NES

Nashville Electric Service

2021 Annual Report

Our core mission at Nashville Electric Service (NES) is to provide safe, reliable and affordable power and energy services to the customers and communities we serve. This core responsibility is something we work hard at every day. We want to be certain that we are providing our customers with a level of service they expect and deserve. At the same time, we are dedicated to being a good corporate citizen, to facilitating growth and to supporting the economic and environmental health and infrastructure of our region.

NES at a Glance

11

NES is one of the 11 largest public electric utilities in the United States.

419k

NES distributes energy to more than 419,000 customers in Middle Tennessee.

700

The NES service area covers 700 square miles, all of Nashville/Davidson County and portions of the six surrounding counties.

President's Report on Operations

Fiscal Year Ending June 30, 2021

To meet these goals, our employees accomplish many tasks on a daily basis. Some are large, multi-million dollar projects that are readily visible and identifiable, but many are "behind-the-scenes" projects that are essential if we are to continue providing quality customer service. The following is a list of achievements for Fiscal Year 2021 from every area of the organization. Each accomplishment has contributed to our vision to be a top performing utility in reliability and customer satisfaction by providing service excellence and value. These tasks require employee commitment and thousands of work hours that, ultimately, make NES an excellent company and corporate citizen.

87%

Obtained an 87% customer satisfaction rating

$880k

Sold approximately $880,000 of scrap, obsolete and surplus material | Procured more than $160.0 million in goods and services

Online Training

Implemented a new Oracle Learning Management System which provided coronavirus education classes and online safety training | More than 350 employees were enrolled and completed safety classes utilizing the new system

$105k

Contributed more than $105,000 in annual employee donations to community charities such as the American Heart Association, United Way and the Salvation Army

UPPCC

Received the Excellence in Achievement Award for the 13th consecutive year from the Universal Public Purchasing Certification Council for 100% certification of the Procurement staff

And there is more:

Met company-wide Recordable Injury Rate and At-fault Vehicle Accident Rate goals.

Met all liquidity targets and maintained employee count below 1,000.

Completed Encompass Blueprint and Mobilization phases with E&Y resulting in a new Encompass budget being approved.

Drafted/approved 517 legal contracts; provided representation to 12 cases in litigation; settled 7 workers' compensation cases; represented management in 14 charges/grievances and 6 EEOC complaints.

Launched the newly designed NES website.

NESHelps

Developed a new microsite, NESHelps.com, to guide customers to agencies that offer utility bill assistance resulting in 37,000 visitors and 187,000 visitor sessions

$7.9M

Reduced residential and commercial energy charges by approximately $7.9 million through the COVID-19 Relief fund

11th Ave. Substation

Completed construction and cutover to the new 11th Avenue Substation project on schedule and on budget

43,000

Drafted 61 positive news stories for NESPowerNews.com resulting in approximately 43,000 visitor sessions (a 5% increase over 2020)

1,260/12th

Trimmed more than 1,260 circuit line miles and planted over 225 trees | Received Tree Line USA award for 12th consecutive year

COVID-19 Response

Executed a multi-channel advertising campaign to promote the availability of funds for utility bill assistance, including Community Cares and COVID-19 Relief programs | Implemented the Health Department guidelines for contact tracing, isolation and quarantining for 674 employees and contractors | Hosted an onsite Metro Health Department inspection and grief counseling for employee groups and supported sections who lost employees due to COVID-19 | Implemented voluntary changes to the 457 plan, medical plan, sick leave plan, and wellness plan to help mitigate the impact of COVID-19 on NES employees | Provided training classes to educate employees on the pandemic and distributed employee care packets in preparation for the pandemic and flu season | Successfully transitioned to alternative work schedules as needed to allow for social distancing while continuing to meet the needs of our customers

IEEE

Achieved all reliability targets using the IEEE methodology as of May 2021

PragmaCAD

Completed PragmaCAD upgrade to improve remote work capabilities in the field

Planned, coordinated and began construction of an NES Disaster Recovery site.

Completed the first two phases of the Data Classification project to improve security of our electronic assets.

Recovered nearly $700,000 in claims related to damaged NES property.

Completed 8 internal control framework reports that addressed 28 controls.

> Collectively, our internal and external efforts allowed us to have an extraordinary year in delivering on our mission. I continue to be impressed, though not surprised, by NES' achievements as a corporate citizen and in serving our customers efficiently and effectively.

Decosta Jenkins
President & Chief Executive Officer

Award

Received the Sterling Agency Award that recognizes exceptional agencies for having a fully certified procurement staff while also maintaining UPPCC Agency Certification status

Peak Load

Reduced purchased power costs through the Peak Load Management program by approximately $2.5 million, a TVA Long-Term Partnership credit of $20.4 million and the TVA Pandemic credit of $12.6 million

Secure

Strengthened our overall corporate security posture by leveraging strong identity and access management oversight with SailPoint software upgrade

Reduced Past Due

Reduced past due account and extended payment arrangement balances from a height of approximately $27.6 million in September 2020 to a pre-pandemic level of $6.6 million

Solution

Implemented a Fleet Asset Management solution to improve life cycle workflow, data reliability and reporting

Donated

Donated a total of $6.4 million in 2020 through the COVID-19 Relief and Community Care funds to help over 11,200 customers with past due balances | An additional $100,000 was donated to help the downtown Nashville bombing victims

27th Straight Yr.

Received an award from the Nashville Bar Association for the 27th straight year recognizing NES's efforts in supporting and developing minority lawyers and law students

Table of Contents

President's Letter

Sometimes, it takes darkness to realize just how brightly a light shines. That light may have always held a warm glow, but as clouds build and stormy weather rolls in, that's when you see its true power.

After two years of darkness, I can confidently say that, for this community, Nashville Electric Service (NES) is that light.

For years, as Nashville's growth and popularity has surged, NES has quietly ramped up efforts to provide safe, reliable and affordable power and energy services to support that growth. But in 2020, when darkness rolled in with a tornado, a derecho and the COVID-19 pandemic, the ways in which we came through for the community could not go unnoticed. We were a beacon of light, and we have continued to shine brightly through the ongoing trials of 2021.

As the COVID-19 pandemic rages on, thousands of Nashvillians continue to struggle financially. NES eased that burden by donating a total of $6.4 million in 2020 through the COVID-19 Relief and Community Care funds to help over 11,200 customers with past due balances. We also reduced residential and commercial energy charges by approximately $7.9 million through the relief fund and launched NESHelps.com as a resource for customers needing utility bill assistance. During the fiscal year, 37,000 individuals visited the site, logging 187,000 visitor sessions.

Amidst the pandemic challenges, our community was in the process of rebuilding after the intense storms when a bomb exploded in downtown Nashville on Christmas Day. Our team sprang into action, effectively managing power supply and safety issues, and donating $100,000 to help victims of the bombing.

Additional efforts to support the community in which we work and live included over $105,000 in annual employee donations to charities such as the American Heart Association, United Way and the Salvation Army. We were also recognized by the Nashville Bar Association for the 27th straight year for our efforts in supporting and developing minority lawyers and law students.

In FY 2021, just as we served as a good corporate citizen, we took many steps to serve as an even better utility, beginning with improving the customer experience. We launched a newly designed, more user-friendly NES website, and with our new Interactive Voice Response system, answered more than 1.9 million calls. NES achieved all reliability targets using the IEEE methodology as of May 2021, and completed construction and cutover to the new 11th Avenue Substation project on schedule and on budget to fulfill the rising power demands of the downtown corridor. There is no greater indication of our success than our customer satisfaction rating, which came in at 87% — our highest ever.

We are only as good as the employees who represent us, so in 2021 we went to great lengths to ensure they were supported, safe, and valued. We assisted employees through grief counseling for employee groups and supported sections that lost employees due to COVID-19. We implemented voluntary changes to the 457 plan, medical plan, sick leave plan, and wellness plan to help mitigate the impact of COVID-19 on NES employees and distributed employee care packets in preparation for the pandemic and flu season. We also successfully transitioned to alternative work schedules as needed to allow for social distancing while continuing to meet the needs of our customers. Our emphasis on safety allowed us to meet our company-wide Recordable Injury Rate and At-fault Vehicle Accident Rate goals.

Collectively, our internal and external efforts allowed us to have an extraordinary year in delivering on our mission. I continue to be impressed, though not surprised, by NES' achievements as a corporate citizen and in serving our customers efficiently and effectively. While I sincerely hope that in 2022 the clouds will finally clear, I am confident that no matter what comes our way, the NES light will be shining, bright as ever.

Decosta Jenkins

Decosta Jenkins
President & Chief Executive Officer

left:
Carolyn Schott
NES Board Chair
Partner
Sherrard Roe Voigt & Harbison, PLC

right:
Decosta Jenkins
NES President & CEO

Resilience

Implemented new information technologies to improve resilience and recoverability of our systems in the event of a production impacting event

2k

Responded to more than 2,000 inquiries from public officials

Managed Supply

Managed power supply and safety issues related to the Christmas Day bombing downtown

Implemented

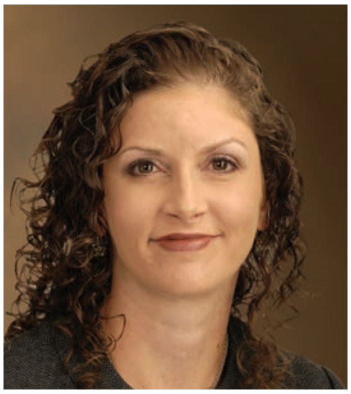
Successfully implemented the Genesys Pure Engage Cloud call center software platform to replace our IVR, automated call and email distribution system, and reporting and recording software

1.9M Calls

Answered over 1.9 million calls which includes the IVR (Interactive Voice Response)

Schedule of Executive Management

Decosta Jenkins
NES President and
Chief Executive Officer



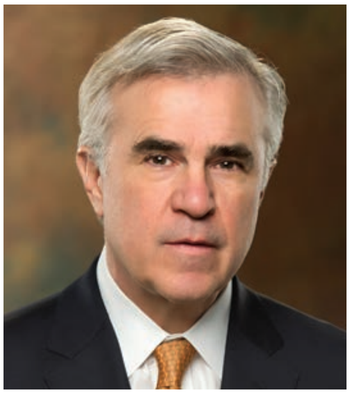
Teresa Broyles-Aplin
NES Executive Vice President
and Chief Financial Officer

Board Members

Carolyn Schott
NES Board Chair
Partner
Sherrard Roe Voigt & Harbison, PLC

Irma Paz-Bernstein
NES Board Vice Chair
Co-Owner and Founder
Las Paletas

Clint Gray
Owner
Slim & Husky's



Robert McCabe
Chairman
Pinnacle Financial Partners

Michael Vandenbergh
Professor
Vanderbilt University

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Report of Independent Auditors

To the Electric Power Board of the Metropolitan Government of Nashville and Davidson County
Nashville, Tennessee

We have audited the accompanying financial statements of the Electric Power Board of the Metropolitan Government of Nashville and Davidson County (the "Electric Power Board"), a component unit of the Metropolitan Government of Nashville and Davidson County, Tennessee, which consist of the statements of net position and fiduciary net position as of June 30, 2021 and 2020, and the related statements of revenues, expenses and changes in net position, changes in fiduciary net position, and of cash flows for the years then ended, and the related notes to the financial statements (the "basic financial statements").

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Electric Power Board as of June 30, 2021 and 2020, and the respective changes in financial position, and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP, 150 3rd Avenue South, Suite 1400, Nashville, TN 37201
T: (615) 503 2860, F: (615) 503 2870, www.pwc.com/us

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Emphasis of Matter

As discussed in Note 1 to the financial statements, the Electric Power Board changed the manner in which it accounts for fiduciary funds for the year ended June 30, 2021. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

The accompanying required supplementary information and management's discussion and analysis on pages 67 through 77 and 8 through 20, respectively are required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

PricewaterhouseCoopers LLP

Nashville, Tennessee
September 22, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

As financial management of the Electric Power Board of the Metropolitan Government of Nashville and Davidson County (the "Board"), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Board for the fiscal years ended June 30, 2021 and 2020 as compared to fiscal years 2020 and 2019, respectively. In conducting the operations of the electrical distribution system, the Board does business as Nashville Electric Service ("NES"). NES is a component unit of the Metropolitan Government of Nashville and Davidson County, Tennessee (the "Metropolitan Government"). We refer to our infrastructure as "the Electric System."

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to NES's financial statements, which are comprised of the basic financial statements and the notes to the financial statements. The Board is comprised of a single enterprise fund that also reports fiduciary funds for certain of its employee benefit plans. Since NES is comprised of a single enterprise fund, no fund-level financial statements are shown. This section is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position based on currently known facts, decisions, or conditions. We encourage readers to consider the information presented here in conjunction with the financial statements taken as a whole. A description of recently adopted and recently issued accounting pronouncements and the effects on these financial statements can be found in Note 1 of the Notes to the Financial Statements.

Basic Financial Statements

The basic financial statements are designed to provide readers with a broad overview of NES's finances in a manner similar to that of a private-sector business and report on the non-fiduciary activities of NES.

The statements of net position present information on all of NES's assets and deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of NES is improving or deteriorating. Net position increases when revenues exceed expenses. Increases to assets without a corresponding increase to liabilities result in increased net position, which indicates an improved financial position.

The statements of revenues, expenses and changes in net position present information showing how NES' net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The statements of cash flows present changes in cash and cash equivalents using the direct method resulting from operating, financing, and investing activities. These statements present cash receipts and cash disbursements information, without consideration as to the timing for the earnings event, when an obligation arises or for depreciation of capital assets.

Fiduciary Financial Statements

Fiduciary funds account for assets and resources held for the benefit of parties outside of the Board. The activity of the fiduciary funds are not reflected in the basic financial statements because the resources of those funds are not available to support the Board's own activities. The accounting used for fiduciary funds is similar to that used in the basic financial statements.

NES has adopted Governmental Accounting Standards Board (GASB) Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, (GASB 89). The Tennessee Valley Authority, our regulator, issued guidance in January of 2021 allowing Distributors to recognize a regulatory asset related to Allowance for Funds Used During Construction (AFUDC) where in prior periods the AFUDC was included as part of fixed assets. The regulatory asset is included in other non-current assets and associated amortization expense is recorded in depreciation and amortization expense. The adoption of GASB 89 did not have a material effect on NES results of operations, cash flows or financial position.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, (GASB 84) which addresses the identification and reporting for fiduciary activities of state and local governments. GASB 84 describes four fiduciary funds that should be reported: (1) pension and other employee benefit trust funds, (2) investment trust funds, (3) private trust funds, and (4) custodial trust funds. The requirements of GASB 84 are effective for reporting periods beginning after December 15, 2019. The Board expanded the disclosures related to its trust funds for the Defined Benefit Plan and Trust, the OPEB Plan and Trust, and the Defined Contribution Plan and Trust in the audited financial statements. In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* (GASB 97). This Statement provides clarification and guidance on the accounting and financial reporting for defined contribution pension plans, defined contribution OPEB plans and other employee benefit plans with respect to the implementation of GASB 84. Certain requirements of this Statement are effective immediately and others are effective for fiscal years beginning after June 15, 2021. The Board adopted the relevant portions of this standard in connection with the adoption of GASB 84.

Summary of Changes in Net Position

Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $758.2 million at June 30, 2021, and $674.7 million at June 30, 2020. This represents an increase of $83.5 million in 2021 and $63.4 million in 2020.

The largest portion of the Board's net position reflects its investment in capital assets less any related debt used to acquire those assets that is still outstanding. The Board uses these capital assets to provide service and consequently, these assets are not available to liquidate liabilities or for other spending.

An additional portion of the Board's net position represents resources that are subject to external restrictions on how they may be used. These restrictions include bond proceeds to be used for construction projects and reserve funds required by bond covenants.

