

2025 ANNUAL REPORT



*empowering
progress*





TABLE OF CONTENTS

Electric Power Board of
The Metropolitan Government
of Nashville and Davidson County

Financial Statements for the Years
Ended June 30, 2025 and 2024

2 – 3	President’s Message
4	Schedule of Executive Management & Board Members
6 – 11	Empowering Our People
13 – 15	Report of Independent Auditors
16 – 27	Management’s Discussion & Analysis
	Financial Statements for the Years Ended June 30, 2025 and 2024
28 – 29	Statements of Net Position
30	Statements of Revenues, Expenses and Changes in Net Position
31 – 33	Statements of Cash Flows
34	Statements of Fiduciary Net Position
35	Statements of Changes in Fiduciary Net Position
36 – 83	Notes to Financial Statements
	REQUIRED SUPPLEMENTARY INFORMATION:
85 – 88	Schedule of Changes in Net Pension Liability
89	Schedule of Contributions – Pension
90	Schedule of Investment Returns – Pension
91 – 94	Schedule of Changes in Net OPEB Liability
95 – 96	Schedule of Contributions – OPEB
97	Schedule of Investment Returns – OPEB

PRESIDENT'S MESSAGE

When people think of NES, they often think of electricity, likely because it's right there in the name. When I think of NES, though, I think of power, because we do so much more than keep the lights on. We provide the power to stimulate and strengthen our city.

NES is an engine of change. We power the growth of Nashville and the prosperity of many of our residents. We power careers and personal advancement. We fuel resiliency and innovation. Simply put, we don't just power Nashville. We empower Nashville.

Empowerment is about making someone or something stronger and more confident. In the face of events that threaten to weaken us, like the 16 severe storms our employees responded to this year, our city emerges even stronger. NES helps us get back on our feet to forge ahead.

Here are a few of the many pursuits NES completed during the 2025 fiscal year to empower our city and our people as we move into the future.

EMPOWERING GROWTH

During Fiscal Year 25, NES completed approximately \$4.8 million of substation capital improvements and \$72 million in capital improvements, including the installation of 3,100 poles, 1,600 transformers and 732,000 feet of wire to keep up with continually rising demand. Nashville's growth is contingent upon our ability to do so. That growth is evident in the installation of more than 12,900 meters for new customers, 1,675

residential underground services and 11,615 new residential meters.

The new Central Substation, which will serve a significant portion of the downtown area, remained on track and was energized in July 2025.

EMPOWERING SUSTAINABILITY

NES is committed to empowering Nashvillians to pursue a more sustainable future, earning it the APPA Smart Energy Provider (SEP) designation for commitment to energy efficiency and sustainability. We converted more than 30,000 Metro Nashville streetlights to LED, marking 50% completion. We signed a Flexibility Option Power Purchase Agreement (FOPPA) with TVA to enter into a 30-year PPA with Silicon Ranch-Magnolia to purchase 160 MW of solar power, projected to save NES customers \$9.5 million annually. NES also completed an Electric Vehicle Adoption Study & Forecast for NES' 20-year system plan as electric vehicle ownership grows.

EMPOWERING COMMUNITY

NES provides our neighbors with resources to power their homes, comfortably and affordably. The Home Uplift program continues to impact thousands of individuals in need. This year, NES donated \$1.4 million to Home Uplift, matched by TVA, to fund \$9,858 in average energy efficiency upgrades for 1,800+ homes. We also launched a new Home Uplift awareness campaign that resulted in a 126% increase in NEShelps.com visits and a 15% increase in Home Uplift applications. Customers contributed an additional \$1.7 million to the

program through Power of Change. Additionally, NES' bill assistance initiatives provided \$2 million in aid to 3,187 households.

EMPOWERING OUR PEOPLE

NES empowers its people, providing them with the tools they need to be successful, in their careers and in their lives. In Fiscal Year 25, we launched NES UpSkill U, an online training platform for all employees. We also implemented the second cohort of the ELI leadership program and promoted six of our interns to Lineman Apprentices. The NES Operations Internship Program with MNPS remains successful, with five interns on track to complete year two.

Our Transmission & Distribution Journeymen and Apprentices won top honors at the 2025 TVPPA Lineman's Rodeo, demonstrating their exceptional technique, skill and speed. NES created and shared Lineman Appreciation Day and TVPPA Rodeo videos following the event, enabling the public to celebrate these hardworking individuals.

Each of these achievements is a testament to the strength of our team and the impact we have on our city. I am proud of our accomplishments and know that our thousand strong share my pride in carrying the responsibility we have to empower Nashville.

Teresa Broyles-Aplin

Teresa Broyles-Aplin
President & Chief Executive Officer



TERESA BROYLES-APLIN
NES President & CEO

MICHAEL VANDENBERGH
NES Board Chair
Professor
Vanderbilt University

SCHEDULE OF EXECUTIVE MANAGEMENT

TERESA BROYLES-APLIN

NES President and
Chief Executive Officer



BRENT BAKER

NES Executive Vice President
and Chief Operations and
Innovation Officer



Board Members

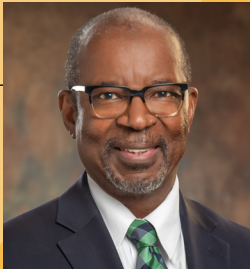
MICHAEL VANDENBERGH

NES Board Chair
*Professor
Vanderbilt University
(Term ended June 2025)*



CLIFTON HARRIS

Board Member
*President and CEO
Urban League of Middle
Tennessee*



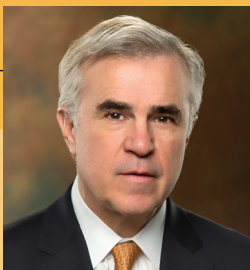
ANNE DAVIS

Vice Chair
*Attorney
Community Volunteer*



ROBERT MCCABE

Board Member
*Chairman
Pinnacle Financial Partners*



IAN PRUNTY

Board Member
*Account Executive
Snowflake*



CASEY SANTOS

Board Member
*Chief Technology Officer
Caliber Collision*



EMPOWERING OUR PEOPLE

/ EMPOWERING GROWTH

Nashville has been growing for so long that it can hardly be considered news. It's just what Nashville does – we grow. Growth requires infrastructure and power, while power and infrastructure beget growth, and NES is at the heart of it all.

For decades, NES has been increasing capacity and modernizing equipment to keep up with demand. In the first decade of the new millennium, though, Nashville's downtown core began changing. What was once a corridor for corporate offices and a small strip of bars began to evolve into a bustling urban center with hotels, residences, music venues, restaurants and so much more. The three NES substations that power downtown Nashville were woefully unprepared to handle the level of growth on the horizon.

In 2018, as these downtown substations approached maximum capacity, NES' Civil and Environmental Engineering teams set out to upgrade them. With construction of the Nashville Yards development in the North Gulch looming, the 10th Avenue substation that would power it was the first to get an upgrade.

The 10th Avenue substation was built in 1953 and still maintained most of its original equipment. With load expected to quadruple in the next ten years, NES planned for a complete overhaul. To accommodate that, NES selected a new site at the corner of 11th Avenue and Hynes Street and renamed it the 11th Avenue Substation.

The new substation would be an enclosed Gas Insulated Switchgear (GIS) substation, engineered and constructed to provide reliable power and capacity demands for the long-term growth for this portion of downtown. GIS was relatively rare when it was utilized for the Convention Center Substation constructed in 2011, but it is ideally suited for downtown space and design constraints.

After 11th Avenue was completed in 2021, planning for the latest project, Central Substation, followed quickly. Plans were drawn that fall, with a targeted completion of summer 2025. This new substation is located at the intersection of Gay Street and 2nd Avenue North and will replace the old structure built in 1914.

Central began as a privately owned coal-fired steam generation plant that fed the local area until the 1940s. The plant was then converted from a generation plant to one fed from TVA's transmission system.

The Central Substation also serves roughly a third of the downtown core business district. It has four transmission lines feeding the substation: from 11th Ave, Van Buren, South and Stadium. The new structure has been constructed to the east of the existing one. When complete, it will be nearly identical to the 11th Ave Substation, prioritizing

capacity, asset management and reliability for customers. Its features will help minimize future maintenance issues and circuit outages. Some of the capacity of this substation could potentially be used to feed the new East Bank development.

At the close of the fiscal year, Central Substation was on target to be completed and operating by August 2025, ideally situated to accompany the long-term growth of the area. And grow it will.



THE CENTRAL SUBSTATION SERVES ROUGHLY A THIRD OF THE DOWNTOWN CORE BUSINESS DISTRICT.

PREVIOUS OUTDATED
STREETLIGHTS



ENERGY-EFFICIENT
LED REPLACEMENTS

Empowering growth is about keeping up with demand, but it's also about ensuring the fixtures we have in place are suited to our changing city. As more cars take to Nashville's streets and unpopulated areas morph into pedestrian hubs, we turned our attention to streetlights. Replacing outdated streetlights with energy-efficient LEDs can enhance safety and improve energy efficiency while saving the city money. In 2024, NES began working alongside Nashville Department of Transportation (NDOT), PATH and the Mayor's Office to replace streetlights that use inefficient high-pressure sodium, mercury vapor and metal halide lighting technologies with state-of-the-art LED fixtures. To date, the team has upgraded nearly 30,000 streetlights to LEDs, with the intended goal of 55,000 LED lights.

Already, NDOT has saved 1,507,819 kilowatt-hours (kWh) of energy and \$128,869 as of June 2025. LED streetlights also require lower maintenance costs and have an extended lifespan. They utilize cutting-edge digitally networked smart-city technology. This entails the installation of control units or "nodes" atop each streetlight, communicating with a centralized control system. Through the control system's dashboard, these streetlights can be remotely monitored for power outages, malfunctions and other incidents such as knockdowns. The conversion process began in the northern half of Metropolitan Nashville, with progress flowing clockwise throughout project phases. Additionally, NES converted all of the high mast lights commonly found within and alongside highway interchanges around the city to LED during the initial project phase.



In March 2020, a strong tornado tore through Nashville, causing widespread devastation. More than 61,000 NES customers lost power. NES worked tirelessly to get the city back on its feet and now, five years later, used learnings from that event to strengthen Nashville's resilience. In May, NES joined Tennessee State University, the Tennessee Valley Authority (TVA), the Electric Power Research Institute (EPRI), L&T and the Metropolitan Government of Nashville and Davidson County to conduct a virtual simulation of the tornado. The exercise was designed to enhance Nashville's preparedness measures ahead of natural disasters that could occur in the near future. The simulation was a part of EPRI's ARCHER program, or Accelerating Resilience of the Community through Holistic Engagement and use of Renewables, which aims to evaluate how innovative microgrid systems could better safeguard critical services during such devastating events — particularly as these events are anticipated to become more frequent.

The simulation also included a group of residents from the North Nashville neighborhood, which suffered extensive damage and prolonged outages after the tornado, to provide feedback on important community assets that should be prioritized for energy resilience, infrastructure hardening and power restoration. This approach integrates community engagement with cutting-edge utility planning to significantly enhance resilience strategies. While we hope to never again endure a storm of such magnitude,

EXERCISES LIKE THESE HELP PREPARE NES AND EMPOWER NEIGHBORHOODS TO BUILD RESILIENCE IN THE EVENT THAT WE DO.

4

year apprenticeship program
for linemen

8,000

hours of on-the-job training
for linemen during their
apprenticeship

1ST

place achieved in the Journeyman
Team category during the
Tennessee Valley Linemen Rodeo



Delivering safe, reliable electricity requires that we have a talented and skilled workforce. That, in turn, requires that we provide them with opportunities to develop and improve.

Our linemen, for example, are some of the most visible members of the NES team. Their work is also some of the most demanding. Linemen work requires extensive training, including a four-year apprentice program consisting of 8,000 hours of on-the-job training. Even long after they've been on the job, linemen continue training to stay in top form.

Each year, they put these skills on display during linemen rodeos. To compete, these linemen practice simulations and skilled events, in their own time, to develop the confidence and skill needed to perform well while on the job.

The rodeo recognizes and rewards linemen for excellence in safety, skill and knowledge in their field, and the NES teams consistently take top honors. During the Tennessee Valley Lineman Rodeo in the spring, they achieved numerous awards, including first and second place in the Overall category and first in the Journeyman Team category.

While linemen are an invaluable part of the NES team, they represent just a small portion of what NES does. To raise awareness around our many career opportunities, NES actively participates in career fairs, guest speaking opportunities and other outreach events.

During Fiscal Year 2025, for example, IT team members engaged with Cybersecurity classes at KIPP Academy. They provided students with a comprehensive view of the diverse paths available within the IT industry and highlighted key certifications that

students can pursue immediately after high school to qualify for entry-level IT positions.

In November, NES employees attended the 16th Annual Academies of Nashville (AON) Career Exploration Fair to highlight various careers in the utility industry, from engineers and accountants to linemen and electricians and beyond.

**NES IS INVESTED IN THESE ACTIVITIES
TO ENSURE OUR THOUSAND STRONG
EMPLOYEES ARE THE BEST, BRIGHTEST
AND MOST EQUIPPED TO HELP US
FULFILL OUR MISSION.**



**THE SCHOOL HAS REDUCED
ITS ENERGY BILL BY 8%,
SAVING APPROXIMATELY
\$22,000 ANNUALLY.**

Living sustainably doesn't have to be complicated or expensive. In fact, many of NES' sustainability programs are designed to empower those with minimal resources to achieve energy efficiency.

For Nashville's youngest residents, NES has participated in TVA's School Uplift program since 2021. TVA EnergyRight's School Uplift supports public and private schools in the Tennessee Valley by offering energy efficiency training and grants that reduce energy costs and improve the quality of the learning environment. These no-cost energy-saving practices reduce energy costs by 10 percent on average.

To date, 26 Nashville schools have participated in the program, including Nashville Christian School, Hillsboro High, Glenciff Elementary, Cole Elementary and John Overton High, among others.

At Cole Elementary in Antioch, educators have focused on how small behavioral changes, like turning off the lights before leaving a room, can generate significant cost savings. The school has reduced its energy bill by 8 percent, saving approximately \$22,000 annually. Over five years, that amounts to more than \$100,000 in savings with no capital investment required. Students voted to use their grant money to add sunshades and bleachers near the playground, demonstrating how boosting energy efficiency can also improve their school environment.

