hardening initiatives, and broader electrification trends. These factors continue to strain an already fragile supply chain.

Raw material price volatility especially for electrical steel and copper—remains a key driver of cost increases. While global logistics have largely normalized since the pandemic, workforce constraints at manufacturing facilities persist, preventing production from returning to pre-2020 levels.

Although NES has a limited number of units on order with an overseas supplier, the vast majority of NES’s transformers are manufactured in the United States and have been largely unaffected by current tariff policies. This domestic sourcing strategy has helped mitigate some of the risks associated with international trade volatility.

Given these ongoing challenges and the critical importance of maintaining a reliable transformer supply for system resiliency and growth, Management recommends Board approval for a three-year extension of NES’s current contracts with Gresco, Central Moloney, Stuart C. Irby, and WEG along with funding totaling \$37,500,000 to support single phase and three phase, pole mount and pad mount distribution transformer purchases made during the extended contract period.



**Nashville Electric Service  
Budget Presentation  
Fiscal Year Ending June 30, 2026**



## BUDGET DISCUSSION

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### **Budget Overview**

The Operating & Maintenance (O&M) and Capital budgets are developed each year in a process from January through May and are presented together in a combined budget to the Board prior to July 1, as required by NES Bylaws. The budget is a collaborative effort between Financial Planning & Analysis, Revenue & Rates and includes input from all departments throughout the organization. The budget funds the highest priority projects and tasks necessary to achieve the goals while keeping costs and retail rates as low as possible.

### **Potential Budget Impacts**

Listed below are potential budget impacts facing NES during Fiscal Year 2026 and future years:

#### Economic impacts

- Evolving tariff impact
- Customer growth
- Improvements in energy efficiency
- Recession risk
- Market volatility and rate of inflation
- Technology improvements resulting in increased solar, wind and battery usage
- Global supply chain disruptions
- Electric vehicle rate of adoption
- Unexpected damage to or failure of grid or substations

#### Potential for increased power costs

- Evolution of contractual relationship between TVA and NES
- Wholesale purchased power rate changes and/or increases
- Increasing cost of fossil fuels
- Climate change and weather impacts
- Spiked temperatures creating high demand costs with low energy consumption

#### Time-of-Use (TOU) rate structure

- Load management
- Monthly margin impacts

#### Continued increase in regulatory mandates

- TVA/NERC/SERC compliance
- Governmental Accounting Standards Board (GASB) pronouncements
- Bond rating agency standards
- Grant compliance requirements
- Changes in regulations at the state and federal levels

## Response to Potential Budget Impacts

- Reviewing rate structure continually and revising, if needed
- Offering customers information and initiatives targeted at reducing consumption
- Managing load demand and demand response programs
- Managing total O&M expenses, exclusive of purchased power
- Managing the number of authorized and filled positions
- Implementing major technology projects
- Implementing new flexible solar programs to purchase energy from customers and solar developers
- Planning and utilizing resources efficiently

## Financial Picture

The Board has adopted a number of financial goals. In the opinion of Management, these goals have served NES well and have been a major factor in maintaining our strong bond ratings. The two main goals are as follows:

- Cash minimum goal of 90 days

$$\text{Ending Cash Balance} / \text{Total Purchased Power Costs} + \text{O\&M Expenses} + \text{Taxes \& Equivalents} / 365 \text{ Annual Days}$$

- Debt coverage of two times debt service to meet debt requirements

$$\text{Operating Income} / \text{Total Debt Service}$$

A summary of the key financial goals for the next five years is listed below. These financial goals are calculated using the Five-Year Financial Model.

(000's Omitted)	Jun-26	Jun-27	Jun-28	Jun-29	Jun-30
Ending Cash Projected	\$433,800	\$423,173	\$413,330	\$402,492	\$438,868
Cash Minimum Goal	\$345,434	\$349,793	\$354,952	\$360,381	\$364,892
Excess (Deficiency) from Cash Goal	\$88,366	\$73,380	\$58,378	\$42,111	\$73,976
Debt Service Coverage	3.02	2.84	3.16	3.31	3.68
At least 2X on Debt Service Coverage	2.00	2.00	2.00	2.00	2.00
Percent of Capital Financed*	44%	48%	37%	36%	46%
Percent of Capital Financed Goal	50%	45%	45%	45%	45%

*\*Percentage fluctuations due to IT projects funded with cash and timing of bond proceeds.*

## Electric Sales Revenue and Purchased Power Forecasts

The electric sales revenue forecast for Fiscal Year 2026 is based on a time series and trending analysis that estimates customer growth and energy sales in five classes of customers: Residential, Small Commercial, Large Commercial and Industrial, Electric Vehicle Charging Stations and Public Street and Highway Lighting. NES' current wholesale rate structure is primarily based on seasonal and Time-Of-Use (TOU) energy and demand charges and includes the Grid Access Charge (GAC), a monthly fixed cost recovery component. In addition, retail energy and demand sales are on a billing cycle basis, whereas wholesale energy and demand are purchased on a calendar month basis. The difference related to the retail billing and wholesale purchasing cycles results in a negative or positive misalignment which impacts monthly margin. Electric sales revenue and purchased power cost forecasts for Fiscal Year 2026 include consideration of varying seasonal rates, the GAC and TVA's forecasted fuel cost adjustments for the period.

Forecasted revenue and purchased power includes a three-year historical trend of individual customers with demands greater than 5,000 kW and large commercial/industrial customers that have elected time-differentiated rates. Historical metering data was used to forecast monthly wholesale energy and demand and was also used to determine the ratio of on-peak to off-peak energy hours for the total system. Forecasted purchased power includes consideration of seasonal variation in TVA wholesale seasonal rates, as well as the impact of usage during on-peak and off-peak hours.

Temperatures have a direct and substantial impact to revenue and purchased power costs; therefore, a conservative, temperature normalized estimate based on the past five to seven years was incorporated into the forecast. Unpredictable weather occurrences without underlying energy sales can result in margin erosion (including months with high demand costs but relatively lower energy sales or "peaky" weather). The implementation of Smart Grid technology enables NES to partially mitigate the risk of margin loss by reducing purchased power demand costs.

For Fiscal Year 2026, NES customer growth is conservatively estimated at 1.2 percent; although growth is expected to be partially tempered by increased energy efficiency, renewable generation and trending of residential customers towards apartments rather than single-family homes. Residential customer energy consumption is heavily impacted by outdoor temperatures, and substantial increases in usage are typically seen during summer and winter months.

The forecasting of electric sales revenue for Fiscal Year 2026 considers these trends and is anticipated to be \$1.5 billion with energy unit sales totaling 11,830,037 megawatt hours. Annual purchased power cost is forecasted to be \$1.1 billion, or 70.7 percent of forecasted electric revenues.

The following table summarizes the Fiscal Year 2026 projected energy sales:

Customer Class	Number of Customers	FY25 MWh	FY26 MWh	FY26 Revenue (000's Omitted)
Residential	428,783	4,882,501	4,930,893	\$691,718
Small Commercial	37,350	815,436	815,893	128,538
Large Commercial & Industrial	7,120	5,927,715	5,974,747	666,788
Public St. & Hwy Lighting	215	120,312	108,504	26,785
<b>Total</b>	<b>473,468</b>	<b>11,745,964</b>	<b>11,830,037</b>	<b>\$1,513,829</b>



## Operation & Maintenance Highlights

The Fiscal Year 2026 proposed O&M budget, excluding purchased power, is \$14.9 million, or 5.5 percent above the Fiscal Year 2025 O&M budget. The increase is primarily due to labor, retirement and survivors, other post-employment benefits and contract tree & grass, offset by decreases in software/hardware subscriptions and maintenance and contract data processing.

### Labor

For Fiscal Year 2026, O&M labor increased by 11.4 percent. The increase is primarily due to wage increases and greater labor allocations to O&M.

The employee headcount is continuously reviewed to manage personnel levels that are sustainable for future years. Below is a summary of active employees as of March 2025 and retirement eligibility by Fiscal Year:

Number of Employees	
Active Employees as of March 2025	917
Unfilled Positions	41
Eligible to Retire by end of FY26	168
Additional Eligible to Retire by end of FY30	154

To meet future needs and ensure efficient operations, all open positions are thoroughly evaluated and reviewed prior to appointment. Management is committed to hiring and retaining the most qualified employees to provide the safest and most reliable power to our customer base at the lowest possible electric rates.

### Retirement and Survivors

Retirement and Survivors increased \$8.3 million, or 25.9 percent from Fiscal Year 2025 to 2026. The increase is primarily due to historical cost trends as well as actuarial and GASB required market adjustments to be recognized by the plan in Fiscal Year 2026. Since the adoption of GASB 68, market fluctuations have had significant, largely uncontrollable impacts on the funding requirements.

### Other Post-Employment Benefits

Other Post-Employment Benefits (OPEB) increased \$1.9 million, or 33.9 percent from Fiscal Year 2025 to 2026. The increase is primarily due to historical cost trends as well as actuarial and GASB required market adjustments to be recognized by the plan in Fiscal Year 2026. Since the adoption of GASB 75, market fluctuations have had significant, largely uncontrollable impacts on the funding requirements.

### Contract Tree & Grass

Contract Tree & Grass increased \$1.7 million, or 9.4 percent from Fiscal Year 2025 to 2026 due to additional requests for the Distribution Reliability Improvement Program and planned tree trimming cycle maintenance.

### Contract Data Processing

Contract Data Processing decreased \$2.7 million, or 12.6 percent from Fiscal Year 2025 to 2026 primarily due to reduced need for Information Technology team resources related to the Ellipse project and post production support for the Encompass project.

### Software/Hardware Subscriptions and Maintenance

Software/Hardware Subscriptions and Maintenance decreased \$5.8 million, or 22.6 percent from Fiscal Year 2025 to 2026 primarily due to reduced software maintenance, offset by new software initiatives and maintenance for C2M.

### **Capital Highlights**

The Fiscal Year 2026 capital budget funding level of \$219.1 million was planned to support the organizational requirements and financial goals of NES as determined by Executive Management. This appropriation level includes funding to be used for forecasted levels of activity and planned projects that directly impact the operation of the electric system. Significant projects included in the Fiscal Year 2026 capital budget are as follows:

FY 2026 Significant Capital Projects	
Lighting Systems - NDOT LED	\$15,000,000
McCann Substation Property	12,000,000
4kV Conversions	9,549,000
Central Substation	9,231,000
White Bridge Switchgear	2,779,000
Battery Storage	2,572,000

## Current Programs and Initiatives

Nashville Electric Service participates in programs and initiatives that may impact the O&M and Capital budgets. These programs include a focus on informative methods to assist customers in lowering consumption to reduce the energy burden. In addition, the organization continually seeks avenues to keep Nashville moving in a positive environmental direction.

Below is a summary of funding and a highlight for current programs in progress:

O&M Budget	FY26	Description
Home Uplift	\$2,916,000	<p>The Home Uplift Program works in partnership with TVA to provide home efficiency upgrades to qualified homeowners.</p> <p>NES customers who qualify receive valuable energy efficiency upgrades including air sealing, duct sealing/replacement, attic insulation, water heater and pipe insulation.</p> <p>The Power of Change program rounds up participating customer bills to the nearest dollar every month to help fund approximately \$1.7M for the Home Uplift program.</p>
Sustainability Initiatives	1,647,000	<p>NES has a long-standing commitment to supporting sustainability initiatives and paving the way for customers to achieve their goals.</p> <p>Key initiatives include programs to focus on Environmental Initiatives, Community Investment, Company Resiliency and Grants to support customer well-being and Energy Efficiency projects.</p>
Customer Bill Assistance	1,389,000	<p>NES funds customer bill assistance through NeedLink Nashville. This organization helps meet basic needs in times of crisis by providing short-term assistance and connections to other resources.</p> <p>In addition, NES customers contribute approximately \$156K to the Project Help program to assist customers in need.</p>
Electric Vehicle Initiative	30,000	NES has committed to funding consulting services related to expanded use of electric vehicles in the Nashville area.
<b>Total O&amp;M Funding</b>	<b>\$5,982,000</b>	

<b>Capital Budget</b>	<b>FY26</b>	<b>FY27</b>	<b>Description</b>
LED Streetlight Project	\$15,000,000	\$12,000,000	In January 2024, NES began a program to upgrade all NES-owned streetlights to new LED technology with a goal of providing a more efficient and sustainable means of street lighting while improving safety and streetscape aesthetics for Nashvillians.
Electric Fleet Vehicles	2,692,000	4,703,000	The Electric Vehicle program is designed to implement a series of initiatives to accelerate the adoption of EVs across the TVA region, develop standardized local policies, coordinated utility programs and pave the way for over 200,000 EVs in the Tennessee Valley by 2028.
Regional Grid Transformation Pilot Projects	500,000	500,000	Strategic deployment of advanced grid technologies will deliver the needed capabilities to realize new value for Tennessee Valley customers, communities and local economies.
<b>Total Capital Funding</b>	<b>\$18,192,000</b>	<b>\$17,203,000</b>	

### Five-Year Financial Model

An important part of the budget discussion is the Five-Year Financial Model (“Model”). The Model is a tool for planning NES’ future needs for financial resources. The Model was developed to assist the Board and Management in making informed decisions regarding financial resources needed to meet NES’ obligation to serve stakeholders. The Model converts the income statement into a statement of funds available for debt service and construction.

