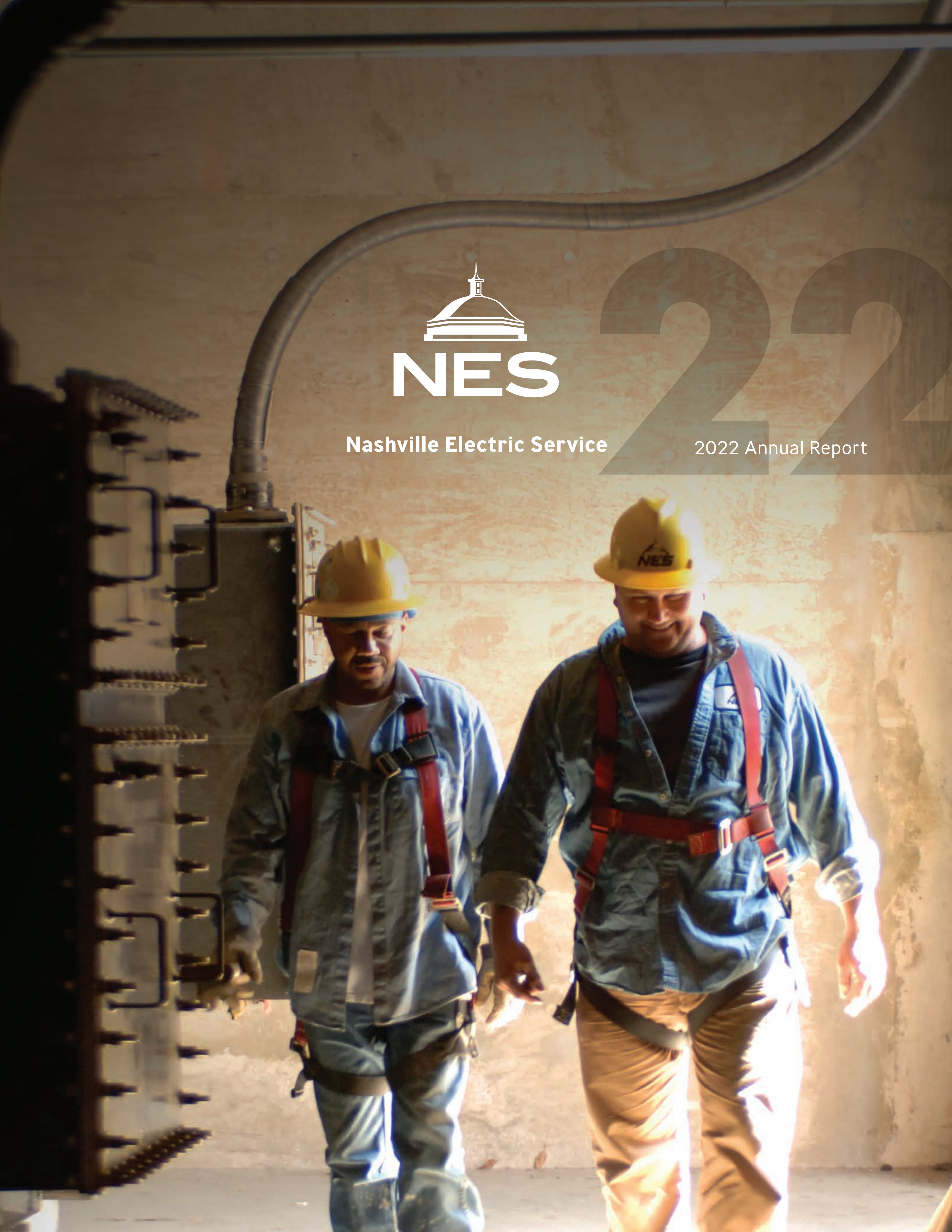

NES

Nashville Electric Service

2022 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.

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NES at a Glance

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

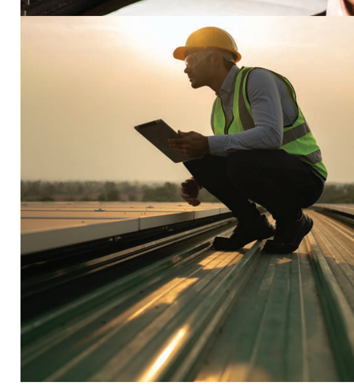
430k

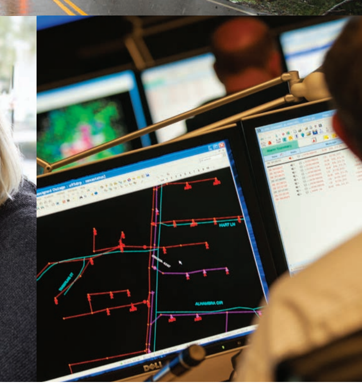
NES distributes energy to more than 430,000 customers in Middle Tennessee.

700

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







Operating Highlights

- NES achieved all reliability targets using the IEEE methodology as of May 2022.
- NES implemented a 24/7 Security Operations Center to reduce response times to cybersecurity threats.
- NES employees contributed over $85,000 in annual employee donations to community charities.
- NES was recognized as the year's top public service organization which demonstrates outstanding leadership in promoting diversity, equity and inclusion within the organization and community by the Nashville Bar Association (Public Service Leader Diversity Award).
- NES implemented the Utilimarc Fleet Data Benchmarking services to improve Fleet analytics.
- NES successfully restored power to approximately 95,000 customers in 4.5 days after the events of the December 2021 storm.
- NES donated a total of $1.2 million to the Home Uplift program which was matched of by TVA.
- NES initiated the Environmental, Social and Governance (ESG) project to determine strategy, greenhouse gas inventory, goals, metrics and roadmap.

President's Letter

Can a public utility have compassion? It might seem unlikely. There's a general notion of utilities as being fairly cut and dry: Send payment, receive power. No payment, no power.

But, as providers of an essential service, having compassion is critical. Utilities like NES are run by people, people who live in the communities we serve. Simply put, and to borrow from our city's rallying cry, "We are Nashville." Our customers are our neighbors, and they rely on our services in times good and bad.

In my 30 years at NES, I have come to understand the Power of People, and have made it my goal to ensure we are a utility that delivers on its mission by operating with compassion. I know my successor, Teresa Broyles-Aplin, will continue in that pursuit.

Honoring that promise means recognizing the complexities and challenges people face every day. It's what gave rise to Home Uplift, which helps eligible customers improve the energy efficiency of their homes through free home energy upgrades. Doing so reduces their electric bills while also reducing wasted energy, making it an effort that benefits us all. In 2022, NES donated a total of $1.2 million to Home Uplift, a sum that TVA matched, allowing for energy efficiency upgrades to 678 customer homes since its inception.

Home Uplift is a program we can all get behind, and many have, with the Power of Change. By rounding up bill totals to the nearest dollar, our customers are funding hundreds of Home Uplift projects. Approximately 86% of customer accounts are in participation with over $750,000 donated through June 2022.

Our employees often even put forth their own dollars to support the community. This year, NES employees contributed over $85,000 in annual donations to charities such as the American Heart Association, United Way and the Salvation Army.

In our efforts to be mindful of customers' hardships, NES recognizes the ongoing financial impact of COVID-19. Through the COVID-19 Relief Fund, we have reduced residential and commercial energy charges by approximately $16.1 million to significantly ease that burden.

And when the power goes out at the worst possible time, we can relate. Everyone—even those who work at NES—wants to feel heard and get power back quickly. In 2022, we introduced a new online outage map that allows customers to report power outages directly on the map. And when our customers call—which they did 2.1 million times in 2022—we're ready. Following a particularly severe December 2021 storm, NES successfully restored power to approximately 95,000 customers in 4.5 days.

In fulfilling our responsibility to support the environmental health of our region, NES initiated the Environmental, Social and Governance (ESG) project to determine strategy, greenhouse gas inventory, goals, metrics and roadmap. We also initiated a Strategic Planning Project for Electric Vehicles and Infrastructure with Leidos Engineering and TVA.

And just as NES employees respond to our customers with compassion, we respond internally to their needs as well, by prioritizing diversity and inclusion to reflect the community we serve. This year, NES was recognized for those efforts by the Nashville Bar Association with the Public Service Leader Diversity Award.

Finally, as a corporate citizen of this great city, we strive to be good stewards of our financial resources. We reduced purchased power costs through the Peak Load Management program by approximately $2.3 million, a TVA Long-Term Partnership credit of $21 million and the TVA Pandemic credit of $18.5 million. NES also met all liquidity targets and maintained employee count below 1,000 through during the fiscal year.

So, while it seems unlikely that stereotypes of utilities will change anytime soon, my hope is at least that when people think of NES, they think of us as something entirely different. Because we are—we're Nashville.