At the other end of the age spectrum, NES supports seniors through Insulation for Impact, a pilot grant program created in partnership with Metro Nashville, the Tennessee Valley Authority (TVA) and NeedLink Nashville.

**THE INITIATIVE IS DESIGNED TO ENHANCE
ENERGY EFFICIENCY AND COMFORT FOR
RESIDENTS BY PROVIDING ATTIC INSULATION
AND INSTALLATION AT NO COST.**

Inferior insulation makes heating and air conditioning units work harder to maintain a comfortable temperature. This is not only wasteful but also creates higher energy bills. By assisting seniors with insulation, they can conserve energy, reduce their energy bills and live more comfortably.

Insulation for Impact is just one of several NES programs designed to help lower income residents improve the efficiency of their homes, empowering even Nashville's most vulnerable to do their part in living sustainably.



gettyimages
Credit: EyeEm

REPORT OF INDEPENDENT AUDITORS



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

Opinions

We have audited the accompanying financial statements of the business-type activities and fiduciary activities 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, 2025 and 2024, 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, including 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 business-type activities and fiduciary activities of the Electric Power Board as of June 30, 2025 and 2024, 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 Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

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 and *Government Auditing Standards*, will

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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 and *Government Auditing Standards*, 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 on pages 16 through 27 and the required supplementary information on pages 85 through 97 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the President’s Message, Schedule of Executive Management & Board Members, and “Empowering Our People” but does not include the basic financial statements and our auditors’ report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based

on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

PricewaterhouseCoopers LLP

September 25, 2025

**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, 2025 and 2024 as compared to fiscal years 2024 and 2023, respectively. In conducting the operations of the electrical distribution system, the Board does business as Nashville Electric Service (“NES”). NES is a component unit of the Metropolitan Government of Nashville and Davidson County, Tennessee (the “Metropolitan Government”). We refer to our infrastructure as “the Electric System.”

Overview of the Financial Statements

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

Basic Financial Statements

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

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

The statements of revenues, expenses and changes in net position present information showing how NES’s net position changed during the fiscal year. All changes in net position are reported on an accrual basis as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows.

MANAGEMENT’S DISCUSSION AND ANALYSIS, Unaudited (continued)

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 activities of the fiduciary funds are not presented as combined 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 \$1.18 billion at June 30, 2025, and \$1.08 billion at June 30, 2024. This represents an increase of \$100.7 million in 2025 and \$126.3 million in 2024.

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

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

MANAGEMENT’S DISCUSSION AND ANALYSIS, Unaudited (continued)

SUMMARY STATEMENTS OF NET POSITION (\$000 omitted)

	June 30,		
	2025	2024	2023
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>			
CURRENT ASSETS	\$ 759,522	\$ 699,371	\$ 710,450
INVESTMENT OF RESTRICTED FUNDS	169,323	258,481	53,241
UTILITY PLANT, NET	1,586,720	1,473,099	1,337,953
OTHER NON-CURRENT ASSETS	<u>51,792</u>	<u>53,759</u>	<u>13,700</u>
TOTAL ASSETS	2,567,357	2,484,710	2,115,344
DEFERRED OUTFLOWS OF RESOURCES	<u>13,749</u>	<u>16,589</u>	<u>68,511</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$2,581,106</u>	<u>\$2,501,299</u>	<u>\$2,183,855</u>
<u>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</u>			
CURRENT LIABILITIES	\$ 261,280	\$ 236,486	\$ 239,035
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS	50,127	53,285	36,960
LONG-TERM DEBT, LESS CURRENT PORTION	691,914	740,116	517,086
NET PENSION LIABILITY	200,608	191,477	240,453
NET OPEB LIABILITY	59,631	110,306	139,658
OTHER NON-CURRENT LIABILITIES	<u>27,486</u>	<u>27,044</u>	<u>13,700</u>
TOTAL LIABILITIES	<u>1,291,046</u>	<u>1,358,714</u>	<u>1,186,892</u>
DEFERRED INFLOWS OF RESOURCES	<u>114,111</u>	<u>67,310</u>	<u>47,957</u>
NET POSITION			
Net investment in capital assets	1,010,406	935,317	837,645
Restricted for:			
Debt service	7,677	7,622	5,910
Other purposes	1,156	766	37
Unrestricted	<u>156,710</u>	<u>131,570</u>	<u>105,414</u>
TOTAL NET POSITION	<u>1,175,949</u>	<u>1,075,275</u>	<u>949,006</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$2,581,106</u>	<u>\$2,501,299</u>	<u>\$2,183,855</u>

MANAGEMENT’S DISCUSSION AND ANALYSIS, Unaudited (continued)

Liquidity and Capital Resources

The Board has a \$25.0 million line-of-credit, with interest based on the Secured Overnight Financing Rate (“SOFR”), which expires December 31, 2025. This credit facility was renewed effective January 1, 2025, and is expected to be renewed at December 31, 2025, and annually thereafter. 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.

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, AA+ by Fitch, and Aa1 by Moody’s. 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 on hand goal of 90 days of total purchased power, operating expenses, and tax equivalents, less non-cash changes in Pension and Other Post Employment Benefits (OPEB) expenses related to amortization of differences between projected and actual earnings, experience, and assumptions. For the period ended June 30, 2025, the Board had a cash on hand goal of \$343.1 million and actual cash on hand of cash and cash equivalents and other investments of \$494.1 million. For the period ended June 30, 2024, the Board had a cash on hand goal of \$316.9 million and actual cash on hand of \$460.3 million. The Board also has a goal of maintaining a debt service 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, 2025, was 3.70 to 1, and 4.77 to 1 for the 12 months ended June 30, 2024. The outlook on all debt ratings is stable as of June 30, 2025. These goals were met, and exceeded, every month of fiscal years 2025 and 2024.

MANAGEMENT’S DISCUSSION AND ANALYSIS, Unaudited (continued)

Operations

Summary Revenue & Expense Data
(\$000 omitted)

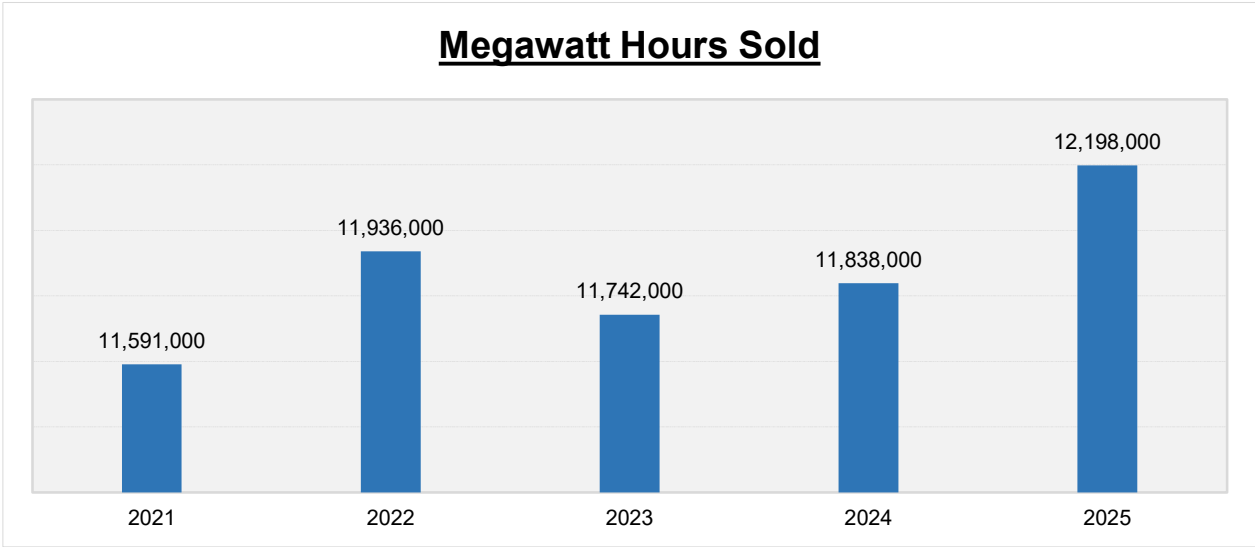
	Year Ended June 30,		Change	Year Ended	Change
	2025	2024		June 30, 2023	
Operating revenues, net	\$1,582,789	\$1,469,607	\$ 113,182	\$1,500,081	\$ (30,474)
Purchased power	<u>(1,085,315)</u>	<u>(995,556)</u>	<u>(89,759)</u>	<u>(1,046,258)</u>	<u>50,702</u>
Operating revenues, net, less Purchased power	497,474	474,051	23,423	453,823	20,228
Operating expenses	(274,456)	(240,744)	(33,712)	(255,094)	14,350
Depreciation, amortization, and tax equivalents	(139,817)	(127,240)	(12,577)	(125,569)	(1,671)
Interest and other non- operating income	38,571	40,947	(2,376)	56,464	(15,517)
Interest expense and other, net	<u>(21,098)</u>	<u>(20,745)</u>	<u>(353)</u>	<u>(15,949)</u>	<u>(4,796)</u>
Increase in net position	<u>\$ 100,674</u>	<u>\$ 126,269</u>	<u>\$ (25,595)</u>	<u>\$ 113,675</u>	<u>\$ 12,594</u>

2025 and 2024 Results of Operations

Operating Revenues. Operating revenues, net, increased by \$113.2 million, or 7.7 percent, when compared to 2024. Total electric sales were \$1.6 billion during 2025 compared to \$1.5 billion during 2024. 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 2,185 compared to 2,158 in 2024. Total heating degree-days were 2,888 compared to 2,773 in 2024. Total heating and cooling degree-days were 5,073 compared to 4,931 in 2024, or an increase of 2.9 percent. Additionally, 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 \$298.6 million and \$269.7 million in 2025 and 2024, respectively. In 2025, the fuel cost adjustment increased 10.7 percent compared to the prior year. The average realized rate on electric sales was \$0.128 compared to \$0.122 per kilowatt-hour in 2024. The increase in the realized rate on electric sales was due to higher TVA fuel cost adjustments compared to the prior year. Megawatt-hours sold in 2025 increased by 3.0 percent when compared to 2024. Residential revenue increased \$62.5 million, or 9.5 percent compared to the previous year. Residential energy consumption is highly correlated

MANAGEMENT’S DISCUSSION AND ANALYSIS, Unaudited (continued)

to degree days. Commercial and industrial revenue increased \$51.0 million, or 6.7 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, 2025 increased by 2.7 percent when compared to 2024. Revenue in Excess of Net Bills (Late Charges) decreased by \$1.0 million, and Rentals of Electric Property (primarily pole attachments) increased by \$0.4 million.



Non-operating Revenues. Interest and other non-operating income were \$38.6 million compared to \$40.9 million in 2024. The average rate of return on the cash and investments for the General Fund was 4.9 percent in 2025 compared to 5.7 percent in 2024. The average investable balance of the General Fund cash and investments was \$442.9 million in 2025 compared to \$447.6 million in 2024, a decrease of 1.1 percent. Interest income from the bond funds was \$8.7 million in fiscal year 2025 compared to \$6.3 million in fiscal year 2024. Interest income from the electric fund was \$21.9 million in fiscal year 2025 compared to \$25.4 million in fiscal year 2024. Non-operating income from legal settlements was \$2.3 million in fiscal year 2025. There was no non-operating income from legal settlements in fiscal year 2024. Non-operating revenue from Federal Emergency Management Agency (FEMA) grants in fiscal year 2025 was \$3.9 million compared to \$7.4 million in fiscal year 2024.

Purchased Power. The Board purchases all of its power from TVA under a wholesale power contract with a termination notice of 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 \$1.1 billion for the period compared to \$995.6 million last year. Fuel costs included in purchased power expense were \$295.1 million and \$267.7 million in 2025 and 2024, respectively. The average realized rate on purchased power was \$0.087 per kilowatt-hour in 2025 compared to \$0.081 in 2024. Megawatt-hours purchased were 12.5 million in 2025 compared to 12.2 million in 2024.

Operating Expenses. Distribution expenses for the period were \$111.5 million compared to \$105.5 million last year. This is a increase of \$6.0 million or 5.7 percent. The change is primarily attributable to an increase

MANAGEMENT’S DISCUSSION AND ANALYSIS, Unaudited (continued)

in the following expense categories: supervision and engineering, \$1.9 million; operation and maintenance (O&M) – underground lines, \$1.6 million; emergency services, \$1.5 million; O&M – miscellaneous expense, \$1.5 million; and O&M – meters, \$0.8 million. The increase was offset by a decrease in the following expense categories: O&M – overhead lines, \$0.8 million; and O&M – streetlight and signal system, \$0.6 million.

Customer Accounts expenses for the period were \$31.4 million compared to \$27.7 million last year. This is an increase of \$3.7 million or 13.4 percent. The change is primarily attributable to an increase in the following expense categories: customer orders and services, \$1.5 million; data processing, \$1.2 million; and customer records and collection, \$0.8 million.

Customer Service and Information expenses for the period were \$6.2 million compared to \$5.5 million last year. This is an increase of \$0.7 million or 12.7 percent.

Administrative and General expenses for the period were \$125.3 million compared to \$102.0 million last year. This is an increase of \$23.3 million or 22.8 percent. The change is primarily attributable to an increase in the following expense categories: employee pensions, \$33.7 million; data processing, \$2.0 million; administrative and general salaries, \$0.9 million; and donations, \$0.6 million. The increase was offset by a decrease in the following expense categories: employee health insurance, \$9.1 million; allocated overhead, \$3.7 million; and injuries and damages, \$1.4 million.

Depreciation, Amortization, and Tax Equivalents. Depreciation and Amortization, and Tax Equivalents were \$100.9 million and \$38.9 million, respectively, for 2025, compared to \$90.9 million and \$36.4 million, respectively, for 2024. The increase in depreciation and amortization is primarily attributable to an increase (net of retirements) in the depreciable utility plant assets in service of \$149.4 million. 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 increase in payments in-lieu-of taxes was primarily the result of an increase in the taxable base of assets primarily in the Metro tax districts, an increase in the average gross margin, and an increase in the tax rates of the Metropolitan Government.