The Model uses the Fiscal Year 2026 Operating Budget as its starting point with a net income of \$28.9 million as of June 30, 2026. A retail rate increase of 4.5 percent to benefit NES is included in the Model effective October 2027, with an estimated annual revenue increase of approximately \$52.1 million for the nine months ending June 30, 2028. The rate adjustment directly supports capital and operating cash flow needs and enables the organization to achieve the financial metrics of the organization.

The ability of NES to maintain consistent financial metrics supports the highest possible bond ratings. Favorable bond ratings contribute to reducing interest expenditures. This enables NES to pass this savings on to customers through a lower electric rate structure. Rating agencies view that systematic rate increases support stable financial metrics for bond issuers like NES. According to rating agency methodology, systematic adjustments offer predictability in the rate structure that allows commercial and residential customers the ability to budget power costs.

The Model projects that all financial goals will be maintained from Fiscal Year 2026 through Fiscal Year 2030. Approval of the rate adjustment is not requested at this time.

Below is a summary of the major assumptions in the Model with discussion following:

Category	Model Assumption
<b>Revenue Annual Increase</b>	
Electric Revenue	1.0%
Other Revenue	1.0%
<b>NES Rate Increase</b>	
Methodology	Required to achieve 90 days cash on hand goal
Increase Percentage & Timing	4.5% in October 2027
<b>Expenditure Annual Increase</b>	
Tariff Allowances	FY26 - \$10.0M Capital & \$1.5M O&M
Operating Expenses	4.5% Net of one-time additional requests
Pension & OPEB	Based on historical averages
Capital Expenditures	4.0% Ops + Increased 4kV & Transformers
Taxes & Equivalents & Depreciation	FY26 Metro PILOT 15.0%, all others 3.0% average
<b>Bond Issuance Assumptions</b>	
Borrowing Philosophy	Fund 45% capital expenditures starting FY27, excluding ERP replacement project (Historic funding level was 50%)
Interest Rate	4.0%
FY27 Bond Issuance	\$240.0M
FY30 Bond Issuance	\$260.0M
<b>ERP Estimate</b>	
O&M FY27 - FY29	FY27 - \$3.0M, FY28 and FY29 - \$10.0M
Capital FY28 - FY29	\$45.0M per Year
<b>Other</b>	
Battery Storage Project	FY26 - \$2.6M
East Bank	FY26 - \$3.4M and FY27 - \$5.0M
Grant Funding	Not included
Solar Project Savings	FY28 - \$5.4M; FY29 and FY30 - \$10.9M

#### Revenue and Purchased Power

In the Model, forecasted revenues for Fiscal Year 2026 are used as the starting point. NES anticipates a continued increase in customer base and conservatively escalates sales and purchased power by approximately 1% annually. In addition, net reductions to purchased power costs from the Magnolia solar power purchase agreement are included starting in Fiscal Year 2028.

NES Five-Year Financial Model projects annual compounded sales growth to be a conservative 1.0 percent in Fiscal Year 2026 to Fiscal Year 2030. The margin on electric sales is projected to be 29.4 percent for Fiscal Years 2026 through 2027 and 32.0 percent for Fiscal Year 2028. The percent margin on electric sales will increase to approximately 33.1 percent in Fiscal Years 2029 and 2030 due to the projected retail rate adjustment effective October 2027 and savings from the Magnolia solar power purchase agreement.

### Operating Expenses, Exclusive of Purchased Power

Operating expenses, exclusive of purchased power, for periods after Fiscal Year 2026, are projected to increase annually by 4.5 percent, net of one-time additional requests. The increase is based on anticipated inflationary impacts and historical cost increases in payroll and fringe benefits, outside services, medical, regulatory mandates and updates to labor allocation changes between O&M and Capital.

**Five-Year Financial Model**

TVA Rate Increase

NES Rate Increase 4.5% - October 2027

Bond Issuance \$240.0M - February 2027

Bond Issuance \$260.0M - February 2030

	Jun-26	Jun-27	Jun-28	Jun-29	Jun-30
<b><u>FORECASTED INCOME STATEMENTS</u></b>					
Electric Sales Revenue	\$1,513,828,827	\$1,528,967,115	\$1,544,256,786	\$1,559,699,354	\$1,575,296,348
Rate Increase – for NES	-	-	52,118,667	70,186,472	70,888,337
Cost of Purchased Power	1,069,561,611	1,080,257,228	1,085,656,632	1,091,116,131	1,102,121,092
Revenue less Power Cost	444,267,216	448,709,887	510,718,821	538,769,695	544,063,593
Other Revenues	27,039,846	27,310,245	27,583,348	27,859,182	28,137,774
Margin	471,307,062	476,020,132	538,302,169	566,628,877	572,201,367
O & M Expenses (excluding Pension and OPEB)	238,785,332	246,796,021	261,216,588	276,615,254	282,686,611
Pension and OPEB Expense	54,047,435	55,121,997	56,280,543	57,531,996	58,886,747
Pension GASB68 & GASB75 adjustment (amortization/other)	(5,890,107)	(4,765,787)	(6,055,669)	(7,422,968)	(8,869,906)
Tax Equivalents	44,423,728	41,195,597	42,431,465	43,704,409	45,015,541
Depreciation	116,349,102	122,910,069	127,127,915	131,339,173	148,576,153
	447,715,490	461,257,897	481,000,842	501,767,864	526,295,146
Interest Income & Other Non Operating Income	25,842,700	23,491,073	25,409,828	23,199,157	20,789,892
Interest Expense	20,575,107	21,863,686	26,038,161	24,669,439	26,676,228
Net Income	\$28,859,165	\$16,389,622	\$56,672,995	\$63,390,731	\$40,019,885
<b><u>FORECASTED FUNDS AVAILABLE FOR DEBT SERVICE AND CONSTRUCTION</u></b>					
Net Income	\$28,859,165	\$16,389,622	\$56,672,995	\$63,390,731	\$40,019,885
<u>Adjustments:</u>					
Depreciation	116,349,102	122,910,069	127,127,915	131,339,173	148,576,153
Pension GASB68 & GASB75 adjustment (amortization/other)	(5,890,107)	(4,765,787)	(6,055,669)	(7,422,968)	(8,869,906)
Interest Expense	20,575,107	21,863,686	26,038,161	24,669,439	26,676,228
Capital Draws from Bonds	97,208,720	88,179,653	80,000,000	80,000,000	83,333,333
Total Available for debt service, capital projects and working capital	\$257,101,987	\$244,577,243	\$283,783,402	\$291,976,375	\$289,735,693
<u>Requirements</u>					
Debt Service	69,611,581	71,334,998	79,905,087	79,475,630	70,745,489
Capital Project Costs	219,091,504	183,869,233	213,721,162	223,339,074	182,614,176
Total Requirements	\$288,703,085	\$255,204,231	\$293,626,249	\$302,814,704	\$253,359,665
Net Change in Cash	(31,601,098)	(10,626,988)	(9,842,848)	(10,838,329)	36,376,028
Ending Cash	\$433,800,246	\$423,173,258	\$413,330,411	\$402,492,081	\$438,868,109
Cash Minimum Goal of 90 Days	\$345,434,301	\$349,793,028	\$354,952,494	\$360,380,915	\$364,892,076
Excess or Deficiency from Cash Minimum Goal	\$88,365,945	\$73,380,231	\$58,377,917	\$42,111,166	\$73,976,033
Days Cash on Hand of 90 Days or Higher	113.0	108.9	104.8	100.5	108.2
Debt Service Coverage Ratio	3.02	2.84	3.16	3.31	3.68
At Least 2X on Debt Service Coverage	2.00	2.00	2.00	2.00	2.00
Percent of Capital Financed (Annual)*	44%	48%	37%	36%	46%
Percent of Capital Financed Goal	50%	45%	45%	45%	45%

\*Percentage fluctuations due to IT projects funded with cash and timing of bond draws.

**ELECTRIC POWER BOARD OF THE METROPOLITAN  
GOVERNMENT OF NASHVILLE & DAVIDSON COUNTY**

**Forecast of Earnings and Expenses  
Proposed Fiscal Year 2026 Budget Compared to Fiscal Year 2025 Budget**

	<b>FY 2026 Proposed Budget</b>	<b>FY 2025 Budget</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Operating Revenues</b>				
Residential or Domestic	\$691,718,309	\$671,404,117	\$20,314,192	3.0
Small Commercial	128,538,190	126,556,369	1,981,821	1.6
Large Commercial & Industrial	666,787,432	643,162,913	23,624,519	3.7
Street & Highway Lighting	26,784,896	25,465,608	1,319,288	5.2
Total Electric Sales	1,513,828,827	1,466,589,007	47,239,820	3.2
<b>Other Revenues</b>				
Rev in Excess of Net Bills	5,646,284	5,566,392	79,892	1.4
Rentals of Elec Property	13,266,086	13,134,739	131,347	1.0
Misc. Service Revenue	8,127,476	9,037,068	(909,592)	-10.1
Total Other Revenues	27,039,846	27,738,199	(698,353)	-2.5
Total Operating Revenues	1,540,868,673	1,494,327,206	46,541,467	3.1
<b>Operating Revenue Deductions</b>				
Purchased Power	1,069,561,611	1,032,773,913	36,787,698	3.6
Distribution Expenses	126,440,519	119,089,888	7,350,631	6.2
Customer Accounts Expense	35,363,037	37,072,149	(1,709,112)	-4.6
Customer Service & Info	6,316,534	6,477,676	(161,142)	-2.5
Admin & General Expense	118,822,570	109,359,519	9,463,051	8.7
Total Operating Expense	1,356,504,271	1,304,773,145	51,731,126	4.0
Accrued Depreciation	116,349,102	101,074,922	15,274,180	15.1
Taxes & Equivalents	44,423,728	37,331,774	7,091,954	19.0
Total Operating Revenue Deductions	1,517,277,101	1,443,179,841	74,097,260	5.1
Gross Operating Revenue	23,591,572	51,147,365	(27,555,793)	-53.9
<b>Interest Income</b>	23,970,700	29,475,218	(5,504,518)	-18.7
<b>Other Non-Operating Income</b>	1,872,000	1,884,000	(12,000)	-0.6
Gross Income	49,434,272	82,506,583	(33,072,311)	-40.1
<b>Income Deductions</b>				
Interest on Long-term Debt	31,846,581	33,694,581	(1,848,000)	-5.5
Amort of Debt Expense	(9,785,332)	(8,964,850)	(820,482)	9.2
Other Interest Expense	690,000	789,000	(99,000)	-12.5
Int Charged to Construction	(2,176,142)	(7,439,687)	5,263,545	-70.7
Total Income Deductions	20,575,107	18,079,044	2,496,063	13.8
<b>Net Position</b>	<b>\$28,859,165</b>	<b>\$64,427,539</b>	<b>(\$35,568,374)</b>	<b>-55.2</b>



**Proposed Operating Expenditures  
For the Fiscal Year Ending June 30, 2026**

<b>Budget Code</b>	<b>Budget Code Description</b>	<b>FY 2026 Budget</b>	<b>FY 2025 Budget</b>	<b>\$ Change</b>	<b>% Change</b>
201	Labor - Straight Time	\$ 100,703,165	\$ 89,771,073	\$ 10,932,092	12.2%
202	Labor - Overtime Regular	5,480,300	5,271,400	208,900	4.0%
205	Labor - Overtime Storm	3,033,146	3,033,146	-	0.0%
	<b>Labor Subtotal</b>	<b>109,216,611</b>	<b>98,075,619</b>	<b>11,140,992</b>	<b>11.4%</b>
003	Temporary Agency Services	1,500,000	2,000,000	(500,000)	-25.0%
008	Rentals	1,237,052	2,005,636	(768,584)	-38.3%
010	Water, Gas & Trash Removal	318,650	373,650	(55,000)	-14.7%
011	Office Supplies	221,942	238,487	(16,545)	-6.9%
012	Travel	961,723	751,148	210,575	28.0%
013	Telephone	1,210,577	1,386,307	(175,730)	-12.7%
014	Education & Training	1,715,362	1,686,779	28,583	1.7%
015	Meals	293,616	271,516	22,100	8.1%
215	Meals - Labor	156,700	145,700	11,000	7.5%
016	Outside Services	40,616,601	40,019,632	596,969	1.5%
017	Tools & Equipment	719,862	697,342	22,520	3.2%
018	Computer & Related Supplies	340,000	340,000	-	0.0%
019	Postage	2,022,379	2,114,739	(92,360)	-4.4%
020	Materials & Supplies	6,088,318	4,425,090	1,663,228	37.6%
021	Software/Hardware Subscriptions & Maintenance	19,982,262	25,825,796	(5,843,534)	-22.6%
022	Trade & Association Memberships	986,281	908,221	78,060	8.6%
023	Professional Fees	2,978,278	2,747,405	230,873	8.4%
024	Security/Police	2,558,000	2,556,000	2,000	0.1%
025	Advertising	517,800	489,189	28,611	5.8%
026	Banking Fees	110,000	130,000	(20,000)	-15.4%
027	Injury & Damages	900,000	800,000	100,000	12.5%
028	Contract Data Processing	18,519,029	21,198,709	(2,679,680)	-12.6%
029	Contract Tree & Grass	19,937,527	18,222,694	1,714,833	9.4%
032	Contract Janitorial	1,215,792	1,215,792	-	0.0%
034	Accrual For Uncollectible Accounts	3,000,000	3,500,000	(500,000)	-14.3%
038	Civic Involvement	1,646,706	1,129,027	517,679	45.9%
039	Miscellaneous	273,554	277,550	(3,996)	-1.4%
041	Dental	926,400	796,000	130,400	16.4%
042	Medical	11,085,100	12,415,100	(1,330,000)	-10.7%
043	Life Insurance	541,600	522,400	19,200	3.7%
044	Insurance Premiums	2,441,420	2,309,315	132,105	5.7%
045	Retirement & Survivors	40,621,813	32,274,668	8,347,145	25.9%
046	Other Post-Employment Benefits (OPEB)	7,535,515	5,627,093	1,908,422	33.9%
047	Service Connected Medical	520,000	320,000	200,000	62.5%
048	Vision	229,600	194,400	35,200	18.1%
052	Meters and Related Materials	198,500	198,500	-	0.0%
053	Building Supplies	535,320	494,820	40,500	8.2%
054	Gasoline & Diesel Fuel	1,382,250	1,700,000	(317,750)	-18.7%
055	Automotive & Truck Parts	2,415,644	2,115,894	299,750	14.2%
056	Wrecker Service	22,000	22,000	-	0.0%
100	GASB Entries	(6,319,462)	(4,282,199)	(2,037,263)	47.6%
	<b>Non-Labor Subtotal</b>	<b>192,163,711</b>	<b>190,164,400</b>	<b>1,999,311</b>	<b>1.1%</b>
	<b>Sub-Total</b>	<b>301,380,322</b>	<b>288,240,019</b>	<b>13,140,303</b>	<b>4.6%</b>
	<b>Clearings (Data Processing, Transportation, Stores, etc.)</b>	<b>(14,437,662)</b>	<b>(16,240,787)</b>	<b>1,803,125</b>	<b>-11.1%</b>
	<b>Total</b>	<b>\$ 286,942,660</b>	<b>\$ 271,999,232</b>	<b>\$ 14,943,428</b>	<b>5.5%</b>

## 2026 CAPITAL BUDGET

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### Capital Budget Summary

The NES proposed Capital Budget for Fiscal Year 2026 is \$219.1 million. Management intends to fulfill all capital requirements within plus or minus 5.0 percent of this projection. However, due to unforeseen circumstances, expenditures may arise that exceed budgeted funding levels. If this occurs, Management will request Board approval of any additional funding required to meet the needs of the system.