MANAGEMENT’S DISCUSSION AND ANALYSIS, Unaudited (continued)

SUMMARY STATEMENTS OF NET POSITION ($000 omitted)

	June 30,		
	2021	2020	2019
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
CURRENT ASSETS	$ 571,836	$ 580,554	$ 628,696
INVESTMENT OF RESTRICTED FUNDS	182,776	78,390	118,371
UTILITY PLANT, NET	1,206,414	1,155,628	1,055,165
OTHER NON-CURRENT ASSETS	10,485	8,747	7,337
TOTAL ASSETS	1,971,511	1,823,319	1,809,569
DEFERRED OUTFLOWS OF RESOURCES	37,277	65,855	79,173
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$2,008,788	$1,889,174	$1,888,742
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
CURRENT LIABILITIES	$ 212,652	$ 196,112	$ 213,104
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS	42,484	48,891	41,637
LONG-TERM DEBT, LESS CURRENT PORTION	601,846	516,373	562,779
NET PENSION LIABILITY	100,881	209,700	221,544
NET OPEB LIABILITY	134,061	191,048	195,098
OTHER NON-CURRENT LIABILITIES	7,686	8,527	8,695
TOTAL LIABILITIES	1,099,610	1,170,651	1,242,857
DEFERRED INFLOWS OF RESOURCES	150,959	43,850	34,602
NET POSITION			
Net investment in capital assets	747,013	606,585	510,702
Restricted for:			
Debt service	6,996	74,300	72,287
Other purposes	1,099	1,002	-
Unrestricted	3,111	(7,214)	28,294
TOTAL NET POSITION	758,219	674,673	611,283
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$2,008,788	$1,889,174	$1,888,742

Liquidity and Capital Resources

On February 17, 2021, the Board closed on the sale of the Metropolitan Government of Nashville and Davidson County, Electric System Revenue Bonds, 2021 Series A. The 2021 Series A Bonds were issued to finance a portion of the costs incurred in connection with the acquisition, expansion and improvement of the Electric System in accordance with the Board's capital improvement plan. The 2021 Series A Bonds have an aggregate principal amount of $147.5 million, and mature annually on May 15, 2022 through 2046. The 2021 Series A Bonds were issued at a premium totaling $46.6 million.

The Board has a $25.0 million line-of-credit, which matures December 31, 2021. The Board expects to renew the line-of-credit each year. The credit facility is not a source of liquidity for ongoing operations. It is available as an additional funding source in the event of a natural catastrophe. This credit facility was renewed effective January 1, 2021, and is expected to be renewed at December 31, 2021, and annually thereafter.

The Board's financing cost may be impacted by short-term and long-term debt ratings assigned by independent rating agencies. The Board's revenue bonds are rated AA by Standard & Poor's and AA+ by Fitch. In issuing bond ratings, agencies typically evaluate financial operations, rate-setting practices, and debt ratios. Higher ratings aid in securing favorable borrowing rates, which result in lower interest costs.

Debt ratings are based, in significant part, on the Board's performance as measured by certain credit measures. In order to maintain its strong credit ratings, the Board has adopted certain financial goals. Such goals provide a signal to the Board as to the adequacy of rates for funding ongoing cash flows from operations. One such goal is a cash and general fund investments goal of 16.5 percent of purchased power, and operating expense. This goal was met every month of fiscal years 2021 and 2020. Actual cash and general fund investments as a percentage of purchased power and operating expense was 35.9 percent as of June 30, 2021, and 35.3 percent as of June 30, 2020. The Board also has a goal of maintaining a debt coverage ratio of at least 2 to 1. The Board's debt coverage ratio for the 12 months ended June 30, 2021, was 4.34 to 1, and 2.87 to 1 for the 12 months ended June 30, 2020. The Board continues to exceed its goals. The outlook on all debt ratings is stable as of June 30, 2021.

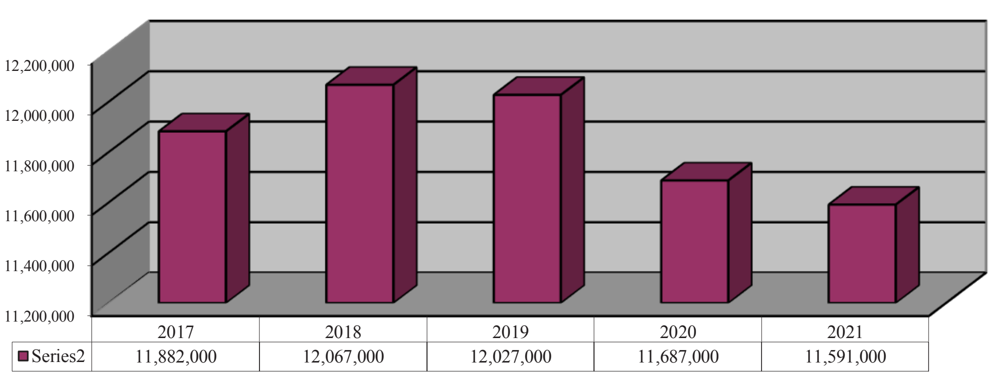
Operations
Summary Revenue & Expense Data
($000 omitted)

	Year Ended June 30, 2021	2020	Change in Net Position	Year Ended June 30, 2019	Change in Net Position
Operating revenues, net	$1,258,563	$1,278,700	$(20,137)	$1,342,217	$(63,517)
Purchased power	(850,409)	(887,729)	37,320	(949,308)	61,579
Operating revenues, net, less Purchased power	408,154	390,971	17,183	392,909	(1,938)
Operating expenses	(200,144)	(220,035)	19,891	(201,037)	(18,998)
Depreciation, amortization, and tax equivalents	(109,454)	(98,132)	(11,322)	(94,856)	(3,276)
Interest and other non-operating income	1,104	8,229	(7,125)	12,649	(4,420)
Interest expense and other, net	(16,114)	(17,643)	1,529	(19,639)	1,996
Increase in net position	$ 83,546	$63,390	$20,156	$ 90,026	$(26,636)

2021 and 2020 Results of Operations

Operating Revenues. Operating revenues, net, decreased by $20.1 million, or 1.6 percent, when compared to 2020. Total electric sales were $1.2 billion during 2021 compared to $1.3 billion during 2020. The average realized rate on electric sales was $0.107 compared to $0.108 per kilowatt-hour in 2020. Megawatt-hours sold in 2021 decreased by 0.8 percent when compared to 2020. Weather plays an important part in determining revenue for any year. The impact of weather is reflected in the comparison of degree-days from one period to the next. Degree-days represent the difference between the weather's average daily temperatures and 65 degrees. Temperatures above 65 degrees are considered cooling degree-days; temperatures below 65 degrees are considered heating degree-days. Total cooling degree-days were 1,904 compared to 2,158 in 2020. Total heating degree-days were 3,188 compared to 3,015 in 2020. Total heating and cooling degree-days were 5,092 compared to 5,173 in 2020, or a decrease of 1.6 percent. Residential revenue increased $3.6 million or 0.6 percent compared to the previous year. Residential energy consumption is highly correlated to degree days. Commercial and industrial revenue decreased $24.7 million or 3.7 percent compared to the prior year. Commercial and industrial energy consumption is not as strongly correlated to degree days as is residential. Total number of active customers as of June 30, 2021 increased by 2.5 percent when compared to 2020. Revenue in Excess of Net Bills (Late Charges) decreased by $0.4 million, and Rentals of Electric Property (primarily pole attachments) increased by $1.3 million.

Megawatt Hours Sold



Non-operating Revenues. Interest and other non-operating income was $1.1 million compared to $8.2 million in 2020. The average rate of return on the cash and investments for the General Fund was 0.23 percent in 2021 compared to 1.45 percent in 2020. The average investable balance of the General Fund cash and investments was $334.7 million in 2021 compared to $392.2 million in 2020, a decrease of 14.7 percent. Interest income from the bond funds was $0.06 million in 2021. Interest income from the constructions funds were not material in 2021 and 2020.

Operating Expenses. The Board purchases all of its power from TVA under an all-requirements contract that had an initial term of 20 years. Beginning on December 19, 1989, and on each subsequent anniversary thereafter, the contract was automatically extended for an additional one-year period. The contract was subject to earlier termination by either party on not less than 10 years' prior written notice. Effective September 2019, NES entered into a new wholesale power contract with TVA that extended the contract termination notice from 10 years to 20 years. The contract includes a partnership credit equal to 3.1 percent of wholesale standard service demand, non-fuel energy and grid access charge. Purchased power was $850.4 million for the period compared to $887.7 million last year. The average realized rate on purchased power was $0.071 per kilowatt-hour in 2021 compared to $0.074 in 2020. Megawatt-hours purchased were 11.9 million in 2021 compared to 12.0 million in 2020.

Distribution expenses for the period were $93.8 million compared to $98.3 million last year. This is a decrease of $4.5 million or 4.6 percent. The change is primarily attributable to decreases in the following expense categories: storms, $11.3 million; operation and maintenance of station equipment, $0.7 million; operation and maintenance of meters, $0.4 million; and operation and maintenance of mapping, $0.05 million. These decreases were offset by increases in the following expense categories: miscellaneous expense, $2.6 million; supervision and engineering, $1.3 million; operation and maintenance of street light and signal system, $1.0 million; operation and maintenance of overhead lines, $0.9 million; tree trimming, $0.9 million; emergency services, $0.7 million; load dispatching, $0.2 million; and line transformers, $0.1 million.

Customer Accounts expenses for the period were $22.5 million compared to $20.8 million last year. This is an increase of $1.7 million or 8.2 percent. The change is primarily attributable to increases in the following expense categories: data processing, $1.0 million; customer records and collection, $0.5 million; and customer orders and services, $0.3 million. These increases were offset by decreases in the following expense categories: supervision, $0.1 million; and meter reading, $0.05 million.

Customer Service and Information expenses for the period were $2.6 million compared to $1.4 million last year. This is an increase of $1.2 million or 85.7 percent. The change is primarily attributable to increases in the following expense categories: customer assistance, $1.1 million; and miscellaneous expense, $0.08 million.

Administrative and General expenses for the period were $81.3 million compared to $99.5 million last year. This is a decrease of $18.2 million or 18.3 percent. The change is primarily attributable to decreases in the following expense categories: employee pensions, $27.9 million; employee health insurance, $9.5 million; office expenses and supplies, $1.0 million; duplicate charges – credit, $0.3 million; injuries and damages, $0.2 million; and administration and general salaries, $0.2 million. These decreases were offset by increases in the following expense categories: allocated overhead, $9.6 million; donations, $5.6 million; data processing, $2.9 million; miscellaneous general, $1.0 million; outside services employed, $0.9 million; employee welfare, $0.6 million; maintenance of general plant, $0.3 million; and property insurance, $0.2 million.

Depreciation, Amortization, and Tax Equivalents. Depreciation and Amortization, and Tax Equivalents were $69.7 million and $39.7 million, respectively, for 2021, compared to $66.3 million and $31.9 million, respectively, for 2020. The increase in depreciation and amortization was the result of increased investment in the utility plant. Tax equivalents consist primarily of payments in-lieu-of taxes to the

Metropolitan Government and the surrounding counties. Such payments are calculated based on a prescribed formula that takes into consideration utility plant asset value and the average of the Board's last three years' operating margin, which is the operating revenue, net, less purchased power expenses. The increase in payments in-lieu-of taxes was primarily the result of an increase in the taxable base of assets, an increase in the tax rates of the Metropolitan Government, and an increase in the average gross margin.

2020 and 2019 Results of Operations

Operating Revenues. Operating revenues, net, decreased by $63.5 million, or 4.7 percent, when compared to 2019. Total electric sales were $1.3 billion during both 2020 and 2019. The average realized rate on electric sales was $0.108 compared to $0.109 per kilowatt-hour in 2019. Megawatt-hours sold in 2020 decreased by 2.8 percent when compared to 2019. Weather plays an important part in determining revenue for any year. The impact of weather is reflected in the comparison of degree-days from one period to the next. Degree-days represent the difference between the weather's average daily temperatures and 65 degrees. Temperatures above 65 degrees are considered cooling degree-days; temperatures below 65 degrees are considered heating degree-days. Total cooling degree-days were 2,158 compared to 2,219 in 2019. Total heating degree-days were 3,015 compared to 3,205 in 2019. Total heating and cooling degree-days were 5,173 compared to 5,424 in 2019, or a decrease of 4.6 percent. Residential revenue decreased $16.0 million or 2.7 percent compared to the previous year. Residential energy consumption is highly correlated to degree days. Commercial and industrial revenue decreased $42.1 million or 5.9 percent compared to the prior year. Commercial and industrial energy consumption is not as strongly correlated to degree days as is residential. Total number of active customers as of June 30, 2020 increased by 2.0 percent when compared to 2019. Revenue in Excess of Net Bills (Late Charges) decreased by $1.7 million, and Rentals of Electric Property (primarily pole attachments) decreased by $3.1 million.

Non-operating Revenues. Interest and other non-operating income was $8.2 million compared to $12.7 million in 2019. The average rate of return on the cash and investments for the General Fund was 1.45 percent in 2020 compared to 2.23 percent in 2019. The average investable balance of the General Fund cash and investments was $392.2 million in 2020 compared to $384.2 million in 2019, an increase of 2.1 percent. Interest income from the bond funds was $1.7 million in 2020. Interest income from the construction funds decreased to $0.6 million from the prior year.

Operating Expenses. The Board purchases all of its power from TVA under an all-requirements contract that had an initial term of 20 years. Beginning on December 19, 1989, and on each subsequent anniversary thereafter, the contract was automatically extended for an additional one-year period. The contract was subject to earlier termination by either party on not less than 10 years' prior written notice. Effective September 2019, NES entered into a new wholesale power contract with TVA that extended the contract termination notice from 10 years to 20 years. The contract includes a partnership credit equal to 3.1 percent of wholesale standard service demand, non-fuel energy and grid access charge. Purchased power was $887.7 million for the period compared to $949.3 million last year. The average realized rate on purchased power was $0.074 per kilowatt-hour in 2020 compared to $0.077 in 2019. Megawatt-hours purchased were 12.0 million in 2020 compared to 12.4 million in 2019.

Distribution expenses for the period were $98.3 million compared to $74.1 million last year. This is an increase of $24.2 million or 32.7 percent. The change is primarily attributable to increases in the following expense categories: storms, $12.2 million; tree trimming, $10.0 million; supervision and engineering, $1.1 million; operation and maintenance of station equipment, $0.7 million; miscellaneous expense, $0.6 million; load dispatching, $0.3 million; emergency services, $0.2 million; operation and maintenance of mapping, $0.2 million; operation and maintenance of underground lines, $0.2 million; and private lights, $0.1 million. These increases were offset by decreases in the following expense categories: line transformers, $0.7 million; operation and maintenance of meters, $0.5 million; operation and maintenance of overhead lines, $0.2 million; and operation and maintenance of street light and signal system, $0.1 million.

Customer Accounts expenses for the period were $20.8 million compared to $20.1 million last year. This is an increase of $0.7 million or 3.5 percent. The change is primarily attributable to increases in the following expense categories: customer records and collection, $0.5 million; customer orders and service, $0.3 million; data processing, $0.2 million; and miscellaneous expense, $0.1 million. These increases were offset by decreases in the following expense categories: meter reading, $0.1 million; and supervision, $0.1 million.

Customer Service and Information expenses for the period were $1.4 million compared to $1.7 million last year. This is a decrease of $0.3 million or 19.4 percent. The change is primarily attributable to a decrease in the following expense category: customer assistance, $0.3 million.

Administrative and General expenses for the period were $99.5 million compared to $105.1 million last year. This is a decrease of $5.6 million or 5.3 percent. The change is primarily attributable to decreases in the following expense categories: employee health insurance, $5.7 million; employee pensions, $3.3 million; employee welfare, $0.3 million; injuries and damages, $0.2 million; and data processing, $0.1 million. These decreases were offset by increases in the following expense categories: allocated overhead, $1.0 million; outside services employed, $0.9 million; miscellaneous general, $0.8 million; maintenance of general plant, $0.8 million; duplicate charges-credit, $0.2 million; administrative and general salaries, $0.2 million; property insurance, $0.1 million; and employee life insurance, $0.1 million.

Depreciation, Amortization, and Tax Equivalents. Depreciation and Amortization, and Tax Equivalents were $66.3 million and $31.9 million, respectively, for 2020, compared to $62.8 million and $32.1 million, respectively, for 2019. The increase in depreciation and amortization was the result of increased investment in the utility plant. Tax equivalents consist primarily of payments in-lieu-of taxes to the Metropolitan Government and the surrounding counties. Such payments are calculated based on a prescribed formula that takes into consideration utility plant asset value and the average of the Board's last three years' operating margin, which is the operating revenue, net, less purchased power expenses. The decrease in payments in-lieu-of taxes was primarily the result of a decrease in the equalization factors and the related tax rate from the Metropolitan Government, offset by an increase in the average gross margin, an increased value of the utility plant assets, and increased rates from surrounding counties.

MANAGEMENT'S DISCUSSION AND ANALYSIS, Unaudited (continued)

The following table shows the composition of the expenses (net of amounts capitalized) of the Board by major classifications of expense for the last three years:

Major Classifications of Expense ($000 omitted)

Description	Fiscal 2021	Fiscal 2020	Increase (Decrease)	Fiscal 2019	Increase (Decrease)
Total Labor	$ 75,272	$ 75,778	(0.7%)	$ 70,036	8.2%
Benefits	36,152	64,095	(43.6%)	72,113	(11.1%)
Outside Services – Information Technology	19,452	16,670	16.7%	15,803	5.5%
Outside Services – Other	19,041	23,928	(20.4%)	13,589	76.1%
Civic Involvement	5,908	520	1,036.2%	314	65.6%
Tree Trimming	18,534	17,299	7.1%	7,367	134.8%
Other	25,785	21,745	18.6%	21,815	(0.3%)
Total	$200,144	$220,035	(9.0%)	$201,037	9.5%

2021 and 2020 Expense

The Board's total operating expenses decreased 9.0 percent from June 30, 2020 to June 30, 2021. Labor for fiscal year 2021 totaled $75.3 million. Benefits decreased from fiscal year 2020 primarily due to decreased retirement and survivors and other post-employment benefit expenses. The decrease is primarily attributable to favorable market adjustment and actuarial assumption changes in the retirement pension and other post-employment benefit plans. Outside Services - Other decreased primarily due to less storm contractors. Outside Services - Information Technology increased due to a contractual increase in labor rates. Civic Involvement increased due to Board approved COVID-19 relief funds for customers utility bill assistance program. The Board designated increased funds to social agencies who assist NES customers with bill payments. Tree trimming increased due to greater contractor costs. The Other category contains a wide array of smaller accounts whose fluctuations were not material.