2024 and 2023 Results of Operations

Operating Revenues. Operating revenues, net, decreased by \$30.5 million, or 2.0 percent, when compared to 2023. Total electric sales were \$1.5 billion during 2024 compared to \$1.5 billion during 2023. 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 2,158 compared to 1,958 in 2023. Total heating degree-days were 2,773

MANAGEMENT’S DISCUSSION AND ANALYSIS, Unaudited (continued)

compared to 2,762 in 2023. Total heating and cooling degree-days were 4,931 compared to 4,720 in 2023, or an increase of 4.5 percent. Additionally, 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 \$269.7 million and \$369.9 million in 2024 and 2023, respectively. In 2024, the fuel cost adjustment decreased 27.1 percent compared to the prior year and more than offset the increase in revenue attributable to the increase in degree days. The average realized rate on electric sales was \$0.122 compared to \$0.125 per kilowatt-hour in 2023. The decrease in the realized rate on electric sales was due to lower TVA fuel cost adjustments compared to the prior year, offset by the passthrough impact at retail of TVA’s wholesale rate increase that became effective in October of 2023. Megawatt-hours sold in 2024 increased by 0.8 percent when compared to 2023. Residential revenue decreased \$5.2 million, or 0.8 percent compared to the previous year. Residential energy consumption is highly correlated to degree days. Commercial and industrial revenue decreased \$25.5 million, or 3.3 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, 2024 increased by 2.8 percent when compared to 2023. Revenue in Excess of Net Bills (Late Charges) decreased by \$0.2 million, and Rentals of Electric Property (primarily pole attachments) increased by \$0.4 million.

Non-operating Revenues. Interest and other non-operating income were \$40.9 million compared to \$56.5 million in 2023. The average rate of return on the cash and investments for the General Fund was 5.7 percent in 2024 compared to 4.1 percent in 2023. The average investable balance of the General Fund cash and investments was \$447.6 million in 2024 compared to \$420.3 million in 2023, an increase of 6.5 percent. Interest income from the bond funds was \$6.3 million in fiscal year 2024 compared to \$4.2 million in fiscal year 2023. There was no non-operating revenue from land sales in fiscal year 2024 compared to \$13.6 million in fiscal year 2023. Non-operating revenue from Federal Emergency Management Agency (FEMA) grants in fiscal year 2024 was \$7.4 million compared to \$19.3 million in fiscal year 2023.

Purchased Power. 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 \$995.6 million for the period compared to \$1.0 billion last year. Fuel costs included in purchased power expense were \$267.7 million and \$364.7 million in 2024 and 2023, respectively. The average realized rate on purchased power was \$0.081 per kilowatt-hour in 2024 compared to \$0.087 in 2023. Megawatt-hours purchased were 12.2 million in 2024 compared to 12.0 million in 2023.

Operating Expenses. Distribution expenses for the period were \$105.5 million compared to \$112.2 million last year. This is a decrease of \$6.7 million or 6.0 percent. The change is primarily attributable to a decrease in the following expense categories: tree trimming, \$7.5 million; operation and maintenance (O&M) – station equipment, \$1.1 million; O&M – overhead lines, \$0.9 million; O&M – meters, \$0.8 million; and

MANAGEMENT’S DISCUSSION AND ANALYSIS, Unaudited (continued)

O&M – underground lines, \$0.5 million. The decrease was offset by an increase in the following expense categories: O&M – miscellaneous expense, \$1.2 million; supervision and engineering, \$1.0 million; storms, \$0.8 million; and O&M – streetlight and signal system, \$0.5 million.

Customer Accounts expenses for the period were \$27.7 million compared to \$26.7 million last year. This is an increase of \$1.0 million or 3.7 percent. The change is primarily attributable to an increase in the following expense category: customer orders and services, \$0.6 million.

Customer Service and Information expenses for the period were \$5.5 million compared to \$5.2 million last year. This is an increase of \$0.3 million or 5.8 percent.

Administrative and General expenses for the period were \$102.0 million compared to \$111.0 million last year. This is a decrease of \$9.0 million or 8.1 percent. The change is primarily attributable to a decrease in the following expense categories: employee health insurance, \$8.9 million; employee pensions, \$6.5 million; and injuries and damages, \$1.3 million. The decrease was offset by an increase in the following expense categories: allocated overhead, \$6.0 million; administrative and general salaries, \$0.8 million; and outside services employed, \$0.7 million.

Depreciation, Amortization, and Tax Equivalents. Depreciation and Amortization, and Tax Equivalents were \$90.9 million and \$36.4 million, respectively, for 2024, compared to \$85.1 million and \$40.5 million, respectively, for 2023. The increase in depreciation and amortization is primarily attributable to an increase (net of retirements) in the depreciable utility plant assets in service of \$111.3 million. 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 gross margin, offset by decreases in the tax rates of the Metropolitan Government.

MANAGEMENT’S DISCUSSION AND ANALYSIS, Unaudited (continued)

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

Major Classifications of Expense, Net of Amounts Capitalized (\$000 Omitted)					
Description	Fiscal 2025	Fiscal 2024	<u>Increase (Decrease)</u>	Fiscal 2023	<u>Increase (Decrease)</u>
Total Labor	\$ 92,584	\$ 86,696	6.8%	\$ 84,080	3.1%
Benefits	76,381	56,071	36.2%	64,552	(13.1%)
Outside Services –					
Information Technology	34,333	30,888	11.2%	30,393	1.6%
Outside Services – Other	24,476	22,593	8.3%	23,529	(4.0%)
Contract Tree & Grass	14,298	13,882	3.0%	21,280	(34.8%)
Injury & Damages	789	1,203	(34.4%)	3,295	(63.5%)
Civic Involvement	1,727	1,100	57.0%	1,589	(30.8%)
Temporary Agency					
Services	1,384	1,165	18.8%	1,395	(16.5%)
Transportation	5,813	5,797	0.3%	6,072	(4.5%)
Accrual for Uncollectible					
Accounts	903	3,104	(70.9%)	1,115	178.4%
Postage	1,972	1,697	16.2%	1,373	23.6%
Professional Fees	2,244	2,906	(22.8%)	2,438	19.2%
Security/Police	2,486	2,561	(2.9%)	2,155	18.8%
Insurance Premiums	1,973	1,811	8.9%	1,585	14.3%
Materials & Supplies	3,849	4,294	(10.4%)	3,855	11.4%
Rentals	1,933	1,908	1.3%	1,793	6.4%
Other	<u>7,311</u>	<u>3,068</u>	138.3%	<u>4,595</u>	(33.2%)
	<u>\$274,456</u>	<u>\$240,744</u>	14.0%	<u>\$255,094</u>	(5.6%)

2025 and 2024 Expense

The Board’s total operating expenses increased 14.0 percent from June 30, 2024 to June 30, 2025. The increase in labor was due to cost-of-living and merit adjustments and greater storm labor. Benefits increased primarily due to increased Retirement and Survivors expenses, offset by decreased Other Post-Employment Benefits. The increase in Retirement and Survivors is primarily due to a plan amendment

MANAGEMENT’S DISCUSSION AND ANALYSIS, Unaudited (continued)

that included a COLA adjustment for retirees. The decrease in Other Post-Employment Benefits is primarily attributed to a lower actuarial assumption and a favorable market performance.

Outside Services - Information Technology increased due to vendor rate increases. Outside Services - Other increased due to greater training rate for overflow call center and temporary services, offset by lower streetlight maintenance and storm contractors. Civic Involvement increased due to higher community care contributions. Contract Tree & Grass increased due to significantly higher than average planning and trimming costs for several large circuits completed in fiscal year 2025. Accrual for uncollectible accounts decreased due to recovery of receivables previously reserved as uncollectible. Injury & Damages decreased due to fewer settlements. Professional fees decreased due to lower financial and legal services. Materials and Supplies decreased primarily due to higher material oncost credit for capitalized materials and lower material usage. Other category contains a wide array of smaller expense types whose individual fluctuations were immaterial.

2024 and 2023 Expense

The Board’s total operating expenses decreased 5.6 percent from June 30, 2023 to June 30, 2024. The increase in labor was due to cost-of-living and merit adjustments and greater storm labor. Benefits decreased primarily due to decreased Other Post-Employment Benefits and Retirement and Survivors expenses. The decrease is primarily attributed to a lower actuarial assumption and a favorable market performance. Outside Services - Information Technology increased due to vendor rate increases. Outside Services - Other decreased due to lower engineering consulting services and facilities maintenance, offset by greater call center training services and streetlight maintenance. Contract Tree & Grass decreased primarily due to program updates, lower contractor services, and lower trimming costs per mile. Injury & Damages decreased due to fewer settlements. Civic Involvement decreased due to timing of charitable contributions. Temporary Agency Services decreased due to customer service staffing availability. Accrual for Uncollectible Accounts increased due to a greater number of accounts not considered collectible. Postage increased due to greater mailings than prior year. Professional fees increased due to greater financial and legal services. Security/Police increased due to greater traffic control and security guard services. Insurance premiums increased due to market increases. Materials and Supplies increased primarily due to increased material usage, offset by higher material oncost credit for capitalized materials. Rentals increased primarily due to an increased joint use rate. The Other category contains a wide array of smaller expenses types whose individual fluctuations were not material.

Supply Chain Management

NES experienced impacts related to labor shortages and supply chain disruptions in recent years. The most significant impact involves supply chain issues and shortages related to transformers. These shortages have delayed the timing of new construction on the NES distribution system. The organization implemented programs to speed up the delivery of transformers, monitored transformer inventory levels for both new construction and planned maintenance, and worked with contractors who are requesting new services to mitigate the impacts of delays on their projects. In the current fiscal year, deliveries

MANAGEMENT’S DISCUSSION AND ANALYSIS, Unaudited (continued)

increased to meet demand for most of the transformer inventory categories, and currently there are no known customer delays due to shortages. NES will continue to monitor and respond to developments affecting our workforce, customers, and suppliers and will take additional steps to mitigate negative business impacts when appropriate.

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 fund capital expenditures with approximately 55% from operational cash flows and the remainder with 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 \$1.6 billion at June 30, 2025 and \$1.5 billion at June 30, 2024. Major projects during fiscal year 2025 included \$46.7 million in equipment and facilities; \$45.4 million in planned system construction – capacity; \$33.5 million in meters and distribution transformers; \$28.4 million in planned system construction – asset management; \$19.2 million in lighting systems; \$18.2 million in unplanned replacements; and \$14.9 million in new business.

The Board has outstanding bonds payable of \$729.7 million at June 30, 2025 compared to \$777.0 million at June 30, 2024. The decrease is the result of scheduled principal debt payments of \$36.9 million and amortization of premiums of \$10.4 million. More details about the Board’s capital assets and debt can be found in the notes to the financial statements.

Respectfully submitted,



David Frankenberg
Vice President, Chief Financial Officer

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

**STATEMENTS OF NET POSITION (\$000 OMITTED)
JUNE 30, 2025 AND 2024**

	2025	2024
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 493,850	\$ 460,008
Other investments	250	250
Customer and other accounts receivable, less allowance for doubtful accounts of \$709 and \$2,326 respectively	189,432	172,124
Materials and supplies	58,866	49,790
Other current assets	<u>17,124</u>	<u>17,199</u>
TOTAL CURRENT ASSETS	<u>759,522</u>	<u>699,371</u>
INVESTMENT OF RESTRICTED FUNDS:		
Cash and cash equivalents – Bond funds	156,481	245,853
Other investments – Bond funds	11,686	11,862
Cash and cash equivalents – Other funds	<u>1,156</u>	<u>766</u>
TOTAL INVESTMENT OF RESTRICTED FUNDS	<u>169,323</u>	<u>258,481</u>
UTILITY PLANT:		
Electric plant, at cost	2,530,900	2,386,446
Less: Accumulated depreciation and amortization	<u>(944,180)</u>	<u>(913,347)</u>
TOTAL UTILITY PLANT, NET	1,586,720	1,473,099
OTHER NON-CURRENT ASSETS	<u>51,792</u>	<u>53,759</u>
TOTAL ASSETS	<u>2,567,357</u>	<u>2,484,710</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred amount on refunding of debt	4,081	4,759
Difference between projected and actual pension experience	8,398	9,332
Difference between projected and actual pension assumptions	354	-
Difference between projected and actual OPEB experience	916	1,374
Difference between projected and actual OPEB assumptions	<u>-</u>	<u>1,124</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	13,749	16,589
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>2,581,106</u>	<u>2,501,299</u>
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, 2025 AND 2024 (continued)**

	2025	2024
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
CURRENT LIABILITIES:		
Accounts payable for purchased power	189,667	170,409
Trade accounts payable	21,258	21,808
Accrued employee obligations	7,435	6,277
Accrued expenses	17,897	13,511
Customer deposits	<u>25,023</u>	<u>24,481</u>
TOTAL CURRENT LIABILITIES	<u>261,280</u>	<u>236,486</u>
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:		
Construction accounts payable and retainage	8,352	12,199
Accrued interest payable	4,010	4,241
Current portion of long-term debt	<u>37,765</u>	<u>36,845</u>
TOTAL CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS	<u>50,127</u>	<u>53,285</u>
LONG-TERM DEBT, LESS CURRENT PORTION	691,914	740,116
NET PENSION LIABILITY	200,608	191,477
NET OPEB LIABILITY	59,631	110,306
OTHER NON-CURRENT LIABILITIES	<u>27,486</u>	<u>27,044</u>
TOTAL LIABILITIES	<u>1,291,046</u>	<u>1,358,714</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred amount on refunding of debt	7,135	7,929
Difference between projected and actual pension earnings, net	37,706	7,862
Difference between projected and actual pension experience	1,992	5,975
Difference between projected and actual OPEB earnings, net	15,562	3,757
Difference between projected and actual OPEB experience	37,803	35,778
Difference between projected and actual OPEB assumptions	10,430	1,839
From lease receivables	<u>3,483</u>	<u>4,170</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	114,111	67,310
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>1,405,157</u>	<u>1,426,024</u>
NET POSITION		
Net investment in capital assets	1,010,406	935,317
Restricted for:		
Debt services	7,677	7,622
Other purposes	1,156	766
Unrestricted	<u>156,710</u>	<u>131,570</u>
TOTAL NET POSITION	<u>1,175,949</u>	<u>1,075,275</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	<u>\$ 2,581,106</u>	<u>\$ 2,501,299</u>
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, 2025 AND 2024**