Budget Category	2026 Budget	2025 Budget	Increase (Decrease)
New Business	\$ 20,031,144	\$ 19,895,308	0.7%
System Construction Plan - Capacity	22,641,199	47,561,851	-52.4%
System Construction Plan - Reliability	1,641,240	1,414,170	16.1%
System Construction Plan - Asset Management	31,074,290	29,274,779	6.1%
Unplanned Renewals and Replacements	20,137,047	18,997,925	6.0%
Relocations	6,612,939	7,160,647	-7.6%
Lighting Systems	20,650,408	14,691,318	40.6%
Meters and Transformers	47,547,000	38,972,000	22.0%
Equipment and Facilities	48,756,237	77,220,390	-36.9%
<b>TOTAL</b>	<b>\$ 219,091,504</b>	<b>\$ 255,188,388</b>	<b>-14.1%</b>

The Fiscal Year 2026 Capital Budget decreased \$36.1 million compared to the Fiscal Year 2025 Capital Budget of \$255.2 million. The decrease is primarily due to decreases in Central Substation as the project nears completion and the completion of Encompass in Spring 2025.

### New Business

This category provides funding for construction of electric system facilities for new customers, expansions for existing customers and new private lighting installations. The Fiscal Year 2026 budget is \$20.0 million compared to a budget of \$19.9 million in Fiscal Year 2025, remaining relatively unchanged. Expenditures in this section vary directly with customer demand and the scheduling of projects is driven by customer requirements. Transformers and meter costs are included in a separate section of this budget.

### System Construction Plan

The System Construction Plan consists of Capacity, Reliability and Asset Management projects. The selection and prioritization of projects is based on system studies, planning criteria and other asset management attributes. Projects are planned and scheduled internally well in advance of construction. Budgets are prepared based on long-range system planning studies, reliability studies, availability of resources, specific significant purchases and customer needs. Expenditures in this section are affected by the availability of resources and timing of major purchases.

### System Construction Plan – Capacity

This category provides funding for planned projects to meet capacity requirements for new transmission line, substation, communication and distribution projects or upgrades to existing facilities. The Fiscal Year 2026 budget is \$22.6 million compared to a budget of \$47.6 million in Fiscal Year 2025. The decrease of \$25.0 million is primarily due to decreases in Central Substation Construction, \$22.2 million and East Bank Projects, \$6.6 million, offset by increases in distribution capacity projects, \$2.2 million and substation capacity projects, \$1.8 million.

### System Construction Plan – Reliability

This category provides funding for planned projects to meet new transmission, distribution and substation reliability requirements or upgrades of existing facilities. The Fiscal Year 2026 budget is \$1.6 million compared to a budget of \$1.4 million in Fiscal Year 2025. The increase of \$0.2 million is due to more substation projects planned in Fiscal Year 2026.

### System Construction Plan - Asset Management

This category provides funding for planned projects to replace existing infrastructure due to age and condition for transmission line, substation, communication and distribution projects. The Fiscal Year 2026 budget is \$31.1 million compared to a budget of \$29.3 million in Fiscal Year 2025. The increase of \$1.8 million is primarily due to increases in substation asset management projects, \$2.5 million and planned pole replacements, \$0.1 million, offset by a decrease in transmission asset management projects, \$1.0 million.

### Unplanned Renewal and Replacement

This category provides funding for the unplanned replacement of inadequate or deteriorated transmission facilities, substation facilities, overhead distribution facilities, underground distribution facilities and underground network facilities. The Fiscal Year 2026 budget is \$20.1 million compared to a budget of \$19.0 million in Fiscal Year 2025. The increase of \$1.1 million is primarily due to an increase in funding for emergency pole replacements, \$0.5 million and storms, \$0.3 million. Projects are generally short-term in length and are usually not planned or scheduled in advance. Projects in this section may be needed on short notice. Budgets are primarily prepared based on historical activity and expenditures vary with activity.

### Relocations

This category provides funding for the relocation of electric system facilities as required by joint-use and make-ready work, road widening and customer requests. The Fiscal Year 2026 budget is \$6.6 million compared to a budget of \$7.2 million in Fiscal Year 2025. The decrease of \$0.5 million is primarily due to a decrease in network facilities relocations, \$0.7 million. Projects may be reimbursed by the party requesting the relocation and may be planned and scheduled in advance or may be on short notice. Budgets are prepared based on historical activity and advance notice of specific construction activities. Expenditures in this section vary with activity, timing of relocation projects and availability of resources.

### Lighting Systems

This category provides funding for construction, renewal and replacement for lighting systems (generally street and roadway lighting) for the Metropolitan Government of Nashville and Davidson County (Metro) and the various satellite city governments. This section also provides for renewal and replacement of private lighting for individual customers. The Fiscal Year 2026 budget is \$20.7 million compared to a budget of \$14.7 million in Fiscal Year 2025. The increase of \$6.0 million is primarily due to an acceleration of funding for the NDOT LED streetlighting conversion project to accommodate completion of the project two years earlier than originally planned, \$6.0 million. Projects may be planned and scheduled in advance or may be on short notice. Budgets are prepared based on historical activity, advance notice of specific construction activities and forecasted customer activities. Expenditures in this section vary with maintenance activity, customer demand and availability of resources.

### Meters & Transformers

This category provides funding for the purchase of meters, metering equipment and distribution transformers. The Fiscal Year 2026 budget is \$47.5 million compared to a budget of \$39.0 million in Fiscal Year 2025. The increase of \$8.5 million is primarily due to an increase in anticipated transformer and meter costs. These purchases are planned and scheduled. However, due to continuing supply chain challenges, delivery times and related costs may be impacted. Forecasted meters and transformers not received by year-end will be added to the approved Fiscal Year 2026 capital budget. Budgets are prepared based on forecasted new business activity and forecasted replacement needs.

### Equipment and Facilities

This category provides funding for additions, replacements and renewals of the fleet, non-electric facilities, computer equipment, tools, communication equipment and various miscellaneous projects not related to the electric system. The Fiscal Year 2026 budget is \$48.8 million compared to a budget of \$77.2 million in Fiscal Year 2025. The decrease of \$28.5 million is primarily due to a decrease in Encompass funding, \$45.6 million; Computer Equipment, \$2.3 million and Fleet, \$1.8 million, offset by increases in President's Choice, \$13.0 million; Facilities, \$7.4 million; Tools & Test, \$1.0 million and Radio Equipment, \$0.1 million. Budgets are based on specific plans, contingencies and long-range programs. Expenditures are affected by timing of purchases and availability of equipment to be purchased.

# Annual Budget Presentation

May 28, 2025



THE POWER OF PEOPLE



# Overview

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- Earnings and Expenses
- Capital
- Financial Model
- Model Comparison
- Risks and Opportunities



# EARNINGS & EXPENSES

	FY25 Budget	FY26 Budget
Operating Revenues	1,466.6	1,513.8
Purchased Power	1,032.8	1,069.5
Sales Margin	433.8	444.3
Labor	98.1	109.2
Retirement & Survivors	32.3	40.6
Outside Services	40.0	40.6
Software / Hardware	25.8	20.0
Contract Tree & Grass	18.2	19.9
Medical	12.4	11.1
OPEB	5.6	7.5
GASB Entries	(4.3)	(6.3)
Other	43.9	44.3
Operating Expenses	272.0	286.9
Other Revenue	27.7	27.0
Depreciation	101.1	116.3
Taxes	37.3	44.4
Interest Income	31.4	25.8
Interest/Other Expense	18.1	20.6
Change in Net Position	64.4	28.9

- Highlights
  - Annual wage adjustments and percentage change
  - Retirement & survivors historic cost trend
  - Tree trimming increased activity
  - Decreased software maintenance



# CAPITAL FY25-FY27

Category (millions)	FY25 Budget	FY26 Budget	FY27 Budget
Transformers	33.1	\$ 41.1	\$ 41.3
System & Pole Replacements	27.4	33.2	34.0
New Business	19.9	20.0	21.1
Facilities	10.9	18.3	3.0
Lighting - Metro LED	9.1	15.0	12.0
Unplanned Replacements	12.0	12.9	14.3
Tariff Allowance	-	10.0	-
Tools & Other	5.8	9.7	8.2
4kV Conversions	9.5	9.5	9.7
Central Substation	31.4	9.2	-
Storms	7.0	7.3	7.6
Relocations	7.2	6.6	3.0
Meters	5.8	6.4	6.5
Information Technology	8.2	5.9	4.0
Lighting - Other	5.6	5.7	6.3
Fleet	6.7	4.9	7.9
East Bank	10.0	3.4	5.0
Encompass	45.6	-	-
<b>TOTAL CAPITAL FY25-FY27</b>	<b>\$ 255.2</b>	<b>\$ 219.1</b>	<b>\$ 183.9</b>

## • Funding Highlights

- Strategic transformer spend
- Central substation completion FY26
- Battery storage project
- Metro LED lighting project
- McCann property purchase
- Continued 4kV conversion





# FINANCIAL MODEL

- Revenue growth 1%
- NES rate increase 4.5% in FY28
- Bond issuance:
  - \$240M February 2027
  - \$260M February 2030
- ERP replacement FY28 and FY29
- Financial goals met throughout five-year window

*Note: See Budget Presentation Document for full assumption list*

## Five-Year Financial Model

TVA Rate Increase

NES Rate Increase 4.5% - October 2027

Bond Issuance \$240.0M - February 2027

Bond Issuance \$260.0M - February 2030

### FORECASTED INCOME STATEMENTS

	Jun-26	Jun-27	Jun-28	Jun-29	Jun-30
Electric Sales Revenue	\$1,513,828,827	\$1,528,967,115	\$1,544,256,786	\$1,559,699,354	\$1,575,296,348
Rate Increase – for NES	-	-	52,118,667	70,186,472	70,888,337
Cost of Purchased Power	1,069,561,611	1,080,257,228	1,085,656,632	1,091,116,131	1,102,121,092
Revenue less Power Cost	444,267,216	448,709,887	510,718,821	538,769,695	544,063,593
Other Revenues	27,039,846	27,310,245	27,583,348	27,859,182	28,137,774
Margin	471,307,062	476,020,132	538,302,169	566,628,877	572,201,367
O & M Expenses (excluding Pension and OPEB)	238,785,332	246,796,021	261,216,588	276,615,254	282,686,611
Pension and OPEB Expense	54,047,435	55,121,997	56,280,543	57,531,996	58,886,747
Pension GASB68 & GASB75 adjustment (amortization/other)	(5,890,107)	(4,765,787)	(6,055,669)	(7,422,968)	(8,869,906)
Tax Equivalents	44,423,728	41,195,597	42,431,465	43,704,409	45,015,541
Depreciation	116,349,102	122,910,069	127,127,915	131,339,173	148,576,153
	447,715,490	461,257,897	481,000,842	501,767,864	526,295,146
Interest Income & Other Non Operating Income	25,842,700	23,491,073	25,409,828	23,199,157	20,789,892
Interest Expense	20,575,107	21,863,686	26,038,161	24,669,439	26,676,228
Net Income	\$28,859,165	\$16,389,622	\$56,672,995	\$63,390,731	\$40,019,885