2020 and 2019 Expense

The Board's total operating expenses increased 9.5 percent from June 30, 2019 to June 30, 2020. Labor for fiscal year 2020 totaled $75.8 million. The increase was primarily due to greater storm labor. Benefits decreased from fiscal year 2019 primarily due to decreased retirement and medical benefit expenses. The decrease in retirement benefits is primarily attributable to actuarial assumption changes in the pension and other post-employment benefit plans. Medical costs decreased primarily due to less medical claims. Outside Services - Information Technology increased due to a contractual increase. Outside Services - Other increased primarily due to additional contractors required for storm restoration. Tree trimming increased due to more miles trimmed than planned and greater contractor costs. Other expenses contain a wide array of expense categories, none of which is individually over 5 percent of total expenses.

COVID-19

The 2019 novel coronavirus (COVID-19) pandemic declared by the World Health Organization and the Centers for Disease Control and Prevention has spread globally, including throughout the United States. In response, many states, including Tennessee, instituted restrictions on travel, public gatherings, and certain business operations. These restrictions significantly disrupted economic activity in the service area of NES, and caused volatility in world capital markets.

NES has taken steps to mitigate potential risks posed by the pandemic. NES provides a critical service to our customers and has taken measures to keep employees who operate the business safe and to minimize unnecessary risk of exposure to the virus, including extra precautions for employees who work in the field. NES has implemented work from home policies where appropriate and imposed travel limitations on employees. Multiple members of the workforce have tested positive for COVID-19. The COVID-19 pandemic has generally not impacted productivity levels. For our customers, NES implemented a temporary suspension of disconnects for non-payment. NES mitigation strategies have provided for coverage of all services throughout the pandemic.

In addition, NES has updated its existing business continuity plans and continues to utilize strong physical and cyber-security measures. These steps ensure that our systems remain functional to both serve our operational needs of the remote workforce and provide uninterrupted electric service to our customers. There have been no changes in internal control over financial reporting as of the report issuance date because of COVID-19 that materially affected, or are reasonably likely to materially affect, any of NES's internal control over financial reporting.

Management has assessed certain accounting matters that require consideration relative to the impacts of COVID-19 in the formulation of estimates used in the preparation of financial statements. As such, any related impacts are reported within the respective balances, and areas of the Financial Statements and accompanying notes although none were material to the financial statements or results of operations. NES has incurred costs related to COVID-19 primarily for personal protective equipment, cleaning supplies and additional cleaning services. These costs are not material in the current fiscal year and are not expected to be material in future fiscal years.

The aforementioned impacts of COVID-19 largely began in the United States in March 2020 and is ongoing. The effects of a prolonged pandemic and related government responses could include extended disruptions to supply chains and capital markets, reduced labor availability and productivity, and a prolonged reduction in economic activity. These could in turn have a variety of adverse impacts on NES, including reduced demand for energy (particularly from commercial and industrial customers), the ability of NES to develop and construct facilities, and NES's ability to access funds from capital markets. NES has not experienced significant margin erosion, nor any interruptions in the delivery of wholesale power purchased from TVA since the outbreak. Furthermore, NES has not experienced reduced labor availability and productivity, disruptions to supply chains, or reduced access to capital markets. The duration and the breadth of the effects of COVID-19 are not yet fully known, and as such the long term economic impact on NES including electric power revenues and cash flows, cannot be determined at this time. NES will continue to monitor developments affecting our workforce, our customers, and our suppliers, and will take additional precautions that we determine are necessary in order to mitigate the impacts.

Capital Assets and Debt Administration

The Board's transmission and distribution facilities serve more than 700 square miles and include the Metropolitan Government of Nashville and Davidson County, Tennessee. The Board's facilities also serve portions of the adjacent counties of Cheatham, Rutherford, Robertson, Sumner, Wilson, and Williamson. Such facilities require significant annual capital and maintenance expenditures. The Board's target is to have the capital expenditures funded equally from cash flows from operations and proceeds from tax-exempt bonds. The Board expects to have access to funds from future tax-exempt bond issuances to meet these requirements.

The Board's investment in utility plant, less accumulated depreciation, was $1.2 billion at June 30, 2021 and June 30, 2020. Major projects during fiscal year 2021 included $39.8 million in system construction related to planned capacity; $20.8 million in system construction related to asset management; $18.2 million in new business installation; and $16.3 million in equipment and facilities.

The Board has outstanding bonds payable of $637.1 million at June 30, 2021 compared to $554.1 million at June 30, 2020. The increase is the result of the 2021 Series A bonds issuance with associated bonds payable of $194.1 million, offset by debt payments of $99.3 million and amortization of premiums of $11.8 million, More details about the Board's capital assets and debt can be found in the notes to the financial statements.

Respectfully submitted,

Teresa Broyles-Aplin

Teresa Broyles-Aplin
Executive Vice President and Chief Financial Officer

ELECTRIC POWER BOARD OF THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

STATEMENTS OF NET POSITION ($000 OMITTED)
JUNE 30, 2021 AND 2020

	2021	2020
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS:		
Cash and cash equivalents	$ 378,667	$ 341,905
Other investments	500	50,457
Customer and other accounts receivable, less allowance for doubtful accounts of $1,875 and $2,181 respectively	148,680	145,704
Materials and supplies	33,918	32,519
Other current assets	10,071	9,969
TOTAL CURRENT ASSETS	571,836	580,554
INVESTMENT OF RESTRICTED FUNDS:		
Cash and cash equivalents – Bond funds	702	22,557
Other investments – Bond funds	180,975	54,831
Cash and cash equivalents – Other funds	1,099	1,002
TOTAL INVESTMENT OF RESTRICTED FUNDS	182,776	78,390
UTILITY PLANT:		
Electric plant, at cost	1,998,292	1,915,916
Less: Accumulated depreciation	(791,878)	(760,288)
TOTAL UTILITY PLANT, NET	1,206,414	1,155,628
OTHER NON-CURRENT ASSETS	10,485	8,747
TOTAL ASSETS	1,971,511	1,823,319
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred amount on refunding of debt	9,149	12,132
Difference between projected and actual pension earnings, net	-	4,655
Difference between projected and actual pension experience	2,249	3,267
Difference between projected and actual pension assumptions	9,945	20,521
Difference between projected and actual OPEB earnings, net	-	703
Difference between projected and actual OPEB experience	1,074	3,221
Difference between projected and actual OPEB assumptions	14,860	21,356
TOTAL DEFERRED OUTFLOWS OF RESOURCES	37,277	65,855
TOTAL ASSETS AND DEFERRED OUTLFOWS OF RESOURCES	2,008,788	1,889,174

See notes to financial statements.

ELECTRIC POWER BOARD OF THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

STATEMENTS OF NET POSITION ($000 OMITTED)
JUNE 30, 2021 AND 2020 (continued)

	2021	2020
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
CURRENT LIABILITIES:		
Accounts payable for purchased power	149,116	136,855
Trade accounts payable	24,954	23,317
Accrued employee obligations	10,091	9,844
Accrued expenses	7,067	6,334
Customer deposits	21,424	19,762
TOTAL CURRENT LIABILITIES	212,652	196,112
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:		
Construction accounts payable and retainage	3,884	8,113
Accrued interest payable	3,375	3,088
Current portion of long-term debt	35,225	37,690
TOTAL CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS	42,484	48,891
LONG-TERM DEBT, LESS CURRENT PORTION	601,846	516,373
NET PENSION LIABILITY	100,881	209,700
NET OPEB LIABILITY	134,061	191,048
OTHER NON-CURRENT LIABILITIES	7,686	8,527
TOTAL LIABILITIES	1,099,610	1,170,651
DEFERRED INFLOWS OF RESOURCES		
Difference between projected and actual pension earnings, net	77,535	-
Difference between projected and actual pension experience	4,156	8,700
Difference between projected and actual pension assumptions	4,455	7,425
Difference between projected and actual OPEB earnings, net	24,366	-
Difference between projected and actual OPEB experience	40,447	27,725
TOTAL DEFERRED INFLOWS OF RESOURCES	150,959	43,850
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	1,250,569	1,214,501
NET POSITION		
Net investment in capital assets	747,013	606,585
Restricted for:		
Debt services	6,996	74,300
Other purposes	1,099	1,002
Unrestricted	3,111	(7,214)
TOTAL NET POSITION	758,219	674,673
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	$ 2,008,788	$ 1,889,174

See notes to financial statements.

ELECTRIC POWER BOARD OF THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION ($000 OMITTED)
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
OPERATING REVENUES:		
Residential	$ 572,741	$ 569,117
Commercial and industrial	641,163	665,903
Street and highway lighting	21,448	21,119
Other	23,211	22,561
Total operating revenues, net	1,258,563	1,278,700
PURCHASED POWER	850,409	887,729
OPERATING EXPENSES	200,144	220,035
TAX EQUIVALENTS	39,736	31,866
DEPRECIATION & AMORTIZATION	69,718	66,266
Operating income	98,556	72,804
NON-OPERATING REVENUE (EXPENSE):		
Interest income	591	8,019
Interest expense, net	(16,114)	(17,643)
Other non-operating income	513	210
Total non-operating expense	(15,010)	(9,414)
INCREASE IN NET POSITION	83,546	63,390
NET POSITION, beginning of year	674,673	611,283
NET POSITION, end of year	$ 758,219	$ 674,673

See notes to financial statements.

ELECTRIC POWER BOARD OF THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

STATEMENTS OF CASH FLOWS ($000 OMITTED)
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	$ 1,258,993	$ 1,285,101
Payments to suppliers for goods and services	(1,005,569)	(1,063,210)
Payments to employees	(64,978)	(63,081)
Payments for tax equivalents	(39,736)	(31,866)
Net cash provided by operating activities	148,710	126,944
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
FEMA GRANTS	499	-
Net cash provided by noncapital financing activities	499	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of utility plant	(129,056)	(160,461)
Utility plant removal costs	(10,020)	(15,659)
Salvage received from utility plant retirements	4,948	4,944
Contributions in aid of construction	8,317	10,072
Proceeds from sale of revenue bonds	194,074	-
Principal payments on revenue bonds	(99,265)	(36,010)
Interest payments on revenue bonds	(26,380)	(26,380)
Other	(1,251)	1,550
Net cash used in capital and related financing activities	(58,633)	(221,944)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investment securities	(358,522)	(149,493)
Proceeds from sales and maturities of investment securities	282,335	212,944
Interest on investments	615	9,180
Net cash provided by investing activities	(75,572)	72,631
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	15,004	(22,369)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	365,464	387,833
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 380,468	$ 365,464

See notes to financial statements.

ELECTRIC POWER BOARD OF THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

STATEMENTS OF CASH FLOWS ($000 OMITTED)
YEARS ENDED JUNE 30, 2021 AND 2020 (continued)

	2021	2020
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 98,556	$ 72,804
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation & Amortization	69,718	66,266
Accrual for uncollectible accounts	2,832	3,207
Changes in assets and liabilities:		
(Increase) decrease in customer and other accounts receivable	(5,808)	3,813
(Increase) in materials and supplies	(1,399)	(4,400)
(Increase) in other current assets	(126)	(1,478)
(Increase) decrease in other non-current assets	1,215	(1,410)
Increase (decrease) in accounts payable for purchased power	12,261	(22,722)
Increase in trade accounts payable	1,637	5,152
Increase in accrued employee obligations	247	532
Increase (decrease) in accrued expenses	733	(950)
Increase in customer deposits	1,662	996
Increase in other non-current liabilities	284	200
(Increase) decrease in net deferred pension investment inflows and outflows	82,190	(9,679)
Decrease in net deferred pension actuarial inflows and outflows	4,080	25,373
(Increase) decrease in net deferred OPEB investment inflows and outflows	25,069	(2,695)
Decrease in net deferred OPEB actuarial inflows and outflows	21,365	7,829
(Decrease) in deferred pension liability	(108,819)	(11,844)
(Decrease) in deferred OPEB liability	(56,987)	(4,050)
Net cash provided by operating activities	$ 148,710	$ 126,944

See notes to financial statements.

ELECTRIC POWER BOARD OF THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

STATEMENTS OF CASH FLOWS ($000 OMITTED)
YEARS ENDED JUNE 30, 2021 AND 2020 (continued)

NON-CASH OPERATING ACTIVITIES, CAPITAL, AND RELATED FINANCING ACTIVITIES:

Accounts payable associated with the acquisition and construction of utility plant was $3.9 million in 2021 and $8.1 million in 2020.

Allowances for funds used during construction ("AFUDC") approximates NES's current weighted average cost of debt. AFUDC of $1.7 million was included in the cost of capitalized assets during 2020. AFUDC was capitalized as a regulatory asset and was amortized over the average life of utility plant assets of $3.0 million during 2021.

During 2021 and 2020, $11.8 million and $8.7 million, respectively, was credited to interest expense for amortization of net bond premiums and discounts in each year.

See notes to financial statements.

ELECTRIC POWER BOARD OF THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

STATEMENTS OF FIDUCIARY NET POSITION ($000 OMITTED)
PENSION AND OPEB TRUST FUNDS
JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
Interest and dividends receivable	$ 574	$ 555
INVESTMENT AT FAIR VALUE:		
Mutual Funds	881,581	690,138
TOTAL INVESTMENT	881,581	690,138
TOTAL ASSETS	882,155	690,693
LIABILITIES		
Trade accounts payable	362	284
Accounts payable, net – due to sponsor	3,979	3,192
TOTAL LIABILITIES	4,341	3,476
NET POSITION		
Restricted for:		
Pension benefits	677,343	537,988
Post-employment benefits other than pensions	200,471	149,229
TOTAL NET POSITION	$ 877,814	$ 687,217

See notes to financial statements.

ELECTRIC POWER BOARD OF THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION ($000 OMITTED)
PENSION AND OPEB TRUST FUNDS
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
ADDITIONS		
Employer contributions	$ 59,325	$ 60,201
Investment earnings:		
Interest, dividends, and other	14,827	17,187
Net increase in fair value of investments	177,141	15,550
Total investment earnings	191,968	32,737
Less: investment activity costs	(1,319)	(1,159)
Net investment earnings	190,649	31,578
TOTAL ADDITIONS	249,974	91,779
DEDUCTIONS		
Benefits paid to retirees or beneficiaries	44,221	41,013
Medical, dental, and life insurance to retirees and beneficiaries	14,962	14,062
Administrative expenses	194	147
TOTAL DEDUCTIONS	59,377	55,222
NET INCREASE IN NET POSITION	190,597	36,557
NET POSITION, beginning of year	687,217	650,660
NET POSITION, end of year	$ 877,814	$ 687,217

See notes to financial statements.

ELECTRIC POWER BOARD OF THE METROPOLITAN GOVERNMENT
OF NASHVILLE AND DAVIDSON COUNTY
Notes to the Financial Statements for the years ended June 30, 2021 and 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Electric Power Board of the Metropolitan Government of Nashville and Davidson County (the “Board”) was established in 1939 when the City of Nashville purchased certain properties of the Tennessee Electric Power Company for the purpose of exercising control and jurisdiction over the electric distribution system. In conducting the operations of the electric distribution system, the Board does business as Nashville Electric Service (“NES”). NES is a component unit of The Metropolitan Government of Nashville and Davidson County, Tennessee (the “Metropolitan Government”), and is operated by a five member board appointed by the Mayor and confirmed by the Council of the Metropolitan Government. Board members of NES serve five-year staggered terms without compensation. In accordance with the Charter of the Metropolitan Government, NES exercises exclusive control and management, except NES must obtain the approval of the Council before issuing revenue bonds. The Board establishes rates. Such rates are approved by the Tennessee Valley Authority (“TVA”). The Metropolitan Government does not assume liability for the financial obligations of NES. In addition, the assets of NES (our infrastructure or “the Electric System”) cannot be encumbered to satisfy obligations of the Metropolitan Government. The NES Board appoints a chief executive officer, who is charged with the responsibility for the day-to-day operations, including the hiring of employees.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The basic financial statements and fiduciary statements of NES have been prepared in conformity with accounting principles generally accepted in the United States of America issued by the Governmental Accounting Standard Board (GASB). NES maintains its accounts in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission as required by TVA and follows the reporting and recognition requirements for regulated operation using the economic measurement focus and the accrual basis of accounting. NES is not subject to the jurisdiction of other federal or state energy regulatory commissions.