	2025	2024
OPERATING REVENUES:		
Residential	\$ 722,528	\$ 660,021
Commercial and industrial	808,910	757,904
Street and highway lighting	25,623	24,193
Other	<u>25,728</u>	<u>27,489</u>
Total operating revenues, net	1,582,789	1,469,607
PURCHASED POWER	1,085,315	995,556
OPERATING EXPENSES	274,456	240,744
TAX EQUIVALENTS	38,874	36,355
DEPRECIATION & AMORTIZATION	<u>100,943</u>	<u>90,885</u>
Total operating expenses	<u>1,499,588</u>	<u>1,363,540</u>
Operating income	<u>83,201</u>	<u>106,067</u>
NON-OPERATING REVENUE (EXPENSE):		
Interest income	30,753	31,732
Interest expense, net	(21,098)	(20,745)
Other non-operating income, net	<u>7,818</u>	<u>9,215</u>
Total non-operating revenue (expense)	<u>17,473</u>	<u>20,202</u>
INCREASE IN NET POSITION	100,674	126,269
NET POSITION, beginning of year	<u>1,075,275</u>	<u>949,006</u>
NET POSITION, end of year	<u>\$ 1,175,949</u>	<u>\$ 1,075,275</u>

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, 2025 AND 2024**

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 1,565,494	\$ 1,459,561
Payments to suppliers for goods and services	(1,256,414)	(1,178,464)
Payments to employees	(76,108)	(72,935)
Payments for tax equivalents	<u>(38,874)</u>	<u>(36,355)</u>
Net cash provided by operating activities	<u>194,098</u>	<u>171,807</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
FEMA grants	2,486	-
Other grants	<u>1,690</u>	<u>1,832</u>
Net cash provided by noncapital financing activities	<u>4,176</u>	<u>1,832</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of utility plant	(214,325)	(213,064)
Utility plant removal costs	(20,427)	(18,867)
Salvage received from utility plant retirements/sales	7,935	2,460
Contributions in aid of construction	15,957	22,174
Proceeds from sale of revenue bonds	-	413,378
Payment on defeased debt	-	(138,010)
Principal payments on revenue bonds	(36,845)	(28,880)
Interest payments on revenue bonds	(33,925)	(24,697)
Cash received from leasing activity	1,531	1,476
Cash paid for leasing activity	(737)	(756)
Cash paid for Subscription-Based Information Technology Arrangement (SBITA) activity	(3,301)	(3,574)
Cash paid for SBITA regulatory assets	-	(33,212)
Asset retirement obligation payments	(82)	-
Other - net	<u>(864)</u>	<u>(2,701)</u>
Net cash used in capital and related financing activities	<u>(285,083)</u>	<u>(24,273)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investment securities	(83,679)	(61,378)
Proceeds from sales and maturities of investment securities	83,855	102,326
Transferred into (out of) escrow	390	729
Interest on investments	<u>31,103</u>	<u>30,785</u>
Net cash provided by investing activities	<u>31,669</u>	<u>72,462</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(55,140)	221,828
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>706,627</u>	<u>484,799</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 651,487</u>	<u>\$ 706,627</u>

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, 2025 AND 2024 (continued)

	2025	2024
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 83,201	\$ 106,067
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation & Amortization	100,943	90,885
Accrual for uncollectible accounts	903	3,104
Allowance for materials	-	(10)
Changes in assets and liabilities:		
(Increase) in customer and other accounts receivable	(18,211)	(10,914)
(Increase) in materials and supplies	(9,076)	(2,007)
(Increase) in other current assets	(601)	(2,455)
(Increase) decrease in other non-current assets	652	(835)
Increase in accounts payable for purchased power	19,258	6,292
(Decrease) in trade accounts payable	(550)	(4,332)
Increase in accrued employee obligations	1,158	149
Increase in accrued expenses	6,567	1,382
Increase in customer deposits	542	335
Increase in other non-current liabilities	1,969	1,321
Decrease in net deferred pension investment inflows and outflows	29,844	24,277
(Increase) decrease in net deferred pension actuarial inflows and outflows	(3,403)	27,633
Decrease in net deferred OPEB investment inflows and outflows	11,805	11,481
(Increase) decrease in net deferred OPEB actuarial inflows and outflows	12,198	(733)
Increase (decrease) in deferred pension liability	9,131	(48,976)
(Decrease) in deferred OPEB liability	(50,675)	(29,352)
(Decrease) in deferred lease inflow	<u>(1,557)</u>	<u>(1,505)</u>
Net cash provided by operating activities	<u>\$ 194,098</u>	<u>\$ 171,807</u>

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, 2025 AND 2024 (continued)

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

Accounts payable associated with the acquisition and construction of utility plant was \$8.4 million as of June 30, 2025 and \$12.2 million as of June 30, 2024.

Allowances for funds used during construction ("AFUDC") approximates NES's current weighted average cost of debt. AFUDC of \$3.0 million in 2025 and \$2.1 million in 2024 was capitalized as a regulatory asset and was amortized over the average life of utility plant assets.

During 2025 and 2024, \$10.4 million and \$9.1 million, respectively, was credited to interest expense for amortization of net bond premiums and discounts in each year.

During 2024, the 2024 Series B Electric System Revenue Bonds were issued to refund \$56.1 million of outstanding 2013 Series A Electric System Revenue Bonds and \$80.3 million of outstanding 2014 Series A Electric System Revenue Bonds. The advance refunding resulted in the write off of deferred outflows of \$8.0 million related to unamortized premiums and the recognition of deferred inflows of \$8.2 million related to gain on refunding of debt.

During 2025 and 2024, non-cash lease additions totaled \$0.1 million and \$0.1 million, respectively.

During 2025 and 2024, deferred inflows related to NES lessor activities totaled \$0.9 million and \$0.5 million, respectively.

During 2025 and 2024, non-cash SBITA additions totaled \$1.5 million and \$4.3 million, respectively.

During 2025 and 2024, non-cash SBITA terminations totaled \$1.5 million and \$0.9 million, respectively.

During 2024, non-cash additions to other non-current assets for SBITA implementation costs totaled \$0.2 million. There were no non-cash additions to other non-current assets for SBITA implementation costs in 2025.

During 2025 and 2024, non-cash additions to FEMA reimbursements totaled \$1.4 million and \$7.4 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, 2025 AND 2024

	2025	2024
ASSETS		
Interest and dividends receivable	\$ 1,165	\$ 1,141
Investments at fair value - mutual funds	<u>1,044,410</u>	<u>925,737</u>
TOTAL ASSETS	<u>1,045,575</u>	<u>926,878</u>
LIABILITIES		
Trade accounts payable	393	340
Accounts payable, net – due to sponsor	<u>3,005</u>	<u>3,685</u>
TOTAL LIABILITIES	<u>3,398</u>	<u>4,025</u>
NET POSITION		
Restricted for:		
Pension benefits	758,357	680,322
Post-employment benefits other than pensions	<u>283,820</u>	<u>242,531</u>
TOTAL NET POSITION	<u>\$ 1,042,177</u>	<u>\$ 922,853</u>

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, 2025 AND 2024

	2025	2024
ADDITIONS		
Employer contributions	\$ 64,798	\$ 63,707
Investment earnings:		
Interest, dividends, and other	33,509	28,693
Net increase in fair value of investments	<u>96,013</u>	<u>79,415</u>
Total investment earnings	129,522	108,108
Less: investment activity costs	<u>(1,548)</u>	<u>(1,302)</u>
Net investment earnings	<u>127,974</u>	<u>106,806</u>
TOTAL ADDITIONS	<u>192,772</u>	<u>170,513</u>
DEDUCTIONS		
Benefits paid to retirees or beneficiaries	56,956	54,300
Medical, dental, and life insurance to retirees and beneficiaries	16,193	15,003
Administrative expenses	<u>299</u>	<u>239</u>
TOTAL DEDUCTIONS	<u>73,448</u>	<u>69,542</u>
NET INCREASE IN NET POSITION	119,324	100,971
NET POSITION, beginning of year	<u>922,853</u>	<u>821,882</u>
NET POSITION, end of year	<u>\$ 1,042,177</u>	<u>\$ 922,853</u>

See notes to financial statements.

**ELECTRIC POWER BOARD OF THE METROPOLITAN GOVERNMENT
OF NASHVILLE AND DAVIDSON COUNTY**
Notes to the Financial Statements for the years ended June 30, 2025 and 2024

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, the NES Board and management exercise exclusive control and management of operations, except NES must obtain the approval of the Council before issuing revenue bonds. The Board establishes rates. The Tennessee Valley Authority (“TVA”) approves such rates. 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 certain of its accounts (primarily for Utility Plant and Regulatory Assets) in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC) as required or permitted 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 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.

**ELECTRIC POWER BOARD OF THE METROPOLITAN GOVERNMENT
OF NASHVILLE AND DAVIDSON COUNTY**
Notes to the Financial Statements for the years ended June 30, 2025 and 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Board adopted GASB 101, retroactively applying the standard to the most recent preceding fiscal year for comparative financial statements to conform with current year presentation. The adoption resulted in a reclass from Accrued Employee Obligations to Other Non-Current Liabilities for vacation leave and Medicare tax accrual of \$6,421 and \$175, respectively, for fiscal year ended June 30, 2024. The standard did not have an impact on net position.

In December 2023, GASB issued Statement No. 102, Certain Risk Disclosures (GASB 102). This Statement concludes that State and local governments face a variety of risks that could negatively affect the level of service they provide or their ability to meet obligations as they come due. Although governments are required to disclose information about their exposure to some of those risks, essential information about other risks that are prevalent among state and local governments is not routinely disclosed because it is not explicitly required. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government’s vulnerabilities due to certain concentrations or constraints.

This Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government’s highest level of decision-making authority. Concentrations and constraints may limit a government’s ability to acquire resources or control spending.

This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event associated with a concentration or constraint that could cause the substantial impact has occurred, has begun to occur, or is more likely than not to begin to occur within 12 months of the date the financial statements are issued.

If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government’s vulnerability to the risk of a substantial impact. The disclosure should include descriptions of the following:

- The concentration or constraint
- Each event associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun to occur prior to the issuance of the financial statements
- Actions taken by the government prior to the issuance of the financial statements to mitigate the risk.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The requirements of this Statement are effective for fiscal years beginning after June 15, 2024. NES' adoption of this statement had no impact on the financial statements or accompanying footnotes, as the contractual agreement with TVA is disclosed in Commitments footnote of the report.

Recent Accounting Pronouncements

In April 2024, GASB issued Statement No. 103, Financial Reporting Model Improvements (GASB 103). This Statement continues the requirement that the basic financial statements be preceded by management's discussion and analysis (MD&A), which is presented as required supplementary information (RSI). MD&A provides an objective and easily readable analysis of the government's financial activities based on currently known facts, decisions, or conditions and presents comparisons between the current year and the prior year. This Statement requires that the information presented in MD&A be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions. Furthermore, this Statement stresses that the detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed. This Statement emphasizes that the analysis provided in MD&A should avoid unnecessary duplication by not repeating explanations that may be relevant to multiple sections and that "boilerplate" discussions should be avoided by presenting only the most relevant information, focused on the primary government. In addition, this Statement continues the requirement that information included in MD&A distinguish between that of the primary government and its discretely presented component units.

This Statement describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence. Furthermore, governments are required to display the inflows and outflows related to each unusual or infrequent item separately as the last presented flow(s) of resources prior to the net change in resource flows in the government-wide, governmental fund, and proprietary fund statements of resource flows.

This Statement requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses are defined as revenues and expenses other than nonoperating revenues and expenses. Nonoperating revenues and expenses are defined as (1) subsidies received and provided, (2) contributions to permanent and term endowments, (3) revenues and expenses related to financing, (4) resources from the disposal of capital assets and inventory, and (5) investment income and expenses.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In addition to the subtotals currently required in a proprietary fund statement of revenues, expenses, and changes in fund net position, this Statement requires that a subtotal for operating income (loss) and noncapital subsidies be presented before reporting other nonoperating revenues and expenses. Subsidies are defined as (1) resources received from another party or fund (a) for which the proprietary fund does not provide goods and services to the other party or fund and (b) that directly or indirectly keep the proprietary fund's current or future fees and charges lower than they would be otherwise, (2) resources provided to another party or fund (a) for which the other party or fund does not provide goods and services to the proprietary fund and (b) that are recoverable through the proprietary fund's current or future pricing policies, and (3) all other transfers.

This Statement requires governments to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements. If the readability of those statements would be reduced, combining statements of major component units should be presented after the fund financial statements.

This Statement requires governments to present budgetary comparison information using a single method of communication—RSI. Governments also are required to present (1) variances between original and final budget amounts and (2) variances between final budget and actual amounts. An explanation of significant variances is required to be presented in notes to RSI.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

In September 2024, GASB issued Statement No. 104, Disclosure of Certain Capital Assets (GASB 104). This Statement concludes that state and local governments are required to provide detailed information about capital assets in notes to financial statements. Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, requires certain information regarding capital assets to be presented by major class. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets.

This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, Leases, and intangible right-to-use assets recognized in accordance with Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, Subscription-Based Information Technology Arrangements, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

This Statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. This Statement requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

Use of Estimates

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

Cash and cash equivalents

For purposes of the statements of cash flows, cash and cash equivalents include cash, commercial paper, U.S. Treasury Bills, U.S. Treasury-issued state and local government securities, 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, 2025 and 2024, amounts restricted for debt service were \$11.7 million and \$11.9 million, respectively. As of June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

and 2024, capital debt funds restricted for construction were \$156.5 million and \$245.9 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, 2025 and 2024, amounts held in escrow as required by contracts for on-going construction of the electric system totaled \$1.2 million and \$0.8 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. Construction work-in-progress are the costs of assets being built and not yet in service, including capitalizable technology implementation costs. 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 \$2.0 million and \$3.0 million for the years ended June 30, 2025 and 2024, respectively. Contributed assets are recorded at their acquisition value.

Costs of depreciable retired utility plant, removal costs, gains and losses on retirement, and salvage are charged to accumulated depreciation in accordance with FERC rules.

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, 2025 and 2024:

	2025	2024
Distribution plant, 8 to 40 years	3.6%	3.6%
Structure and improvements, 40 to 50 years	2.4%	2.5%
Office furniture and equipment, 5 to 16.7 years	11.3%	11.0%
Transportation equipment, 8 to 10 years	9.1%	5.8%
Other equipment, 8 to 33.3 years	5.3%	5.6%

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Leases, SBITAs, and Related Activity

Lease and SBITA 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 or SBITA 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 or SBITA are recognized as short-term leases or SBITAs, and all others are recognized as financing leases or SBITAs. NES is both a lessor and lessee of both short term and financing leases. NES is a lessee for SBITA agreements.