Decosta Jenkins

Decosta Jenkins
President & Chief Executive Officer, Retired

Decosta Jenkins
President & Chief Executive Officer, Retired

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

Schedule of Executive Management

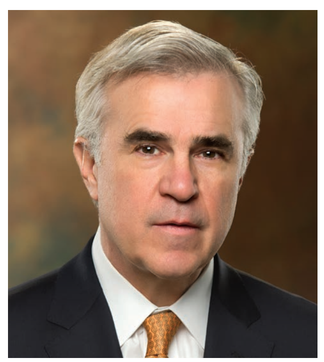
Decosta Jenkins
NES President and Chief Executive Officer
(Retired June 1, 2022)

Teresa Broyles-Aplin
NES Executive Vice President and Chief Financial Officer and NES President and Chief Executive Officer (June 1, 2022)

Don Hill II
NES Executive Vice President and Chief Engineer
(June 12, 2022)

Board Members

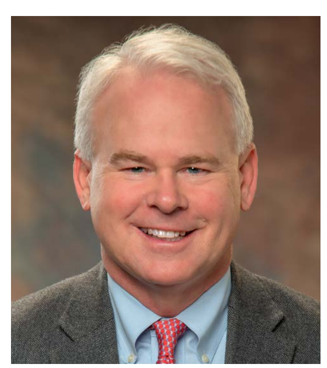
Irma Paz-Bernstein
NES Board Chair
Co-Owner and Founder
Las Paletas



Robert McCabe
NES Vice Board Chair
Chairman
Pinnacle Financial Partners

Anne Davis
Attorney
Community Volunteer

Clint Gray
Owner
Slim & Husky's



Michael Vandenbergh
Professor
Vanderbilt University

pwc

Report of Independent Auditors

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

Report on the Audit of the Financial Statements

Opinion

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, 2022 and 2021, 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, which collectively comprise the Electric Power Board's basic financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the Electric Power Board as of June 30, 2022 and 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Electric Power Board and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Electric Power Board's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Electric Power Board's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Electric Power Board's ability to continue as a going concern for a reasonable period of time.

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

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and accompanying required supplementary information on pages 8 through 19 and 69 through 78 be presented to supplement the basic financial statements. Such information is the responsibility of management, 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 supplemental 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

October 7, 2022

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, 2022 and 2021 as compared to fiscal years 2021 and 2020, 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. During fiscal year 2022, the Board adopted several accounting standards and is evaluating several recently issued standards. A complete description of recently adopted and recently issued accounting pronouncements and the effects on these financial statements and matters covered in this discussion and analysis 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's 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.

Summary of Changes in Net Position

Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $835.4 million at June 30, 2022, and $758.2 million at June 30, 2021. This represents an increase of $77.2 million in 2022 and $83.5 million in 2021.

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.

SUMMARY STATEMENTS OF NET POSITION ($000 omitted)

	June 30,		
	2022	2021	2020
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
CURRENT ASSETS	$ 613,543	$ 572,922	$ 580,554
INVESTMENT OF RESTRICTED FUNDS	166,992	182,776	78,390
UTILITY PLANT, NET	1,257,379	1,209,164	1,155,628
OTHER NON-CURRENT ASSETS	16,815	16,637	8,747
TOTAL ASSETS	2,054,729	1,981,499	1,823,319
DEFERRED OUTFLOWS OF RESOURCES	99,756	37,277	65,855
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$2,154,485	$2,018,776	$1,889,174
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
CURRENT LIABILITIES	$ 250,454	$ 213,357	$ 196,112
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS	46,426	42,484	48,891
LONG-TERM DEBT, LESS CURRENT PORTION	554,885	601,846	516,373
NET PENSION LIABILITY	238,338	100,881	209,700
NET OPEB LIABILITY	172,610	134,061	191,048
OTHER NON-CURRENT LIABILITIES	11,392	9,775	8,527
TOTAL LIABILITIES	1,274,105	1,102,404	1,170,651
DEFERRED INFLOWS OF RESOURCES	44,976	158,156	43,850
NET POSITION			
Net investment in capital assets	773,211	749,763	606,585
Restricted for:			
Debt service	57,597	6,996	74,300
Other purposes	171	1,099	1,002
Unrestricted	4,425	358	(7,214)
TOTAL NET POSITION	835,404	758,216	674,673
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$2,154,485	$2,018,776	$1,889,174

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, with interest based on the Secured Overnight Financing Rate ("SOFR"), which expires December 31, 2022. 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, 2022, and is expected to be renewed at December 31, 2022, 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 2022 and 2021. Actual cash and general fund investments as a percentage of purchased power and operating expense was 32.6 percent as of June 30, 2022, and 35.9 percent as of June 30, 2021. The Board also has a goal of maintaining a debt coverage ratio of at least 2 to 1. Debt Service Coverage is calculated in accordance with the terms and definitions as outlined in the Official Statements of the issued and outstanding bonds. The Board's debt coverage ratio for the 12 months ended June 30, 2022, was 3.31 to 1, and 3.30 to 1 for the 12 months ended June 30, 2021. The Board continues to exceed its goals. The outlook on all debt ratings is stable as of June 30, 2022.

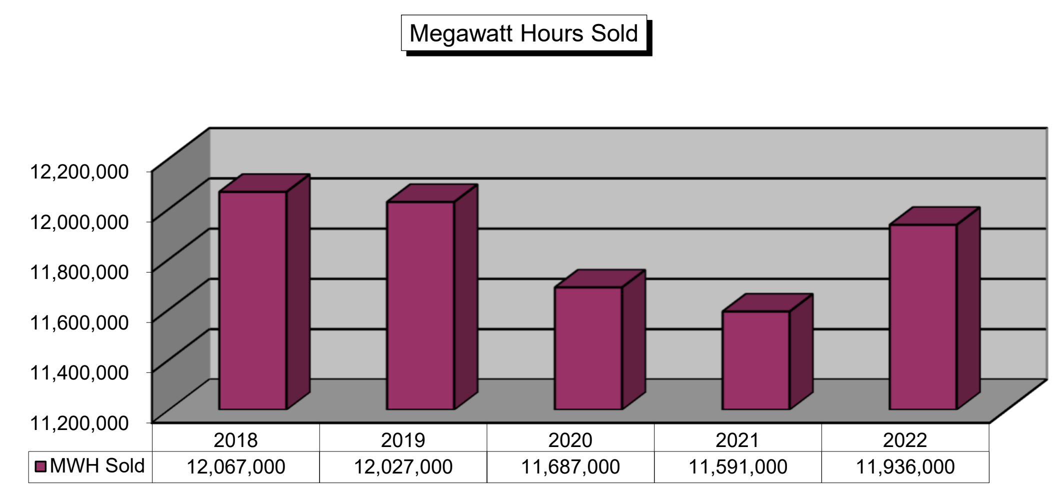
Operations
Summary Revenue & Expense Data
($000 omitted)

	Year Ended June 30, 2022	2021	Change in Net Position	Year Ended June 30, 2020	Change in Net Position
Operating revenues, net	$1,383,183	$1,258,542	$ 124,641	$ 1,278,700	$ (20,158)
Purchased power	(946,804)	(850,409)	(96,395)	(887,729)	37,320
Operating revenues, net, less Purchased power	436,379	408,133	28,246	390,971	17,162
Operating expenses	(235,867)	(199,446)	(36,421)	(220,035)	20,589
Depreciation, amortization, and tax equivalents	(112,176)	(110,179)	(1,997)	(98,132)	(12,047)
Interest and other non-operating income	5,421	1,167	4,254	8,229	(7,062)
Interest expense and other, net	(16,569)	(16,132)	(437)	(17,643)	1,511
Increase in net position	$ 77,188	$ 83,543	$(6,355)	$ 63,390	$ 20,153
Effect of adoption of GASB 87	-	3	(3)	-	3
Increase in net position as previously stated	$ 77,188	$ 83,546	$(6,358)	$ 63,390	$ 20,156

2022 and 2021 Results of Operations

Operating Revenues. Operating revenues, net, increased by $124.6 million, or 9.9 percent, when compared to 2021. Total electric sales were $1.4 billion during 2022 compared to $1.2 billion during 2021. Fuel costs from the Tennessee Valley Authority ("TVA"), which are included in purchased power, are passed through at cost to customers. Fuel costs increased electric sales by $268.9 million and $184.8 million in 2022 and 2021, respectively. The average realized rate on electric sales was $0.114 compared to $0.107 per kilowatt-hour in 2021. Megawatt-hours sold in 2022 increased by 3.0 percent when compared to 2021. Weather plays an important part in determining energy sales 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 2,162 compared to 1,904 in 2021. Total heating degree-days were 2,993 compared to 3,188 in 2021. Total heating and cooling degree-days were 5,155 compared to 5,092 in 2021, or an increase of 1.2 percent. Residential revenue increased $43.9 million or 7.7 percent compared to the previous year. Residential energy consumption is highly correlated to degree days. Commercial and industrial revenue increased $76.8 million or 12.0 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, 2022 increased by 2.3 percent when compared to 2021. Revenue in Excess of Net Bills (Late Charges) increased by $2.0 million, and Rentals of Electric Property (primarily pole attachments) increased by $0.2 million.



Non-operating Revenues. Interest and other non-operating income was $5.4 million compared to $1.2 million in 2021. The average rate of return on the cash and investments for the General Fund was 0.42 percent in 2022 compared to 0.23 percent in 2021. The average investable balance of the General Fund cash and investments was $380.7 million in 2022 compared to $334.7 million in 2021, an increase of 13.8 percent. Interest income from the bond funds in 2022 and 2021 was a temporary market loss of $1.3 million and $0.2 million, respectively.