Separate financial statements are provided for fiduciary funds even though the activity is excluded from the basic financial statements of NES. Pension and other employer benefit trust funds are used to account for assets and liabilities held by the Board in a fiduciary capacity to provide retirement benefits. Information about these single-employer benefit plans is in Note 6.

Recently Adopted Accounting Pronouncements

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, (GASB 84) which addresses the identification and reporting for fiduciary activities of state and local governments. GASB 84 describes four fiduciary funds that should be reported: (1) pension and other employee benefit trust funds, (2) investment trust funds, (3) private trust funds, and (4) custodial trust funds. The requirements of GASB 84 are effective for reporting periods beginning after December 15, 2019. The Board expanded the disclosures related to its trust funds for the Defined Benefit Plan and Trust, the OPEB Plan and Trust, and the Defined Contribution Plan and Trust.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* (GASB 97). This Statement provides clarification and guidance on the accounting and financial reporting for defined contribution pension plans, defined contribution OPEB plans and other employee benefit plans with respect to the implementation of GASB 84. Certain requirements of this Statement are effective immediately and others are effective for fiscal years beginning after June 15, 2021. The Board adopted the relevant portions of this standard in connection with the adoption of GASB 84.

NES has adopted Governmental Accounting Standards Board (GASB) Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, (GASB 89). The Tennessee Valley Authority, our regulator, issued guidance in January of 2021 allowing Distributors to recognize a regulatory asset related to Allowance for Funds Used During Construction (AFUDC) where in prior periods the AFUDC was included as part of fixed assets. The regulatory asset is included in other non-current assets and associated amortization expense is recorded in depreciation and amortization expense. The adoption of GASB 89 did not have a material effect on NES results of operations, cash flows or financial position.

Recent Accounting Pronouncements

Effective dates noted below are adjusted to reflect the effects of the adoption of GASB 95.

In June 2017, GASB issued Statement No. 87, *Leases*, (GASB 87) which establishes a single model for lease accounting based on the foundational principles that leases are financing, and requires the lessee to recognize a lease liability and intangible right-to-use asset. The provisions in GASB 87 are effective for fiscal years beginning after June 15, 2021. The Board is evaluating the effects the adoption of GASB 87 may have on the financial statements and related disclosures. Certain transactions related to leased assets currently reported as operating activities are expected to be recorded as financing transactions upon adoption resulting in offsetting increases in assets and liabilites.

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*, (GASB 92) which enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The provisions in GASB 92 have various effective dates depending upon the related pronouncements addressed in the standard with the earliest being for fiscal years beginning after June 15, 2021. The practice issues relevant to the Board included clarification of matters related to GASB 84 and GASB 87. The Board is evaluating the effects the adoption of GASB 92 may have on the financial statements and related disclosures.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates* (GASB 93). This standard provides guidance on accounting for changes from interest rates determined using an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR) which is expected to cease to exist in its current form at the end of calendar year 2021. The requirements will become effective for fiscal years beginning after June 15, 2021, and all reporting periods thereafter. The Board is evaluating the effects of the adoption of GASB 93.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96). This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The Board is evaluating the effects of the adoption of GASB 96.

The significant accounting policies followed by NES are outlined below.

Use of Estimates

Estimates used in the preparation of financial statements are based on management's best judgments. The most significant estimates relate to useful lives of capital assets, employee benefit plan obligations, and unreported medical claims. These estimates may be adjusted as information that is more current becomes available.

Cash and cash equivalents

For purposes of the statements of cash flows, cash and cash equivalents include cash, commercial paper, U.S. Treasury Bills, and certificates of deposit with a maturity at time of purchase of three months or less.

Investments in Restricted Funds

Cash and cash equivalents (including restricted assets) consist primarily of short-term U.S. Government securities or securities from agencies chartered by Congress and cash equivalents which are investments with a remaining maturity at time of purchase of three months or less, respectively.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other investments consist primarily of U.S. Government Securities or securities from agencies chartered by Congress. Other investments are reflected at their fair value except certificates of deposit, which are reflected at cost.

Restricted funds of NES represent bond proceeds designated for construction, monies required to be restricted for debt service, and escrow accounts for construction activity. As of June 30, 2021 and 2020, amounts restricted for debt service were $10.4 million and $77.4 million, respectively. NES releases capital debt funds quarterly based on expected draws for that quarter. As of June 30, 2021, capital debt funds restricted for construction were $171.3 million. NES makes disbursements for all capital projects out of its unrestricted operating funds. When restricted capital debt resources exist, NES reimburses the unrestricted operating fund from the restricted capital debt resources according to a quarterly funding schedule. At that time such funds are considered applied to capital projects. The funding release schedule is based on expected capital expenditures which are typically over a three-year period or may be based upon specific bond terms. As of June 30, 2021 and 2020, amounts held in escrow as required by contracts for on-going construction of the electric system totaled $1.0 million. Amounts held in escrow for construction activity are released when contract terms are met.

Utility Plant

Electric plant is stated at original cost. Such cost includes applicable overhead such as general and administrative costs, depreciation of vehicles used in the construction process, and payroll and related costs such as pensions, taxes and other fringe benefits related to plant construction. An allowance for funds used during construction (AFUDC) is recorded for certain plant recognized in 2020 and prior.
Plant is recorded net of contributions in aid of construction, and net of insurance recoveries. Insurance recoveries were $3.1 million and $3.1 million for the years ended June 30, 2021 and 2020, respectively. Contributed assets are recorded at their acquisition value.

Costs of depreciable retired utility plant, plus removal costs, and salvage, are charged to accumulated depreciation.

Depreciation is provided using straight line methods at rates that are designed to amortize the cost of depreciable plant (including estimated removal costs) over the estimated useful lives ranging from 5 to 50 years. The composite straight-line rates expressed as a percentage of average depreciable plant were as follows for June 30, 2021 and 2020:

	2021	2020
Distribution plant, 8 to 40 years	3.6%	3.6%
Structure and improvements, 40 to 50 years	2.5%	2.3%
Office furniture and equipment, 5 to 16.7 years	10.7%	10.8%
Transportation equipment, 8 to 10 years	6.6%	5.8%
Other equipment, 8 to 33.3 years	6.4%	6.5%

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Maintenance and repairs, including the cost of renewals of minor items of property, are charged to maintenance expense accounts. Replacements of property are charged to utility plant accounts.

Contributions in Aid of Construction (CIAC)

Payments are received from customers and TVA for construction costs primarily relating to the expansion or improvement of the capabilities of the Electric System. FERC guidelines are followed in recording CIAC, which direct the reduction of utility plant assets by the amount of contributions received toward the construction of utility plant when earned. Amounts not yet earned or refundable are recognized as a liability. CIAC earned and recovered in the plant costs was $8.1 million in 2021 and $10.6 million in 2020.

Materials and Supplies

Materials and supplies are stated at weighted average cost, which approximates actual cost.

Regulatory Assets

Regulatory Assets are related to Allowance for Funds Used During Construction (AFUDC) and are amortized over the weighted average life of the capital projects that determined the amount of AFUDC. Such amounts will be recovered through future rates. Net Regulatory Assets were $3.0 million as of June 30, 2021.

The AFUDC rate of 3.1 percent and 3.1 percent used in 2021 and 2020, respectively, approximates the current weighted average cost of debt net of investment earnings on related restricted construction funds.

Compensated Absences

NES recognizes a liability for employees' accumulated vacation days. The general policy of NES permits the accumulation, within certain limitations, of unused vacation days. This amount is included in accrued employee obligations in the Statement of Net Position.

Net Position

The Net Investment in Capital Assets is the portion of net position that consists of capital assets, net of accumulated depreciation, plus deferred outflows of resources reduced by outstanding debt and construction contracts payable that are attributable to the acquisition, construction, or improvement of

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

those assets. In the event that there are unspent proceeds from a bond issuance for the stated purpose of capital improvement, the debt outstanding is reduced by the amount that has not been used for capital projects as of period end. As of June 30, 2021, Net Investment in Capital Assets included $171.3 million of cash and investments restricted for capital projects. As of June 30, 2020, no amount of cash and investments was restricted for capital projects.

The Restricted net position is the portion of net position over which there are externally imposed constraints as to its use. Restricted net position relates to bond sinking fund requirements and consists of restricted cash and investments reduced by any accrued interest payable and deferred inflows of resources related to the bonds. As of June 30, 2021 and 2020, the Restricted net position included investments of $10.0 million and $54.8 million, respectively, for debt service. Restricted net position also consisted of Cash of $0.7 million and $22.6 million, respectively, reduced by accrued interest payable of $3.4 million and $3.1 million in 2021 and 2020, respectively. As of June 30, 2021 and 2020, Restricted net position included $1.0 million and $1.0 million, respectively, held in escrow as required by contracts for on-going construction of the electric system. There were no amounts of Restricted net position for capital projects unrelated to prior bond issuances for either period.

Unrestricted net position is the share of net position that is neither restricted nor invested in capital assets.

Revenues and Accounts Receivables

Revenues and related receivables for residential, commercial, and industrial customers are recognized from meters read on a monthly cycle basis. Service that has been rendered from the latest date of each meter-reading cycle to month end is estimated and accrued as unbilled revenue receivable. Such revenues are derived solely from customers in the NES distribution network, primarily in Davidson County, TN. As of June 30, 2021 and 2020, such unbilled revenues were $49.4 million and $48.7 million, respectively. In addition to a base rate, NES collects and recognizes a variable fuel cost adjustment based upon changing fuel and purchased power costs, which is a pass-through from TVA. NES collects sales tax from a majority of its commercial customers and such amounts are presented net in revenues. Revenues are presented net of bad debt expense of $2.8 million and $3.1 million for the years ended June 30, 2021 and 2020, respectively. Substantially all uncollectible accounts are from residential sales.

Purchased Power

NES purchases electric power from the TVA. TVA's rate structure is a wholesale Time of Use rate structure, which includes a variable fuel charge component. Retail customers are billed under a seasonal rate structure. Wholesale rates are billed based on energy use and demand charges.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating and Non-operating Revenues and Expenses

Operating revenues include the sale of power and rental of electric property less accruals for uncollectible accounts. Operating expenses include direct and indirect costs to operate and maintain the electric distribution system, including purchased power, fuel, depreciation, customer accounts, tax equivalents, and general and administrative costs. Non-operating revenues and expenses consist of interest income and expense and other non-operating income. Other non-operating income includes sales of surplus land and recoveries from government agencies not reported as extraordinary gain or loss.

Income Taxes

NES is not subject to federal or state income taxes. While NES is not subject to property tax, NES pays tax equivalents in-lieu-of taxes to the Metropolitan Government and surrounding counties. Such payments are calculated based on a prescribed formula that takes into consideration the net utility plant value and the average of the Board's last three years' operating margin which is the net operating revenue, less purchased power expenses.

Fair Value of Financial Instruments

Fair value of financial instruments has been determined by NES using available market information. The carrying amounts of cash and short-term investments, investments of special funds, accounts receivable and accounts payable are a reasonable estimate of their fair value. The fair value of NES's long-term debt is estimated to be $646.6 million and $574.3 million at June 30, 2021 and 2020, respectively, based on pricing models derived from trading activity of similar long-term municipal debt, which are a reasonable estimate of their fair value. However, judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the fair values of debt are not necessarily indicative of the amounts that NES could realize in a current market exchange.

ELECTRIC POWER BOARD OF THE METROPOLITAN GOVERNMENT
OF NASHVILLE AND DAVIDSON COUNTY
Notes to the Financial Statements for the years ended June 30, 2021 and 2020

2. UTILITY PLANT AND ACCUMULATED DEPRECIATION

Utility plant activity for the years ended June 30, 2021 and 2020 was as follows ($000 omitted):

	Balance June 30, 2020	Additions	Transfers & Retirements	Balance June 30, 2021
Distribution plant	$ 1,593,042	$ 126,684	$ (23,334)	$ 1,696,392
Structures and improvements	76,398	2,424	(16,198)	62,624
Office furniture and equipment	56,114	5,527	3,378	65,019
Transportation equipment	9,049	1,574	(691)	9,932
Other equipment	58,454	3,950	1,766	64,170
Land and land rights	3,889	-	-	3,889
Construction work-in-progress (a)	118,970	(22,704)	-	96,266
	$ 1,915,916	$ 117,455	$ (35,079)	$ 1,998,292

	Balance June 30, 2019	Additions	Transfers & Retirements	Balance June 30, 2020
Distribution plant	$ 1,526,189	$ 87,960	$ (21,107)	$ 1,593,042
Structures and improvements	74,925	1,473	-	76,398
Office furniture and equipment	47,076	9,326	(288)	56,114
Transportation equipment	8,462	981	(394)	9,049
Other equipment	57,209	2,941	(1,696)	58,454
Land and land rights	3,901	(12)	-	3,889
Construction work-in-progress (a)	64,222	54,748	-	118,970
	$ 1,781,984	$ 157,417	$ (23,485)	$ 1,915,916

(a) Represents the net activity to the construction work-in-progress account after transfers to plant accounts.

2. UTILITY PLANT AND ACCUMULATED DEPRECIATION (continued)

The related activity for accumulated depreciation for the years ended June 30, 2021 and 2020 was as follows ($000 omitted):

	Balance June 30, 2020	Provision	Original Cost & Transfers	Cost of Removal	Salvage	Balance June 30, 2021
Distribution plant	$ 660,418	$ 58,963	$ (23,334)	$ (10,020)	$ 4,469	$ 690,496
Structures and improvements	28,571	1,718	(10,419)	-	-	19,870
Office furniture and equipment	36,929	6,503	395	-	-	43,827
Transportation equipment	3,844	631	(681)	-	439	4,233
Other equipment	30,526	3,941	(1,040)	-	25	33,452
	$ 760,288	$ 71,756	$ (35,079)	$ (10,020)	$ 4,933	$ 791,878

	Balance June 30, 2019	Provision	Original Cost	Cost of Removal	Salvage	Balance June 30, 2020
Distribution plant	$ 636,388	$ 56,291	$ (21,107)	$ (15,659)	$ 4,505	$ 660,418
Structures and improvements	26,805	1,766	-	-	-	28,571
Office furniture and equipment	31,668	5,549	(288)	-	-	36,929
Transportation equipment	3,511	507	(394)	-	220	3,844
Other equipment	28,447	3,766	(1,696)	-	9	30,526
	$ 726,819	$ 67,879	$ (23,485)	$ (15,659)	$ 4,734	$ 760,288

Depreciation is reported as depreciation expense in the statements of revenues, expenses, and changes in net position. Depreciation capitalized as a cost of utility plant for equipment used in the construction of assets was $1.6 million in 2021 and $1.5 million in 2020.

3. CASH AND INVESTMENTS

Cash and investments consist of the following ($000 omitted):

2021

	General Fund	Bond Funds	Special Construction Funds	Other Restricted Funds	Total	Weighted Average Maturity (Years)
Cash and cash equivalents	$ 378,667	$ 372	$ 330	$ 1,099	$ 380,468	n/a
U.S. Treasury Investments	-	9,998	96,026	-	106,024	0.78
Securities from AgenciesChartered by Congress	-	-	74,951	-	74,951	1.63
Certificates of Deposit	500	-	-	-	500	0.09
	$379,167	$ 10,370	$ 171,307	$ 1,099	$ 561,943	

The portfolio weighted average maturity is 1.13 years.

2020

	General Fund	Bond Funds	Special Construction Funds	Other Restricted Funds	Total	Weighted Average Maturity (Years)
Cash and cash equivalents	$ 341,905	$ 22,557	$ -	$ 1,002	$ 365,464	n/a
U.S. Treasury Investments	-	54,831	-	-	54,831	0.35
Securities from Agencies Chartered by Congress	49,957	-	-	-	49,957	0.48
Certificates of Deposit	500	-	-	-	500	0.09
	$ 392,362	$ 77,388	$ -	$ 1,002	$ 470,752	

The portfolio weighted average maturity is 0.41 years.

3. CASH AND INVESTMENTS (continued)

NES categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. NES records all investments at fair value. The fair value of all investments classified as Level 1 are priced using quoted market prices in active markets for identical assets as of the balance sheet date. The fair values of all investments classified as Level 2 are priced using a matrix pricing model. Inputs into these valuation techniques include benchmark yields, reported trades, broker/dealer quotes, and other similar data. NES has no Level 3 investments.