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 as Short-term Lease Receivables in Other Current Assets for the current portion and Long-term Lease Receivables are reported as Other Noncurrent Assets 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 and as Interest Income on the Statements of Revenue, Expenses and Changes in Net Position.

Lessor revenues for short term contracts in fiscal years 2025 and 2024 were \$4.6 million and \$4.4 million, respectively. Amounts were recognized based on the payments due and reported in Other Revenue.

For financing lessee contracts, lease asset expense is recognized as Depreciation in Depreciation and Amortization on the Statements of Revenue, Expenses and Changes in Net Position 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 Accrued Expenses for the current portion and Other Noncurrent 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 and as Other Interest Expense on the Statements of Revenue, Expenses and Changes in Net Position.

Lessee expenses for short term contracts in fiscal years 2025 and 2024 were \$1.2 million and \$1.2 million, respectively. Amounts were recognized based on the payments due and reported in Administrative and General expenses.

For SBITA contracts, SBITA expense is recognized as Amortization in Depreciation and Amortization on the Statements of Revenue, Expenses and Changes in Net Position on a straight-line basis over the SBITA term, and SBITA assets and liabilities are reported at present value using NES’s incremental borrowing rate.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

SBITA assets are reported in Electric Plant, and SBITA liabilities are reported as Accrued Expenses for the current portion and Other Noncurrent Liabilities for the long-term portion on the Statements of Net Position. The amortization for the discount for SBITA contracts is reported in Other Current and Accrued Liabilities on the Statements of Net Position and as Other Interest Expense on the Statements of Revenue, Expenses and Changes in Net Position.

The composite straight-line depreciation or amortization rates expressed as a percentage of average depreciable/amortizable plant were as follows for June 30, 2025 and 2024:

	2025	2024
Structure and improvements - leases, 5 years	18.6%	20.3%
Office furniture and equipment - leases, 3 to 5 years	26.2%	20.6%
SBITA, 2 to 5 years	42.3%	36.5%

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 \$17.0 million in 2025 and \$16.2 million in 2024.

Materials and Supplies

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

Regulatory Assets

The majority of NES operations are subject to price regulation by TVA for the sale of electricity. Certain costs are measured based on regulatory accounting rules. Regulatory accounting changes the timing of the recognition of costs relative to a company that does not apply regulatory accounting. As a result, NES recognizes regulatory assets on the balance sheet as a component of noncurrent assets. These assets are amortized based on periods permitted by TVA. Regulatory assets are reviewed for recoverability each year.

Regulatory Assets are related to Allowance for Funds Used During Construction (AFUDC) and implementation costs for SBITAs. AFUDC regulatory assets are amortized over the weighted average life of thirty-three years, which approximates the depreciable lives of the capital project costs used to determine the amount of AFUDC. TVA permits NES to amortize software implementation costs over a seven-year period rather than the contract period required by GASB standards. TVA permits NES to

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

amortize software impairments over a period equal to the lesser of the depreciable life of the new system or ten years. All regulatory asset amounts will be recovered through future rates.

Regulatory AFUDC Assets added were \$3.0 million and \$2.1 million during fiscal years 2025 and 2024, respectively. Regulatory SBITA implementation costs of \$0.9 million were added during fiscal year 2024. There were no regulatory SBITA implementation costs added in fiscal year 2025. During fiscal year 2024, NES recognized a regulatory asset of \$32.3 million for impairment related to the development of an Enterprise Resource Planning platform. There were no additional regulatory assets established due to impairment in fiscal year 2025.

Net regulatory assets consist of the following classifications:

Regulatory Asset Description	Balance, June 30, 2025	Balance, June 30, 2024
Software Impairment Costs, net	\$ 25,771	\$ 30,387
AFUDC, net	10,835	8,163
SBITA Implementation Costs, net	<u>1,625</u>	<u>2,001</u>
	<u>\$ 38,231</u>	<u>\$ 40,551</u>

The AFUDC rate of 2.0 percent and 2.4 percent used in 2025 and 2024, respectively, approximates the current weighted average cost of debt net of investment earnings on related restricted construction funds.

Compensated Absences

Compensated absences are recognized for leave that has not been used and for leave that has been used but not yet paid in cash or settled through noncash means. NES recognizes a liability for employees' accumulated vacation and sick leave time. The general policy of NES permits the accumulation and payment of, within certain limitations, unused vacation and sick leave time.

Deferred Inflows and Outflows of Resources

Deferred Inflows represent an acquisition of net assets that applies to future periods. Deferred Outflows represent a consumption of net assets that applies to future periods.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2025 and 2024, Net Investment in Capital Assets included \$156.5 million and \$245.9 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 of restricted cash and investments reduced by any accrued interest payable and deferred outflows of resources related to the bonds. As of June 30, 2025 and 2024, the Restricted net position included investments of \$11.7 million and \$11.9 million, respectively, for debt service. Restricted net position was reduced by accrued interest payable of \$4.0 million and \$4.2 million in 2025 and 2024, respectively. As of June 30, 2025 and 2024, Restricted net position included \$1.2 million and \$0.8 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, 2025 and 2024, such unbilled revenues were \$70.6 million and \$65.4 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 \$0.9 million and \$3.1 million for the years ended June 30, 2025 and 2024, respectively. Substantially all uncollectible accounts are from residential sales.

ELECTRIC POWER BOARD OF THE METROPOLITAN GOVERNMENT
OF NASHVILLE AND DAVIDSON COUNTY
Notes to the Financial Statements for the years ended June 30, 2025 and 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and other settlements not reported as extraordinary gain or loss.

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 property taxes to the Metropolitan Government and surrounding counties. Such payments are calculated based on a prescribed formula in Tennessee State Law 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 and investments of special funds 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 such items are not necessarily indicative of the amounts that NES could realize in a current market exchange.

ELECTRIC POWER BOARD OF THE METROPOLITAN GOVERNMENT
OF NASHVILLE AND DAVIDSON COUNTY
Notes to the Financial Statements for the years ended June 30, 2025 and 2024

2. UTILITY PLANT AND ACCUMULATED DEPRECIATION AND AMORTIZATION

Utility plant activity for the years ended June 30, 2025 and 2024 was as follows (\$000 omitted):

	Balance June 30, 2024	Additions	Transfers & Retirements	Balance June 30, 2025
Distribution plant	\$ 1,909,736	\$ 103,837	\$ (29,657)	\$ 1,983,916
Structures and improvements	75,027	5,682	(175)	80,534
Structures and improvements - leases	3,315	-	(3,315)	-
Office equipment and software	107,780	89,638	(14,083)	183,335
Office equipment - leases	255	74	-	329
SBITAs	15,445	3,355	(9,013)	9,787
Transportation equipment	9,934	898	(437)	10,395
Other equipment	71,380	3,228	(620)	73,988
Land and land rights	3,889	-	-	3,889
Construction work-in-progress (a)	<u>189,685</u>	<u>(4,958)</u>	<u>-</u>	<u>184,727</u>
	<u>\$ 2,386,446</u>	<u>\$ 201,754</u>	<u>\$ (57,300)</u>	<u>\$ 2,530,900</u>

	Balance June 30, 2023	Additions	Transfers & Retirements	Balance June 30, 2024
Distribution plant	\$ 1,809,455	\$ 122,779	\$ (22,498)	\$ 1,909,736
Structures and improvements	70,870	4,347	(190)	75,027
Structures and improvements - leases	3,315	-	-	3,315
Office equipment and software	104,891	4,659	(1,770)	107,780
Office equipment - leases	273	53	(71)	255
SBITAs	16,787	7,650	(8,992)	15,445
Transportation equipment	9,743	334	(143)	9,934
Other equipment	66,238	5,361	(219)	71,380
Land and land rights	3,889	-	-	3,889
Construction work-in-progress (a)	<u>124,027</u>	<u>65,658</u>	<u>-</u>	<u>189,685</u>
	<u>\$ 2,209,488</u>	<u>\$ 210,841</u>	<u>\$ (33,883)</u>	<u>\$ 2,386,446</u>

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

ELECTRIC POWER BOARD OF THE METROPOLITAN GOVERNMENT
OF NASHVILLE AND DAVIDSON COUNTY
Notes to the Financial Statements for the years ended June 30, 2025 and 2024

2. UTILITY PLANT AND ACCUMULATED DEPRECIATION AND AMORTIZATION (continued)

The related activity for accumulated depreciation and amortization for the years ended June 30, 2025 and 2024 was as follows (\$000 omitted):

	Balance June 30, 2024	Provision	Original Cost & Transfers	Cost of Removal	Salvage	Balance June 30, 2025
Distribution plant	\$ 770,781	\$ 70,361	\$ (29,657)	\$ (20,427)	\$ 7,526	\$ 798,584
Structures and improvements	23,583	1,875	(175)	-	247	25,530
Structures and improvements - leases	2,696	619	(3,315)	-	-	-
Office equipment and software	62,186	16,478	(14,083)	-	-	64,581
Office equipment - leases	87	76	-	-	-	163
SBITAs	6,196	6,798	(9,013)	-	-	3,981
Transportation equipment	5,788	590	(437)	-	125	6,066
Other equipment	<u>42,030</u>	<u>3,832</u>	<u>(620)</u>	<u>-</u>	<u>33</u>	<u>45,275</u>
	<u>\$ 913,347</u>	<u>\$ 100,629</u>	<u>\$ (57,300)</u>	<u>\$ (20,427)</u>	<u>\$ 7,931</u>	<u>\$ 944,180</u>

	Balance June 30, 2023	Provision	Original Cost & Transfers	Cost of Removal	Salvage	Balance June 30, 2024
Distribution plant	\$ 743,119	\$ 66,625	\$ (22,498)	\$ (18,867)	\$ 2,402	\$ 770,781
Structures and improvements	21,972	1,801	(190)	-	-	23,583
Structures and improvements - leases	2,022	674	-	-	-	2,696
Office equipment and software	52,256	11,700	(1,770)	-	-	62,186
Office equipment - leases	104	54	(71)	-	-	87
SBITAs	8,361	5,887	(8,052)	-	-	6,196
Transportation equipment	5,316	569	(143)	-	46	5,788
Other equipment	<u>38,385</u>	<u>3,852</u>	<u>(219)</u>	<u>-</u>	<u>12</u>	<u>42,030</u>
	<u>\$ 871,535</u>	<u>\$ 91,162</u>	<u>\$ (32,943)</u>	<u>\$ (18,867)</u>	<u>\$ 2,460</u>	<u>\$ 913,347</u>

ELECTRIC POWER BOARD OF THE METROPOLITAN GOVERNMENT
OF NASHVILLE AND DAVIDSON COUNTY
Notes to the Financial Statements for the years ended June 30, 2025 and 2024

2. UTILITY PLANT AND ACCUMULATED DEPRECIATION AND AMORTIZATION (continued)

Depreciation and amortization are reported as depreciation and amortization 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 \$2.1 million in fiscal year 2025 and \$1.4 million in fiscal year ended 2024.

Lessee – NES leased building space from a third party in a contract that terminated in 2025. NES also leases various office equipment from third parties, and the remaining term on those contracts, as of June 30, 2025, ranges from one years to four years. There was \$0.1 million in termination penalties in fiscal year 2025, and no termination fees in fiscal year 2024. There were no residual value guarantees, no material variable payments not included in the lease term, no commitments prior to the commencement of the lease contracts, and no lease impairments for the years ended June 30, 2025 and 2024. Lease asset balances are included in Electric Plant, and the related accumulated amortization is included in Accumulated Depreciation and Amortization for Electric Plant.

The following table summarizes the remaining lease principal and interest payments as of June 30, 2025 (\$000 omitted):

	Principal	Interest	Total
2026	\$ 66	\$ 3	\$ 69
2027	63	2	65
2028	30	1	31
2029	<u>12</u>	<u>0</u>	<u>12</u>
Total	<u>\$ 171</u>	<u>\$ 6</u>	<u>\$ 177</u>

Lessor – Finance leases NES leases land, dark fiber, pole space, and other assets to third parties. As of June 30, 2025, remaining lease terms range from one to 20 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, 2025 was \$4.0 million, of which \$1.2 million is current and \$2.8 million is long-term on the Statements of Net Position. The lease receivable balance as of June 30, 2024 was \$4.6 million, of which \$1.4 million is current and \$3.2 million is long-term on the Statements of Net Position. NES recognized financing lease revenue of \$1.6 million for fiscal year 2025 and \$1.5 million for fiscal year 2024. 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. Variable lease revenue received totaled \$0.1 million and \$0.1 million in

2. UTILITY PLANT AND ACCUMULATED DEPRECIATION AND AMORTIZATION (continued)

fiscal year 2025 and 2024, respectively. There were no material variable lease payments paid nor impairment losses in fiscal year 2025. There were no material variable lease payments paid or received nor impairment losses in fiscal year 2024.

Lessor – Regulated leases NES leases pole space to third party telecommunication companies through agreements which are classified 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 \$5.1 million and \$5.0 million during fiscal years ended 2025 and 2024, respectively. Variable revenue associated with regulated leases totaled \$0.1 million for fiscal year 2025 and was \$0.3 million for fiscal year 2024.

The following table summarizes the expected future minimum payments for regulated leases as of June 30, 2025 (\$000 omitted):

Year	Expected Future Minimum Payment
2026	\$ 4,960
2027	4,793
2028	4,468
2029	4,408
2030	4,328
2031-2035	<u>18,209</u>
Total	<u>\$ 41,166</u>

SBITAs – NES has SBITAs for various technology systems. The most significant contract was to maintain and process our electronic data. This contract was scheduled to end in fiscal year 2026 but was terminated early in fiscal year 2025. NES has contracted with several other software subscription providers, and the remaining terms on those contracts, as of June 30, 2025, range from less than one year to five years. There were \$0.1 million in early termination penalties for the fiscal year ended June 30, 2025, and none in fiscal year 2024. There were \$0.1 million in variable payments for the fiscal year ended June 30, 2025, and none in fiscal year 2024. There were no commitments prior to the commencement of the SBITA contracts and no impairments to the subscription liabilities for the years ended June 30, 2025, and 2024. SBITA balances

2. UTILITY PLANT AND ACCUMULATED DEPRECIATION AND AMORTIZATION (continued)

are included in Electric Plant, and the related accumulated depreciation is included in Accumulated Depreciation for Electric Plant.