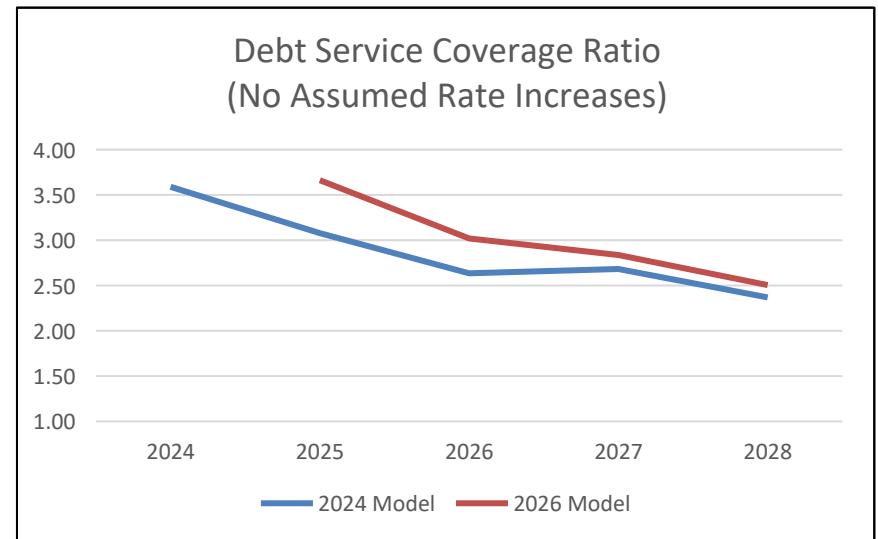
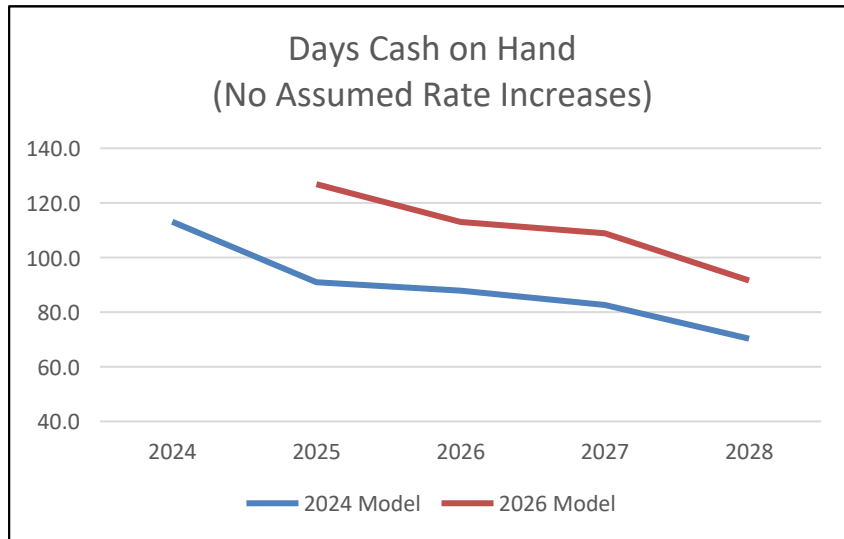
### FORECASTED FUNDS AVAILABLE FOR DEBT SERVICE AND CONSTRUCTION

Net Income	\$28,859,165	\$16,389,622	\$56,672,995	\$63,390,731	\$40,019,885
Adjustments:					
Depreciation	116,349,102	122,910,069	127,127,915	131,339,173	148,576,153
Pension GASB68 & GASB75 adjustment (amortization/other)	(5,890,107)	(4,765,787)	(6,055,669)	(7,422,968)	(8,869,906)
Interest Expense	20,575,107	21,863,686	26,038,161	24,669,439	26,676,228
Capital Draws from Bonds	97,208,720	88,179,653	80,000,000	80,000,000	83,333,333
Total Available for debt service, capital projects and working capital	\$257,101,987	\$244,577,243	\$283,783,402	\$291,976,375	\$289,735,693
Requirements:					
Debt Service	69,611,581	71,334,998	79,905,087	79,475,630	70,745,489
Capital Project Costs	219,091,504	183,869,233	213,721,162	223,339,074	182,614,176
Total Requirements	\$288,703,085	\$255,204,231	\$293,626,249	\$302,814,704	\$253,359,665
Net Change in Cash	(31,601,098)	(10,626,988)	(9,842,848)	(10,838,329)	36,376,028
Ending Cash	\$433,800,246	\$423,173,258	\$413,330,411	\$402,492,081	\$438,868,109
Cash Minimum Goal of 90 Days	\$345,434,301	\$349,793,028	\$354,952,494	\$360,380,915	\$364,892,076
Excess or Deficiency from Cash Minimum Goal	\$88,365,945	\$73,380,231	\$58,377,917	\$42,111,166	\$73,976,033

Days Cash on Hand of 90 Days or Higher	113.0	108.9	104.8	100.5	108.2
Debt Service Coverage Ratio	3.02	2.84	3.16	3.31	3.68
At Least 2X on Debt Service Coverage	2.00	2.00	2.00	2.00	2.00
Percent of Capital Financed (Annual)*	44%	48%	37%	36%	46%
Percent of Capital Financed Goal	50%	45%	45%	45%	45%

# COMPARISON OF FY24 vs FY26 MODELS

- Updated plan reflects continued strength in financial position:
  - Favorable revenue and spend history and projections
  - Delayed rate increase – 3% in FY26 to 4.5% in FY28
  - Decreased debt percentage – reduced from 50% to 45% of non-IT capital expenditures



# FIVE YEAR PLAN HIGHLIGHTED RISKS/OPPORTUNITIES

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## Risks

- Additional investment for long-term grid and innovation needs
- Additional power supply costs
- Inability to reduce or maintain planned spending levels

## Opportunities

- Legacy recoveries of FEMA submissions
- Energy and demand that exceeds margin expectations
- Grant funding



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# QUESTIONS



**RECOMMENDATION FOR APPROVAL OF THE OPERATING  
BUDGET FOR FISCAL YEAR 2026 AND CAPITAL BUDGET  
FOR FISCAL YEARS 2026 AND 2027**

The Operating Budget for Fiscal Year 2026 and the Capital Budget for Fiscal Years 2026 and 2027 were prepared to maintain the mission of providing safe, reliable and affordable power and energy services to the communities we serve and to achieve the financial goals of the organization.

The Operating Budget projects a net income of \$28.9 million for the year ending June 30, 2026. In comparison, the budgeted net income for the year ending June 30, 2025 was \$64.4 million. The Fiscal Year 2026 net income budget is lower than Fiscal Year 2025 primarily due to increases in Depreciation, \$15.3 million; Labor, \$11.1 million; Retirement & Survivors, \$8.3 million; Taxes, \$7.1 million; Interest Expense, \$2.5 million; OPEB, \$1.9 million; Contract Tree & Grass, \$1.7 million; Materials & Supplies, \$1.7 million as well as decreases in Interest Income, \$5.5 million, offset by increases in electric sales margin, \$10.5 million; GASB entries adjustment, \$2.0 million as well as decreases in Software/Hardware Subscriptions & Maintenance, \$5.8 million; Contract Data Processing, \$2.7 million and Medical, \$1.3 million.

The NES proposed Capital Budgets for Fiscal Year 2026 and Fiscal Year 2027 are \$219.1 million and \$183.9 million, respectively. The projections include requirements for forecasted growth in building, improving and expanding the distribution system to meet anticipated demand, \$170.0 million; LED streetlight conversion, \$15.0 million; McCann Substation property purchase, \$12.0 million; 4kV Conversions, \$9.5 million; Central Substation, \$9.2 million and East Bank Projects, \$3.4 million. The Fiscal Year 2026 Budget decreased \$36.1 million over Fiscal Year 2025. The decrease is primarily due to decreases in Central Substation construction and the Encompass project being completed in Spring 2025.

Management recommends approval of the Operating Budget for Fiscal Year 2026 and the Capital Budgets for Fiscal Years 2026 and 2027.

**Recommendation of Purchases and Contracts  
at the Meeting on Wednesday May 28, 2025**

**Management recommends Board approval  
of the following purchases and contracts:**

<b>Total Materials and Supplies Purchases</b>	<b>\$2,263,669.00</b>
<b>Total Additions, Extensions, and Changes</b>	<b>\$6,802,536.58</b>
<b>Total Ratified Purchases and Contracts</b>	<b>\$1,891,489.20</b>
<b>TOTAL</b>	<b>\$10,957,694.78</b>
<b>Total Line Items</b>	<b>\$37,500,000.00</b>

<u>Ethnic/Gender/Size</u>	<u>Amount</u>
Caucasian, female, large	\$485,040.00
Caucasian, male, small	\$166,590.00
<b>Supplier Diversity Program Total</b>	<b>\$651,630.00</b>
Note: Vendors not otherwise indicated are not part of the NES Supplier Diversity Program.	

**MATERIALS AND SUPPLIES PURCHASES**

<b><u>Item Description</u></b>	<b><u>Vendor</u></b>	<b><u>Amount</u></b>	<b><u>Type Contract</u></b>	<b><u>Bids Received/Sent</u></b>
Bucket Truck, 60K GVWR, Tandem Axle, 105' Aerial Device, 2025, Used (1)	Global Rental Co., Inc.	\$498,320.00	Competitive	2/13
Connector, 3 U-Bolt, 605-900 MCM, 900A (1,800)	Border States Industries	290,574.00	Competitive (1 Year) <b>Blanket</b>	3/9
Luminaire, LED, Roadway, 10000 Lumens (1,800)	Cape Electric	251,640.00	Competitive (1 Year) <b>Blanket</b>	5/9
Pole, Steel, H1, 55' (120)	MD Henry Co., Inc. <i>Caucasian, female, large</i>	485,040.00	Competitive	6/9
<b>Switch, Load Break, 1200 Amp (15)</b>	<b>Stuart C. Irby</b>	263,265.00	Competitive <b>Sole Brand</b>	2/4
Transformer, Pad Mount, 3 Phase, 5000kVA, 23.9/13.8-13.8/7.9 (1)	WEG Transformers USA	474,830.00	Competitive	4/8
<b>TOTAL</b>		<b>\$2,263,669.00</b>		

**ADDITIONS, EXTENSIONS, AND CHANGES**

<b><u>Item Description</u></b>	<b><u>Contractor</u></b>	<b><u>Additional Amount</u></b>	<b><u>Change Requested</u></b>
I3-Milestone Pre-Built Automated Test Scripts and Support for Oracle C2M	I3-Milestone	\$61,500.00	Addition (New NTE \$660,000.00)
Motorola Radio Equipment and Services	Motorola Network Services	N/A	Extension (5 Months)
NES Health Plan Third Party Administration	UMR, Inc.	1,700,000.00	Addition (New NTE \$6,200,000.00) Extension (1 Year)
On-Site Information Technology Staffing Services	BG Staffing, Inc. dba Zycron	5,000,000.00	Addition (New NTE \$169,500,000.00) *Extension (6 Months)
Pole Inspection Services	Osmose Utilities Services	N/A	Extension (2 Years)

All above items have been processed in accordance with Board approved policy and applicable rules and regulations.

May 28, 2025

Power Circuit Breaker, 69kV, 300AMP, 63kA (6)	Mitsubishi Electric Power Products	41,036.58	Addition (New NTE \$767,576.40)
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<b>TOTAL</b>	<b>\$6,802,536.58</b>
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\*Total contract term is ten (10) years and six (6) months.

#### RATIFIED PURCHASES AND CONTRACTS

<u>Item Description</u>	<u>Vendor</u>	<u>Amount</u>	<u>Type Contract</u>	<u>Bids Received/Sent</u>
365 Data Center Cabinet and Panels Lease	365 Services, LLC	\$22,560.00	Addition (New NTE \$56,400.00) Extension (2 Years)	N/A
<b>AiDash Intelligent Vegetation Management System – Pilot Program</b>	<b>Schneider Electric c/o USI</b>	100,000.00	<b>Sole Source</b> (1 Year)	N/A
Asphalt Repair	Sessions Paving Company	35,000.00	Addition (New NTE \$160,000.00)	N/A
Cable, ACSR Bare 477 18/1 (80,310 ft.)	Wesco Distribution	99,584.40	Competitive	6/15
Clean Agent Fire Suppression System Inspection and Maintenance	Koorsen Fire and Security	75,000.00	Addition (New NTE \$145,000.00) Extension (2 Months)	N/A
Crossarm, Treated Wood, Douglas Fir, 3 3/4"x4 3/4"x10' (1,000)	Cape Electric	109,750.00	Competitive	4/6
Crossarm, Fiberglass, 4x6x10 (200)	Stuart C. Irby	54,000.00	Competitive	5/6
Crossarm, Steel, 4"x6"x9'-4" (120)	Border States Industries	73,312.80	Competitive	5/6
Document Shredding	Stericycle, Inc.	130,000.00	Competitive (5 Years)	2/14
HVAC Supplies	Johnstone Supply <i>Caucasian, male, small</i>	20,000.00	Addition (New NTE \$70,000.00)	N/A
Lineworker Battery Powered Hand Tools	Border States Industries	125,000.00	Addition (New NTE \$225,000.00)	N/A

All above items have been processed in accordance with Board approved policy and applicable rules and regulations.