Investments, at fair value, as of June 30, 2021, are categorized as follows:

	Level 1	Level 2	Fair Value Measurement Total
Securities from Agencies Chartered by Congress	$ -	$ 74,951	$ 74,951
U.S. Treasury Securities	106,024	-	106,024
Total	$106,024	$ 74,951	$ 180,975

Investments, at fair value, as of June 30, 2020, are categorized as follows:

	Level 1	Level 2	Fair Value Measurement Total
Securities from Agencies Chartered by Congress	$ -	$ 49,957	$ 49,957
U.S. Treasury Securities	54,831	-	54,831
Total	$ 54,831	$ 49,957	$ 104,788

Custodial Credit Risk

As of June 30, 2021 and 2020, NES's cash and cash equivalents was $380.5 million and $365.5 million, respectively. Bank statement balances for such accounts totaled $383.1 million and $367.5 million, respectively. Deposits in financial institutions are required by a State of Tennessee ("State") statute to be secured and collateralized by the institutions. The collateral must meet certain requirements and have a total minimum market value of 105.0 percent of the value of the deposits placed in the institutions less the amount protected by federal depository insurance. Collateral requirements are not applicable for financial institutions that participate in the State's collateral pool but rather are set by the State as described below. As of June 30, 2021 and 2020, all of NES's deposits were either held by financial institutions which participate in the bank collateral pool administered by the State Treasurer or covered by the FDIC, the NCUA, or are specifically collateralized in the agreement. Participating banks determine the aggregated balance of their public-fund accounts for the Metropolitan Government. The amount of collateral required to secure these public deposits is a certain percentage set by the State, depending on

3. CASH AND INVESTMENTS (continued)

the financial institution, and must be at least that percentage of the average daily balance of public deposits held. Collected securities required to be pledged by the participating banks to protect their public-fund accounts are pledged to the State Treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public-fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure. The Tennessee Bank Collateral Pool does not receive ratings from rating agencies.

Credit Risk

NES is authorized to invest in obligations of the U.S. Treasury and U.S. governmental agencies, securities from agencies chartered by Congress, certificates of deposit, commercial paper rated A1 or equivalent and bonds of the State of Tennessee. Each of these investments is registered or held by NES or its agent in NES' name.

Concentration of Credit Risk

NES has a policy prohibiting investment of greater than $5.0 million or 20.0 percent of the total investment portfolio in any one issue, except for the U.S. Government or any of its agencies. As of June 30, 2021 and 2020, 41.3 percent and 47.4 percent, respectively, of NES investments were invested in securities from Agencies Chartered by Congress. In 2021 and 2020, 58.4 percent and 52.1 percent, respectively, were invested in U.S. Treasuries. In 2021 and 2020, the remaining 0.3 percent and 0.5 percent, respectively, were invested in certificates of deposit.

Interest Rate Risk

NES restricts its investments other than for construction, debt service, and pensions to those with maturities less than two years from the date of settlement as a means of managing exposure to fair value losses arising from changes in interest rates.

4. LONG-TERM DEBT

Long-term debt for the year ended June 30, 2021, is as follows ($000 omitted):

	Balance June 30, 2020	Deductions/ Repayments	Additions/ Amortization/ Accretion	Balance June 30, 2021
Electric System Revenue Bonds, 2008 Series B, bore interest at rates from 4.25% to 5.00%, with maturities through May 15, 2023, interest paid semiannually.	5,812	(5,785)	(27)	-
Electric System Revenue Bonds, 2011 Series A, bore interest at rates from 3.25% to 5.00%, with maturities through May 15, 2036, interest paid semiannually.	37,485	(35,610)	(1,875)	-
Electric System Revenue Bonds, 2011 Series B, bore interest at rates from 3.25% to 5.00%, with maturities through May 15, 2026, interest paid semiannually.	39,865	(38,355)	(1,510)	-
Electric System Revenue Bonds, 2013 Series A, bear interest at rates from 3.25% to 5.00%, maturing through May 15, 2029, interest paid semiannually.	59,405	-	(377)	59,028
Electric System Revenue Bonds, 2014 Series A, bear interest at a rate of 5.00%, maturing through May 15, 2039, interest paid semiannually.	102,878	(3,060)	(981)	98,837
Electric System Revenue Bonds, 2015 Series A, bear interest at a rate of 5.00%, maturing through May 15, 2033, interest paid semiannually.	106,378	(13,870)	(2,161)	90,347
Electric System Revenue Bonds, 2017 Series A, bear interest at a rate of 5.00%, maturing through May 15, 2042, interest paid semiannually.	115,404	(2,585)	(1,393)	111,426
Electric System Revenue Bonds, 2017 Series B, bear interest at a rate of 5.00%, maturing through May 15, 2031, interest paid semiannually.	86,836	-	(2,219)	84,617
Electric System Revenue Bonds, 2021 Series A, bear interest at rates from 4.00% to 5.00%, maturing through May 15, 2046, interest paid semiannually.	-	-	192,816	192,816
	554,063	$ (99,265)	$ 182,273	637,071
Less current portion of long-term debt	(37,690)			(35,225)
	$516,373			$ 601,846

4. LONG-TERM DEBT (continued)

Long-term debt for the year ended June 30, 2020, is as follows ($000 omitted):

	Balance June 30, 2019	Deductions/ Repayments	Additions/ Amortization/ Accretion	Balance June 30, 2020
Electric System Revenue Bonds, 2008 Series B, bear interest at rates from 4.25% to 5.00%, maturing through May 15, 2023, interest paid semiannually.	7,594	(1,750)	(32)	5,812
Electric System Revenue Bonds, 2011 Series A, bear interest at rates from 3.00% to 5.00%, maturing through May 15, 2036, interest paid semiannually.	40,830	(3,170)	(175)	37,485
Electric System Revenue Bonds, 2011 Series B, bear interest at rates from 3.25% to 5.00%, maturing through May 15, 2026, interest paid semiannually.	53,242	(12,510)	(867)	39,865
Electric System Revenue Bonds, 2013 Series A, bear interest at rates from 3.25% to 5.00%, maturing through May 15, 2029, interest paid semiannually.	59,770	-	(365)	59,405
Electric System Revenue Bonds, 2014 Series A, bear interest at a rate of 5.00%, maturing through May 15, 2039, interest paid semiannually.	106,841	(2,915)	(1,048)	102,878
Electric System Revenue Bonds, 2015 Series A, bear interest at a rate of 5.00%, maturing through May 15, 2033, interest paid semiannually.	122,176	(13,205)	(2,593)	106,378
Electric System Revenue Bonds, 2017 Series A, bear interest at a rate of 5.00%, maturing through May 15, 2042, interest paid semiannually.	119,319	(2,460)	(1,455)	115,404
Electric System Revenue Bonds, 2017 Series B, bear interest at a rate of 5.00%, maturing through May 15, 2031, interest paid semiannually.	89,017	-	(2,181)	86,836
	598,789	$ (36,010)	$ (8,716)	554,063
Less current portion of long-term debt	(36,010)			(37,690)
	$ 562,779			$ 516,373

4. LONG-TERM DEBT (continued)

NES issues Revenue Bonds to provide funds for capital improvements and for refunding of other bonds. All bond issues are secured by a pledge and lien on the net revenues of NES on parity with the pledge established by all bonds issued. Annual maturities on all long-term debt and related interest are as follows for each of the next five fiscal years and in five-year increments thereafter ($000 omitted):

Year	Principal	Interest
2022	$ 35,225	$ 27,002
2023	36,990	25,240
2024	28,880	23,391
2025	33,105	21,947
2026	33,690	20,436
2027-2031	148,355	77,998
2032-2036	94,150	47,344
2037-2041	87,865	24,489
2042-2046	51,680	7,249
	549,940	$ 275,096
Unamortized premium	87,131	
Total long-term debt	$ 637,071	

On February 17, 2021, the Board issued $147.5 million in Electric System Revenue Bonds, 2021 Series A, with interest rates of 4.0 percent to 5.0 percent to finance the costs of acquisition, expansion, and improvements to the Electric System in accordance with the Board's capital improvement plan, and to pay costs of issuance of the bonds. The 2021 Series A Bonds were issued at a premium totaling $46.6 million. Serial Bonds totaling $103.0 million mature annually on May 15, 2022 through 2041. A term bond totaling $44.5 million matures May 15, 2046.

During fiscal year 2021, the Board completed an early extinguishment of debt totaling $82.7 million, representing 100.0 percent of outstanding 2008 Series B, 2011 Series A, and 2011 Series B bonds principal and unamortized premiums, with $81.6 million of funds from operations, bond sinking funds, and funds released from the Debt Reserve Account of the Debt Service Fund, in accordance with Substitute Resolution No. R85-746 adopted by the Metropolitan Council of the Metropolitan Government of Nashville and Davidson County on November 5, 1985, as subsequently supplemented and amended. The Board completed the early extinguishment to reduce its total future debt service. The difference between the reacquisition price, net carrying amount, and deferred outflows of resources related to deferred amounts on refunding of debt associated with the extinguishment resulted in a $0.5 million decrease to Interest Expense, net on the Statements of Revenues, Expenses, and Changes in Net Position.

NES had a $25.0 million unsecured line-of-credit for fiscal year 2021 and 2020 to be used for purchased power in case of a natural disaster. The note is secured by a pledge of revenue and is subordinate to

4. LONG-TERM DEBT (continued)

net revenues pledged for the Board's revenue bonds. There were no borrowings under this line-of-credit in 2021 or 2020. The line-of-credit is renewable annually. The Board established a new line of credit effective January 1, 2021, with an expiration date of December 31, 2021. Borrowings under the renewed line-of-credit bears interest at the rate of LIBOR plus 30 basis points.

All bonds are subject to customary covenants restricting the Board from, among other things: (1) issuing additional bonds if certain financial ratios are not met, or (2) selling or leasing or otherwise disposing of components of the Electric System except in certain circumstances, and (3) reporting selected financial data annually. Additionally, the Board is required, among other things, to: (1) charge and collect rates, fees and charges to meet the cash flow requirements of the organization and (2) maintain the System including completing necessary improvements.

Events of default under the Bonds include but are not limited to: (1) failure to make principal payments when due and payable, (2) failure to make an installment of interest or sinking fund payment, (3) failure to make payment of an Option bond when duly tendered, and (4) failure to report selected financial data annually. In the event of default, and if the Board is unable to provide remedy, outstanding amounts may become due and payable immediately by declaration of the fiscal agent or the holders of not less than twenty-five percent in principal amount of the bonds outstanding. NES is not in violation of any covenants at June 30, 2021.

5. OTHER NON-CURRENT LIABILITIES

NES's other non-current liabilities consist primarily of TVA energy conservation program loans, customer, or TVA contributions in aid of construction, employee sick leave obligations, and asset retirement obligations. The following table shows the activity for the year ($000 omitted):

	Balance June 30, 2020	Repayments/Earned Contributions	Additions/ Interest	Balance June 30, 2021
TVA Energy Conservation Loans	$ 638	$ (323)	$ 38	$ 353
Contributions in Aid of Construction	5,840	(9,287)	8,161	4,714
Customer Solar Subscriptions	-	(122)	122	-
Employee Sick Leave Obligation	1,805	-	570	2,375
Asset Retirement Obligations	244	-	-	244
	$ 8,527	$ (9,732)	$8,891	$ 7,686

	Balance June 30, 2019	Repayments/Earned Contributions	Additions/ Interest	Balance June 30, 2020
TVA Energy Conservation Loans	$ 928	$ (358)	$ 68	$ 638
Contributions in Aid of Construction	6,206	(10,695)	10,329	5,840
Customer Solar Subscriptions	-	(83)	83	-
Employee Sick Leave Obligation	1,316	-	489	1,805
Asset Retirement Obligations	245	(1)	-	244
	$ 8,695	$ (11,137)	$ 10,969	$ 8,527

NES is a fiscal intermediary for the TVA energy conservation programs whereby loans are made to NES' customers to be used in connection with TVA's Residential Energy Services Program. Pursuant to the terms of an agreement with TVA, the energy conservation loans made to NES' customers are funded and guaranteed by TVA. NES acts as a loan servicer and collects the principal and interest for these loans, which are then remitted to TVA's lender. Included in Other Non-Current Assets are receivables from NES customers equal to the aforementioned liabilities. Employee sick leave obligations will be paid upon qualifying retirement events of employees participating in the Defined Contribution Plan.

6. RETIREMENT AND BENEFIT PLANS

The Company provides several different retirement benefits, including a defined benefit plan, a defined contribution plan, and a post-employment health benefits plan (collectively, "Retirement and Benefit Plans"). Each benefit is established under a separate plan, has its own trust and is a fiduciary component. The following information is a summary of relevant plan terms and information. Full information can be found in the respective plan documents.

6. RETIREMENT AND BENEFIT PLANS (continued)

Pension Plan

The Nashville Electric Service Retirement Annuity and Survivors' Plan (the "DB Plan") is a single-employer defined benefit pension plan administered by NES. All full-time regular employees hired before June 30, 2012, and under age 65 were eligible to participate in the DB Plan. Employees hired after June 30, 2012, are eligible to participate in the Nashville Electric Service Defined Contribution Plan.

The DB Plan provides retirement and survivors' benefits to members and beneficiaries. Cost-of-living adjustments are provided to members and beneficiaries annually. The Charter of the Metropolitan Government assigns the authority to establish and amend benefit provisions to NES. The DB Plan is not required to issue a separate financial report.

As permitted by GASB 68, upon adoption, NES determined that it was impractical to present ten years of data as required by certain disclosures: The DB Plan liability was determined by an actuarial valuation as of March 31 of each year. The results are rolled forward to the reporting date of June 30. Additionally, during the adoption of GASB 68, the previous method of determining the pension liability, while permitted under the previous standards, was not the Entry Age Actuarial Method required by GASB 68. The DB Plan Sponsor determined that the cost to recompute all historical data using the Entry Age Method was prohibitive for the disclosure benefits obtained. Accordingly, cumulative tables present data from the date of adoption, July 1, 2013.

The vesting provision of the DB Plan provides for five-year cliff vesting. All plan participants were vested as of June 30, 2017. NES employees who retire at or after age 65 are entitled to annual retirement benefits payable monthly for life in an amount equal to 2 percent of final average compensation multiplied by years in the DB Plan not in excess of 35 years.

Final average compensation is the average compensation in the 36 consecutive months in which compensation is highest. Unused sick leave may be used to increase credited service and benefit percentage under certain circumstances. Early retirement is an option beginning at age 52.5 with 15 years of credited service or at age 50 with 30 years of credited service with reduced monthly benefits.

If the participant has attained age 52.5, and his/her age plus service is 80 or greater, then there is no reduction for early receipt of the benefit. However, a participant cannot use accumulated sick leave to increase effective age to meet the requirements for this unreduced benefit. For a participant with 25 or more years of service, the minimum pension benefit is $1,800 per month.

The calculations included assessment of a plan amendment in April of 2021 that increased the partial lump sum limit. The amendment did not materially impact the liability.

6. RETIREMENT AND BENEFIT PLANS (continued)

At April 1, 2021, the following participants were covered by the benefit terms of the DB Plan:

Inactive plan members or beneficiaries currently receiving benefits	934
Inactive plan members entitled to but not yet receiving benefits	137
Active plan members	571
	1,642

The contribution requirements of NES are established and may be amended by NES. The DB Plan is currently non-contributory. NES' policy, which is consistent with State of Tennessee regulations, is to fund new liability layers over a funding period of not more than 25 years. NES expects to meet all future funding requirements.

The current rate is 53.0 percent of annual covered payroll. NES contributed 100 percent of the required contribution for both of the DB Plan years 2021 and 2020, respectively.

The NES net pension liability was measured using the Entry Age actuarial cost method. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of March 31, which was rolled forward to the measurement date of June 30. The calculations included assessment of a plan amendment in April of 2021 that increased the partial lump sum limit. The amendment did not materially impact the liability.

The total pension liability was determined using certain actuarial assumptions, applied to all periods included in the measurement. The actuarial assumptions included (a) 7.5 percent investment rate of return and (b) projected salary increases based on the varying age of participant. Both (a) and (b) included an inflation component. The investment long-term rate of return was determined using the Plan's specific asset mix, their returns over the past ten years, historical long-term returns, and capital market expectations for future returns of the broader markets in which the investments are held. All projected contributions and benefit payments used this rate of return and discount rate. The assumptions include cost-of-living post-retirement benefit increases equal to 2.0 percent per year. Mortality rates used are based on 102.0 percent of the Pub. G-2010 Mortality Table with adjustments for future mortality improvements utilizing scale MP-2018 projected generationally from the base year 2010.

In 2020, the Plan Sponsor conducted an experience study for fiscal year 2020. Economic and demographic assumptions are key drivers in measuring plan liabilities and allocating funding costs. Actuarial standards and GASB rules require that each assumption be reasonable, taking into account estimates of future experience. The Plan Sponsor has adopted a policy to conduct an experience study every 5 years, starting with this study. The following assumptions changes were made for fiscal year 2020:

6. RETIREMENT AND BENEFIT PLANS (continued)

- The benefits expected to be taken under the partial lump sum option was updated from 7.5 percent to 15.0 percent.
- The reduced and unreduced retirement and disability rates were updated.
- The salary scale assumption was updated from 4.5 percent per year at all ages to a rate that is varying by participant age.