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 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 $946.8 million for the period compared to $850.4 million last year. Fuel costs increased purchased power expense by $265.2 million and $184.1 million in 2022 and 2021, respectively. The average realized rate on purchased power was $0.077 per kilowatt-hour in 2022 compared to $0.071 in 2021. Megawatt-hours purchased were 12.3 million in 2022 compared to 11.9 million in 2021.

Distribution expenses for the period were $102.0 million compared to $93.7 million last year. This is an increase of $8.3 million or 8.9 percent. The change is primarily attributable to increases in the following expense categories: O&M – miscellaneous, $2.9 million; O&M – meters, $1.5 million; O&M – overhead lines, $1.3 million; supervision and engineering, $1.3 million; emergency service, $0.8 million; O&M – underground lines, $0.8 million; storms, $0.5 million; O&M – station equipment, $0.5 million; and load dispatching, $0.1 million. These increases were offset by decreases in the following expense categories:

O&M – streetlights and signal system, $1.0 million; tree trimming, $0.4 million; and line transformers, $0.1 million.

Customer Accounts expenses for the period were $24.7 million compared to $22.5 million last year. This is an increase of $2.2 million or 9.8 percent. The change is primarily attributable to increases in the following expense categories: data processing, $2.3 million; and customer records and collection, $1.5 million. These increases were offset by decreases in the following expense categories: customer orders and services, $1.3 million; meter reading, $0.3 million; and supervision, $0.1 million.

Customer Service and Information expenses for the period were $3.6 million compared to $2.6 million last year. This is an increase of $1.0 million or 38.5 percent. The change is primarily attributable to increases in the following expense categories: customer assistance, $0.9 million; and miscellaneous expense, $0.1 million.

Administrative and General expenses for the period were $105.6 million compared to $80.6 million last year. This is an increase of $25.0 million or 31.0 percent. The change is primarily attributable to increases in the following expense categories: employee pensions, $28.1 million; employee health insurance, $4.2 million; data processing, $3.0 million; outside services employed, $1.1 million; administrative and general salaries, $0.7 million; property insurance, $0.2 million; and employee welfare, $0.2 million. These increases were offset by decreases in the following expense categories: allocated overhead, $7.0 million; donations, $4.0 million; office expense and supplies, $1.2 million; miscellaneous general, $0.2 million; maintenance of general plant, $0.1 million; and duplicate charges – credit, $0.1 million.

Depreciation, Amortization, and Tax Equivalents. Depreciation and Amortization, and Tax Equivalents were $73.4 million and $38.8 million, respectively, for 2022, compared to $70.4 million and $39.7 million, respectively, for 2021. 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 Board's average of revenue less power cost from electric operations for the preceding three fiscal years (as required by Tennessee statutes). The decrease in payments in-lieu-of taxes was primarily the result of an increase in the taxable base of assets and an increase in the average of revenue less power cost from electric operations for the preceding three fiscal years, offset by decreases in the tax rates of the Metropolitan Government.

2021 and 2020 Results of Operations

Operating Revenues. Operating revenues, net, decreased by $20.2 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. Fuel costs from TVA, which are included in purchased power, are passed through at cost to customers. Fuel costs increased electric sales by $184.8 million and $196.3 million in 2021 and 2020, respectively. 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.

Non-operating Revenues. Interest and other non-operating income was $1.2 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 construction 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. Fuel costs increased purchased power expense by $184.1 million and $194.0 million in 2021 and 2020, respectively. 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 $93.7 million compared to $98.3 million last year. This is a decrease of $4.6 million or 4.7 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; line transformers, $0.1 million; and operation and maintenance of private lights, $0.05 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 $80.6 million compared to $99.5 million last year. This is a decrease of $18.9 million or 19.0 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 $70.4 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 Board's average of revenue less power cost from electric operations for the preceding three fiscal years. 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 of revenue less power cost from electric operations for the preceding three fiscal years.

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 2022	Fiscal 2021	Increase (Decrease)	Fiscal 2020	Increase (Decrease)
Total Labor	$ 78,427	$ 75,272	4.2%	$ 75,778	(0.7%)
Benefits	62,123	36,152	71.8%	64,095	(43.6%)
Outside Services – Information Technology	27,432	19,452	41.0%	16,670	16.7%
Outside Services – Other	22,402	19,041	17.7%	23,928	(20.4%)
Civic Involvement	1,573	5,908	(73.4%)	520	1,036.2%
Tree Trimming	17,649	18,534	(4.8%)	17,299	7.1%
Other	26,262	25,087	4.7%	21,745	15.4%
Total	$235,868	$199,446	18.3%	$220,035	(9.4%)

2022 and 2021 Expense

The Board's total operating expenses increased 18.3 percent from June 30, 2021 to June 30, 2022. Benefits increased from fiscal year 2021 primarily due to increased retirement and survivors and other post-employment benefit expenses. The increase is primarily attributable to unfavorable market adjustment and actuarial assumption changes in the retirement pension and other post-employment benefit plans. Outside Services - Information Technology increased due to a contractual increase with the third-party vendor that provides personnel. Outside Services - Other increased primarily due to greater services in engineering network design, underground facility locating and outside consultants. Civic Involvement decreased due to a reduction in COVID-19 relief funds for customer utility bill assistance programs. Tree trimming decreased primarily due to less miles being trimmed than planned. The Other category contains a wide array of smaller accounts whose fluctuations were not material.

2021 and 2020 Expense

The Board's total operating expenses decreased 9.4 percent from June 30, 2020 to June 30, 2021. 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.

COVID-19 and Russian Conflict

The 2019 novel coronavirus (COVID-19) pandemic declared by the World Health Organization and the Centers for Disease Control and Prevention is pervasive globally. Many states, including Tennessee, instituted restrictions on travel, public gatherings, and certain business operations during fiscal years 2020 and 2021. These restrictions significantly disrupted economic activity in the service area of NES, and caused volatility in world capital markets during that period. In fiscal year 2022, most of these restrictions were relaxed.

NES has taken steps to mitigate potential risks posed by the ongoing 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. The COVID-19 pandemic has generally not impacted productivity levels. For our customers, NES implemented a temporary suspension of disconnects for non-payment during fiscal years 2020 and 2021. NES mitigation strategies have provided for coverage of all services throughout the pandemic.

In addition, NES 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 or prior fiscal years and are not expected to be material in future fiscal years.

In February 2022, the Russian military invaded and attacked Ukraine. The response from most countries, including the United States, was to impose sanctions against Russia and discontinue most trade with Russian businesses.

The aforementioned impacts of COVID-19 and the Russian conflict are ongoing. The effects of a prolonged pandemic and related government responses have caused disruptions to supply chains and capital markets, reduced labor availability and productivity, and a reduction in economic activity. The Russian conflict has resulted in additional disruptions in many supply chains and resulted in materials shortages and increased prices for metals and natural gas. These disruptions 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 erosion in the ratio of net revenue to purchased power costs, 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. 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 $1.3 billion at June 30, 2022 and $1.2 billion at June 30, 2021. Major projects during fiscal year 2022 included $31.4 million in equipment, in-process software configuration costs, and facilities; $27.3 million in system construction related to distribution asset management; $20.6 million in new business installation; and $16.8 million in meters and distribution transformers.

The Board has outstanding bonds payable of $591.9 million at June 30, 2022 compared to $637.1 million at June 30, 2021. The decrease is the result of scheduled debt payments of $35.2 million and amortization of premiums of $10.0 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 and
President and Chief Executive Officer (June 1, 2022)

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

STATEMENTS OF NET POSITION ($000 OMITTED)
JUNE 30, 2022 AND 2021

	2022	2021
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS:		
Cash and cash equivalents	$ 386,902	$ 378,667
Other investments	500	500
Customer and other accounts receivable, less allowance for doubtful accounts of $3,011 and $1,875 respectively	177,759	148,680
Materials and supplies	36,422	33,918
Other current assets	11,960	11,157
TOTAL CURRENT ASSETS	613,543	572,922
INVESTMENT OF RESTRICTED FUNDS:		
Cash and cash equivalents – Bond funds	337	702
Other investments – Bond funds	166,484	180,975
Cash and cash equivalents – Other funds	171	1,099
TOTAL INVESTMENT OF RESTRICTED FUNDS	166,992	182,776
UTILITY PLANT:		
Electric plant, at cost	2,083,203	2,001,768
Less: Accumulated depreciation	(825,824)	(792,604)
TOTAL UTILITY PLANT, NET	1,257,379	1,209,164
OTHER NON-CURRENT ASSETS	16,815	16,637
TOTAL ASSETS	2,054,729	1,981,499
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred amount on refunding of debt	7,748	9,149
Difference between projected and actual pension earnings, net	51,700	-
Difference between projected and actual pension experience	828	2,249
Difference between projected and actual pension assumptions	11,195	9,945
Difference between projected and actual OPEB earnings, net	17,014	-
Difference between projected and actual OPEB experience	2,291	1,074
Difference between projected and actual OPEB assumptions	8,980	14,860
TOTAL DEFERRED OUTFLOWS OF RESOURCES	99,756	37,277
TOTAL ASSETS AND DEFERRED OUTLFOWS OF RESOURCES	2,154,485	2,018,776