The following table summarizes the remaining SBITA principal and interest payments as of June 30, 2025 (\$000 omitted):

	Principal	Interest	Total
2026	\$ 1,707	\$ 55	\$ 1,762
2027	<u>594</u>	<u>17</u>	<u>611</u>
Total	<u>\$ 2,301</u>	<u>\$ 72</u>	<u>\$ 2,373</u>

ELECTRIC POWER BOARD OF THE METROPOLITAN GOVERNMENT
OF NASHVILLE AND DAVIDSON COUNTY
Notes to the Financial Statements for the years ended June 30, 2025 and 2024

3. CASH AND INVESTMENTS

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

	2025					Weighted Average Maturity (Years)
	General Fund	Bond Funds	Special Construction Funds	Other Restricted Funds	Total	
Cash and cash equivalents	\$ 493,850	\$ 1	\$ 156,480	\$ 1,156	\$ 651,487	n/a
U.S. Treasury Investments	-	-	-	-	-	-
Securities from Agencies Chartered by Congress	-	11,686	-	-	11,686	0.38
Certificates of Deposit	<u>250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>250</u>	0.47
	<u>\$ 494,100</u>	<u>\$ 11,687</u>	<u>\$ 156,480</u>	<u>\$ 1,156</u>	<u>\$ 663,423</u>	

The portfolio weighted average maturity is 0.38 years.

	2024					Weighted Average Maturity (Years)
	General Fund	Bond Funds	Special Construction Funds	Other Restricted Funds	Total	
Cash and cash equivalents	\$ 460,008	\$ -	\$ 245,853	\$ 766	\$ 706,627	n/a
U.S. Treasury Investments	-	11,862	-	-	11,862	0.38
Securities from Agencies Chartered by Congress	-	-	-	-	-	-
Certificates of Deposit	<u>250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>250</u>	1.47
	<u>\$ 460,258</u>	<u>\$ 11,862</u>	<u>\$ 245,853</u>	<u>\$ 766</u>	<u>\$ 718,739</u>	

The portfolio weighted average maturity is 0.40 years.

ELECTRIC POWER BOARD OF THE METROPOLITAN GOVERNMENT
OF NASHVILLE AND DAVIDSON COUNTY
Notes to the Financial Statements for the years ended June 30, 2025 and 2024

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, 2025, are categorized as follows:

	Fair Value Measurement		
	Level 1	Level 2	Total
Securities from Agencies Chartered by Congress	\$ -	\$ 11,686	\$ 11,686
U.S. Treasury Securities	-	-	-
Total	-	\$ 11,686	\$ 11,686

Investments, at fair value, as of June 30, 2024, are categorized as follows:

	Fair Value Measurement		
	Level 1	Level 2	Total
Securities from Agencies Chartered by Congress	\$ -	\$ -	\$ -
U.S. Treasury Securities	11,862	-	11,862
Total	\$ 11,862	\$ -	\$ 11,862

Custodial Credit Risk

As of June 30, 2025 and 2024, NES’s cash and cash equivalents were \$651.5 million and \$706.6 million, respectively. Bank statement balances for such accounts totaled \$650.4 million and \$708.2 million, respectively. Bank statement balances do not reflect deposits in transit nor outstanding checks. 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.

ELECTRIC POWER BOARD OF THE METROPOLITAN GOVERNMENT
OF NASHVILLE AND DAVIDSON COUNTY
Notes to the Financial Statements for the years ended June 30, 2025 and 2024

3. CASH AND INVESTMENTS (continued)

As of June 30, 2025 and 2024, all of NES’s deposits were either held by financial institutions which participate in the bank collateral pool administered by the State Treasurer or covered by the FDIC, the NCUA, or are specifically collateralized in the agreement. Participating banks determine the aggregated balance of their public-fund accounts for the Metropolitan Government. The amount of collateral required to secure these public deposits is a certain percentage set by the State, depending on 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, 2025, 97.9 percent of NES investments were invested in Securities from Agencies Chartered by Congress, and the remaining 2.1 percent were invested in certificates of deposit. As of June 30, 2024, 97.9 percent of NES investments were invested in U.S. Treasuries, and the remaining 2.1 percent were invested in certificates of deposit.

Interest Rate Risk

NES restricts its investments other than investments in retirement plan trusts 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.

ELECTRIC POWER BOARD OF THE METROPOLITAN GOVERNMENT
OF NASHVILLE AND DAVIDSON COUNTY
Notes to the Financial Statements for the years ended June 30, 2025 and 2024

4. LONG-TERM DEBT

Long-term debt for the year ended June 30, 2025, is as follows (\$000 omitted):

	Balance June 30, 2024	Deductions/ Repayments	Additions/ Amortization/ Accretion	Balance June 30, 2025
Electric System Revenue Bonds, 2015 Series A, bear interest at a rate of 5.00%, maturing through May 15, 2033, interest paid semiannually.	52,398	(4,405)	(792)	47,201
Electric System Revenue Bonds, 2017 Series A, bear interest at a rate of 5.00%, maturing through May 15, 2042, interest paid semiannually.	99,090	(3,140)	(1,128)	94,822
Electric System Revenue Bonds, 2017 Series B, bear interest at a rate of 5.00%, maturing through May 15, 2031, interest paid semiannually.	40,662	(9,980)	(957)	29,725
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.	173,107	(3,615)	(3,053)	166,439
Electric System Revenue Bonds, 2024 Series A, bear interest at rates from 5.00% to 5.25%, maturing through May 15, 2049, interest paid semiannually.	275,682	(5,110)	(2,285)	268,287
Electric System Revenue Bonds, 2024 Series B, bear interest at a rate of 5.00%, maturing through May 15, 2039, interest paid semiannually	<u>136,022</u>	<u>(10,595)</u>	<u>(2,222)</u>	<u>123,205</u>
	776,961	<u>\$ (36,845)</u>	<u>\$ (10,437)</u>	729,679
Less current portion of long-term debt	<u>(36,845)</u>			<u>(37,765)</u>
	<u>\$ 740,116</u>			<u>\$ 691,914</u>

ELECTRIC POWER BOARD OF THE METROPOLITAN GOVERNMENT
OF NASHVILLE AND DAVIDSON COUNTY
Notes to the Financial Statements for the years ended June 30, 2025 and 2024

4. LONG-TERM DEBT (continued)

Long-term debt for the year ended June 30, 2024, is as follows (\$000 omitted):

	Balance June 30, 2023	Deductions/ Repayments	Additions/ Amortization/ Accretion	Balance June 30, 2024
Electric System Revenue Bonds, 2013 Series A, bore interest at rates from 3.25% to 5.00%, maturing through May 15, 2029, interest paid semiannually.	\$ 58,230	\$ (56,055)	\$ (2,175)	\$ -
Electric System Revenue Bonds, 2014 Series A, bore interest at a rate of 5.00%, maturing through May 15, 2039, interest paid semiannually.	90,475	(83,845)	(6,630)	-
Electric System Revenue Bonds, 2015 Series A, bear interest at a rate of 5.00%, maturing through May 15, 2033, interest paid semiannually.	57,479	(4,190)	(891)	52,398
Electric System Revenue Bonds, 2017 Series A, bear interest at a rate of 5.00%, maturing through May 15, 2042, interest paid semiannually.	103,276	(2,990)	(1,196)	99,090
Electric System Revenue Bonds, 2017 Series B, bear interest at a rate of 5.00%, maturing through May 15, 2031, interest paid semiannually.	56,784	(14,715)	(1,407)	40,662
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.	179,722	(3,440)	(3,175)	173,107
Electric System Revenue Bonds, 2024 Series A, bear interest at rates from 5.00% to 5.25%, maturing through May 15, 2049, interest paid semiannually.	-	-	275,682	275,682
Electric System Revenue Bonds, 2024 Series B, bear interest at a rate of 5.00%, maturing through May 15, 2039, interest paid semiannually	-	-	<u>136,022</u>	<u>136,022</u>
	545,966	<u>\$ (165,235)</u>	<u>\$ 396,230</u>	776,961
Less current portion of long-term debt	<u>(28,880)</u>		<u>(36,845)</u>	
	<u>\$ 517,086</u>		<u>\$ 740,116</u>	

ELECTRIC POWER BOARD OF THE METROPOLITAN GOVERNMENT
OF NASHVILLE AND DAVIDSON COUNTY
Notes to the Financial Statements for the years ended June 30, 2025 and 2024

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
2026	37,765	32,083
2027	36,980	30,194
2028	38,820	28,345
2029	40,765	26,404
2030	29,205	24,366
2031-2035	133,070	100,621
2036-2040	136,090	67,736
2041-2045	118,130	35,921
2046-2049	<u>71,530</u>	<u>8,801</u>
	642,355	<u>\$ 354,471</u>
Unamortized premium	<u>87,324</u>	
Total long-term debt	<u>\$ 729,679</u>	

NES had a \$25.0 million unsecured line-of-credit for fiscal years 2025 and 2024 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 net revenues pledged for the Board’s revenue bonds. There were no borrowings under this line-of-credit in fiscal years 2025 or 2024. The line-of-credit is renewable annually. The Board established a new line of credit effective January 1, 2025, with an expiration date of December 31, 2025. Borrowings under the renewed line-of-credit bear interest at the rate of the 30-day 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, 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 other charges to meet the cash flow requirements of the organization and (2) maintain the Electric 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

4. LONG-TERM DEBT (continued)

twenty-five percent in principal amount of the bonds outstanding. NES is not in violation of any covenants at June 30, 2025.

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 compensated absences, which includes sick leave, vacation leave, and the related Medicare tax accrual, and asset retirement obligations. The following table shows the activity for the year (\$000 omitted):

	Balance June 30, 2024	Repayments/Earned Contributions	Additions/ Interest	Balance June 30, 2025
TVA Energy Conservation Loans	\$ 25	\$ (36)	\$ 14	\$ 3
Contributions in Aid of Construction	13,059	(18,694)	19,091	13,456
Customer Solar Subscriptions	-	(76)	60	(16)
Long-term Lease and Other				
Liabilities, net	121	(66)	50	105
SBITAs, net	2,309	(2,676)	961	594
Employee Compensated Absences, net	11,241	-	1,996	13,237
Asset Retirement Obligations	<u>289</u>	<u>(182)</u>	<u>-</u>	<u>107</u>
	<u>\$ 27,044</u>	<u>\$ (21,730)</u>	<u>\$ 22,172</u>	<u>\$ 27,486</u>

	Balance June 30, 2023	Repayments/Earned Contributions	Additions/ Interest	Balance June 30, 2024
TVA Energy Conservation Loans	\$ 87	\$ (69)	\$ 7	\$ 25
Contributions in Aid of Construction	6,481	(16,239)	22,817	13,059
Customer Solar Subscriptions	-	(64)	64	-
Long-term Lease and Other				
Liabilities, net	779	(703)	45	121
SBITAs, net	2,316	(2,507)	2,500	2,309
Employee Compensated Absences, net	3,748	-	7,493	11,241
Asset Retirement Obligations	<u>289</u>	<u>-</u>	<u>-</u>	<u>289</u>
	<u>\$ 13,700</u>	<u>\$ (19,582)</u>	<u>\$ 32,926</u>	<u>\$ 27,044</u>

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 and the associated Medicare tax accrual will be paid upon qualifying retirement events of employees participating in the

5. OTHER NON-CURRENT LIABILITIES (continued)

Defined Contribution Plan. Employee vacation leave and the associated Medicare tax accrual will be paid out in accordance with NES policy. Historical trends indicate that the net employee vacation leave and associated Medicare tax accrual will not be paid out within the next twelve months.

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 unit. 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.

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.

The calculations included assessment of a plan amendment in June of 2024 that gave a one-time credit of service to participants that previously performed part-time service of three or more months, received medical benefits, and were hired as an employee after completing the part-time service. The amendment did not materially impact the liability.

6. RETIREMENT AND BENEFIT PLANS (continued)

At April 1, 2025, the following participants were covered by the benefit terms of the DB Plan:

Inactive plan members or beneficiaries currently receiving benefits	982
Inactive plan members entitled to but not yet receiving benefits	123
Active plan members	<u>435</u>
	1,540

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 54.4 percent of annual covered payroll. NES contributed 100 percent of the required contribution for both of the DB Plan years 2025 and 2024, 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 a cost-of-living post-retirement benefit increase equal to 2.0 percent as of April 1, 2025 and 2.5 percent as of June 30, 2025, as a result of a plan amendment. 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)

In 2025, the Plan Sponsor conducted an experience study for fiscal year 2025. Economic and demographic assumptions are key drivers in measuring plan liabilities and allocating funding costs. Actuarial standards and GASB rules require each assumption to be reasonable, taking into account estimates of future experience. The Plan Sponsor has adopted a policy to conduct an experience study every five years. The following assumptions changes were made for fiscal year 2025:

- The form and commencement of payment assumption was updated to 75.0 percent and 25.0 percent for benefits commencing under the life annuity and lump sum payment options, respectively.
- The rate of retirement assumption was updated to 3.0 percent and 20.0 percent for reduced early retirement ages 50-54 and 60-64, respectively, and to 25.0 percent for unreduced retirement ages 60-64.
- The salary scale assumption was updated to reflect an increase of 0.64 percent to salary increases for all ages.

There were no assumption changes made for fiscal year 2024.

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 2025 or 2024.