The DB Plan Sponsor's investment policy mandates that investments in pooled fund holdings, including mutual funds, should substantially follow guidelines established by the policy for equity investments and fixed income investments. These guidelines also address concentrations of credit risk. The policy manages investment principal preservation and return risks through an overall long-term investment strategy that employs a diversified portfolio of actively traded stock and bond mutual fund investments. This results in sufficient liquidity through the ability to buy and sell in active markets. The investments are governed by total return objectives of the portfolio. The investments are typically rebalanced annually to achieve long-term asset allocation targets. There were no changes to investment policies in 2021 or 2020.

The long-term expected rate of returns on DB Plan investments were calculated using the Gross Fund Performance method of calculation, which considers the timing of cash flows during the year and assumes a constant rate of return over the period. Annual performance is based on daily return streams, geometrically linked as of the specified time period. The asset classes used for these calculations approximate the actual asset class allocation of the plan's investments as follows:

Asset Class	Asset Allocation	Long-Term Expected Rate of Return
Equity	65.0%	13.84%
Fixed Income	35.0%	4.85%

The discount rate used to measure the total pension liability was 7.5 percent. The undiscounted future payment assumptions for the DB Plan are as follows:

Projected Schedule of Benefit Payments
($000 omitted)

Year	Number Retiring	Total Payouts
2021-2025	198	$ 249,069
2026-2030	151	301,471
2031-2035	113	348,181
2036-2040	73	382,348
2041-2045	28	387,595
Total projected benefit payments		$ 1,668,664

6. RETIREMENT AND BENEFIT PLANS (continued)

The table below presents the changes in the Total Pension Liability, Plan Fiduciary Net Position, and Net Pension Liability.

Changes in Net Pension Liability
($000 omitted)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)–(b)
Balance at June 30, 2020	$ 736,154	$ 526,454	$ 209,700
Changes for the year:			
Service Costs	10,857		10,857
Interest	54,231		54,231
Experience losses/(gains)	1,933		1,933
Changes in assumptions	799		799
Contributions – employer		32,650	(32,650)
Net investment income		145,037	(145,037)
Benefit payments / refunds	(44,178)	(44,178)	-
Administrative expenses		(1,048)	1,048
Net Change	23,642	132,461	(108,819)
Balance at June 30, 2021	$ 759,796	$ 658,915	$ 100,881

The above changes in Net Pension Liability include dividend receivables of $0.4 million and investment fees payable of $0.2 million.

The following presents the Net Pension Liability of NES, calculated using the discount rate of 7.5 percent, as well as what NES's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	1% Decrease (6.5%)	Current Rate (7.5%)	1% Increase (8.5%)
Net Pension Liability ($000 omitted)	$188,940	$100,881	$27,087

6. RETIREMENT AND BENEFIT PLANS (continued)

For the year ended June 30, 2021, NES recognized pension expense of $10.1 million. At June 30, 2021, NES reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources ($000 omitted):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 2,249	$ 4,156
Changes in assumptions	9,945	4,455
Net difference between projected and actual earnings on pension plan investments	-	77,535
Total	$ 12,194	$ 86,146

Amounts reported as deferred outflows (inflows) of resources related to pensions will be recognized in pension expense as follows ($000 omitted):

Years Ending June 30:	
2022	$ (14,115)
2023	(20,285)
2024	(18,266)
2025	(21,286)
2026	-
Thereafter	-

6. RETIREMENT AND BENEFIT PLANS (continued)

Defined Contribution Pension Plan

NES established a single-employer Defined Contribution Retirement Plan (the "DC Plan") in 2012 with a Plan Year of January 1 to December 31. The DC Plan is intended to be a defined contribution money purchase pension plan. Its purpose is to provide retirement benefits to eligible employees and their beneficiaries. In addition, the DC Plan pays up to 65.0 percent of unused sick time upon severance for participants with 15 years of service subject to age requirements. The NES Board has sole responsibility for administration of the DC Plan and the authority to amend benefit provisions. The DC Plan is not required to issue a separate financial report.

All full-time regular employees hired on or after July 1, 2012, and under age 65 are eligible to participate in the DC Plan. Employees are fully vested after five continuous 12-month periods of participation in the DC Plan. At December 31, 2020, the DC Plan had 322 participants, of which 111 were vested.

The DC Plan is a non-contributory plan. NES is required to make an employer basic contribution to the DC Plan for each Plan Year. The amount of the contribution is calculated by applying a uniform percentage, actuarially determined, to each participant's compensation for the Plan Year. For plan years ended December 31, 2020 and 2019, the contribution percentage was 15.88 percent and 15.31 respectively. NES contributed $3.8 million and $3.1 million to the DC Plan in the fiscal year ended June 30, 2021 and June 30, 2020, respectively. DC Plan expense was $3.8 million, of which $0.15 million was from forfeitures, and $3.6 million for the fiscal year ended June 30, 2021 and June 30, 2020, respectively. NES' liability for the DC Plan as of June 30, 2021 and 2020, was $2.1 million and $1.9 million, respectively.

Retirement benefits for employees who retire at or after age 65 are paid in a lump sum payment. Participants forfeit contributions made on their behalf if they separate from service before vesting. Forfeitures reduce future employer contributions. There were $0.03 million forfeitures for the calendar year ending December 31, 2020. There were $0.1 million forfeitures for the calendar year ending December 31, 2019.

The DC Plan investment policy mandates that investments in pooled fund holdings, including mutual funds, should substantially follow guidelines established by the policy for equity investments and fixed income investments. These guidelines also address concentrations of credit risk. The policy manages investment principal preservation and return risks through an overall long-term investment strategy that employs a diversified portfolio of actively traded stock and bond mutual fund investments. This results in sufficient liquidity through the ability to buy and sell in active markets. The investments are governed by total return objectives of the portfolio. The investments are typically rebalanced annually to achieve long-term asset allocation targets.

6. RETIREMENT AND BENEFIT PLANS (continued)

Other Post-Employment Benefits

NES provides post-retirement medical, dental, vision, and life insurance benefits to all employees who retire from NES under the provisions of a qualified retirement plan and have completed the minimum of five years of service and met an age plus years of service requirement at the time of retirement. Persons who do not meet these requirements are not deferred eligible. Such benefits are also provided to their spouses and eligible beneficiaries. The Charter of the Metropolitan Government assigns the authority to establish and amend benefit provisions to NES.

The NES Other Post-Employment Benefit Plan (the "OPEB Plan") is a single-employer defined benefit plan funded through an irrevocable trust (the "OPEB Trust") that was established during the year ended June 30, 2008. The name of the OPEB Trust is the "Electric Power Board of the Metropolitan Government of Nashville and Davidson County Post-Employment Medical and Life Insurance Plan" known as the Nashville Electric Service Post-Employment Medical and Life Insurance Plan Trust. The OPEB Trust issues a separate financial report that is provided to the Comptroller of the State of Tennessee. The five member Electric Power Board of NES serves as the governing board of the OPEB Trust and is charged with general administration and the responsibility for proper operation of the OPEB Trust. Members of the Electric Power Board are appointed by the Mayor of Nashville and serve five year staggered terms without compensation.

Employees become fully eligible for post-employment medical, dental, vision, and life insurance benefits once they reach normal or early retirement age, have five years of vested service, and meet a minimum combined years of service plus age of 70 . Persons who do not meet the requirements at the time of retirement are not deferred eligible. OPEB Plan benefits include reimbursements for medical, dental and vision expenses, prescription drug costs, and term life insurance premiums. Benefit provisions are established and may be amended by NES.

Life insurance benefits for active employees and retirees are provided through allocated insurance contracts with an insurance company. Policy payments were approximately $0.2 million and $0.2 million in fiscal 2021 and 2020 respectively. The obligation for the payment of benefits covered by allocated insurance contracts has been transferred to one or more insurance companies.

Participants in the OPEB Plan consisted of the following at April 1, 2021:

Active and Disabled plan members (not receiving benefits)	920
Inactive plan members and beneficiaries receiving benefits	922
	1,842

6. RETIREMENT AND BENEFIT PLANS (continued)

The contribution requirements of NES are established and may be amended by NES. The OPEB Plan is currently non-contributory. Current contribution amounts are made quarterly based on the annual actuarially determined amount. The actuarially determined amount is equal to the normal cost plus the amounts required to amortize the unfunded accrued liability over closed periods not to exceed 30 years, based on a level percentage of pay. NES expects to continue to fund all projected cash flows.

The current rate is 25.0 percent of covered payroll. NES contributed 100 percent of the required contribution for the OPEB Plan year 2021.

The NES net OPEB liability was measured using the Entry Age normal level percent actuarial cost method. The total OPEB liability was determined by an actuarial valuation as of March 31 of each year. The results are rolled forward to the measurement date of June 30.

Participants have cost sharing through deductibles, copays, and a monthly cost sharing premium. Effective January 1, 2017, the Medical Plan was amended to provide accident and outpatient surgery coverage at the same level of benefits as for inpatient surgery and other major medical benefits. This provision will be phased in over a 7-year period that began January 1, 2017. None of the covered retirees and survivors on the medical plan as of January 1, 2017, were affected by this change and will continue to have accident and outpatient coverage without a co-pay or deductible in these areas.

Seven Year Phase-in for Accident and Outpatient provisions:

Effective Date	Network Co-Insurance	Out-of-Network Co-Insurance
January 1, 2017	1%	5%
January 1, 2018	3%	10%
January 1, 2019	5%	15%
January 1, 2020	7%	20%
January 1, 2021	9%	25%
January 1, 2022	12%	30%
January 1, 2023*	15%	35%

*Appropriate deductible will also apply.

The total OPEB liability was determined using certain actuarial assumptions, applied to all periods included in the measurement. The actuarial assumptions included (a) 7.5 percent investment rate of return, (b) projected salary increases based on the varying age of participant and (c) a blended 5.2 to 4.0 percent medical and 4.0 percent dental healthcare trend cost. An inflation component is included for (a), (b), and (c). The investment long-term rate of return was determined using the Plan's specific asset mix, their returns over the past ten years, historical long-term returns, and capital market expectations for future returns, of the broader markets in which the investments are held. All projected contributions and benefit

6. RETIREMENT AND BENEFIT PLANS (continued)

payments used this rate of return and discount rate. The mortality rates used are based on 102 percent of the Pub. G.H-2010

Mortality Table, headcount weighted with adjustments for future mortality improvement utilizing scale MP-2018 projected generationally from the base year 2010.

The OPEB Plan Sponsor conducted an experience study on the rebate experience of the prescription activity in 2018 and adopted the results of the study, thereby changing to an explicit assumption for rebates.

In 2020, the Plan Sponsor conducted an experience study for fiscal year 2020. Economic and Demographic Assumptions are key drivers in measuring plan liabilities and allocating funding costs. Actuarial standards and GASB rules require that each assumption be reasonable, taking into account estimates of future experience. The Plan Sponsor has adopted a policy to conduct an experience study every 5 years, starting with this study. The following changes to assumptions were made for fiscal year 2020:

- The medical claims aging table was updated based on the aging factor in the Yamamoto study released by the Society of Actuaries in Jun 2013.
- The assumed trend rate for medical claims was changed from 5.0 percent level to 5.2 percent remaining flat over the next four years, and following the Getzen model thereafter grading to an ultimate rate of 4.0 percent in the year 2075.
- The reduced and unreduced retirement and disability rates were updated.
- The salary scale assumption was updated from 4.5 percent per year at all ages to a rate that is varying by participant age.

The OPEB Plan Sponsor's investment policy mandates that investments in pooled fund holdings, including mutual funds, should substantially follow guidelines established by the policy for equity investments and fixed income investments. These guidelines also address concentrations of credit risk. The policy manages investment principal preservation and return risks through an overall long-term investment strategy that employs a diversified portfolio of actively traded stock and bond mutual fund investments. This results in sufficient liquidity through the ability to buy and sell in active markets. The investments are governed by total return objectives of the portfolio. The investments are typically rebalanced annually to achieve long-term asset allocation targets. There were no changes to investment policies in 2021 or 2020.

The long term expected rate of return on Trust assets was calculated using the Gross Fund Performance method of calculation, which considers the timing of cash flows during the year and assumes a constant rate of return over the period. Annual performance is based on daily return streams, geometrically linked as of the specified time period. The asset classes used for the calculations approximate the actual asset class allocation of the OPEB Trust's investments as follows:

6. RETIREMENT AND BENEFIT PLANS (continued)

Asset Class	Asset Allocation	Long-Term Expected Rate of Return
Equity	65.0%	13.84%
Fixed Income	35.0%	4.82%

The discount rate used to measure the total OPEB liability was 7.5 percent. The periods of projected benefit payments used in determining the discount rate were:

Projected Schedule of Benefit Payments
($000 omitted)

Years	Number Retiring	Total Payout
2021-2025	233	$ 97,517
2026-2030	187	123,663
2031-2035	170	150,235
2036-2040	136	178,430
2041-2045	105	207,154
Total projected benefit payments		$ 756,999

The table below shows the changes in the Total OPEB Liability, OPEB Plan Net Position, and Net OPEB Liability.

Changes in Net OPEB Liability ($000 omitted)	Increase (Decrease)		
	Total OPEB Liability (a)	OPEB Plan Net Position (b)	Net OPEB Liability (a)-(b)
Balance at June 30, 2020	$340,243	$149,195	$191,048
Changes for the year:			
Service Cost	7,412		7,412
Interest	25,514		25,514
Experience losses/(gain)	(23,709)		(23,709)
Changes in assumption	-		-
Contributions		23,050	(23,050)
Net investment income		43,619	(43,619)
Benefit payment/ refunds	(14,926)	(14,926)	-
Administrative expense		(465)	465
Net changes	(5,709)	51,278	(56,987)
Balance at June 30, 2021	$334,534	$200,473	$134,061

6. RETIREMENT AND BENEFIT PLANS (continued)

The above changes in Net OPEB Liability include dividend receivables of $0.1 million and investment fees payable of $0.2 million. At June 30, 2021, the OPEB Trust owed NES approximately $3.8 million for net claims and claims processing expenses paid by NES on behalf of the OPEB Trust. There were no contributions receivable. Investment and claims processing expenses were $0.5 million.

The following presents the net OPEB liability of NES, calculated using the discount rate of 7.5 percent, as well as what NES's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate ($000 omitted):

	1% Decrease (6.5%)	Current Rate (7.5%)	1% Increase (8.5%)
Net OPEB Liability	$176,266	$134,061	$99,412

The following represents the net OPEB liability calculated using the stated health care costs trend rate assumption, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher than the assumed trend rate ($000 omitted):

	1% Decrease (4.2%)	Current Rate (5.2%)	1% Increase (6.2%)
Net OPEB Liability	$101,408	$134,061	$173,750

For the year ended June 30, 2021, NES recognized OPEB expense of $12.5 million. At June 30, 2021, NES reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources ($000 omitted):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 1,074	$ 40,447
Changes in assumptions	14,860	-
Net difference between projected and actual earnings on OPEB plan investments	-	24,366
Total	$ 15,934	$ 64,813

6. RETIREMENT AND BENEFIT PLANS (continued)

Amounts reported as deferred outflows (inflows) of resources related to OPEB will be recognized in OPEB expense as follows ($000 omitted):

Years Ending June 30:	
2022	$ (9,569)
2023	(10,914)
2024	(12,972)
2025	(11,472)
2026	(3,952)
Thereafter	-

Retirement and Benefit Plan Investments

All of the investments for the Retirement and Benefit Plans above are classified in Level 1 of the fair value hierarchy established by generally accepted accounting principles because they are valued using prices quoted in active markets for those investments. The assets are all similarly managed with respect to the portfolio investment mix and specific investments. None are subject to substantive redemption restrictions.

Equity Investments through/in mutual funds
($000 omitted):

	June 30, 2021		
Investments at fair value Level 1	Pension	Defined Contribution	OPEB
Registered Investment Companies – Mutual Funds			
SEI S&P 500 Index Fund	$ 240,928	$ 6,777	$ 74,723
SEI Small Mid Cap Fund	26,524	743	8,309
SEI World Equity EX – US Fund	137,278	3,795	42,555
SEI Extended MKT Index - A	26,600	772	8,324

S&P 500 Index Fund

The S&P 500 Index Fund aims to produce investment results that correspond to the aggregate price and dividend performance of the securities in the S&P 500 Index. The Fund invests substantially all of its assets in securities that are members of the S&P 500 Index. The sub-advisor selects the Fund's securities, but does not actively manage the Fund in the traditional sense of trying to outperform its benchmark. Instead, the sub-advisor generally gives the same weight to each stock as its weight in the S&P 500 Index. The investments are primarily subject to market fluctuation risks of U.S. large cap stocks.