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, 2022 AND 2021 (continued)

	2022	2021
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
CURRENT LIABILITIES:		
Accounts payable for purchased power	180,226	149,116
Trade accounts payable	27,312	24,954
Accrued employee obligations	11,227	10,091
Accrued expenses	8,175	7,772
Customer deposits	23,514	21,424
TOTAL CURRENT LIABILITIES	250,454	213,357
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:		
Construction accounts payable and retainage	6,281	3,884
Accrued interest payable	3,155	3,375
Current portion of long-term debt	36,990	35,225
TOTAL CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS	46,426	42,484
LONG-TERM DEBT, LESS CURRENT PORTION	554,885	601,846
NET PENSION LIABILITY	238,338	100,881
NET OPEB LIABILITY	172,610	134,061
OTHER NON-CURRENT LIABILITIES	11,392	9,775
TOTAL LIABILITIES	1,274,105	1,102,404
DEFERRED INFLOWS OF RESOURCES		
Difference between projected and actual pension earnings, net	-	77,535
Difference between projected and actual pension experience	3,959	4,156
Difference between projected and actual pension assumptions	1,485	4,455
Difference between projected and actual OPEB earnings, net	-	24,366
Difference between projected and actual OPEB experience	30,061	40,447
Difference between projected and actual OPEB assumptions	3,064	-
From lease receivables	6,407	7,197
TOTAL DEFERRED INFLOWS OF RESOURCES	44,976	158,156
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	1,319,081	1,260,560
NET POSITION		
Net investment in capital assets	773,211	749,763
Restricted for:		
Debt services	57,597	6,996
Other purposes	171	1,099
Unrestricted	4,425	358
TOTAL NET POSITION	835,404	758,216
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	$ 2,154,485	$ 2,018,776

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, 2022 AND 2021

	2022	2021
OPERATING REVENUES:		
Residential	$ 616,596	$ 572,741
Commercial and industrial	717,973	641,163
Street and highway lighting	22,271	21,448
Other	26,343	23,190
Total operating revenues, net	1,383,183	1,258,542
PURCHASED POWER	946,804	850,409
OPERATING EXPENSES	235,867	199,446
TAX EQUIVALENTS	38,751	39,736
DEPRECIATION & AMORTIZATION	73,425	70,443
Operating income	88,336	98,508
NON-OPERATING REVENUE (EXPENSE):		
Interest income	371	654
Interest expense, net	(16,569)	(16,132)
Other non-operating income	5,050	513
Total non-operating expense	(11,148)	(14,965)
INCREASE IN NET POSITION	77,188	83,543
NET POSITION, beginning of year	758,216	674,673
NET POSITION, end of year	$ 835,404	$ 758,216

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, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	$ 1,355,501	$ 1,257,903
Payments to suppliers for goods and services	(1,085,017)	(1,004,871)
Payments to employees	(65,741)	(64,978)
Payments for tax equivalents	(38,751)	(39,736)
Net cash provided by operating activities	165,992	148,318
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
FEMA grants	3,599	499
Other grants	1,302	-
Net cash provided by noncapital financing activities	4,901	499
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of utility plant	(110,662)	(129,056)
Utility plant removal costs	(20,018)	(10,020)
Salvage received from utility plant retirements	3,095	4,948
Contributions in aid of construction	10,520	8,317
Proceeds from sale of revenue bonds	-	194,074
Principal payments on revenue bonds	(35,225)	(99,265)
Interest payments on revenue bonds	(27,002)	(26,380)
Cash received from leasing activity	1,401	1,028
Cash paid for leasing activity	(708)	(681)
Other - net	(67)	(1,206)
Net cash used in capital and related financing activities	(178,666)	(58,241)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investment securities	(103,675)	(358,522)
Proceeds from sales and maturities of investment securities	118,166	282,335
Interest on investments	224	615
Net cash provided by (used in) investing activities	14,715	(75,572)
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,942	15,004
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	380,468	365,464
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 387,410	$ 380,468

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, 2022 AND 2021 (continued)

	2022	2021
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 88,336	$ 98,508
Adjustments to reconcile operating income		
to net cash provided by operating activities:		
Depreciation & Amortization	73,425	70,443
Accrual for uncollectible accounts	2,336	2,832
Changes in assets and liabilities:		
(Increase) in customer and other accounts receivable	(31,415)	(5,808)
(Increase) in materials and supplies	(2,504)	(1,399)
(Increase) decrease in other current assets	(719)	204
Decrease in other non-current assets	717	1,215
Increase in accounts payable for purchased power	31,110	12,261
Increase in trade accounts payable	2,358	1,637
Increase in accrued employee obligations	1,136	247
Increase in accrued expenses	401	733
Increase in customer deposits	2,090	1,662
Increase in other non-current liabilities	425	284
(Increase) decrease in net deferred pension investment inflows and outflows	(129,235)	82,190
(Increase) decrease in net deferred pension actuarial inflows and outflows	(2,996)	4,080
(Increase) decrease in net deferred OPEB investment inflows and outflows	(41,380)	25,069
(Increase) decrease in net deferred OPEB actuarial inflows and outflows	(2,659)	21,365
Increase (decrease) in deferred pension liability	137,457	(108,819)
Increase (decrease) in deferred OPEB liability	38,549	(56,987)
(Decrease) in deferred lease inflow	(1,440)	(1,399)
Net cash provided by operating activities	$ 165,992	$ 148,318

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, 2022 AND 2021 (continued)

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

Accounts payable associated with the acquisition and construction of utility plant was $6.3 million as of June 30, 2022 and $3.9 million as of June 30, 2021.

Allowances for funds used during construction (“AFUDC”) approximates NES’s current weighted average cost of debt. AFUDC of $1.8 million in 2022 and $3.0 million in 2021 was capitalized as a regulatory asset and was amortized over the average life of utility plant assets.

During 2022 and 2021, $10.0 million and $11.8 million, respectively, was credited to interest expense for amortization of net bond premiums and discounts in each year.

During 2022 and 2021, funds capitalized as lease additions totaled $0.03 million and $3.5 million, respectively. During 2022 and 2021, deferred inflows related to leases in which NES is the lessor totaled $0.7 million and $8.6 million, respectively.

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, 2022 AND 2021

	2022	2021
ASSETS		
Interest and dividends receivable	$ 715	$ 574
Investments at fair value - mutual funds	747,204	881,581
TOTAL ASSETS	747,919	882,155
LIABILITIES		
Trade accounts payable	383	362
Accounts payable, net – due to sponsor	3,669	3,979
TOTAL LIABILITIES	4,052	4,341
NET POSITION		
Restricted for:		
Pension benefits	567,081	677,343
Post-employment benefits other than pensions	176,786	200,471
TOTAL NET POSITION	$ 743,867	$ 877,814

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, 2022 AND 2021

	2022	2021
ADDITIONS		
Employer contributions	$ 58,712	$ 59,325
Investment earnings:		
Interest, dividends, and other	20,561	14,827
Net increase (decrease) in fair value of investments	(141,968)	177,141
Total investment earnings	(121,407)	191,968
Less: investment activity costs	(1,556)	(1,319)
Net investment earnings	(122,963)	190,649
TOTAL ADDITIONS	(64,251)	249,974
DEDUCTIONS		
Benefits paid to retirees or beneficiaries	52,882	44,221
Medical, dental, and life insurance to retirees and beneficiaries	16,628	14,962
Administrative expenses	186	194
TOTAL DEDUCTIONS	69,696	59,377
NET INCREASE (DECREASE) IN NET POSITION	(133,947)	190,597
NET POSITION, beginning of year	877,814	687,217
NET POSITION, end of year	$ 743,867	$ 877,814

See notes to financial statements.

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 June 2017, GASB issued Statement No. 87, *Leases*, (GASB 87) which established 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. This standard was clarified by portions of Statement No. 92, *Omnibus 2020.* The Board adopted the standard (and related clarifications) and retroactively applied the accounting to the most recent preceding year for comparative financial statements. NES recorded the effects of adopting GASB 87 in fiscal year 2022 through the recognition of leased assets and related lessee finance obligations of $3.4 million and the recognition of Lessor receivables and related Deferred inflows of resources of $8.2 million. The adoption had no material

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

impact on the Net Position. Operating expenses of $0.7 million are now included in depreciation expense. Changes to interest expense and interest income were not material. Lessor revenues were not materially impacted.

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 adoption of this standard had no impacts on the financial statements

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 has ceased to exist in its current form. The adoption of this standard had no effect on the financial statements as there were no outstanding borrowings with LIBOR rates during any periods presented. The revolving line of credit has been revised to use the Secured Overnight Financing Rate if funds are drawn on that facility.