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	65.1%	11.33%
Fixed Income	34.9%	4.97%

The discount rate used to measure the total pension liability was 7.25 percent. The discount rate is equal to the expected return on plan assets. In determining whether the discount rate should equal the expected return on plan assets, a projection of the plan asset is performed that assumes employer

ELECTRIC POWER BOARD OF THE METROPOLITAN GOVERNMENT
OF NASHVILLE AND DAVIDSON COUNTY
Notes to the Financial Statements for the years ended June 30, 2025 and 2024

6. RETIREMENT AND BENEFIT PLANS (continued)

contributions would be made at a rate consistent with the actuarially determined rate and benefit payments would be paid when due, both computed in accordance with assumptions and methods used to value the Total Pension Liability. Based on this projection, plan assets will be sufficient to pay all benefits when due. The undiscounted future payment assumptions for the DB Plan are as follows:

Projected Schedule of Benefit Payments (\$000 omitted)		
Year	Number Retiring	Total Payouts
2025-2029	169	\$ 309,037
2030-2034	127	367,873
2035-2039	86	414,762
2040-2044	40	426,406
2045-2049	12	405,685
Total projected benefit payments		<u>\$ 1,923,763</u>

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	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)–(b)
Balance at June 30, 2024	\$ 834,926	\$ 643,449	\$ 191,477
Changes for the year:			
Service Costs	10,846	-	10,846
Interest	59,098	-	59,098
Benefit changes	43,365	-	43,365
Experience losses/(gains)	16,797	-	16,797
Changes in assumptions	708	-	708
Contributions – employer	-	34,076	(34,076)
Expected Investment Return	-	44,786	(44,786)
Difference between expected and actual returns	-	43,961	(43,961)
Benefit payments / refunds	(56,547)	(56,547)	-
Administrative expenses	-	(1,140)	1,140
Net Change	74,267	65,136	9,131
Balance at June 30, 2025	<u>\$ 909,193</u>	<u>\$ 708,585</u>	<u>\$ 200,608</u>

ELECTRIC POWER BOARD OF THE METROPOLITAN GOVERNMENT
OF NASHVILLE AND DAVIDSON COUNTY
Notes to the Financial Statements for the years ended June 30, 2025 and 2024

6. RETIREMENT AND BENEFIT PLANS (continued)

The above changes in Net Pension Liability include dividend receivables of \$0.8 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)	\$301,968	\$200,608	\$115,305

For the year ended June 30, 2025, NES recognized pension expense of \$69.6 million. At June 30, 2025, 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	\$ 8,398	\$ 1,992
Changes in assumptions	354	-
Net difference between projected and actual earnings on pension plan investments	27,492	65,198
Total	<u>\$ 36,244</u>	<u>\$ 67,190</u>

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

Years Ending June 30:	
2026	\$ 13,929
2027	(20,323)
2028	(15,759)
2029	(8,792)
2030	-
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, 2024, the DC Plan had 453 participants, of which 272 were vested.

For the plan years ended December 31, 2024 and 2023, the contribution percentage was 16.34 percent and 16.52 percent, respectively. NES contributed \$7.7 million and \$6.7 million to the DC Plan in the fiscal year ended June 30, 2025 and June 30, 2024, respectively. DC Plan expense was \$8.4 million, of which \$0.25 million was from forfeitures, and \$7.4 million, of which \$0.06 million was from forfeitures, for the fiscal year ended June 30, 2025 and June 30, 2024, respectively. NES’s liability for the DC Plan as of June 30, 2025 and 2024, was \$4.1 million and \$3.7 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 \$0.01 million forfeitures for the calendar year ending December 31, 2024. There were \$0.06 million forfeitures for the calendar year ending December 31, 2023.

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 \$0.3 million and \$0.3 million in fiscal 2025 and 2024, 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, 2025:

Active and Disabled plan members (not receiving benefits)	931
Inactive plan members and beneficiaries receiving benefits	<u>960</u>
	<u>1,891</u>

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 21.0 percent of covered payroll. NES contributed 100 percent of the required contribution for the OPEB Plan year 2025.

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, 2024, network coinsurance and out-of-network coinsurance for accident and outpatient provisions were 15 percent and 35 percent, respectively.

The total OPEB liability was determined using certain actuarial assumptions, applied to all periods included in the measurement. The actuarial assumptions included (a) 7.5 percent investment rate of return, (b) projected salary increases based on the varying age of participant and (c) a blended 5.2 to 4.04 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 payments used this rate of return and discount rate. The mortality rates used are based on 102 percent of the Pub. G.H 2010 Mortality Table, headcount weighted with adjustments for future mortality improvement utilizing scale MP 2021 projected generationally from the base year 2010.

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. During the Plan year ended March 31, 2025, the Plan Sponsor conducted an experience study for fiscal year 2025. The following assumptions were changed:

- Retirement rates for employees eligible for reduced or unreduced retirement under the pension plan were modified to reflect current experience in the plan. Retirement rates for employees hired post-2012 who are not eligible to participate in the pension plan were modified to reflect expected experience.

6. RETIREMENT AND BENEFIT PLANS (continued)

- The assumed trend rate for the medical claims was changed from 5.5% in 2024 and following the 2022 Getzen model thereafter, grading to an ultimate rate of 3.94% in the year 2075 to 5.5% in 2024 and following the previously assumed rates for the next 2 years, then graded uniformly following the 2025 Getzen model thereafter, grading to an ultimate rate of 4.04% in the year 2075.
- Participant and spouse participation rates were changed from 100% assumed participant election of medical coverage and 67% spousal election to 96% participant election of medical coverage and 74% spousal election.
- Disability rates were updated from 100% of the 1985 Disability Table to 60% of the 1985 Disability Table.
- The salary scale assumption was increased by 0.64% per age band. The negotiated pay increase was changed to a minimum of 3% / maximum of 5% (based on CPI-U).

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 2025 or 2024.

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	65.1%	11.74%
Fixed Income	34.9%	4.80%

6. RETIREMENT AND BENEFIT PLANS (continued)

The discount rate used to measure the total OPEB liability was 7.5 percent. The discount rate is equal to the expected return on plan assets. In determining whether the discount rate should equal the expected return on plan assets, a projection of the plan asset is performed that assumes employer contributions would be made at a rate consistent with the actuarially determined rate and benefit payments would be paid when due, both computed in accordance with assumptions and methods used to value the Total OPEB Liability. Based on this projection, plan assets will be sufficient to pay all benefits when due. 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
2025-2029	214	\$ 105,442
2030-2034	188	130,195
2035-2039	164	157,302
2040-2044	125	183,317
2045-2049	92	<u>202,754</u>
Total projected benefit payments		<u>\$ 779,010</u>

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	OPEB Plan Net Position	Net OPEB Liability
	(a)	(b)	(a)-(b)
Balance at June 30, 2024	\$352,838	\$242,532	\$110,306
Changes for the year:			
Service Cost	8,248	-	8,248
Interest	26,474	-	26,474
Experience losses/(gain)	(16,870)	-	(16,870)
Changes in assumption	(11,044)	-	(11,044)
Contributions	-	22,975	(22,975)
Net investment income	-	35,214	(35,214)
Benefit payment/ refunds	(16,193)	(16,193)	-
Administrative expense	-	(706)	706
Net changes	(9,385)	41,290	(50,675)
Balance at June 30, 2025	<u>\$343,453</u>	<u>\$283,822</u>	<u>\$59,631</u>

6. RETIREMENT AND BENEFIT PLANS (continued)

The above changes in Net OPEB Liability include dividend receivables of \$0.3 million and investment fees payable of \$0.1 million. At June 30, 2025, the OPEB Trust owed NES approximately \$3.0 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 \$1.1 million.

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

	1% Decrease (6.5%)	Current Rate (7.5%)	1% Increase (8.5%)
Net OPEB Liability	\$98,322	\$59,631	\$27,167

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

	1% Decrease (4.2%)	Current Rate (5.2%)	1% Increase (6.2%)
Net OPEB Liability	\$27,682	\$59,631	\$98,277

For the year ended June 30, 2025, NES recognized OPEB expense of \$(3.7) million. At June 30, 2025, 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	\$ 916	\$ 37,803
Changes in assumptions	-	10,430
Net difference between projected and actual earnings on OPEB plan investments	8,811	24,373
Total	<u>\$ 9,727</u>	<u>\$ 72,606</u>

6. RETIREMENT AND BENEFIT PLANS (continued)

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

Years Ending June 30:	
2026	(13,378)
2027	(18,237)
2028	(16,488)
2029	(10,122)
2030	(4,652)
Thereafter	-

Retirement and Benefit Plan Investments

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

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

Investments at fair value Level 1	June 30, 2025		
	Pension	Defined Contribution	OPEB
Registered Investment Companies – Mutual Funds			
SEI S&P 500 Index Fund	\$ 163,783	\$ 11,741	\$ 66,202
SEI Small Mid Cap Fund	14,102	932	5,714
SEI World Equity EX – US Fund	184,246	13,572	74,579
SEI Extended MKT Index - A	28,347	2,042	11,476
SEI US Equity Factor Allocation Fund	71,103	5,116	28,782

SEI S&P 500 Index Fund

The SEI 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 before fees and expenses. 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

6. RETIREMENT AND BENEFIT PLANS (continued)

weight in the S&P 500 Index. The investments are primarily subject to market fluctuation risks of U.S. large cap stocks.

SEI Small Mid Cap Equity Fund

The SEI 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, ETFs based on small and medium-sized capitalization indices, and securities of REITs. 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.

SEI World Equity Ex-US Fund

The SEI World Equity Ex-US Fund seeks to provide long-term capital appreciation. Under normal circumstances, the Fund will invest at least 80% of its net assets in equity securities of foreign companies. The Fund will invest in securities of foreign issuers located in developed countries as well as emerging-market countries, although no more than 35% 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.

SEI Extended Market Index Fund

The SEI Extended Market Index Fund aims to produce investment results that correspond before expenses to the performance of the Russell Small Cap Completeness Index. The Fund invests substantially all of its assets in securities of companies that are members of Russell Small Cap Completeness Index. The subadvisor selects the Fund’s 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 Russell Small Cap Completeness Index.

SEI US Equity Factor Allocation Fund

The SEI US Equity Factor Allocation Fund seeks long-term growth of capital and income. Under normal market conditions, the fund will invest at least 80% of its net assets (plus the amount of any borrowings for investment purposes) in equity and equity-related securities of U.S. companies of all capitalization ranges. The Fund may also, to a lesser extent, invest in American Depositary Receipts (ADRs) and interests in real estate investments trusts (REITs). The fund's investment portfolio will be diversified and will not be concentrated in any particular industry or sector.

6. RETIREMENT AND BENEFIT PLANS (continued)

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

Investments at fair value Level 1	June 30, 2025		
	Pension	Defined Contribution	OPEB
Registered Investment Companies – Mutual Funds			
SEI Core Fixed Income Fund	\$ 120,049	\$ 7,803	\$ 48,646
SEI Emerging Markets Debt Fund	35,367	2,446	14,320
SEI High Yield Bond Fund	35,434	2,406	14,353
SEI Limited Duration Bond Fund	56,431	3,710	22,866

SEI Core Fixed Income Fund

The SEI Core Fixed Income Fund seeks current income consistent with the preservation of capital. The Fund will invest at least 80% of its net assets in U.S. fixed-income securities. The Fund will invest primarily in investment-grade U.S. and foreign corporate and government fixed-income securities, including emerging market and 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. The Fund may invest in unrated securities or securities rated below investment grade. The investments are primarily subject to interest rate risk.

SEI Emerging Markets Debt Fund

The SEI Emerging Markets Debt Fund seeks to maximize total return. It normally invests at least 80% of its assets in fixed income securities 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.

SEI High Yield Bond Fund

The SEI 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% of its net assets in high-yield fixed income securities, primarily in securities rated below investment grade, including corporate bonds and debentures, convertible and preferred securities, zero-coupon obligations, and tranches of collateralized debt obligations and collateralized loan 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.

6. RETIREMENT AND BENEFIT PLANS (continued)

SEI Limited Duration Bond Fund

The Limited Duration Bond Fund seeks current income consistent with the preservation of capital. Under normal circumstances, the Fund will invest at least 80% of its net assets in investment-grade, U.S. dollar-denominated debt instruments. The Fund is expected to maintain a portfolio duration of three years or less under normal market conditions.

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 for its retirement plan investments.

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.

6. RETIREMENT AND BENEFIT PLANS (continued)

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 fixed income investment 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, 2025:

<u>Characteristic</u>	<u>Portfolio</u>
Effective duration	6.1 years
Average maturity	8.4 years
Composite quality rating	A+, with 71 percent of portfolio rated AA or higher

The following are risk characteristics for the Emerging Markets Debt Fund as of June 30, 2025:

<u>Characteristic</u>	<u>Portfolio</u>
Effective duration	5.9 years
Average maturity	10.3 years
Composite quality rating	BB, with 49 percent of portfolio rated BBB or higher

The following are risk characteristics for the High Yield Bond Fund as of June 30, 2025:

6. RETIREMENT AND BENEFIT PLANS (continued)

<u>Characteristic</u>	<u>Portfolio</u>
Effective duration	2.8 years
Average maturity	4.1 years
Composite quality rating	B, with 40 percent of portfolio rated BB or higher

The following are risk characteristics for the Limited Duration Bond Fund as of June 30, 2025:

<u>Characteristic</u>	<u>Portfolio</u>
Effective duration	2.0 years
Average maturity	2.5 years
Composite quality rating	A-, with 55 percent of portfolio rated AA 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.

Money Weighted Rate of Return

The money weighted rate of return expresses investment performance net of the investment expenses adjusted for the changing amounts of plan investments. Rates for the DB Plan were 7.6% and 16.1% at the 2025 and 2024 plan valuation dates, respectively. Rates for the OPEB Plan were 7.7% and 16.5% at the 2025 and 2024 plan valuation dates, respectively.

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 \$5.5 million and \$5.4 million using the traditional 457 Plan for the years ended June 30, 2025 and 2024, respectively. Employees using the Roth election contributed \$2.4 million and \$2.0 million to the 457 Plan for the years ended June 30, 2025 and 2024, respectively. NES contributed \$3.1 million and \$3.0 million to the 457 Plan for the years ended June 30, 2025 and June 30, 2024, 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.

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 and an aggregating specific deductible of \$100,000. The changes in the insurance reserves for medical, dental and vision benefits for active employees for the years ended June 30, 2025 and 2024 are as follows (\$000 omitted):

Balance – June 30, 2023	\$ 1,745
Payments	(12,219)
Incurring Claims	<u>11,752</u>
Balance – June 30, 2024	\$ 1,278
Payments	(12,057)
Incurring Claims	<u>11,757</u>
Balance – June 30, 2025	<u>\$ 978</u>

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.

ELECTRIC POWER BOARD OF THE METROPOLITAN GOVERNMENT
OF NASHVILLE AND DAVIDSON COUNTY
Notes to the Financial Statements for the years ended June 30, 2025 and 2024

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 exchange, NES does not pay for various permit fees otherwise required for NES construction work. For 2025 and 2024, 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 2025 and 2024, NES paid the Metropolitan Government \$0.44 million and \$0.24 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, 2025, \$0.03 million remained to be paid over the next year.