<b>Luminaire, LED, Acorn Granville, 10,000 Lumens (48); Wallpack, 7,000 Lumens (30)</b>	<b>Cape Electric</b>	55,530.00	<b>Competitive Sole Brand</b>	3/12
Pole, Self-Weathering, H3, 60' (22)	Stuart C. Irby	110,660.00	Competitive	6/9
Pole, Steel, Galvanized, H4,80' (11)	Stuart C. Irby	80,982.00	Competitive	6/9
Pole, Wood. C2, 45' (180)	Stella-Jones Corporation	78,300.00	Competitive	6/7
<b>Recloser, Vacuum, 27KV, 800A (5)</b>	<b>Gresco</b>	87,490.00	<b>Competitive Sole Brand</b>	2/3
<b>SafeGrid Intelligent Grid System</b>	<b>SafeGrid USA, LLC</b> <i>Caucasian, male, small</i>	146,590.00	<b>Sole Source</b> (1 Year, 3 Months)	N/A
Software Solutions and Services	DLT Solutions, LLC	250,000.00	Cooperative (2 Years, 8 Months, 3 Days)	N/A
Surge Arrester, Distribution Class, Heavy Duty, 12KV (2,304)	Gresco	114,624.00	Competitive (1 Year) <b>Blanket</b>	5/9
Transformer, Pole Type, Three Phase, 13.8 Delta-240x480 Volts, 75KVA (1); 23.9Y/13.8-240x480 Volts, 30KVA (1); 75KVA (2); 150KVA (2)	Central Moloney	68,956.00	Competitive	1/2
Uninterruptible Power Supply Systems Maintenance	Gruber Technical, Inc.	54,150.00	Competitive (3 Years)	2/7
<b>TOTAL</b>		<b>\$1,891,489.20</b>		

## LINE ITEMS

<u>Item Description</u>	<u>Vendor</u>	<u>Amount</u>	<u>Type Contract</u>	<u>Bids Received/Sent</u>
Transformer, Pad Mount, Single Phase	Central Moloney	N/A	Extension (3 Years)	N/A
Transformer, Pad Mount, Single Phase	Gresco	\$6,500,000.00	Addition (New NTE \$9,000,000.00) Extension (3 Years)	N/A

All above items have been processed in accordance with Board approved policy and applicable rules and regulations.

May 28, 2025

Transformer, Pad Mount, Three Phase	Central Moloney	N/A	Extension (3 Years)	N/A
Transformer, Pad Mount, Three Phase	Gresco	10,000,000.00	Addition (New NTE \$17,700,000.00) Extension (3 Years)	N/A
Transformer, Pad Mount, Three Phase	Stuart C. Irby	5,000,000.00	Addition (New NTE \$33,000,000.00) (3 Years)	N/A
Transformer, Pad Mount, Three Phase	WEG Transformers USA	5,000,000.00	Addition (New NTE \$10,400,000.00) Extension (3 Years)	N/A
Transformer, Pole Mount, Single Phase	Central Moloney	N/A	Extension (3 Years)	N/A
Transformer, Pole Mount, Single Phase	Gresco	7,000,000.00	Addition (New NTE \$11,900,000.00) Extension (3 Years)	N/A
Transformer, Pole Mount, Three Phase	Central Moloney	N/A	Extension (3 Years)	N/A
Transformer, Pole Mount, Three Phase	Gresco	4,000,000.00	Addition (New NTE \$4,200,000.00) Extension (3 Years)	N/A
<b>TOTAL</b>		<b>\$37,500,000.00</b>		

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All above items have been processed in accordance with Board approved policy and applicable rules and regulations.

**NASHVILLE ELECTRIC SERVICE  
MONTHLY FINANCIAL OVERVIEW  
YEAR TO DATE AS OF APRIL 30, 2025**

**FINANCIAL RESULTS**

<b><u>(millions)</u></b>	<b><u>YTD Actual</u></b>	<b><u>YTD Budget</u></b>	<b><u>Variance</u></b>	<b><u>%</u></b>
Operating Revenues	\$ 1,302.9	\$ 1,230.4	\$ 72.5	5.9%
Purchased Power	(895.6)	(855.4)	(40.2)	4.7%
<b>Sales Margin</b>	<b>\$ 407.3</b>	<b>\$ 375.0</b>	<b>\$ 32.3</b>	<b>8.6%</b>
Operating Expenses	(196.8)	(227.9)	31.1	-13.6%
Other Revenues	21.8	22.7	(0.9)	-4.0%
Depreciation	(79.5)	(84.2)	4.7	-5.6%
Taxes	(32.4)	(31.1)	(1.3)	4.2%
Interest Income	26.1	24.6	1.5	6.1%
Other Non-Operating Income	1.5	1.6	(0.1)	-6.3%
Interest/Other Expense	(18.2)	(15.9)	(2.3)	14.5%
<b>Change in Net Position</b>	<b>\$ 129.8</b>	<b>\$ 64.8</b>	<b>\$ 65.0</b>	<b>100.3%</b>

**Highlights**

Margin - favorable primarily due to higher than forecasted customer growth, and weather patterns/temperatures that were more extreme than forecasted

Operating Expenses - favorability in contract tree and grass, outside services, retirement, uncollectible accounts, medical & IT shared services

Depreciation - lower due to fewer asset additions than planned

Taxes - higher due to increases in the taxable asset base for Metro

Interest Income - investable balances greater, offset by lower interest rates

Interest/Other Expense - lower rates and CWIP balance, offset by greater bond premium amortization

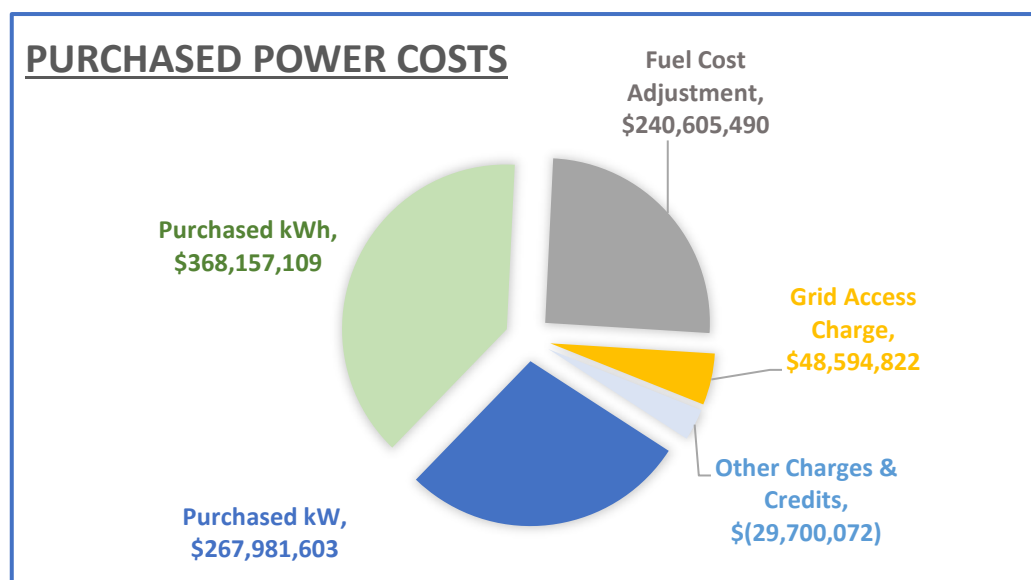
**FINANCIAL GOALS**

<b><u>GOAL</u></b>	<b><u>TARGET</u></b>	<b><u>ACTUAL</u></b>
Debt Service Coverage	2.0	4.4
Days Cash on Hand Value	\$336.9M	\$488.0M

**NASHVILLE ELECTRIC SERVICE  
MONTHLY FINANCIAL OVERVIEW  
YEAR TO DATE AS OF APRIL 30, 2025**

**WHOLESALE UNITS AND CHARGES**

Purchased kW	23,091,967	\$	267,981,603	29.9%
Purchased kWh	10,437,809,719	\$	368,157,109	41.1%
Fuel Cost Adjustment		\$	240,605,490	26.9%
Grid Access Charge		\$	48,594,822	5.4%
Other Charges & Credits		\$	(29,700,072)	-3.3%
<b>Total Purchased Power Costs</b>		<b>\$</b>	<b>895,638,952</b>	



**Units & Charges: Retail Sales vs. Wholesale Purchased**

<u>Description</u>	<u>Retail</u>	<u>Wholesale</u>
kWh	10,296,118,027	10,437,809,719
KW	14,873,159	23,091,967
Sales / Purchases	\$ 1,302,916,423	\$ 895,638,952
FCA	\$ 246,476,377	\$ 240,605,490
Degree Days	4,586	4,438
Temperature at Peak	Various	Various

**NASHVILLE ELECTRIC SERVICE  
MONTHLY FINANCIAL OVERVIEW  
YEAR TO DATE AS OF APRIL 30, 2025**

**SALES VOLUME & CUSTOMER STATS**

<b>SALES VOLUME - MWH</b>				
<b>Sales Volume</b>	<b><u>YTD Actual</u></b>	<b><u>YTD Budget</u></b>	<b><u>Variance</u></b>	<b><u>%</u></b>
Residential	4,466,569	4,174,129	292,440	7.0%
Small Commercial	700,624	683,823	16,801	2.5%
Large Commercial	5,033,518	4,927,351	106,167	2.2%
Street & Highway Lighting	95,407	100,295	(4,888)	-4.9%
<b>Total MWH Sales</b>	<b>10,296,118</b>	<b>9,885,598</b>	<b>410,520</b>	<b>4.2%</b>

<b>NUMBER OF CUSTOMERS</b>	
Residential	422,902
Small Commercial	37,345
Large Commercial	7,077
Large Commercial BCD	45
Street & Highway Lighting	209
<b>Total Number of Customers</b>	<b>467,578</b>

**CAPITAL BUDGET RESULTS**

<b><u>(millions)</u></b>	<b><u>FY25 Budget</u></b>	<b><u>YTD Actuals</u></b>	<b><u>FY25 Balance</u></b>	<b><u>YTD % Budget</u></b>
New Business	19,895	11,102	8,793	56%
System Construction - Capacity	47,562	34,372	13,190	72%
System Construction - Reliability	1,414	1,679	(265)	119%
System Construction - Asset Mgmt	29,275	22,934	6,341	78%
Unplanned Replacements	18,998	12,375	6,623	65%
Relocations	7,161	3,062	4,099	43%
Lighting Systems	14,691	15,399	(708)	105%
Meters	5,847	3,421	2,426	59%
Transformers	33,125	25,339	7,786	76%
Equipment & Facilities	31,581	12,911	18,670	41%
Encompass	45,639	26,694	18,945	58%
<b>Total Capital Budget Results</b>	<b>255,188</b>	<b>169,288</b>	<b>85,900</b>	<b>66%</b>

**NASHVILLE ELECTRIC SERVICE  
QUARTERLY ASSET MANAGER'S REPORT  
MARCH 31, 2025**

**Pension Results for the Quarter**

The NES Plan had a gain of 0.6 percent for the quarter as compared to a gain of 0.2 percent for the dynamic index. A summary of the results for the funds follows (benchmark indexes are italicized):

<b><u>Description</u></b>	<b><u>Balance</u></b>	<b><u>Quarter Ended March 31, 2025</u></b>	<b><u>12-Months Ended March 31, 2025</u></b>	<b><u>Since Inception July 31, 2001</u></b>
<b><u>Large Cap</u></b>				
<b>S&amp;P 500 Index Fund</b>	\$149,819,001	-4.27%	8.21%	12.30%
<i>S&amp;P 500 Index</i>		-4.27%	8.25%	12.35%
<b>US All Cap Factor Equity</b>	\$65,895,869	-2.70%	--	11.75%
<i>Russell 3000</i>		-4.72%	--	8.58%
<b>SEI Extended Market Index Fund</b>	\$25,212,382	-8.44%	0.05%	8.24%
<i>Russell Small Cap Completeness Index</i>		-8.41%	0.06%	8.16%
<b><u>Small-Mid Cap</u></b>				
<b>SEI Small-Mid Cap Fund</b>	\$12,865,767	-6.16%	-2.62%	10.70%
<i>Russell 2500</i>		-7.50%	-3.11%	11.12%
<b><u>International</u></b>				
<b>SEI World Equity Ex-US Fund</b>	\$173,170,069	5.94%	9.33%	6.87%
<i>Net MSCI All Country World Ex-US</i>		5.23%	6.09%	5.61%
<b><u>Bonds</u></b>				
<b>SEI Core Fixed Income Fund</b>	\$115,088,723	2.91%	5.36%	4.18%
<i>Barclay US Aggregate</i>		2.78%	4.88%	3.55%
<b>Limited Duration Fund *</b>	\$54,096,683	1.77%	6.14%	5.18%
<i>ICE B of A ML 1-3 Year Treasury</i>		1.59%	5.45%	4.19%
<b>SEI High Yield Bond Fund</b>	\$33,534,146	0.93%	8.69%	7.08%
<i>SEI US HY Historical Blend</i>		0.94%	7.64%	6.26%
<b>SEI Emerging Markets Debt Fund</b>	\$33,531,566	3.48%	6.43%	4.64%
<i>Emerging Markets Debt Index</i>		3.28%	5.42%	3.88%
<b>Cash</b>	\$1,354,822			
<b>Composite</b>	\$664,569,028	0.60	7.32%	6.32%
<b>Net Dynamic Index</b>		0.21	6.23%	6.51%

“\*” Fund established in May 2023

## Individual Fund Performance

US All Cap Factor Equity outperformed its index by 2.02 percent. The Fund gained on low-volatility exposure, an underweight to low-quality names, and selection in healthcare, industrials, and information technology.

SEI Small-Mid Cap Fund outperformed its index by 1.34 percent. The Fund led by the value portfolio, followed by low volatility, while momentum was broadly neutral.

## Asset Allocation

The Plan's asset allocation for the quarter's end consists of 38 percent domestic equity, 36 percent fixed income, 26 percent foreign equity, and less than one percent cash. The investment strategy goal is to have no more than one percent of the fund in cash.