Recent Accounting Pronouncements

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 SBITA arrangements. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The Board expects to recognize material amounts of amortizing right-to-use intangible assets (and related financing obligations). Software and information technology arrangements costs subject to GASB 96 recognition are currently reported as Information Technology expenses. After adoption, these will be recognized as part of depreciation and amortization expense. The adoption will result in reduction in operating cash paid to suppliers, and a corresponding increase in the cash paid for financing activities. The adoption is not expected to have a material impact on the capitalization of implementation costs.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022* (GASB 99). This standard provides guidance on several practice issues identified during implementation of certain GASB statements that impact the Board including standards on leases, SBITAs, and non-monetary exchanges. The clarifications related to leases impact how lease terms are determined. The clarifications related to SBITAs clarify how SBITA terms are evaluated and how to account for SBITA contract modifications. The requirements for those matters are effective for fiscal years beginning after June 15, 2022. The clarifications related to non-monetary

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

exchanges could impact future disclosures by the Board should the Board execute a non-monetary exchange. The Board is evaluating the effects of the adoption of GASB 99.

In June 2022, GASB issued Statement No. 100, *Accounting for Change and Error Corrections* (GASB 100). This standard enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement.

This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

The requirements for those matters are effective for fiscal years beginning after June 15, 2023. The Board is evaluating the effects of the adoption of GASB 100.

In June 2022, GASB issued Statement No. 101, *Compensated Absences* (GASB 101). This standard updates the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. The requirements for GASB 101 are effective for fiscal years beginning after December 31, 2023. The Board is evaluating the effects of the adoption of GASB 101 and does not expect a material impact.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2022 and 2021, amounts restricted for debt service were $60.8 million and $10.4 million, respectively. NES releases capital debt funds quarterly based on expected draws for that quarter. As of June 30, 2022 and 2021, capital debt funds restricted for construction were $106.1 million and $171.3 million, respectively. 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, 2022 and 2021, amounts held in escrow as required by contracts for on-going construction of the electric system totaled $0.2 million and $1.0 million, respectively. 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 $1.0 million and $3.1 million for the years ended June 30, 2022 and 2021, respectively. Contributed assets are recorded at their acquisition value.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2022 and 2021:

	2022	2021
Distribution plant, 8 to 40 years	3.5%	3.6%
Structure and improvements, 40 to 50 years	3.4%	3.4%
Office furniture and equipment, 5 to 16.7 years	10.7%	10.8%
Transportation equipment, 8 to 10 years	6.8%	6.6%
Other equipment, 8 to 33.3 years	6.3%	6.4%

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.

Leases and Leasing Activity

Lease contracts convey control of the right to use another entity's nonfinancial asset for a period of time in an exchange or exchange-like transaction without transfer of ownership of the asset. The lease term is the period of time where there is a noncancelable right to use the underlying asset. Noncancelable terms of 12 months or less at the inception of the lease are recognized as short-term leases and all others are recognized as financing leases. NES is both a lessor and lessee of both short term and financing leases.

For lessor financing contracts, lease revenue is recognized in Other Revenue on a straight-line basis over the lease term, and lease receivables and deferred inflows of resources are reported at present value using NES's incremental borrowing rate. Lease receivables are reported in Short-term Lease Receivables in Current Assets for the current portion and Long-term Lease Receivables for the long-term portion on the Statements of Net Position. The amortization of the discount for lessor contracts is recorded as Accrued Interest Receivable in Current Assets on the Statements of Net Position with the offset to Interest Income on the Statements of Revenue, Expenses and Changes in Net Position

Lessor revenues for short term contracts in fiscal years 2022 and 2021 were $4.1 million and $4.2 million, respectively. Amounts were recognized based on the payments due and reported in Other Revenue.

For financing lessee contracts, lease expense is recognized as Depreciation on a straight-line basis over the lease term, and lease assets and liabilities are reported at present value using NES's incremental borrowing rate. Lease assets are reported in Electric Plant, and lease liabilities are reported in Other Current and Accrued Liabilities for the current portion and Long-term Lease and Other Liabilities for the long-term portion on the Statements of Net Position. The amortization for the discount for lessee contracts is reported in Other Current and Accrued Liabilities on the Statements of Net Position with the offset to Other Interest Expense on the Statements of Revenue, Expenses and Changes in Net Position.

Lessee expenses for short term contracts were $1.1 million in fiscal years 2022 and 2021. Amounts were recognized based on the payments due and reported in Administrative and General expenses.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 $8.9 million in 2022 and $8.1 million in 2021.

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 $1.8 million and $3.0 million as of June 30, 2022 and 2021, respectively.

The AFUDC rate of 2.9 percent and 3.1 percent used in 2022 and 2021, 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 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, 2022 and 2021, Net Investment in Capital Assets included $106.1 million and $171.3 million, respectively, of cash and investments 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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

of restricted cash and investments reduced by any accrued interest payable and deferred inflows of resources related to the bonds. As of June 30, 2022 and 2021, the Restricted net position included investments of $60.8 million and $10.0 million, respectively, for debt service. Restricted net position also consisted of Cash of $0.3 million and $0.7 million, respectively, reduced by accrued interest payable of $3.2 million and $3.4 million in 2022 and 2021, respectively. As of June 30, 2022 and 2021, Restricted net position included $0.2 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, 2022 and 2021, such unbilled revenues were $64.7 million and $49.4 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 $2.3 million and $2.8 million for the years ended June 30, 2022 and 2021, 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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income and Other 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 Board's average of revenue less power cost from electric operations for the preceding three fiscal years.

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 $545.9 million and $646.6 million at June 30, 2022 and 2021, 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.

2. UTILITY PLANT AND ACCUMULATED DEPRECIATION

Utility plant activity for the years ended June 30, 2022 and 2021 was as follows ($000 omitted):

	Balance June 30, 2021	Additions	Transfers & Retirements	Balance June 30, 2022
Distribution plant	$ 1,696,392	$ 61,063	$ (18,419)	$ 1,739,036
Structures and improvements	65,939	7,564	(262)	73,241
Office equipment and software	65,180	4,141	(2,219)	67,102
Transportation equipment	9,932	732	(765)	9,899
Other equipment	64,170	2,221	(2,879)	63,512
Land and land rights	3,889	-	-	3,889
Construction work-in-progress (a)	96,266	30,258	-	126,524
	$ 2,001,768	$ 105,979	$ (24,544)	$ 2,083,203

	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	5,739	(16,198)	65,939
Office equipment and software	56,114	5,688	3,378	65,180
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	$ 120,931	$ (35,079)	$ 2,001,768

(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, 2022 and 2021 was as follows ($000 omitted):

	Balance June 30, 2021	Provision	Original Cost & Transfers	Cost of Removal	Salvage	Balance June 30, 2022
Distribution plant	$ 690,496	$ 60,697	$ (18,419)	$ (13,646)	$ 2,183	$ 721,311
Structures and improvements	20,544	2,357	(262)	-	-	22,639
Office equipment and software	43,879	7,084	(2,219)	(6,372)	-	42,372
Transportation equipment	4,233	672	(765)	-	631	4,771
Other equipment	33,452	4,033	(2,879)	-	125	34,731
	$ 792,604	$ 74,843	$ (24,544)	$ (20,018)	$ 2,939	$ 825,824

	Balance June 30, 2020	Provision	Original Cost	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	2,392	(10,419)	-	-	20,544
Office equipment and software	36,929	6,555	395	-	-	43,879
Transportation equipment	3,844	631	(681)	-	439	4,233
Other equipment	30,526	3,941	(1,040)	-	25	33,452
	$ 760,288	$ 72,482	$ (35,079)	$ (10,020)	$ 4,933	$ 792,604

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 $1.5 million in 2022 and $1.6 million in 2021.

Lessee – NES leases building space from a third party in a contract that terminates in 2025. NES also leases various office equipment from third parties, and the remaining term on those contracts, as of June 30, 2022, ranges from one year to three years. There were no residual value guarantees, no termination penalties, no material variable payments not included in the lease term, no commitments prior to the

2. UTILITY PLANT AND ACCUMULATED DEPRECIATION (continued)

commencement of the lease contracts, and no lease impairments for the years ended June 30, 2022 and 2021. Lease asset balances are included in Electric Plant, and the related accumulated depreciation is included in Accumulated Depreciation for Electric Plant.

The following tables show the balance by major lease asset classification and the related accumulated depreciation for the years ended June 30, 2022 and 2021 ($000 omitted):

2022

	Asset Cost	Accumulated Depreciation	Asset Cost, Net
Structures and improvements	$ 3,315	$ (1,348)	$ 1,967
Office furniture and equipment	193	(110)	83
	$ 3,508	$ (1,458)	$ 2,050

2021

	Asset Cost	Accumulated Depreciation	Asset Cost, Net
Structures and improvements	$ 3,315	$ (674)	$ 2,641
Office furniture and equipment	161	(52)	109
	$ 3,476	$ (726)	$ 2,750

The following table summarizes the remaining lease principal and interest payments as of June 30, 2022 ($000 omitted):

	Principal	Interest	Total
2023	$ 708	$ 11	$ 719
2024	728	6	734
2025	677	2	679
Total	$ 2,113	$ 19	$ 2,132

2. UTILITY PLANT AND ACCUMULATED DEPRECIATION (continued)

Lessor – Finance leases NES leases land, dark fiber, pole space, and other assets to third parties. As of June 30, 2022, remaining lease terms range from one to 24 years, and several leases have an option to extend the lease term after the completion of the contracted term. For some land and other asset leases, the lessee obtains exclusive use of the asset. For the majority of the leases, the lessees do not receive preferential or exclusive rights to use the assets. The lease receivable balance as of June 30, 2022 was $6.8 million, of which $1.4 million is current and $5.4 million is long-term on the Statements of Net Position. The lease receivable balance as of June 30, 2021 was $7.6 million, of which $1.4 million was current and $6.2 million is long-term on the Statements of Net Position. NES recognized revenue of $1.4 million for both years ended June 30, 2022 and 2021. Interest income was not material in either period. Revenue is reported as Other Operating Revenue on the Statements of Revenues, Expenses, and Changes in Net Position. There were no material variable lease payments paid or received nor impairment losses in fiscal year 2022 or 2021.