6. RETIREMENT AND BENEFIT PLANS (continued)

Small Mid Cap Equity Fund

The Small/Mid Cap Equity Fund aims to provide long-term capital appreciation. Under normal circumstances, the Fund will invest primarily in U.S. small- and mid-cap stocks with market capitalization ranges similar to those found in its benchmark, the Russell 2500 Index. The Fund's sub-advisors may include both value and growth managers. The investments are primarily subject to market fluctuation risks of U.S. stocks of medium and small sized companies.

World Equity Ex-US Fund

The World Equity Ex-US Fund seeks to provide long-term capital appreciation. Under normal circumstances, the Fund will invest at least 80 percent of its net assets in equity securities of foreign countries. The Fund will invest in securities of foreign issuers located in developed countries as well as emerging-market countries, although no more than 35 percent of its assets will be invested in equity securities of emerging-market issuers. These investments are primarily subject to market fluctuation risk of non-U.S. based economies.

Extended Market Index Fund

The Extended Market Index Fund aims to produce investment results that correspond to the performance of the FTSE/ Russell Small Cap Completeness Index. The fund invests substantially all of its assets in securities of companies that are members of FTSE/ Russell Small Cap Completeness Index. The Fund's sub-advisor selects securities, but does not actively manage the Fund in the traditional sense of trying to outperform its benchmark index. Instead, the Fund purchases and maintains a basket of securities in the approximately same proportion as the FTSE/ Russell Small Cap Completeness Index.

Fixed Income Investments through/in mutual funds
($000 omitted):

	June 30, 2021		
Investments at fair value Level 1	Pension	Defined Contribution	OPEB
Registered Investment Companies – Mutual Funds			
SEI Core Fixed Income Fund	$ 162,337	$ 4,518	$ 50,361
SEI Emerging Markets Debt Fund	26,057	719	8,069
SEI High Yield Bond Fund	39,469	1,102	12,194

6. RETIREMENT AND BENEFIT PLANS (continued)

Core Fixed Income Fund

The Core Fixed Income Fund seeks current income consistent with the preservation of capital. The Fund will invest at least 80 percent of its net assets in U.S. fixed-income securities. The Fund will invest primarily in investment-grade U.S. corporate and government fixed-income securities, including mortgage- and asset-backed securities. Investment-grade securities are those with an equivalent rating of BBB- or higher from a nationally recognized credit rating agency. To a limited extent, the Fund may invest in unrated securities or securities rated below investment grade. The investments are primarily subject to interest rate risk.

Emerging Markets Debt Fund

The Emerging Markets Debt Fund seeks to maximize total return. It normally invests at least 80 percent of its assets in fixed income securities, in both U.S. dollar and local currency denominated debt of government, government-related, and corporate issuers in emerging market countries, as well as entities organized to restructure the debt of those issuers. Although it is a non-diversified strategy, the Fund will invest in a number of countries and industries in order to limit its exposure to a single emerging market economy. The investments are primarily subject to market fluctuation risks for non-U.S. based economies.

High Yield Bond Fund

The High Yield Bond Fund seeks to provide total return by investing in riskier, higher-yielding fixed income securities. Under normal circumstances, the Fund will invest at least 80 percent of its net assets in high-yield fixed income securities, primarily in securities rated below investment grade (also known as junk bonds), including corporate bonds and debentures, convertible and preferred securities, and zero coupon obligations. The Fund's securities are diversified as to issuers and industries. The Fund's weighted average maturity may vary but will generally not exceed ten years. The investments are primarily subject to interest rate risk.

Risk Disclosures

Credit Risk

For an investment, credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Both equity and fixed income investments are subject to credit risk. State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). It is NES policy to limit its investments in these investment types to the top rating issued by NRSROs. The Retirement and Benefit Plans' investments in mutual funds are not rated by agencies such as Standards and Poor's, or Fitch. However, the funds are

6. RETIREMENT AND BENEFIT PLANS (continued)

rated by Morningstar, which is a risk-based performance measurement for the funds compared to similar funds. Morningstar rates the investments between 3-stars and 5-stars.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, NES will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. NES does not have any custodial credit risk.

Concentration of Credit Risk

For an investment, concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Retirement and Benefit Plans' investments are all in mutual funds which are, by their nature, diversified investments. The Retirement and Benefit Plans holds no investment in individual companies. Significant concentration guidelines are as follows:

Equity Investments through/in mutual funds

The Retirement and Benefit Plans' investment policy mandates that no more than 10 percent of the Retirement and Benefit Plans assets shall be invested in the securities of one company, and that no more than 25 percent of the Retirement and Benefit Plans' assets be invested in any single industry.

Fixed Income Investments through/in mutual funds

The Retirement and Benefit Plans' investment policy mandates that, except for U.S. Treasury and agency obligations, no more than 10 percent of the Retirement and Benefit Plans assets shall be invested in the securities of a single company or foreign government. Except for U.S. Treasury and agency obligations, no portfolio should invest more than 10 percent of the fund assets in the securities of a single company or foreign government.

Interest Rate Risk

For an investment, interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Retirement and Benefit Plans derive a composite quality rating for each fund using an internally developed weighted average of the S&P rating of the investments reported in the most recent prospectus of each fund. Fixed Income Investments are subject to interest rate risk as follows:

6. RETIREMENT AND BENEFIT PLANS (continued)

The following are risk characteristics for the Core Fixed Income Fund as of June 30, 2021:

Characteristic	Portfolio
Effective duration	6.6 years
Average maturity	8.3 years
Composite quality rating	A, with 65 percent of portfolio rated AA or higher

The following are risk characteristics for the Emerging Markets Debt Fund as of June 30, 2021:

Characteristic	Portfolio
Effective duration	6.3 years
Average maturity	10.1 years
Composite quality rating	BB+, with 50 percent of portfolio rated BBB or higher

The following are risk characteristics for the High Yield Bond Fund as of June 30, 2021:

Characteristic	Portfolio
Effective duration	3.6 years
Average maturity	4.0 years
Composite quality rating	B-, with 32 percent of portfolio rated BB or higher

Foreign Currency Risk

For an investment, foreign currency risk is the risk that the changes in exchange rates will adversely affect the fair value of an investment. The Retirement and Benefit Plans' investments are not subject to any significant foreign currency risk.

7. DEFERRED COMPENSATION AND RETIREMENT PLANS

NES has a deferred compensation plan (the "457 Plan") created in accordance with Internal Revenue Code ("IRC") Section 457. The 457 Plan, which is available to all full-time employees, permits employees to defer a portion of their salary until future years. Employees may contribute up to the legal limit of their compensation to the 457 Plan with NES providing a matching contribution of up to 3.0 percent of compensation. The 457 Plan also permits employees to submit a portion of their salary as a Roth

7. DEFERRED COMPENSATION AND RETIREMENT PLANS (continued)

contribution which is also eligible for the matching contribution. The 457 Plan provides that assets or income of the 457 Plan shall be used for the exclusive purpose of providing benefits for participants and their beneficiaries or defraying reasonable expenses of administration of the 457 Plan. Since the assets of the 457 Plan are held in custodial and annuity accounts for the exclusive benefit of 457 Plan participants, the related assets of the 457 Plan are not reflected on the Statements of Net Position. Employees contributed deferred salaries of $4.7 million and $4.6 million to the plan for the years ended June 30, 2021 and 2020, respectively. Employees using the Roth election contributed $1.3 million and $1.0 million to the 457 Plan for the years ended June 30, 2021 and 2020, respectively. NES contributed $2.6 million and $2.5 million to the 457 Plan for the years ended June 30, 2021 and June 30, 2020, respectively.

8. LEASES

Total rental expense included in the determination of net position was approximately $1.7 million and $1.6 million in 2021 and 2020, respectively. Rental expense consists primarily of payments for pole attachments, short term office space, and miscellaneous equipment. NES leases these pole attachments and miscellaneous equipment under various cancelable lease agreements which generally have renewal terms that are not materially different than their current terms. The majority of these leases are cancelable by either party within six to twelve months. The future minimum lease payments for NES as a lessee are $4.1 million.

Rental income is received primarily under pole-attachment leases, which are accounted for as operating leases. Rental income from telephone provider pole-attachments totaled $2.9 million and $2.7 million for each year ended June 30, 2021 and 2020, respectively. Rental income from cable provider pole-attachments totaled $5.4 million for each year ended June 30, 2021 and 2020. Future minimum rentals under these leases are $3.4 million in 2022.

The net book value of the poles for use in the rental activity was $164.3 million and $155.0 million at June 30, 2021 and 2020, respectively. Accumulated depreciation on poles was $107.6 million at June 30, 2021, and $100.8 million at June 30, 2020.

9. RISK MANAGEMENT AND LIABILITY

NES is exposed to various risks of loss related to torts; theft, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. NES is an agency of the Metropolitan Government and is covered under the Tennessee Governmental Tort Liability Act, TCA 29-20-101, et al, (the “Act”) and is self-insured under the act for tort liability. NES is immune from any award or judgment for death, bodily injury and/or property damage in excess of the limits as set forth in the Act. Therefore, NES has not secured insurance coverage in excess of such limits. NES is not a participant in the Metropolitan Government Insurance Pool (the “Pool”) for coverage of most property losses. With some of the sub-limits of the Pool coverage being reached as a result of the damage sustained by many

9. RISK MANAGEMENT AND LIABILITY (continued)

participants of the Pool during the flood of 2010, NES deemed it prudent to withdraw from the Pool and obtain commercial property insurance that would no longer have shared sub-limits. NES is self-insured for employee medical, dental and vision claims. NES has secured a stop-loss reinsurance policy for individual medical claims exceeding $450,000. NES added an aggregating specific deductible of $100,000 in fiscal year 2021. The changes in the insurance reserves for medical, dental and vision benefits for active employees for the years ended June 30, 2021 and 2020 are as follows ($000 omitted):

Balance – June 30, 2019	$ 2,430
Payments	(12,689)
Incurred Claims	12,106
Balance – June 30, 2020	$ 1,847
Payments	(11,474)
Incurred Claims	11,563
Balance – June 30, 2021	$ 1,936

NES continues to carry commercial insurance for all other risks of loss, including a retention with excess workers' compensation coverage and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past two fiscal years.

NES is party to various lawsuits filed against it in the normal course of business. Management does not believe that damages, if any, arising from outstanding litigation will have a material effect on the results of operations, financial position, or of cash flows of NES.

10. RELATED PARTY TRANSACTIONS

NES has related party balances and transactions as a result of providing electric power to the Metropolitan Government and entities of the Metropolitan Government, as well as making tax-equivalent payments to the Metropolitan Government and other payments to entities of the Metropolitan Government.

NES has a memorandum of understanding regarding joint pole attachment fees with the Metropolitan Government. The agreement stipulates that NES does not charge for attachments on NES poles, and in exchange, NES does not pay for various permit fees otherwise required for NES construction work. For 2021 and 2020, the estimated value of attachment fees not billed was $0.2 million in each period.

NES and the Metropolitan Government (of Davidson County) Department of General Services operate an 800 MHz radio system under the terms of a Memorandum of Understanding. The Metropolitan Government and NES have specific and separate portions of the system that are dedicated for their respective daily use. Each entity has the exclusive decision making authority over their portion. The

10. RELATED PARTY TRANSACTIONS (continued)

Metropolitan Government maintains the system, and NES pays for its proportionate share of annual maintenance costs. In 2021 and 2020, NES paid the Metropolitan Government $0.5 million and $0.7 million, respectively, for ongoing upgrades to its part of the radio system. These costs are capitalized in communication equipment and are being depreciated. NES is responsible for total additional upgrade costs for future phases. At June 30, 2021, $3.9 million remained to be paid over the next five years.

NES receives reimbursements from the Metropolitan Government for work required or requested on the System as a result of requests from the Metropolitan Government. NES also receives service fees in certain circumstances. Such reimbursements and fees are based on standard rates.

NES paid Pinnacle Financial Partners $0.04 million for bank services and received rebates and interest income of $0.46 million for the year ended June 30,2021 through a contract awarded in a routine RFP process. The contract provides a $25.0 million line of credit which had no draws in 2021. The contract includes credit card services. Balances are paid 15 days after month end. The credit card balance at June 30, 2021 was $0.01 million. A member of the Board is the Chairman of Pinnacle Financial Partners. The CEO of the Company became a Board member of Pinnacle Financial Partners in March of 2021. The Board member and the CEO have separated themselves from all NES decisions related to Pinnacle.

These balances and transactions as of and for the years ended June 30, 2021 and 2020 are summarized as follows ($000 omitted):

	2021	2020
Balances:		
Accounts receivable	$ 5,284	$ 5,565
Accounts payable	227	196
Transactions:		
Commercial and industrial revenue – Metropolitan Government Entities	56,669	61,073
Street and outdoor lighting revenue – Metropolitan Government Entities	9,094	9,016
Tax equivalents operating expense – Metropolitan Government Entities	36,537	28,968
800 MHz Radio maintenance expense	524	763
800 MHz Radio capital upgrade	795	735
Reimbursements for work on the System	491	683
Other miscellaneous billed services	86	298
Other miscellaneous expenses paid	222	284
Bank Service Fees	37	
Interest Income	432	
Rebates	27	

11. COMMITMENTS

NES has no generating capacity and purchases all of its power from the Tennessee Valley Authority ("TVA") pursuant to a Power Contract dated December 19, 1977 (the "Power Contract"). The Power Contract had an initial term of 20 years, but beginning on December 19, 1987, and on each subsequent anniversary thereof, the contract has been automatically extended for one year. Effective September 2019, the wholesale contract with TVA was amended. Primarily, the termination notice was extended from 10 years to 20 years (agreement is still evergreen with an automatic one-year extension annually), wholesale rates were reduced by 3.1 percent, and TVA committed to providing a solution for local power companies to generate or purchase generation outside of TVA between 3 percent and 5 percent of load.

The Power Contract provides that the Board may sell power to all customers in its service area, except federal installations having contract demands greater than 5,000 kW and large customers as determined by a calculation outlined in TVA's Industrial Service Policy whom TVA may serve directly. At the present time, TVA does not directly serve any customer located within the service area of the Electric System.

The Power Contract contains provisions that establish the wholesale rates, resale rates and terms and conditions under which power is to be purchased by TVA and distributed to the customers of NES. Under the Power Contract, TVA, on a monthly basis, may determine and make adjustments to the wholesale rate schedule with corresponding adjustments to resale rate schedules necessary to enable TVA to meet all requirements of the Tennessee Valley Authority Act of 1933, as amended (the "TVA Act"), and the tests and provisions of TVA's bond resolutions.

NES purchased power totaling $850.4 million and $887.7 million from TVA during the years ending June 30, 2021 and 2020, respectively. The Power Contract establishes the resale rates that NES and other distributors charge the end-use power consumers. These rates are revised from time to time to reflect changes in costs, including changes in the wholesale cost of power. While the wholesale rates are uniformly applicable to all distributors of TVA power under the present power contracts with distributors such as NES, the retail resale rates will vary among distributors of TVA power depending upon the respective distributor's retail customer distribution costs. The rates of TVA for the sale of electric power in the TVA region and its contracts with distributors, including TVA, are structured with the intent to achieve the TVA Act's objective of the distributors of TVA power, including NES, to operate the respective distribution systems on a nonprofit basis and to provide a wide and ample supply of power at the lowest feasible rates.

NES' retail resale rates are subject to TVA's review and approval under the provisions, terms and conditions of the Power Contract. The Power Contract provides for revisions to the resale rates that may be charged by NES when necessary to permit NES to operate on a self-supporting and financially sound basis. NES is not aware of any pending legislation that would propose to make its retail electric rates subject to regulation by any third party or agency other than TVA. The Power Contract further provides that if the resale rates set forth therein do not provide sufficient revenues for the operation and maintenance of the Electric System on a self-supporting, financially-sound basis, including debt service,

11. COMMITMENTS (continued)

TVA and NES shall agree to changes in rates to provide increased revenues. Similarly, if the rates and charges produce excess revenues, the Power Contract provides that the parties will agree to appropriate reductions. Since the date of the Power Contract, the wholesale and resale rates have been adjusted periodically.

12. SUBSEQUENT EVENTS

The Board approved a sale of excess land to a third party for $17.0 million in July 2020. The closing is expected to occur after the site is decommissioned in calendar year 2021 when the replacement substation is completed.