<u>Manager</u>	<u>Benchmark Index</u>	<u>Market Value (Millions)</u>	<u>Goal %</u>	<u>Actual %</u>
S&P 500 Index Fund	S&P 500	\$149.8	23.0%	22.5%
US All Cap Factor Equity	Russell 3000	\$65.9	10.0%	9.9%
SEI Extended Market Fund	Russell Small Cap	\$25.2	4.0%	3.8%
SEI Small-Mid Cap Fund	Russell 2500	\$12.9	2.0%	1.9%
SEI World Equity Ex-US Fund	MSCI All Country World X-US	\$173.1	26.0%	26.3%
Core Fixed Income Funds	Barclays Aggregate	\$115.1	17.0%	17.3%
Limited Duration Fund	ICE B of A	\$54.1	8.0%	8.1%
SEI High Yield Bond Fund	SEI US HY Historical Blend	\$33.5	5.0%	5.0%
SEI Emerging Markets Debt Fund	JPM EMBI Global Diversified/JP M GBI EM	\$33.5	5.0%	5.0%
<b>Cash</b>		\$1.4	0.0%	0.2%
<b>Total</b>		<u>\$664.5</u>	<u>100.0%</u>	<u>100.0%</u>

## Dynamic Index

The Pension Plan, OPEB Plan, and the 401(a) Plan use a dynamic benchmark index representing a fund currently consisting of 23 percent S&P 500 Index, 10% Russell 3000 Index, 4 percent Russell Small Cap Completeness Index securities, 2 percent Russell 2500 Index, 26 percent MSCI All Country World Ex-US Index, 17 percent Bloomberg Barclays US Aggregate Bond Index, 8 percent ICE Bank of America 1-3 year Treasury Index, 5 percent Historical Blend High Yield Bond Index and 5 percent Emerging Markets Debt Index.

### **OPEB (Other Post-Employment Benefits) Trust Results for the Quarter**

The composite result for the OPEB trust had a gain of 0.66 percent as compared to the dynamic index which had a gain of 0.21 percent. The OPEB trust held \$265.2 million of assets as of March 31, 2025. The asset mix mirrors the Pension Plan allocation.

### **401(a) Defined Contribution Trust Results for the Quarter**

The composite result for the 401(a) Trust had a gain of 0.55 percent as compared to the dynamic index which had a gain of 0.21 percent. The 401(a) Trust held \$38.1 million of assets as of March 31, 2025.



## QUARTERLY HOME UPLIFT – POWER OF CHANGE UPDATE

### Home Uplift

The Home Uplift program funds home energy efficiency upgrades and weatherization measures that reduce low-income customers' energy burdens and lowers energy carbon emissions while providing health benefits and improving quality of life. Current weatherization measures include HVAC and ductwork repair or replacement, insulation, air sealing, windows and doors, LED lightbulbs, and electric water heaters. Quality of life improvements include better air quality, humidity reduction in the home, reduction in thermal stress, and improved overall comfort. The weatherization and efficiency measures also enable participants to enjoy use of their homes more fully during summer and winter months.

### Financials and carbon reduction

Through April 2025, total funding for Home Uplift approximates \$19.0 million, of which \$16.6 million has been expended to install weatherization and energy efficiency measures. Administrative costs, such as CLEAResult program administration and Pathway Lending disbursement accounting and audit procedures, are covered by TVA outside of Home Uplift funding.

### Applications and Demographics

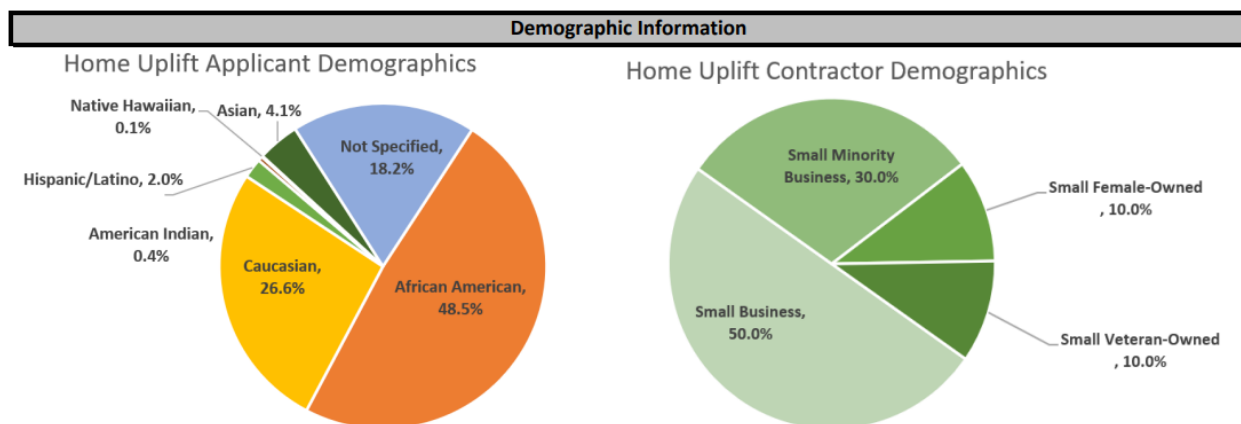
During the second quarter 2025, NES Corporate Communication, CLEAResult, and TVA plan to hold multiple events during which customers are provided program information and assisted with any questions and documentation requirements.

Due to the numerous program events and marketing efforts, the Home Uplift program has a wait list of 461 approved participants and CLEAResult is working with over 728 customers on applications that are in the review queue. New applications are primarily received through the online portal and NES and CLEAResult are actively working with participants on missing or incomplete documentation.

Through April 2025, 1,770 homes have received Home Uplift weatherization and energy efficiency measures with 19 homes in progress.

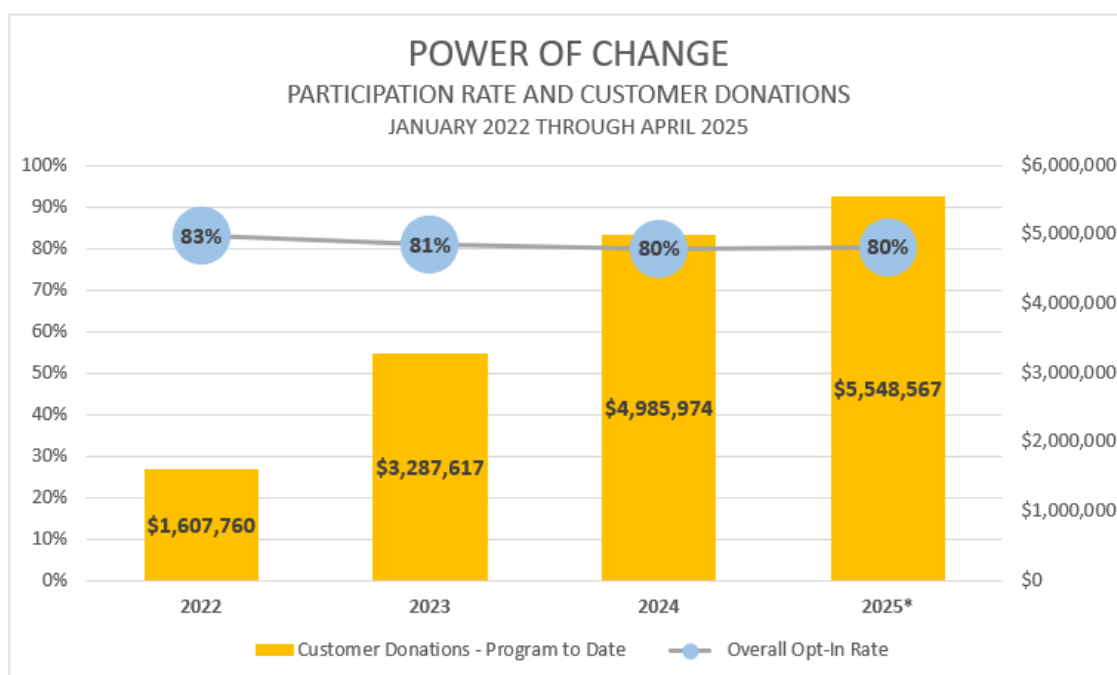
Application Statistics	
Received ( <i>not reviewed</i> )	34
Incomplete ( <i>lacks required documentation or information</i> )	694
Waitlist ( <i>approved, but not started</i> )	461
In Progress ( <i>started, but not completed</i> )	19
Completed ( <i>total since inception</i> )	1,770

Both applicant and contractor demographics are tracked by CLEAResult and are shown in the charts below. Demographic information is requested from applicants, but not required. Specific contractor demographics are not required by CLEAResult.



## Power of Change

Since program inception in January 2022, NES customers have donated over \$5.5 million to the Power of Change program. These donations are remitted monthly to Pathway Lending for inclusion in the Home Uplift program for weatherization and energy efficiency purposes. The customer participation rate of 80.4 percent continues to exceed the required 70 percent participation rate. The chart below shows cumulative customer donations and participation rates since program inception.



# OPERATIONS REPORT

## Third Quarter

### Fiscal 2025 Summary

Description	Fiscal Year 2025 Goal	Results as of 3/31/2025*
<b>(Goals Met are in Bold)</b>		
<b><u>SAFETY</u></b>		
Recordable Injuries per 200,000 man-hours worked	No more than 3.8	<b>3.2</b>
At-Fault Vehicle Accidents per one million miles driven	No more than 4.3	<b>3.6</b>
NES Safety Index	No more than 90.0	<b>75.6</b>
<b><u>RELIABILITY TARGETS</u></b>		
System Average Interruption Duration Index - SAIDI	Range of IEEE 2 <sup>nd</sup> quartile is 84 to 119 minutes	<b>87.11</b>
Customer Average Interruption Duration Index - CAIDI	Range of IEEE 1 <sup>st</sup> quartile is less than 109 minutes	<b>88.77</b>
System Average Interruption Frequency Index - SAIFI	Range of NES standard of 0 to 1.63 events	<b>0.98</b>
Average System Availability Index - ASAI	Range of IEEE 2 <sup>nd</sup> quartile is 99.9774% to 99.9840%	<b>99.9834%</b>
<b><u>CUSTOMER SERVICE</u></b>		
Percentage of Calls Answered (Combined)	Not less than 90 percent	<b>95.66%</b>
Percentage of Calls Answered (Rep Only)	Not less than 80 percent	<b>88.33%</b>
Average Speed of Answer (Combined)	120 seconds or less	<b>50.33</b>
Average Speed of Answer (Rep Only)	210 seconds or less	<b>154</b>
Grade of Service (Combined)	Not less than 75 percent	<b>83.33%</b>
Grade of Service (Rep Only)	Not less than 50 percent	<b>54.66%</b>
<b><u>FINANCIAL**</u></b>		
Operations & Maintenance Expense per customer	Less than \$633.93 per customer	<b>\$564.60</b>
Distribution Expense per customer	Less than \$260.66 per customer	<b>\$229.47</b>
Customer Service Expense per customer	Less than \$95.33 per customer	<b>\$81.47</b>
Administrative & General Expense per customer	Less than \$277.95 per customer	<b>\$253.43</b>
Capital Expenditures	\$255.18 million	<b>\$156.27 million</b>
Days in Receivables	25 days or less	<b>22.91 days</b>

\*All amounts based on rolling twelve months unless otherwise noted

\*\* Excludes non-cash retirement cost impacts

## MANAGEMENT’S DISCUSSION AND ANALYSIS OF THE THIRD QUARTER OPERATIONS

### **SAFETY**

All three Safety Goals for the 3<sup>rd</sup> quarter were met. Recordable injuries for the 3rd Quarter 2025 were down by approximately 50% compared to the 1<sup>st</sup> and 2<sup>nd</sup> Quarters of FY25. The NES Safety team continued to roll out employee safe work behavioral management processes with the Finance, Human Resources/Corporate Services, Power System Operations, and Engineering Departments.

### **RELIABILITY**

All four of the reliability goals were met for the quarter despite the active storm season this Spring. NES customers experienced 39,205,457 minutes out the last 12 months, which was a 33% decrease from the previous 12 months. We also saw a 40% improvement in sustained outages with 441,609 in the last 12 months compared to 721,061 customers in the previous 12 months.

Trimming miles through the 3<sup>rd</sup> quarter were 342 miles, which is below the calculated monthly and quarterly average. Our contractor, ABC Professional Trees Services, Inc., currently has 40 crews working on our system, which is double the number of crews we have had working on our system in past years. We are now trimming approximately 30 miles per week now that we have completed some of the more dense, rural circuits and are on track to trim an additional 270 miles by year-end.

The following table provides the relevant statistics for the twelve-month rolling average.

<b>Description</b>	<b>Last Twelve Months</b>	<b>Previous Twelve Months</b>
Number of Active Meters	456,412	443,418
Total Customers Interrupted	2,415,568	2,326,176
Total Customer-Minutes Out	39,205,457	57,941,312
Customer’s Interrupted (Momentary)	1,973,959	1,605,115
Customer’s Interrupted (Sustained)	441,609	721,061

### **CUSTOMER RELATIONS**

Customer Relations had a strong quarter, receiving a total of 514,040 calls from January through March. We are proud to report that all six of our quarterly performance goals were successfully met.

To ensure consistent service levels, we continued our strategy of supplementing our call center workforce with contract employees. This approach helps manage staffing gaps due to illness and supports higher-than-average call volumes. Currently, 25 contract employees are part of our call center team.

Notable achievements among our advisors include:

- Five team members earned *Advisor of the Month* recognition.
- Eighteen advisors qualified for *Pacesetters Club* status.
- Twenty-one advisors achieved *100 Percenters Club* status.