Lessor – Regulated leases NES leases pole space to third party telecommunication companies through agreements which classify as regulated leases. The lease rates for these agreements are prescribed by TVA based on TVA's cost recovery model. No regulated lease assets are subject to exclusive use by any counterparty. Lease revenue recognized totaled $4.7 million during both fiscal years 2022 and 2021.

The following table summarizes the expected future minimum payments for regulated leases as of June 30, 2022 ($000 omitted):

Year	Expected Future Minimum Payment
2023	$ 4,674
2024	4,674
2025	4,346
2026	630
2027	467
2028-2030	294
Total	$ 15,085

3. CASH AND INVESTMENTS

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

2022

	General Fund	Bond Funds	Special Construction Funds	Other Restricted Funds	Total	Weighted Average Maturity (Years)
Cash and cash equivalents	$ 386,902	$ 6	$ 331	$ 171	$ 387,410	n/a
U.S. Treasury Investments	-	60,746	31,828	-	92,574	0.59
Securities from Agencies Chartered by Congress	-	-	73,910	-	73,910	0.63
Certificates of Deposit	500	-	-	-	500	0.09
	$387,402	$ 60,752	$ 106,069	$ 171	$ 554,394	

The portfolio weighted average maturity is 0.61 years.

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 Agencies Chartered 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.

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, 2022, are categorized as follows:

	Level 1	Level 2	Fair Value Measurement Total
Securities from Agencies Chartered by Congress	$ -	$ 73,910	$ 73,910
U.S. Treasury Securities	-	92,574	92,574
Total	$ -	$ 166,484	$ 166,484

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

Custodial Credit Risk

As of June 30, 2022 and 2021, NES's cash and cash equivalents was $387.4 million and $380.5 million, respectively. Bank statement balances for such accounts totaled $392.5 million and $383.1 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, 2022 and 2021, 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

3. CASH AND INVESTMENTS (continued)

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 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's 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, 2022 and 2021, 44.3 percent and 41.3 percent, respectively, of NES investments were invested in securities from Agencies Chartered by Congress. In 2022 and 2021, 55.4 percent and 58.4 percent, respectively, were invested in U.S. Treasuries. In 2022 and 2021, the remaining 0.3 percent and 0.3 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, 2022, is as follows ($000 omitted):

	Balance June 30, 2021	Deductions/ Repayments	Additions/ Amortization/ Accretion	Balance June 30, 2022
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.	59,028	-	(392)	58,636
Electric System Revenue Bonds, 2014 Series A, bear interest at a rate of 5.00%, maturing through May 15, 2039, interest paid semiannually.	98,837	(3,215)	(917)	94,705
Electric System Revenue Bonds, 2015 Series A, bear interest at a rate of 5.00%, maturing through May 15, 2033, interest paid semiannually.	90,347	(14,560)	(1,727)	74,060
Electric System Revenue Bonds, 2017 Series A, bear interest at a rate of 5.00%, maturing through May 15, 2042, interest paid semiannually.	111,426	(2,710)	(1,328)	107,388
Electric System Revenue Bonds, 2017 Series B, bear interest at a rate of 5.00%, maturing through May 15, 2031, interest paid semiannually.	84,617	(11,620)	(2,205)	70,792
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	(3,120)	(3,402)	186,294
	637,071	$ (35,225)	$ (9,971)	591,875
Less current portion of long-term debt	(35,225)			(36,990)
	$ 601,846			$ 554,885

4. LONG-TERM DEBT (continued)

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)

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
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
	514,715	$ 248,094
Unamortized premium	77,160	
Total long-term debt	$ 591,875	

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 years 2022 and 2021 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 fiscal years 2022 or 2021. The line-of-credit is renewable annually. The Board established a new line of credit effective January 1, 2022, with an expiration date of December 31, 2022. Borrowings under the renewed line-of-credit bears interest at the Secured Overnight Financing Rate ("SOFR") plus 36 basis points.

All bonds are subject to 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, 2022.

ELECTRIC POWER BOARD OF THE METROPOLITAN GOVERNMENT
OF NASHVILLE AND DAVIDSON COUNTY
Notes to the Financial Statements for the years ended June 30, 2022 and 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, 2021	Repayments/Earned Contributions	Additions/ Interest	Balance June 30, 2022
TVA Energy Conservation Loans	$ 353	$ (177)	$ 17	$ 193
Contributions in Aid of Construction	4,714	(8,865)	10,735	6,584
Customer Solar Subscriptions	-	(139)	139	-
Long-term Lease and Other Liabilities, net	2,089	(732)	54	1,411
Employee Sick Leave Obligation, net	2,375	-	585	2,960
Asset Retirement Obligations	244	-	-	244
	$ 9,775	$ (9,913)	$ 11,530	$ 11,392

	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	-
Long-term Lease and Other Liabilities, net	-	(726)	2,815	2,089
Employee Sick Leave Obligation, net	1,805	-	570	2,375
Asset Retirement Obligations	244	-	-	244
	$ 8,527	$ (10,458)	$ 11,706	$ 9,775

NES is a fiscal intermediary for the TVA energy conservation programs whereby loans are made to NES's 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's 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

NES 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.

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 to exceed 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.

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6. RETIREMENT AND BENEFIT PLANS (continued)

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.

At April 1, 2022, the following participants were covered by the benefit terms of the DB Plan:

Inactive plan members or beneficiaries currently receiving benefits	953
Inactive plan members entitled to but not yet receiving benefits	128
Active plan members	530
	1,611

The contribution requirements of NES are established and may be amended by NES. The DB Plan is currently non-contributory. NES's 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 2022 and 2021, 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 total pension liability was determined using certain actuarial assumptions, applied to all periods included in the measurement. The actuarial assumptions included (a) 7.25 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-2021 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.

6. RETIREMENT AND BENEFIT PLANS (continued)

The following assumptions changes were made for fiscal year 2022:

- The mortality assumption was updated to use the MP-2021 mortality improvement scale.
- The discount rate assumption was updated to 7.25% per annum.
- The grandfathered compensation limits previously applicable to certain "Transition Participants" were removed reflecting the advice of legal counsel regarding the inapplicability of the limits.

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 2022 or 2021.

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%	8.75%
Fixed Income	35.0%	4.67%

The discount rate used to measure the total pension liability was 7.25 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
2022-2026	190	$ 256,159
2027-2031	143	306,898
2032-2036	105	352,115
2037-2041	65	381,488
2042-2046	21	379,160
Total projected benefit payments		$ 1,675,820

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, 2021	$ 759,796	$ 658,915	$ 100,881
Changes for the year:			
Service Costs	10,915		10,915
Interest	55,665		55,665
Experience losses/(gains)	(4,056)		(4,056)
Changes in assumptions	16,279		16,279
Contributions – employer		31,825	(31,825)
Net investment income		(89,284)	89,284
Benefit payments / refunds	(52,625)	(52,625)	-
Administrative expenses		(1,195)	1,195
Net Change	26,178	(111,279)	137,457
Balance at June 30, 2022	$ 785,974	$ 547,636	$ 238,338

The above changes in Net Pension Liability include dividend receivables of $0.5 million and investment fees payable of $0.3 million.

The following presents the Net Pension Liability of NES, calculated using the discount rate of 7.25 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 (6.25%)	Current Rate (7.25%)	1% Increase (8.25%)
Net Pension Liability ($000 omitted)	$329,400	$238,338	$161,939

6. RETIREMENT AND BENEFIT PLANS (continued)

For the year ended June 30, 2022, NES recognized pension expense of $37.0 million. At June 30, 2022, 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	$ 828	$ 3,959
Changes in assumptions	11,195	1,485
Net difference between projected and actual earnings on pension plan investments	51,700	-
Total	$ 63,723	$ 5,444

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

Years Ending June 30:	
2023	$ 11,281
2024	13,300
2025	6,206
2026	27,492
2027	-
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, 2021, the DC Plan had 335 participants, of which 170 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, 2021 and 2020, the contribution percentage was 15.70 percent and 15.88 percent, respectively. NES contributed $4.4 million and $3.8 million to the DC Plan in the fiscal year ended June 30, 2022 and June 30, 2021, respectively. DC Plan expense was $4.8 million, of which $0.18 million was from forfeitures, and $3.8 million, of which $0.15 million was from forfeitures, for the fiscal year ended June 30, 2022 and June 30, 2021, respectively. NES’s liability for the DC Plan as of June 30, 2022 and 2021, was $2.4 million and $2.1 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 $0.16 million forfeitures for the calendar year ending December 31, 2021. There were $0.03 million forfeitures for the calendar year ending December 31, 2020.