NES has evaluated subsequent events through September 22, 2021, the issuance date of the financial statements, and has determined that there are no other subsequent events that require disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

ELECTRIC POWER BOARD OF THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

RETIREMENT ANNUITY AND SURVIVORS PLAN ($000 OMITTED)
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (UNAUDITED)

	Years ended June 30,				
	2021	**2020**	**2019**	**2018**	**2017**
Total Pension Liability					
Service Costs	$ 10,857	$ 11,276	$ 10,838	$ 10,937	$ 12,084
Interest	54,231	54,003	50,148	48,892	47,611
Changes in benefit terms	-	-	-	-	-
Differences between expected and actual experience	1,933	(8,782)	(1,568)	(5,102)	(3,306)
Changes of assumptions	799	(10,395)	32,039	1,139	1,108
Benefit Payments / Refunds	(44,178)	(40,830)	(40,099)	(37,744)	(41,066)
Net Change in Total Pension Liability	$ 23,642	$ 5,272	$ 51,358	$ 18,122	$ 16,431
Total Pension Liability, beginning	736,154	730,882	679,524	661,402	644,971
Total Pension Liability, ending (a)	$ 759,796	$ 736,154	$ 730,882	$ 679,524	$ 661,402
Plan Fiduciary Net Position					
Contributions – employer	$ 32,650	$ 34,490	$ 31,382	$ 30,031	$ 30,905
Net investment income	145,037	24,364	33,967	38,244	55,186
Benefit Payments / Refunds	(44,178)	(40,830)	(40,099)	(37,744)	(41,066)
Administrative expenses	(1,048)	(908)	(816)	(836)	(816)
Net Change in Plan Fiduciary Net Position	$ 132,461	$ 17,116	$ 24,434	$ 29,695	$ 44,209
Plan Fiduciary Net Position – beginning	526,454	509,338	484,904	455,209	411,000
Plan Fiduciary Net Position – ending (b)	$ 658,915	$ 526,454	$ 509,338	$ 484,904	$ 455,209
Net Pension Liability – ending (a) – (b)	$ 100,881	$ 209,700	$ 221,544	$ 194,620	$ 206,193
Plan Fiduciary Net Position as a % of the Total Pension Liability	87%	72%	70%	71%	69%
Covered –employee payroll	$ 61,942	$ 61,341	$ 62,957	$ 62,824	$ 63,415
Net Pension Liability as a % of covered-employee payroll	163%	342%	352%	310%	325%

See notes to schedule.

ELECTRIC POWER BOARD OF THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

RETIREMENT ANNUITY AND SURVIVORS PLAN ($000 OMITTED)
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (UNAUDITED) (continued)

	Years ended June 30, 2016	2015	2014
Total Pension Liability			
Service Costs	$ 10,083	$ 10,792	$ 9,935
Interest	43,983	41,399	39,288
Changes in benefit terms	8,619	-	-
Differences between expected and actual experience	11,291	1,768	6,127
Changes of assumptions	17,741	-	-
Benefit Payments / Refunds	(38,753)	(28,720)	(27,104)
Net Change in Total Pension Liability	$ 52,964	$ 25,239	$ 28,246
Total Pension Liability, beginning	$ 592,007	$ 566,768	$ 538,522
Total Pension Liability, ending (a)	$ 644,971	$ 592,007	$ 566,768
Plan Fiduciary Net Position			
Contributions – employer	$ 24,600	$ 25,746	$ 22,813
Net investment income	(623)	12,207	63,102
Benefit Payments / Refunds	(38,753)	(28,720)	(27,104)
Administrative expenses	(797)	(682)	(451)
Net Change in Plan Fiduciary Net Position	$ (15,573)	$ 8,551	$ 58,360
Plan Fiduciary Net Position – beginning	426,573	418,022	359,662
Plan Fiduciary Net Position – ending (b)	$ 411,000	$ 426,573	$ 418,022
Net Pension Liability – ending (a) – (b)	$ 233,971	$ 165,434	$ 148,746
Plan Fiduciary Net Position as a % of the Total Pension Liability	64%	72%	74%
Covered –employee payroll	$ 69,337	$ 68,801	$ 69,410
Net Pension Liability as a % of covered-employee payroll	337%	240%	214%

See notes to schedule.

ELECTRIC POWER BOARD OF THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

RETIREMENT ANNUITY AND SURVIVORS PLAN ($000 OMITTED)
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (UNAUDITED) (continued)

Notes to Schedule:

In 2021, the partial lump sum payment limits were increased. The amendment had no material impact on the plan obligation.

In 2020, the Plan Sponsor conducted an experience study for fiscal year 2020. Economic and Demographic Assumptions are key drivers in measuring plan liabilities and allocating funding costs. Actuarial standards and GASB rules require that each assumption be reasonable, taking into account estimates of future experience. The Plan Sponsor has adopted a policy to conduct an experience study every 5 years, starting with this study. The following assumptions changes were made for fiscal year 2020:

- The benefits expected to be taken under the partial lump sum option was updated from 7.5 percent to 15.0 percent.
- The reduced and unreduced retirement and disability rates were updated.
- The salary scale assumption was updated from 4.5 percent per year at all ages to a rate that is varying by participant age.

The overall impact of the experience study was a decrease in the liability of $10.6 million at June 30, 2020.

In 2019, NES changed from using the RP2000 Combined Mortality Table to 102 percent of the Pub. G-2010 Mortality Table with adjustments for the future mortality improvements utilizing scale MP-2018 projected generationally from the base year 2010.

The Plan Sponsor conducted an experience study in fiscal year 2016 on the withdrawal rate and rate of retirement. Effects of the study were incorporated into the net pension liability calculation at June 30, 2016. The overall impact of this change in assumptions to net pension liability was an increase of $17.7 million at June 30, 2016.

As permitted by GASB 68, upon adoption, NES determined that it was impractical to present ten years of data as required by certain disclosures: the previous method of determining the pension liability, while permitted under the previous standards, was not the Entry Age Actuarial Method required by GASB 68. The Plan Sponsor determined that the cost to recompute all historical data using the Entry Age Method was prohibitive for the disclosure benefits obtained. Accordingly, cumulative tables present data from the date of adoption, July 1, 2013.

ELECTRIC POWER BOARD OF THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

RETIREMENT ANNUITY AND SURVIVORS PLAN ($000 OMITTED)
SCHEDULE OF CONTRIBUTIONS (UNAUDITED)

Years Ended June 30,	Actuarially determined contribution (a)	Contributions in relation to the actuarially determined contribution (b)	Contribution deficiency (excess) (a)-(b)	Covered employee payroll (c)	Contribution as percent of covered payroll (b)/(c)
2021	$32,644	$32,650	$(6)	$ 61,942	53%
2020	33,265	34,490	(1,225)	61,341	56%
2019	30,770	31,382	(612)	62,957	50%
2018	30,119	30,031	88	62,824	48%
2017	30,727	30,905	(178)	63,415	49%
2016	26,172	24,600	1,572	67,680	36%
2015	25,458	25,746	(288)	68,935	37%
2014	23,610	22,813	797	69,258	33%

In computing the tables, actuarial assumptions included a 25-year funding level, a 7.5 percent investment rate of return and discount rate, and projected salary increases based on the varying age of the participant. Both the investment rate of return and the projected salary increase included an inflation component. The investment long term rate of return was determined using the Plan's specific asset mix, their returns over the past ten years, historical long-term returns, and capital market expectations for future returns, of the broader markets in which the investments are held. The assumptions include cost-of-living post-retirement benefit increases equal to 2 percent per year. Mortality rates used are based on 102% of the Pub. G-2010 Mortality Table with adjustments for future mortality improvements utilizing Scale MP-2018 projected generationally from base year 2010.

ELECTRIC POWER BOARD OF THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

RETIREMENT ANNUITY AND SURVIVORS PLAN

SCHEDULE OF INVESTMENT RETURNS (UNAUDITED)

Annual money-weighted rate of return, net of investment expense:

Plan Year Ended March 31	Return
2021	40.5%
2020	(5.9%)
2019	4.2%
2018	11.0%
2017	12.1%
2016	(2.0%)
2015	7.4%
2014	13.0%

ELECTRIC POWER BOARD OF THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

OTHER POST EMPLOYMENT BENEFITS PLAN ($000 OMITTED)
Schedule of Changes in Net OPEB Liability (Unaudited)

	Years ended June 30, 2021	2020	2019	2018	2017
Total OPEB Liability					
Service Costs	$ 7,412	$ 6,908	$ 6,633	$ 6,271	$ 6,008
Interest	25,514	24,670	24,317	22,254	21,219
Changes in benefit terms	-	-	-	-	736
Differences between expected and actual experience	(23,709)	(13,055)	(21,877)	(2,608)	(1,068)
Changes of assumptions	-	6,744	9,245	15,157	451
Benefit Payments	(14,926)	(14,097)	(13,670)	(14,194)	(13,426)
Net Change in Total OPEB Liability	$ (5,709)	$ 11,170	$ 4,648	$ 26,880	$ 13,920
Total OPEB Liability, beginning	340,243	329,073	324,425	297,545	283,625
Total OPEB Liability, ending (a)	**$ 334,534**	**$ 340,243**	**$ 329,073**	**$ 324,425**	**$ 297,545**
Plan Fiduciary Net Position					
Contributions – employer	$ 23,050	$ 22,587	$ 22,038	$ 21,760	$ 19,168
Net investment income	43,619	7,129	9,049	8,786	11,932
Benefit Payments	(14,926)	(14,097)	(13,670)	(14,194)	(13,426)
Administrative expenses	(465)	(399)	(350)	(328)	(176)
Net Change in Plan Fiduciary Net Position	$ 51,278	$ 15,220	$ 17,067	$ 16,024	$ 17,498
Plan Fiduciary Net Position – beginning	149,195	133,975	116,908	100,884	83,386
Plan Fiduciary Net Position – ending (b)	**$ 200,473**	**$ 149,195**	**$ 133,975**	**$ 116,908**	**$ 100,884**
Net OPEB Liability–ending (a) – (b)	**$ 134,061**	**$ 191,048**	**$ 195,098**	**$ 207,517**	**$ 196,661**
Plan Fiduciary Net Position as a % of the Total OPEB Liability	60%	44%	41%	36%	34%
Covered –employee payroll	$ 91,529	$ 86,819	$ 82,887	$ 79,793	$ 78,421
Net OPEB Liability as a % of covered-employee payroll	146 %	220%	235%	260%	251%

See notes to schedule.

ELECTRIC POWER BOARD OF THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

OTHER POST EMPLOYMENT BENEFITS PLAN ($000 OMITTED)
Schedule of Changes in Net OPEB Liability (Unaudited) (continued)

	Years ended June 30,				
	2016	**2015**	**2014**	**2013**	**2012**
Total OPEB Liability					
Service Costs	$ 5,221	$ 4,934	$ 4,235	$ 4,103	$ 4,794
Interest	18,738	18,543	18,325	18,027	20,221
Changes in benefit terms	-	-	-	-	(30,173)
Differences between expected and actual experience	13,956	(8,006)	(5,870)	(8,151)	(11,769)
Changes of assumptions	7,987	-	12,516	-	-
Benefit Payments	(13,761)	(12,598)	(10,845)	(9,929)	(9,683)
Net Change in Total OPEB Liability	$ 32,141	$ 2,873	$ 18,361	$ 4,050	$ (26,610)
Total OPEB Liability, beginning	251,484	248,611	230,250	226,200	252,810
Total OPEB Liability, ending (a)	**$ 283,625**	**$ 251,484**	**$ 248,611**	**$ 230,250**	**$ 226,200**
Plan Fiduciary Net Position					
Contributions – employer	$ 16,835	$ 16,495	$ 15,523	$ 18,645	$ 18,041
Net investment income	296	2,369	11,123	6,623	719
Benefit Payments	(13,761)	(12,598)	(10,845)	(9,929)	(9,683)
Administrative expenses	(203)	(112)	(134)	(72)	(71)
Net Change in Plan Fiduciary Net Position	$ 3,167	$ 6,154	$ 15,667	$ 15,267	$ 9,006
Plan Fiduciary Net Position – beginning	80,219	74,065	58,398	43,131	34,125
Plan Fiduciary Net Position – ending (b)	**$ 83,386**	**$ 80,219**	**$ 74,065**	**$ 58,398**	**$ 43,131**
Net OPEB Liability–ending (a) – (b)	**$ 200,239**	**$ 171,265**	**$ 174,546**	**$ 171,852**	**$ 183,069**
Plan Fiduciary Net Position as a % of the Total OPEB Liability	29%	32%	30%	25%	19%
Covered –employee payroll	$ 78,184	$ 76,725	$ 74,625	$ 74,489	$ 71,339
Net OPEB Liability as a % of covered-employee payroll	256%	223%	234%	231%	257%

See notes to schedule.

ELECTRIC POWER BOARD OF THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

OTHER POST EMPLOYMENT BENEFITS PLAN ($000 OMITTED)
Schedule of Changes in Net OPEB Liability (Unaudited) (continued)

Notes to Schedule

In 2020, the Plan Sponsor conducted an experience study for fiscal year 2020. Economic and Demographic Assumptions are key drivers in measuring plan liabilities and allocating funding costs. Actuarial standards and GASB rules require that each assumption be reasonable, taking into account estimates of future experience. The Plan Sponsor has adopted a policy to conduct an experience study every 5 years, starting with this study. The following assumptions changes were made for fiscal year 2020:

- The medical claims aging table was updated based on the aging factor in the Yamamoto study released by the Society of Actuaries in June 2013.
- The assumed trend rate for medical claims was changed from 5.0 percent level to 5.2 percent remaining flat over the next three years, and following the Getzen model thereafter grading to an ultimate rate of 4.0 percent in the year 2075.
- The reduced and unreduced retirement and disability rates were updated.
- The salary scale assumption was updated from 4.5 percent per year at all ages to a rate that is varying by participant age.

The overall impact of the experience study and adoption of Yamamoto and Getzen estimation techniques was an overall increase in the liability of $7.3 million.

In 2019, NES changed from using the RP2000 Combined Mortality Table to 102 percent of the Pub.G.H-2010 Mortality Table with adjustments for the future mortality improvements utilizing scale MP-2018 projected generationally from the base year 2010.

The Plan Sponsor conducted an experience study on the rebate experience of the prescription activity in 2018 and adopted the results of the study, thereby changing to an explicit assumption for rebates.

The Plan Sponsor conducted an experience study in 2016 on the withdrawal rate and rate of retirement. Effects of the study were incorporated in the net OPEB liability calculation at June 30, 2016.

In 2014, NES changed from using the 1994 Group Annuity Mortality Basic Table to the RP2000 Combined Mortality Table. Also, in 2014, NES changed the discount rate from 8.0 percent to 7.5 percent.

ELECTRIC POWER BOARD OF THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

OTHER POST EMPLOYEE BENEFIT PLAN ($000 OMITTED)
Schedule of Employer Contributions (Unaudited)

Years Ended June 30,	Actuarially determined contribution (a)	Contributions in relation to the actuarially determined contribution (b)	Contribution deficiency (excess) (a)-(b)	Covered employee payroll (c)	Contribution as percent of covered payroll (b)/(c)
2021	$22,999	$23,050	$(51)	$91,529	25%
2020	22,293	22,587	(294)	86,819	26%
2019	21,765	22,038	(273)	82,887	27%
2018	20,527	21,760	(1,233)	79,793	27%
2017	19,410	19,168	242	78,421	24%
2016	17,418	16,835	583	78,184	22%
2015	16,578	16,495	83	76,725	21%
2014	15,765	15,523	242	74,625	21%
2013	15,401	18,645	(3,244)	74,489	25%
2012	17,371	18,041	(670)	71,339	25%

In computing the tables, actuarial assumptions included the use of the Actuarial Entry Age Normal Cost Method with a Level Pay amortization over a 30-year closed period, a 7.5 percent investment rate of return and discount rate, and projected salary increases based on the varying age of the participant. Both the investment rate of return and the projected salary increase included an inflation component. The investment long term rate of return was determined using the Plan's specific asset mix, their returns over the past ten years, historical long-term returns, and capital market expectations for future returns of the broader markets in which the investments are held. The assumptions include healthcare cost trends using the Getzen model starting at 5.2 percent for medical and 4.0 percent for dental. For periods prior to 2020, healthcare cost trends were 5.0 percent for medical and 4.0 percent for dental. Projected cash flows were calculated assuming all actuarially determined contributions would be made by NES. Mortality rates used are based on 102 percent of Pub. G.H-2010, headcount weighted with adjustments for future mortality improvements utilizing scale MP-2018 projected generationally from the base year 2010.

ELECTRIC POWER BOARD OF THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

OTHER POST EMPLOYEE BENEFIT PLAN ($000 OMITTED)
Schedule of Investment Returns (Unaudited)

Annual Money-Weighted Rate of Return, net of investment expense:

Plan Year Ended March 31,	Return
2021	41.6%
2020	(6.6%)
2019	4.5%
2018	11.2%
2017	12.9%
2016	(1.7%)
2015	7.4%
2014	13.7%
2013	11.1%
2012	5.4%

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NES

Nashville Electric Service
1214 Church Street
Nashville, TN 37246
nespower.com