Additional accomplishments for the quarter:

- On March 31, 2025, NES successfully went live with Oracle's **Customer to Meter (C2M)** system for all end users.
- One new temporary contract employee was hired for the Tellers section.
- Customer Relations received a 5-star review on Google, reflecting our team's commitment to excellent service.

## CORPORATE COMMUNICATIONS

- Managed all communications during severe weather events in April, including social media, customer emails, and statements to the media and elected officials.
- Coordinated **455** touchpoints with media regarding power outage updates, severe weather preparedness, energy-saving tips, energy curtailment, rate increases, compromised infrastructure (broken poles, blown transformers) and federal funding cuts.
- Published **32** positive stories on NESPowerNews.com. Quarterly website unique visitors came in at **4,753** which included **12,747** pageviews.
- Posted **152** social media posts on Facebook, Instagram and X regarding Home Uplift, electrical safety and reliability, storm safety, weather warnings, vegetation management, community involvement, website tools, scam prevention and energy-savings tips.
- Gained **671** new followers on Facebook, **918** followers on Twitter and **156** followers on Instagram.
- Deployed **7** general customer emails to an average of **288,422** customers with an average open rate of **56.64%**. Deployed **2** targeted property manager emails to **259** customers with an average open rate of **44.9%**.

## FINANCIAL

Financial goals are established based on the annual budget approved by the Board in May of each year. The Operation and Maintenance Expense and the Administrative and General Expense goal and actual expense calculations both exclude non-cash retirement costs in their calculations. We met all six of our financial goals for the annual reporting period.

	March YTD Actual	March YTD Budget	Over (Under)	Explanation:
Total Operating Expenses	174,206,000	205,883,000	(31,677,000)	
Labor	67,425,000	68,743,000	(1,318,000)	Under budget primarily due to fewer employees, storm overtime & accrual adjustment, offset by more regular overtime, storm straight time and timing of leave taken.
3 Temporary Agency Service:	1,057,000	1,500,000	(443,000)	Temporary agency services lower than planned
9 Transportation	4,123,000	4,426,000	(303,000)	Transportation costs less than projected.
12 Travel	168,000	414,000	(246,000)	Under budget due to travel timing.
16 Outside Services	18,060,000	22,642,000	(4,582,000)	Under budget due to timing of services, offset by greater contractor cost.
17 Tools & Equipment	314,000	433,000	(119,000)	Less tool replacements than anticipated
19 Postage	1,435,000	1,588,000	(153,000)	Postage costs lower due to fewer mailings than projected
20 Materials & Supplies	2,907,000	3,279,000	(372,000)	Material usage less than planned.
23 Professional Fees	1,730,000	2,052,000	(322,000)	Professional fees for legal & financial services lower than projected
24 Security/Police	1,805,000	1,917,000	(112,000)	Security guard services less than budgeted
29 Contract Tree & Grass	8,382,000	13,653,000	(5,271,000)	Under budget due to accrual adjustment and fewer miles trimmed than planned.
34 Accrual for Uncollected Accounts	19,000	2,625,000	(2,606,000)	Under budget due to recovery of receivables previously reserved as uncollectible.
38 Civic Involvement	1,125,000	879,000	246,000	Over budget primarily due to contributions greater than anticipated for customer utility bill assistance program.
42 Medical*	7,230,000	9,314,000	(2,084,000)	Medical costs lower than planned, offset by overhead allocation greater than budgeted.
44 Insurance Premiums*	1,338,000	1,587,000	(249,000)	Under budget primarily due to favorable policy renewals.
45 Retirement & Survivors*	22,411,000	24,206,000	(1,795,000)	Under budget primarily due to favorable actuarial report values and GASB adjustments, offset by greater 401a plan expenses.
46 Other Post Employment Benefits*	2,489,000	4,220,000	(1,731,000)	Under budget primarily due to favorable actuarial report values and GASB adjustments, offset by overhead allocation lower than planned.
47 Service Connected Medical*	395,000	240,000	155,000	Greater workers' compensation claims than anticipated, offset by overhead allocation higher than planned.
365 Information Technology*	24,769,000	34,019,000	(9,250,000)	Under budget due to timing of information technology costs.
366 Accounting Work Order Transfers	71,000	401,000	(330,000)	Under budget due to greater transfers to Capital than anticipated
<b>TOTAL</b>	<b>167,253,000</b>	<b>198,138,000</b>	<b>(30,885,000)</b>	

\*Amounts are net of absorbed overhead





EMPOWERING CUSTOMERS. EMBRACING CHANGE.

# Encompass Program – NES Board Meeting

# Wave 1B: Executive Summary

**Go-Live Date:** Sunday, March 30, 2025

**Current Phase:** Production Support (May 5 – June 30, 2025)

- As of mid-May, the Encompass Project has successfully transitioned into its Production Support phase following the conclusion of a comprehensive Hypercare period, which extended from March 30 through May 4. This marks our 8th week post-Go Live and a critical milestone in our transformation efforts.
- During Hypercare, all defined exit criteria across multiple operational domains were achieved or determined to be in a healthy and sustainable state, allowing us to confidently shift to the next phase of support and optimization. The primary focus areas and corresponding criteria addressed include:
  - **System Stability:** No Severity 1 incidents; critical batches (billing, meter reads) processed on time; system performance and C2M integrations stable.
  - **User Adoption:** End users are performing tasks independently with minimal support; Navigator (Training Self-Service Tool) is being used as the primary reference tool; confidence and ease of use validated through department-level feedback, Change Agent Network input, and user surveys.
  - **Support Readiness:** NES IT, Production Support, and Center of Excellence (COE) teams are aligned and engaged; knowledge transfers complete.
  - **NES IT Help Desk:** Fully enabled to triage, route, and resolve issues; ticket processes in place.
  - **Center of Excellence (COE) & To Do Resolution:** Framework and roles defined; daily defect reviews and “To Do” workflows functioning.
  - **Training & Process Readiness:** Remedial training issues addressed; ServiceNow/ITIL training completed; revised release/change procedures in use.
- **Looking Ahead:** This successful exit from Hypercare reflects a stable operational environment and a maturing support organization. Focus now shifts to ensuring long-term stability, reinforcing end-user adoption, and preparing for sustained support beyond June 2025.

# Wave 1B: Executive Summary – Production Stabilization

## Stabilization Metrics Overview (Post-Go Live)

### Adoption Metrics (C2M Logins):

- Daily C2M login activity is averaging **~290–300 users per day**.
- This reflects steady end-user engagement and a consistent adoption trend during stabilization.

### Incident Metrics (Control Center/Help Desk Intake):

- From March 30 through May 20, daily C2M incident volume averaged **~15 per day**, down from an early peak of ~49 on March 31.
- The steady decline reflects improved system familiarity, effective triage, and knowledge transfer to support teams. The stabilization trend demonstrates that incidents are increasingly being resolved at the front line, reducing reliance on escalation paths.

### Defect Metrics:

- During the Hypercare and Production Support phases, the team has averaged approximately **~10 new defects per day**, with about **~8 closures daily**—resulting in a gradual backlog increase that is now leveling off near 130 open items.
- This elevated trend was anticipated during Hypercare and has shown improvement with the transition into Production Support. The backlog is being actively managed through structured triage, prioritization, and COE-led daily reviews to maintain momentum toward resolution.

### Change Management (CAB Submissions):

- From March 30 to May 20, the team has maintained a controlled and responsive cadence—averaging **~8 Normal changes** and **~1 Emergency change** per day.
- Emergency fixes have tapered, while Normal change activity has steadily increased, signaling greater planning discipline, system confidence, and a maturing change management process aligned with CAB governance.

## Stabilization Metrics (continued)

### Batch Processing Health:

- All critical jobs completed successfully with limited reported interruptions

### To-Do Volume and Trends:

- Since April 1, the daily average To-Do backlog has hovered around **~6,200**, with **Meter-Ops** and **Bill-Ops** consistently accounting for approximately **80–85%** of the volume.
- As of mid-May, Meter-Ops has stabilized around **~1,889 open items** and Bill-Ops around **~494**, both showing slight backlog reductions in recent days.
- Secondary areas of growth include **IT-Ops**, **Business-Ops**, and **Customer Relations-Ops**, with IT-Ops experiencing the largest positive delta in recent weeks.
- Daily volume fluctuations are being actively monitored, and ownership of operational backlogs is being reinforced across teams to support sustained stabilization and resolution.

### System Health (End-to-End):

- Dynatrace confirms continued daily stable performance and availability



# Wave 1B: Executive Summary – Customer Perspective

## Call Center Metrics:

- Call center operations have shown sustained improvement and stabilization since the initial post-Go-Live surge. Weekly call volume has declined from a peak of over **28,000 in Week 1** to approximately **14,000 in Week 7**, while performance metrics continue to trend positively:
- **Average Speed of Answer (ASA)** improved significantly from **36 minutes (Week 1)** to **1 minute, 23 seconds (Week 7)**.
- **Average Handle Time** has remained stable in the **6–7-minute range**, landing at **6 minutes, 54 seconds** in Week 7.
- **Advisor Answer Rate** rose steadily from **65%** to over **99%**.
- These improvements reflect increasing advisor efficiency, improved responsiveness, and a maturing service environment as system and user proficiency continue to strengthen.

## Digital Self Service Metrics:

- Digital adoption remains strong and sustained, helping reduce pressure on the call center while improving customer engagement.
- **Unique logins have averaged ~9,500/day**, peaking at **14,557 on May 1**, with consistent activity across mobile and web.
- **API calls range from 27,000 to 47,000/day**, with a high of **46,482 on May 1**, demonstrating stable system performance at scale.
- **Mobile registrations continue to outpace web** (4,800+ vs. 4,600+), underscoring customer preference for mobile access.
- **Program Enrollment volumes** remain healthy, led by **Paperless Billing (3,970)**, **Payment Extensions (1,301)**, and **Budget Billing (373)**.
- This broad self-service adoption is delivering tangible ROI by reducing call volume, increasing operational efficiency, and empowering customers of self-managing during critical post-Go-Live periods.

## Billing Metrics:

- Billing performance has remained highly stable through **May 20**, with **678,716 total bills successfully processed**.
- All major billing cycles for **April (Cycles 1–21)** and **May (Cycles 1–12)** have closed as expected, with only **May Cycles 13 and 14** currently open and in progress.
- This continued consistency in billing execution reflects strong system stability, timely processing, and no significant backlog—supporting customer confidence and minimizing downstream impacts to collections, payments, and service operations.

## Remittance Metrics:

- Since Go-Live, NES has successfully processed **over 670,000 payments totaling approximately \$208 million** across multiple inbound channels, reflecting a highly effective and stabilized remittance landscape.
- **Channel Mix & Vendor Contributions:**
  - **Third-party vendor platforms**—including Paymentus, Fiserv, First Horizon, and Fidelity Express—handled over **85% of all transactions**, demonstrating broad utilization of integrated payment methods.
  - **Paymentus** remains the dominant source, processing over **417,000 transactions** and contributing more than **\$96M** in payments alone.
- Daily volumes peaked on **April 21 and 28**, with **all vendor platforms performing reliably under load**. The remittance process continues to demonstrate strong scalability, accuracy, and post-Go-Live maturity.

# Wave 1B: Financials

## Budget Summary (as of April 30, 2025)

Cost Category/Area	Approved Dec 31, 2023 Wave 1B ETC	Actuals through April 2025	Budget through April 2025	Budget YTD Variance	Revised Project Forecast	EAC Variance	EAC Note(s)
EY Base Services	\$ 41,100,000	\$ 34,947,784	\$ 34,947,784	\$ -	\$ 41,100,000	\$ -	
EY Travel Expenses	\$ 250,000	\$ 316,100	\$ 250,000	\$ 66,100	\$ 441,100	\$ 191,100	Extended travel for March - July 2025 (Dress Rehearsal, Go Live, Hypercare, Production Support)
NES Internal Resource Costs	\$ 9,566,329	\$ 5,089,807	\$ 8,966,329	\$ (3,876,522)	\$ 5,989,807	\$ (3,576,522)	Accounting Overhead Adjustment for July and December 2024; Less actual than budgeted
NES Contractor Costs	\$ 9,724,975	\$ 10,641,872	\$ 9,724,976	\$ 916,896	\$ 12,141,872	\$ 2,416,897	Contractor labor running high due to Mock Events, Dress Rehearsals, Extended Testing
NES Contractor Travel Expenses	\$ 200,000	\$ 657,759	\$ 372,500	\$ 285,259	\$ 717,759	\$ 517,759	Late 2023 Invoices; Accruals not Captured in December 2023; Float for Production Support
Third Party Vendor Services	\$ 5,362,034	\$ 5,878,181	\$ 4,489,193	\$ 1,388,988	\$ 6,378,181	\$ 1,016,147	Float for Production Support
Software/Licensing/Subscriptions	\$ 4,894,709	\$ 3,096,040	\$ 4,894,708	\$ (1,798,668)	\$ 3,950,089	\$ (944,620)	Less actual than budgeted
Hardware/Infrastructure Costs	\$ 6,356,495	\$ 4,064,779	\$ 6,541,565	\$ (2,476,786)	\$ 4,857,229	\$ (1,499,266)	Less actual than budgeted
Additional Costs	\$ 1,344,000	\$ -	\$ 134,400	\$ (134,400)	\$ -	\$ (1,344,000)	Less actual than budgeted
	\$ 78,798,542	\$ 64,692,322	\$ 70,321,455	\$ (5,629,133)	\$ 75,576,037	\$ (3,222,505)	

## STRATEGIC PLAN UPDATE

In late 2024, Nashville Electric Service selected the firm Porter Novelli to develop and facilitate NES's Strategic Plan. Since my last update in February, the strategic planning process has progressed meaningfully. Porter Novelli has concluded the initial research and observation phase. The phase included a detailed review of NES's 2017 Strategic Plan, governing documents, employee survey results, consumer market research, annual reports, community initiatives, and industry benchmarking.