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 2022 and 2021, 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, 2022:

Active and Disabled plan members (not receiving benefits)	924
Inactive plan members and beneficiaries receiving benefits	935
	1,859

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 24.0 percent of covered payroll. NES contributed 100 percent of the required contribution for the OPEB Plan year 2022.

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 6.0 to 3.9 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.

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 at least every 5 years. The following changes to assumptions were made for fiscal year 2022:

- The assumed trend rate for medical claims was changed from 5.2 percent to 6.0 percent, trending to 5.5 percent over the next three years (following the Getzen model), thereafter grading to an ultimate rate of 3.95 percent.
- 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-2021 projected generationally from the base year 2010.

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 2022 or 2021.

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:

Asset Class	Asset Allocation	Long-Term Expected Rate of Return
Equity	65.0%	8.75%
Fixed Income	35.0%	4.43%

6. RETIREMENT AND BENEFIT PLANS (continued)

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
2022-2026	228	$ 105,236
2027-2031	189	131,574
2032-2036	169	158,563
2037-2041	139	186,315
2042-2046	108	215,431
Total projected benefit payments		$ 797,119

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, 2021	$334,534	$200,473	$134,061
Changes for the year:			
Service Cost	7,397		7,397
Interest	25,022		25,022
Experience losses/(gain)	2,748		2,748
Changes in assumption	(3,677)		(3,677)
Contributions		22,500	(22,500)
Net investment income		(29,009)	29,009
Benefit payment/ refunds	(16,628)	(16,628)	-
Administrative expense		(550)	550
Net changes	14,862	(23,687)	38,549
Balance at June 30, 2022	$349,396	$176,786	$172,610

The above changes in Net OPEB Liability include dividend receivables of $0.2 million and investment fees payable of $0.2 million. At June 30, 2022, the OPEB Trust owed NES approximately $3.5 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 $1.0 million.

6. RETIREMENT AND BENEFIT PLANS (continued)

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	$212,542	$172,610	$139,151

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 (5.0%)	Current Rate (6.0%)	1% Increase (7.0%)
Net OPEB Liability	$139,410	$172,610	$212,734

For the year ended June 30, 2022, NES recognized OPEB expense of $17.0 million. At June 30, 2022, 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	$ 2,290	$ 30,061
Changes in assumptions	8,979	3,064
Net difference between projected and actual earnings on OPEB plan investments	17,015	-
Total	$ 28,284	$ 33,125

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:	
2023	$ (2,259)
2024	(4,316)
2025	(2,816)
2026	4,705
2027	(154)
Thereafter	-

6. RETIREMENT AND BENEFIT PLANS (continued)

<u>Retirement and Benefit Plan Investments</u>

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, 2022		
Investments at fair value Level 1	Pension	Defined Contribution	OPEB
Registered Investment Companies – Mutual Funds			
SEI S&P 500 Index Fund	$ 194,748	$ 6,995	$ 64,190
SEI Small Mid Cap Fund	21,661	764	7,139
SEI World Equity EX – US Fund	21,357	3,951	7,037
SEI Extended MKT Index - A	114,020	750	37,571

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.

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.

6. RETIREMENT AND BENEFIT PLANS (continued)

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, 2022		
Investments at fair value Level 1	Pension	Defined Contribution	OPEB
Registered Investment Companies – Mutual Funds			
SEI Core Fixed Income Fund	$ 141,050	$ 5,040	$ 46,466
SEI Emerging Markets Debt Fund	22,041	767	7,263
SEI High Yield Bond Fund	33,031	1,176	10,882

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.

6. RETIREMENT AND BENEFIT PLANS (continued)

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 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.

6. RETIREMENT AND BENEFIT PLANS (continued)

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:

The following are risk characteristics for the Core Fixed Income Fund as of June 30, 2022:

Characteristic	Portfolio
Effective duration	6.9 years
Average maturity	9.5 years
Composite quality rating	A, with 63 percent of portfolio rated AA or higher

6. RETIREMENT AND BENEFIT PLANS (continued)

The following are risk characteristics for the Emerging Markets Debt Fund as of June 30, 2022:

Characteristic	Portfolio
Effective duration	5.7 years
Average maturity	9.5 years
Composite quality rating	BB+, with 54 percent of portfolio rated BBB or higher

The following are risk characteristics for the High Yield Bond Fund as of June 30, 2022:

Characteristic	Portfolio
Effective duration	4.3 years
Average maturity	5.7 years
Composite quality rating	B-, with 34 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 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 $4.8 million and $4.7 million to the plan for the years ended June 30, 2022 and 2021, respectively. Employees using the Roth election contributed $1.6 million and $1.3 million to the 457 Plan for the years ended June 30, 2022 and 2021, respectively. NES contributed $2.7 million and $2.6 million to the 457 Plan for the years ended June 30, 2022 and June 30, 2021, respectively.

8. 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 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, 2022 and 2021 are as follows ($000 omitted):

Balance – June 30, 2020	$ 1,847
Payments	(11,474)
Incurred Claims	11,563
Balance – June 30, 2021	$ 1,936
Payments	(11,414)
Incurred Claims	11,348
Balance – June 30, 2022	$ 1,870

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 cash flows of NES.

9. 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

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9. RELATED PARTY TRANSACTIONS (continued)

exchange, NES does not pay for various permit fees otherwise required for NES construction work. For 2022 and 2021, 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 Metropolitan Government maintains the system, and NES pays for its proportionate share of annual maintenance costs.

In fiscal years 2022 and 2021, NES paid the Metropolitan Government $1.6 million and $0.5 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, 2022, $0.75 million remained to be paid over the next four 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.

For the years ended June 30, 2022 and 2021, NES paid Pinnacle Financial Partners $0.08 million and $0.04 million for bank services and received rebates and interest income of $1.63 million and $0.46 million, respectively, through a contract awarded in a routine RFP process. The contract provides a $25.0 million line of credit which had no draws in fiscal years 2022 or 2021. The contract includes credit card services. Balances are paid 15 days after month end. The credit card balance at June 30, 2022 and 2021 was $0.01 million. A member of the Board is the Chairman of Pinnacle Financial Partners. The CEO of NES 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. As of June 1, 2022, the CEO retired.

9. RELATED PARTY TRANSACTIONS (continued)

These balances and transactions as of and for the years ended June 30, 2022 and 2021 are summarized as follows ($000 omitted):

	2022	2021
Balances:		
Accounts receivable	$ 6,483	$ 5,284
Accounts payable	229	227
Transactions:		
Commercial and industrial revenue – Metropolitan Government Entities	63,955	56,669
Street and outdoor lighting revenue – Metropolitan Government Entities	9,418	9,094
Tax equivalents operating expense – Metropolitan Government Entities	36,085	36,537
800 MHz Radio maintenance expense	847	524
800 MHz Radio capital upgrade	1,583	795
Reimbursements for work on the System	1,073	491
Other miscellaneous billed services	209	86
Other miscellaneous expenses paid	270	222
Bank Service Fees	76	37
Interest Income	1,581	432
Rebates	45	27

10. COMMITMENTS

NES has no generating capacity and purchases all of its power from the 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 termination notice was set at 20 years (agreement is still evergreen with an automatic one-year extension annually) 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

10. COMMITMENTS (continued)

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 $946.8 million and $850.4 million from TVA during the years ending June 30, 2022 and 2021, 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's 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, 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.

11. SUBSEQUENT EVENTS

NES has evaluated subsequent events through October 7, 2022, the issuance date of the financial statements, and has determined that there are no other subsequent events that require disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

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

	Years ended June 30,				
	2022	2021	2020	2019	2018
Total Pension Liability					
Service Costs	$ 10,915	$ 10,857	$ 11,276	$ 10,838	$ 10,937
Interest	55,665	54,231	54,003	50,148	48,892
Changes in benefit terms	-	-	-	-	-
Differences between expected and actual experience	(4,056)	1,933	(8,782)	(1,568)	(5,102)
Changes of assumptions	16,279	799	(10,395)	32,039	1,139
Benefit Payments / Refunds	(52,625)	(44,178)	(40,830)	(40,099)	(37,744)
Net Change in Total Pension Liability	$ 26,178	$ 23,642	$ 5,272	$ 51,358	$ 18,122
Total Pension Liability, beginning	759,796	736,154	730,882	679,524	661,402
Total Pension Liability, ending (a)	$ 785,974	$ 759,796	$ 736,154	$ 730,882	$ 679,524
Plan Fiduciary Net Position					
Contributions – employer	$ 31,825	$ 32,650	$ 34,490	$ 31,382	$ 30,031
Net investment income	(89,283)	145,037	24,364	33,967	38,244
Benefit Payments / Refunds	(52,625)	(44,178)	(40,830)	(40,099)	(37,744)
Administrative expenses	(1,195)	(1,048)	(908)	(816)	(836)
Net Change in Plan Fiduciary Net Position	$ (111,278)	$ 132,461	$ 17,116	$ 24,434	$ 29,695
Plan Fiduciary Net Position – beginning	658,915	526,454	509,338	484,904	455,209
Plan Fiduciary Net Position – ending (b)	$ 547,637	$ 658,915	$ 526,454	$ 509,338	$ 484,904
Net Pension Liability – ending (a) – (b)	$ 238,337	$ 100,881	$ 209,700	$ 221,544	$ 194,620
Plan Fiduciary Net Position as a % of the Total Pension Liability	70%	87%	72%	70%	71%
Covered –employee payroll	$ 59,756	$ 61,942	$ 61,341	$ 62,957	$ 62,824
Net Pension Liability as a % of covered-employee payroll	399%	163%	342%	352%	310%

See notes to schedule.