In the current discovery phase of the project, Porter Novelli has conducted one-on-one meetings with the CEO and NES board members, and they facilitated a series of in-depth discussions with the vice presidents. These sessions focused on identifying key strategic shifts needed to move NES from an execution-focused utility to a community-anchored energy partner.

Key themes emerging include:

- Elevating NES's purpose to inspire employees and unify stakeholders around a shared vision.
- Transitioning from reactive service to proactive, customer-first experiences.
- Strengthening internal culture through cross-functional collaboration and employee empowerment.
- Investing in smart innovation, long-term resilience, and strategic financial stewardship.
- Building trust through transparency, accountability, and community engagement.

We will engage union leadership and gather broader employee feedback to ensure inclusive input as we refine the plan.

## **PRESIDENT'S REPORT**

**May 2025**

### **OPERATIONS**

We trimmed 103 circuit miles for the month of April.

### **CUSTOMER RELATIONS**

Congratulations to Kim Sutton and Rickia Reeves, our Service Advisors of the Month, and to Zaria Satterwhite, our Contract Advisor of the Month. Six service advisors earned Pacesetter status by exceeding productivity goals. Twenty-one advisors joined the 100 Percenters Club for achieving perfect scores in all call monitoring categories during April.

### **COMMUNITY INVOLVEMENT**

On April 16, NES hosted the Big 8 Engineering & Operations meeting, attended by 21 participants and four NES team members, who discussed engineering topics and toured the renovated Control Center.

On April 19, NES participated in Nashville Earth Day at Centennial Park, engaging over 750 visitors and showcasing TVA's Energy Efficiency programs and the new electric F-150 Lightning.

On April 21, Eric Lewis judged projects at Vanderbilt's School of Engineering Design Day as part of the advisory board.

On April 29-30, NES attended TVA's Grid Situational Awareness Conference. Jack Baxter was a panelist, and Kevin Phelps presented on the renovated Control Center.

On April 30, NES IT team members Brentley Catoe and Ron Womble visited KIPP Academy to discuss career paths with Cybersecurity students.

On May 1, Teresa Broyles Aplin, David Frankenberg, and Antonio Carroll attended the 62nd Annual State of Metro Address at the Nashville Public Library. Jack Baxter also attended the Electrical and Computer Engineering Advisory Board meeting at Tennessee Tech, reviewing senior projects and department updates.

On May 2, NES T&D Operations supported school outreach events at Ida B. Wells and Brick Church Middle, demonstrating bucket truck operations.

On May 6, ten Nashville schools received \$10,000 grants through the TVA School Uplift program for energy-saving efforts, thanks to Sheryl Haley and the NES Key Accounts Team.

On May 7, the NES Meter Department was inducted into the MSEMA Meter Hall of Fame at the Mid-South Electric Meter Association meeting, with Jack Baxter and Eric Lewis accepting the award.

On May 22, Laura Smith spoke at the graduation ceremony for L'Evate's 2025 class.

### **MISCELLANEOUS**

On May 1, Dr. Holliday was the keynote speaker at the Joint Accounting Conference in Bowling Green, KY, discussing *Race to Excellence by Elevating the Employee Experience*.

On May 1, Advancing Women in Nashville hosted *Summit 2025: Rising Together*. It included a female CEO-led panel featuring our very own Teresa Broyles-Aplin.

On May 5, Artetta West attended the Academy of Nashville Awards, where she was a finalist for the 2025 Student Choice Partner of the Year award, recognizing community contributions to the Academies of Nashville program.

On May 7, Mostafa Shamsuddin moderated a session on Protection for Inverter-Based Resources at the 78th Annual Georgia Tech Protective Relaying Conference.

On May 13-15, Mostafa Shamsuddin participated in a Power System Relaying and Control Committee meeting in Portland, Oregon, focusing on standards for protective relaying and control.

On May 15, North Service Center employees Kurt Hellman and Nate Edwards were recognized by the Metro Nashville Fire Department for their role in rescuing an injured tree trimmer.

On May 19, Dr. Holliday and Brent Baker delivered a keynote on "Breaking the Mold and Leading Change" at the TVPPA Conference in Biloxi, MS.

On May 19, David Frankenberg delivered the opening keynote address at the Utility Supply Chain Management Alliance National Conference at the J.W. Marriott in Nashville.

Recently Audria Patterson, Bryan Lillard, Dee Walker, Jessica Outlaw, and Antonio Carroll attended the Nashville Bar Association's Annual Law Day Luncheon, where NES received the Silver Diversity Award in Public Service.

Employees enjoyed the 2nd annual Everyone Matters May event, featuring free ice cream sandwiches from the Pink Truck, with over 750 participants.

Nathan Publow will lead the 2025 RP3 Application team. The application process starts now and will be submitted in September.

## **In Memory of Cody Fletcher**



It is with deep sadness that we share the passing of our colleague and friend, Cody Fletcher, lineman apprentice, who died on April 27th, 2025, at the age of 30.

Cody was a kind, dedicated, and uplifting presence in our workplace. He brought heart, humor, and a strong sense of purpose to everything he did. His passion for his work was matched only by his devotion to his young son, Weston, who was the light of his life.

Our thoughts are with his family, friends, and colleagues during this difficult time.

## Miscellaneous

Recess to Civil Service Board Meeting



## Consent Agenda

**THE MINUTES OF THE ONE THOUSAND FOUR  
MEETING OF THE ELECTRIC EMPLOYEES'  
CIVIL SERVICE AND PENSION BOARD**

**HELD APRIL 23, 2025**

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The regular meeting of The Electric Employees' Civil Service and Pension Board was held April 23, 2025.

Board Members Present: Michael Vandenberg, Chair; Rob McCabe, Anne Davis, Clifton Harris (virtual), Casey Santos (virtual). Officers Present: Teresa Broyles-Aplin, David Frankenberg, Laura Smith, Brent Baker, and Dr. Trish Holliday.

Chair Vandenberg called the meeting to order at 8:58 am and stated that the matters on the consent agenda have been provided to the Board in advance. The consent agenda included the recommendation for approval of the Civil Service Minutes from the meeting held March 26, 2025.

Upon motion by Member McCabe and seconded by Member Davis, the consent agenda was approved, which included the minutes from March 26, 2025.

**MANAGEMENT / NESEA MEETING**

Dr. Holliday noted that the Management/NESEA minutes from the March 13, 2025, meeting was provided for the Board's review.

Dr. Holliday mentioned that Management and NESEA are continuing conversations with positive working relationships. No concern or issue is going unaddressed.

**RECOMMENDATION FOR APPROVAL OF A CHANGE IN THE WELLNESS REIMBURSEMENT CIVIL SERVICE RULE**

As per Civil Service Rule 10.182, NES currently reimburses employees who use approved health and fitness facilities to encourage healthy lifestyles. This reimbursement may be up to 100% of the cost for twelve months. Over time the cost of these facilities have increased, and our rule does not have a maximum reimbursement amount. Based on a survey of local wellness facilities, we believe that a twelve-month cap of \$4,500 is adequate.

Management recommends an amendment to the Civil Service Rule 10.182 to include a twelve-month cap of \$4,500.

Upon motion by Member Davis and seconded by Member McCabe, the recommendation for approval of a change in the wellness reimbursement Civil Service Rule was approved.

## **HUMAN RESOURCES - CORPORATE SERVICES WORKFORCE UPDATE**

Dr. Holliday noted that the HR – Corporate Services Workforce Update is in the Board packet for review. Highlights from Training, Staffing and Employee Relations, Safety, Fleet, and Facilities and Security were mentioned by Dr. Holliday.

## **MISCELLANEOUS**

There were no miscellaneous items to come before the Board.

## **ADJOURNMENT**

The meeting adjourned at approximately 9:09 a.m.

Approved,

Chair

Attest:

Secretary  
04-23-2025

## Discussion Items

**RECOMMENDATION FOR APPROVAL OF A CIVIL SERVICE RULES AND A  
POLICY MANUAL REVISION TO INCREASE THE COMPENSATORY TIME  
MAXIMUM**

Compensatory (comp) time may be elected in lieu of overtime compensation by employees eligible for overtime under NES overtime provisions. Compensatory time balances may be requested as paid time off during the calendar year and all remaining balances are paid out to employees in December of each calendar year. The current maximum accumulation each calendar year is 104 hours and has been in effect since 2011. We have engaged in discussions with NESEA and Management and recommend, for your approval, an increase of 16 hours resulting in a new maximum of 120 hours of compensatory time that may be earned between January – November of each calendar year.

Management recommends approval for the revisions to the Civil Service Rules and Policy Manual to increase the maximum compensatory time accumulation to 120 hours each calendar year.

### **Civil Service Rules - 4.03 Compensatory Time**

**4.032** In lieu of overtime pay, an employee eligible for overtime under NES's policies may elect for compensatory time off. An employee must notify the supervisor before leaving work that compensatory time is desired, or the employee will be paid.

**4.033** Up to ~~104~~120 hours of compensatory time may be accumulated and taken from January 1 through November 30.

**4.034** Compensatory time must be scheduled in advance and will be granted at the time desired by employees whenever business conditions permit.

**4.035** All compensatory time must be used or paid for by December 31 of each year. Compensatory accrual cannot occur from December 1 to December 31 of each year. Cash payments will not be made before December 1 of each year except in cases of termination or promotion of an employee to a position that is ineligible for compensatory time accruals. Payment will be based upon the pay rate immediately prior to termination or promotion. After a payment for compensatory time has been made, any additional overtime earned will be paid. Year-end compensatory time payments will be based on the pay rate at the time of the payment.

### **Policy Manual - 5. Compensatory Time**

**A. Policy Statement:** In lieu of overtime pay, NES provides employees who are eligible for overtime pay compensatory time off from work under the guidelines in this Policy.

**B. Scope:** This Policy applies to all employees eligible for NES overtime.

#### **C. Terms and Definitions**

(1) Compensatory Time ("Comp Time") – Paid time off in lieu of overtime pay.

#### **D. Policy**

##### **(1) NOTIFICATION, APPROVAL, AND PAYMENT**

- (a) Employees who have worked approved overtime must notify their supervisor before leaving work of their election for compensatory time.
- (b) Use of compensatory time will be granted if business conditions permit.
- (c) Employees may accumulate up to ~~104~~120 hours of compensatory time from January through November 30.
- (d) All compensatory time must be used or paid for prior to the last pay period of each year. Use of compensatory time is not available for the last pay period of the year.
- (e) Payments for compensatory time will not be made before December 1 of each year, except in cases of termination or promotion to a job classification ineligible for compensatory time.
- (f) Payments will be calculated at the employee's base pay in effect at the time the payment is processed.
- (g) Compensatory time may be used in conjunction with periods of approved FMLA leave.

- (h) At the discretion of the CEO, in extraordinary circumstances such as prolonged emergencies and service restoration, compensatory time may be granted to employees who are not eligible for NES overtime.

## **HUMAN RESOURCES / CORPORATE SERVICES WORKFORCE UPDATE**

May 28, 2025

Below are section updates within the HR and Corporate Services Department:

### **Training Section**

Employees enjoyed our Second Annual Everyone Matters May event with free ice cream sandwiches provided by the Pink Truck. The Pink Truck visited the downtown campus and each center with over 750 employees participating in the event.

Interviewing skills training was provided to over 50 non-supervisory employees looking to improve their interviewing skills in April and May.

Performance Appraisals are underway with non-supervisory PAs due May 23<sup>rd</sup>, Supervisory PAs due May 30<sup>th</sup> and Manager PAs due June 13<sup>th</sup>.

### **Staffing and Employee Relations**

As of May 20, 2025, NES has 916 employees. This includes 153 female employees and 763 male employees. As of May 20<sup>th</sup>, there have been three new hires Joseph Kniazewycz, Accountant II, Accounting Section, Trey Hill, Carpenter Apprentice - Support Carpentry, and Bethany Lamon, Utility Worker-Facilities and Security.

We are excited to welcome Summer Interns. This group includes 14 Engineering Interns and 1 Legal Intern. Their names are as follows: Dimend Little, Jackson Hamblin, Andrew Goostree, Gabriel King, Jake Pinkston, Angela Nde, Mark Smith, Landen Johnson, Kylee Hitchcock, Hermena Mikhael, Stella Phelps, Micah Nelson, Kyle Richman, Cheyenne Rice, and Stokes, Durden

### **Compensation & Benefits**

The Compensation and Benefits Section hosted a half day retirement seminar on May 14<sup>th</sup> for employees in the Defined Contribution Plan. Topics included Estate Planning, NES Benefits, Social Security and Medicare, and investing challenges for retirement.

### **Safety**

The Safety section attended Respiratory Fit Testing Training, Initial Forklift Training, TVPPA CSC Class, Gloving & Cover up committee meeting, and Utility Safety Conference.

### **Facilities & Security**

Facilities and Security is working on the parking deck, and a large part of that will be unavailable until the end of June. Elevator 5 is estimated to be back in service by the end of June. The furniture at Massman will be mostly removed by the week of May 19<sup>th</sup>.



## Civil Service Annual Report

## Miscellaneous

## Adjournment of Civil Service Meeting

Reconvene to ratify actions taken by Civil Service Board

## Adjournment of Electric Power Board Meeting