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

	Years ended June 30,			
	2017	**2016**	**2015**	**2014**
Total Pension Liability				
Service Costs	$ 12,084	$ 10,083	$ 10,792	$ 9,935
Interest	47,611	43,983	41,399	39,288
Changes in benefit terms	-	8,619	-	-
Differences between expected and actual experience	(3,306)	11,291	1,768	6,127
Changes of assumptions	1,108	17,741	-	-
Benefit Payments / Refunds	(41,066)	(38,753)	(28,720)	(27,104)
Net Change in Total Pension Liability	$ 16,431	$ 52,964	$ 25,239	$ 28,246
Total Pension Liability, beginning	644,971	$ 592,007	$ 566,768	$ 538,522
Total Pension Liability, ending (a)	$ 661,402	$ 644,971	$ 592,007	$ 566,768
Plan Fiduciary Net Position				
Contributions – employer	$ 30,905	$ 24,600	$ 25,746	$ 22,813
Net investment income	55,186	(623)	12,207	63,102
Benefit Payments / Refunds	(41,066)	(38,753)	(28,720)	(27,104)
Administrative expenses	(816)	(797)	(682)	(451)
Net Change in Plan Fiduciary Net Position	$ 44,209	$ (15,573)	$ 8,551	$ 58,360
Plan Fiduciary Net Position – beginning	411,000	426,573	418,022	359,662
Plan Fiduciary Net Position – ending (b)	$ 455,209	$ 411,000	$ 426,573	$ 418,022
Net Pension Liability – ending (a) – (b)	$ 206,193	$ 233,971	$ 165,434	$ 148,746
Plan Fiduciary Net Position as a % of the Total Pension Liability	69%	64%	72%	74%
Covered –employee payroll	$ 63,415	$ 69,337	$ 68,801	$ 69,410
Net Pension Liability as a % of covered-employee payroll	325%	337%	240%	214%

See notes to schedule.

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

Notes to Schedule:

In 2022, the mortality improvements scale utilized was updated to MP-2021 from MP-2018 projecting from generational base year 2010. In addition, the investment rate of return/discount rate changed from 7.50% to 7.25%, and the assumed qualified plan compensation limits for transition participants were removed.

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.

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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)
2022	$31,812	$31,825	$(13)	$59,756	53%
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, an investment rate of return and discount rate of 7.5 percent for fiscal years 2014 through 2022 and of 7.25 percent for fiscal years thereafter, 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 for fiscal years 2019 to 2022 and Scale MP-2021 for fiscal year 2023 and thereafter projected generationally from base year 2010.

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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
2022	4.0%
2021	40.5%
2020	(5.9%)
2019	4.2%
2018	11.0%
2017	12.1%
2016	(2.0%)
2015	7.4%
2014	13.0%

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

	Years ended June 30, 2022	2021	2020	2019	2018
Total OPEB Liability					
Service Costs	$ 7,397	$ 7,412	$ 6,908	$ 6,633	$ 6,271
Interest	25,022	25,514	24,670	24,317	22,254
Changes in benefit terms	-	-	-	-	-
Differences between expected and actual experience	2,748	(23,709)	(13,055)	(21,877)	(2,608)
Changes of assumptions	(3,677)	-	6,744	9,245	15,157
Benefit Payments	(16,628)	(14,926)	(14,097)	(13,670)	(14,194)
Net Change in Total OPEB Liability	$ 14,862	$ (5,709)	$ 11,170	$ 4,648	$ 26,880
Total OPEB Liability, beginning	334,534	340,243	329,073	324,425	297,545
Total OPEB Liability, ending (a)	**$ 349,396**	**$ 334,534**	**$ 340,243**	**$ 329,073**	**$ 324,425**
Plan Fiduciary Net Position					
Contributions – employer	$ 22,500	$ 23,050	$ 22,587	$ 22,038	$ 21,760
Net investment income	(29,009)	43,619	7,129	9,049	8,786
Benefit Payments	(16,628)	(14,926)	(14,097)	(13,670)	(14,194)
Administrative expenses	(550)	(465)	(399)	(350)	(328)
Net Change in Plan Fiduciary Net Position	$ (23,687)	$ 51,278	$ 15,220	$ 17,067	$ 16,024
Plan Fiduciary Net Position – beginning	200,473	149,195	133,975	116,908	100,884
Plan Fiduciary Net Position – ending (b)	**$ 176,786**	**$ 200,473**	**$ 149,195**	**$ 133,975**	**$ 116,908**
Net OPEB Liability–ending (a) – (b)	**$ 172,610**	**$ 134,061**	**$ 191,048**	**$ 195,098**	**$ 207,517**
Plan Fiduciary Net Position as a % of the Total OPEB Liability	51%	60%	44%	41%	36%
Covered –employee payroll	$ 95,408	$ 91,529	$ 86,819	$ 82,887	$ 79,793
Net OPEB Liability as a % of covered-employee payroll	181 %	146 %	220%	235%	260%

See notes to schedule.

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

	Years ended June 30, 2017	2016	2015	2014	2013
Total OPEB Liability					
Service Costs	$ 6,008	$ 5,221	$ 4,934	$ 4,235	$ 4,103
Interest	21,219	18,738	18,543	18,325	18,027
Changes in benefit terms	736	-	-	-	-
Differences between expected and actual experience	(1,068)	13,956	(8,006)	(5,870)	(8,151)
Changes of assumptions	451	7,987	-	12,516	-
Benefit Payments	(13,426)	(13,761)	(12,598)	(10,845)	(9,929)
Net Change in Total OPEB Liability	$ 13,920	$ 32,141	$ 2,873	$ 18,361	$ 4,050
Total OPEB Liability, beginning	283,625	251,484	248,611	230,250	226,200
Total OPEB Liability, ending (a)	**$ 297,545**	**$ 283,625**	**$ 251,484**	**$ 248,611**	**$ 230,250**
Plan Fiduciary Net Position					
Contributions – employer	$ 19,168	$ 16,835	$ 16,495	$ 15,523	$ 18,645
Net investment income	11,932	296	2,369	11,123	6,623
Benefit Payments	(13,426)	(13,761)	(12,598)	(10,845)	(9,929)
Administrative expenses	(176)	(203)	(112)	(134)	(72)
Net Change in Plan Fiduciary Net Position	$ 17,498	$ 3,167	$ 6,154	$ 15,667	$ 15,267
Plan Fiduciary Net Position – beginning	83,386	80,219	74,065	58,398	43,131
Plan Fiduciary Net Position – ending (b)	**$ 100,884**	**$ 83,386**	**$ 80,219**	**$ 74,065**	**$ 58,398**
Net OPEB Liability–ending (a) – (b)	**$ 196,661**	**$ 200,239**	**$ 171,265**	**$ 174,546**	**$ 171,852**
Plan Fiduciary Net Position as a % of the Total OPEB Liability	34%	29%	32%	30%	25%
Covered –employee payroll	$ 78,421	$ 78,184	$ 76,725	$ 74,625	$ 74,489
Net OPEB Liability as a % of covered-employee payroll	251%	256%	223%	234%	231%

See notes to schedule.

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

Notes to Schedule

In 2022, the mortality improvements scale utilized was updated to MP-2021 from MP-2018 projecting from generational base year 2010. Additionally, the assumed trend rate for medical claims was changed to start at 6.0 percent and trend to 5.5 percent over the next three fiscal years grading to an ultimate rate of 3.95 percent.

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.

OTHER POST EMPLOYMENT 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)
2022	$22,430	$22,500	$(70)	$95,408	24%
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%

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. In fiscal year 2022, the assumptions include healthcare cost trends following the Getzen model starting at 6.0 percent and trending to 5.5 percent over the next three years grading to an ultimate rate of 3.95 percent. Dental cost trend remained at 4.0 percent. For fiscal year 2021, healthcare cost trends used 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 for fiscal years 2019 to 2022 and scale MP-2021 for fiscal year 2023 and thereafter projected generationally from the base year 2010.

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

OTHER POST EMPLOYMENT 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
2022	3.8%
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%

As one of the 11 largest utilities in the nation, NES distributes power to nearly 430,000 customers, including all of Nashville and Davidson County and parts of the six surrounding counties, covering 700 square miles. NES employees are committed to maintaining nearly 5,900 miles of distribution and transmission lines daily.

NES is among only four percent of all public utilities in the country to receive the Reliable Public Power Providers Diamond Award, the industry's highest honor for providing safe and reliable electricity for customers.

The nearly 1,000 employees of Nashville Electric Service take pride in keeping Music City shining. It is our core mission to provide safe, reliable and cost-efficient power to all customers. This is not just a job for us. It is a commitment and at every level of our company, we care.

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