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, 2025 and 2024, NES paid Pinnacle Financial Partners \$0.06 million in each period for bank services and received rebates and interest income of \$21.64 million and \$25.09 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 2025 or 2024. The contract includes credit card services. Balances are paid 15 days after month end. The credit card balance at June 30, 2025 and 2024 was \$0.02 million in each period. A member of the Board is the Chairman of Pinnacle Financial Partners. The Board member has separated himself from all NES decisions related to Pinnacle.

ELECTRIC POWER BOARD OF THE METROPOLITAN GOVERNMENT
OF NASHVILLE AND DAVIDSON COUNTY
Notes to the Financial Statements for the years ended June 30, 2025 and 2024

9. RELATED PARTY TRANSACTIONS (continued)

These balances and transactions as of and for the years ended June 30, 2025 and 2024 are summarized as follows (\$000 omitted):

	2025	2024
Balances:		
Accounts receivable	\$ 7,697	\$ 5,106
Accounts payable	243	244
Transactions:		
Commercial and industrial revenue – Metropolitan Government Entities	71,375	67,099
Street and outdoor lighting revenue – Metropolitan Government Entities	10,426	9,472
Tax equivalents operating expense – Metropolitan Government Entities	35,961	33,377
800 MHz Radio maintenance expense	923	1,120
800 MHz Radio capital upgrade	441	237
Reimbursements for work on the System	1,331	900
Other miscellaneous billed services	186	169
Other miscellaneous expenses paid	238	285
Bank Service Fees	62	61
Interest Income	21,622	25,066
Rebates	20	24

**ELECTRIC POWER BOARD OF THE METROPOLITAN GOVERNMENT
OF NASHVILLE AND DAVIDSON COUNTY**
Notes to the Financial Statements for the years ended June 30, 2025 and 2024

10. COMMITMENTS

NES has no generating capacity and purchases all of its power from the TVA pursuant to a Power Contract (the "Power Contract"), with a 20-year termination notice that became effective September 2019.

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

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

NES purchased power totaling \$1.1 billion and \$1.0 billion from TVA each year ending June 30, 2025 and 2024, 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.

**ELECTRIC POWER BOARD OF THE METROPOLITAN GOVERNMENT
OF NASHVILLE AND DAVIDSON COUNTY**
Notes to the Financial Statements for the years ended June 30, 2025 and 2024

11. SUBSEQUENT EVENTS

NES has evaluated subsequent events through September 25, 2025, the issuance date of the financial statements, and has determined that there are no other subsequent events that require disclosure.

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

REQUIRED SUPPLEMENTARY INFORMATION

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

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

	Years ended June 30,				
	2025	2024	2023	2022	2021
Total Pension Liability					
Service Costs	\$ 10,846	\$ 11,232	\$ 11,119	\$ 10,915	\$ 10,857
Interest	59,098	58,774	55,741	55,665	54,231
Changes in benefit terms	43,365	154	-	-	-
Differences between expected and actual experience	16,797	(9,957)	27,996	(4,056)	1,933
Changes of assumptions	708	-	-	16,279	799
Benefit Payments / Refunds	<u>(56,547)</u>	<u>(53,942)</u>	<u>(52,165)</u>	<u>(52,625)</u>	<u>(44,178)</u>
Net Change in Total Pension Liability	\$ 74,267	\$ 6,261	\$ 42,691	\$ 26,178	\$ 23,642
Total Pension Liability, beginning	<u>834,926</u>	<u>828,665</u>	<u>785,974</u>	<u>759,796</u>	<u>736,154</u>
Total Pension Liability, ending (a)	\$ 909,193	\$ 834,926	\$ 828,665	\$ 785,974	\$ 759,796
Plan Fiduciary Net Position					
Contributions – employer	\$ 34,076	\$ 33,862	\$ 32,263	\$ 31,825	\$ 32,650
Net investment income	88,747	76,282	61,354	(89,284)	145,037
Benefit Payments / Refunds	(56,547)	(53,942)	(52,165)	(52,625)	(44,178)
Administrative expenses	<u>(1,140)</u>	<u>(965)</u>	<u>(876)</u>	<u>(1,195)</u>	<u>(1,048)</u>
Net Change in Plan Fiduciary Net Position	\$ 65,136	\$ 55,237	\$ 40,576	\$ (111,279)	\$ 132,461
Plan Fiduciary Net Position – beginning	<u>643,449</u>	<u>588,212</u>	<u>547,636</u>	<u>658,915</u>	<u>526,454</u>
Plan Fiduciary Net Position – ending (b)	\$ 708,585	\$ 643,449	\$ 588,212	\$ 547,636	\$ 658,915
Net Pension Liability – ending (a) – (b)	\$ 200,608	\$ 191,477	\$ 240,453	\$ 238,338	\$ 100,881
Plan Fiduciary Net Position as a % of the Total Pension Liability	78%	77%	71%	70%	87%
Covered payroll	\$ 62,653	\$ 58,571	\$ 60,847	\$ 59,756	\$ 61,942
Net Pension Liability as a % of covered-payroll	320%	327%	395%	399%	163%
See notes to schedule.					

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

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

	Years ended June 30,				
	2020	2019	2018	2017	2016
Total Pension Liability					
Service Costs	\$ 11,276	\$ 10,838	\$ 10,937	\$ 12,084	\$ 10,083
Interest	54,003	50,148	48,892	47,611	43,983
Changes in benefit terms	-	-	-	-	8,619
Differences between expected and actual experience	(8,782)	(1,568)	(5,102)	(3,306)	11,291
Changes of assumptions	(10,395)	32,039	1,139	1,108	17,741
Benefit Payments / Refunds	<u>(40,830)</u>	<u>(40,099)</u>	<u>(37,744)</u>	<u>(41,066)</u>	<u>(38,753)</u>
Net Change in Total Pension Liability	\$ 5,272	\$ 51,358	\$ 18,122	\$ 16,431	\$ 52,964
Total Pension Liability, beginning	<u>730,882</u>	<u>679,524</u>	<u>661,402</u>	<u>644,971</u>	<u>\$ 592,007</u>
Total Pension Liability, ending (a)	\$ 736,154	\$ 730,882	\$ 679,524	\$ 661,402	\$ 644,971
Plan Fiduciary Net Position					
Contributions – employer	\$ 34,490	\$ 31,382	\$ 30,031	\$ 30,905	\$ 24,600
Net investment income	24,364	33,967	38,244	55,186	(623)
Benefit Payments / Refunds	(40,830)	(40,099)	(37,744)	(41,066)	(38,753)
Administrative expenses	<u>(908)</u>	<u>(816)</u>	<u>(836)</u>	<u>(816)</u>	<u>(797)</u>
Net Change in Plan Fiduciary Net Position	\$ 17,116	\$ 24,434	\$ 29,695	\$ 44,209	\$ (15,573)
Plan Fiduciary Net Position – beginning	<u>509,338</u>	<u>484,904</u>	<u>455,209</u>	<u>411,000</u>	<u>426,573</u>
Plan Fiduciary Net Position – ending (b)	\$ 526,454	\$ 509,338	\$ 484,904	\$ 455,209	\$ 411,000
Net Pension Liability – ending (a) – (b)	\$ 209,700	\$ 221,544	\$ 194,620	\$ 206,193	\$ 233,971
Plan Fiduciary Net Position as a % of the Total Pension Liability	72%	70%	71%	69%	64%
Covered payroll	\$ 61,341	\$ 62,957	\$ 62,824	\$ 63,415	\$ 69,337
Net Pension Liability as a % of covered-payroll	342%	352%	310%	325%	337%

See notes to schedule.

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

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

Notes to Schedule:

In 2025, the Plan Sponsor conducted an experience study for fiscal year 2025. Economic and demographic assumptions are key drivers in measuring plan liabilities and allocating funding costs. Actuarial standards and GASB rules require each assumption to be reasonable, taking into account estimates of future experience. The Plan Sponsor has adopted a policy to conduct an experience study every five years. The following Assumptions changes were made for fiscal year 2025:

- The form and commencement of payment assumption was updated to 75.0 percent and 25.0 percent for benefits commencing under the life annuity and lump sum payment options, respectively.
- The rate of retirement assumption was updated to 3.0 percent and 20.0 percent for reduced early retirement ages 50-54 and 60-64, respectively, and to 25.0 percent for unreduced retirement ages 60-64.
- The salary scale assumption was updated to reflect an increase of 0.64 percent to salary increases for all ages.

The overall impact of the experience study was an increase in the liability of \$0.7 million at June 30,2025.

In 2025, the cost of living adjustment was increased from 2.0% to 2.5% as a result of a plan amendment.

In 2024, the plan was amended to provide credit for part-time service for 31 eligible participants.

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.

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

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

Notes to Schedule (continued):

- The salary scale assumption was updated from 4.5 percent per year at all ages to a rate that varies 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.

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

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

		Contributions in			Contribution
	Actuarially	relation to the	Contribution		as percent of
Years Ended	determined	actuarially	deficiency	Covered payroll	covered
June 30,	contribution	determined	(excess)	(c)	payroll
	(a)	contribution	(a)-(b)		(b)/(c)
2025	\$32,992	\$34,076	\$(1,084)	\$62,653	54%
2024	33,847	33,862	(15)	58,571	58%
2023	32,250	32,263	(13)	60,847	53%
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%

In computing the tables, actuarial assumptions and methods included a 25-year funding level, an investment rate of return and discount rate of 7.5 percent for fiscal years 2015 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 a cost-of-living post-retirement benefit increase equal to 2 percent per year as of April 2025 with an increase to 2.5 percent as of June 2025. 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.

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

RETIREMENT ANNUITY AND SURVIVORS PLAN
SCHEDULE OF INVESTMENT RETURNS (UNAUDITED)

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

<u>Plan Year Ended March 31</u>	<u>Return</u>
2025	7.6%
2024	16.1%
2023	(6.5%)
2022	4.0%
2021	40.5%
2020	(5.9%)
2019	4.2%
2018	11.0%
2017	12.1%
2016	(2.0%)

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

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

	Years ended June 30,				
	2025	2024	2023	2022	2021
Total OPEB Liability					
Service Costs	\$ 8,248	\$ 7,926	\$ 7,763	\$ 7,397	\$ 7,412
Interest	26,474	26,008	26,259	25,022	25,514
Changes in benefit terms	-	-	-	-	-
Differences between expected and actual experience	(16,870)	(12,437)	(23,003)	2,748	(23,709)
Changes of assumptions	(11,044)	-	-	(3,677)	-
Benefit Payments	(16,193)	(15,003)	(14,071)	(16,628)	(14,926)
Net Change in Total OPEB Liability	\$ (9,385)	\$ 6,494	\$ (3,052)	\$ 14,862	\$ (5,709)
Total OPEB Liability, beginning	352,838	346,344	349,396	334,534	340,243
Total OPEB Liability, ending (a)	\$ 343,453	\$ 352,838	\$ 346,344	\$ 349,396	\$ 334,534
Plan Fiduciary Net Position					
Contributions – employer	\$ 22,975	\$ 23,175	\$ 23,100	\$ 22,500	\$ 23,050
Net investment income	35,214	28,250	21,352	(29,009)	43,619
Benefit Payments	(16,193)	(15,003)	(14,071)	(16,628)	(14,926)
Administrative expenses	(706)	(576)	(481)	(550)	(465)
Net Change in Plan Fiduciary Net Position	\$ 41,290	\$ 35,846	\$ 29,900	\$ (23,687)	\$ 51,278
Plan Fiduciary Net Position – beginning	242,532	206,686	176,786	200,473	149,195
Plan Fiduciary Net Position – ending (b)	\$ 283,822	\$ 242,532	\$ 206,686	\$ 176,786	\$ 200,473
Net OPEB Liability—ending (a) – (b)	\$ 59,631	\$ 110,306	\$ 139,658	\$ 172,610	\$ 134,061
Plan Fiduciary Net Position as a % of the Total OPEB Liability	83%	69%	60%	51%	60%
Covered – payroll	\$ 110,772	\$ 104,863	\$ 99,163	\$ 95,408	\$ 91,529
Net OPEB Liability as a % of covered-payroll	54%	105%	141%	181%	146%

See notes to schedule.

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

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

	Years ended June 30,				
	2020	2019	2018	2017	2016
Total OPEB Liability					
Service Costs	\$ 6,908	\$ 6,633	\$ 6,271	\$ 6,008	\$ 5,221
Interest	24,670	24,317	22,254	21,219	18,738
Changes in benefit terms	-	-	-	736	-
Differences between expected and actual experience	(13,055)	(21,877)	(2,608)	(1,068)	13,956
Changes of assumptions	6,744	9,245	15,157	451	7,987
Benefit Payments	(14,097)	(13,670)	(14,194)	(13,426)	(13,761)
Net Change in Total OPEB Liability	\$ 11,170	\$ 4,648	\$ 26,880	\$ 13,920	\$ 32,141
Total OPEB Liability, beginning	329,073	324,425	297,545	283,625	251,484
Total OPEB Liability, ending (a)	\$ 340,243	\$ 329,073	\$ 324,425	\$ 297,545	\$ 283,625
Plan Fiduciary Net Position					
Contributions – employer	\$ 22,587	\$ 22,038	\$ 21,760	\$ 19,168	\$ 16,835
Net investment income	7,129	9,049	8,786	11,932	296
Benefit Payments	(14,097)	(13,670)	(14,194)	(13,426)	(13,761)
Administrative expenses	(399)	(350)	(328)	(176)	(203)
Net Change in Plan Fiduciary Net Position	\$ 15,220	\$ 17,067	\$ 16,024	\$ 17,498	\$ 3,167
Plan Fiduciary Net Position – beginning	133,975	116,908	100,884	83,386	80,219
Plan Fiduciary Net Position – ending (b)	\$ 149,195	\$ 133,975	\$ 116,908	\$ 100,884	\$ 83,386
Net OPEB Liability—ending (a) – (b)	\$ 191,048	\$ 195,098	\$ 207,517	\$ 196,661	\$ 200,239
Plan Fiduciary Net Position as a % of the Total OPEB Liability	44%	41%	36%	34%	29%
Covered – payroll	\$ 86,819	\$ 82,887	\$ 79,793	\$ 78,421	\$ 78,184
Net OPEB Liability as a % of covered-payroll	220%	235%	260%	251%	256%

See notes to schedule.

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

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

Notes to Schedule:

In 2025, the Plan Sponsor conducted an experience study for fiscal year 2025. The following assumptions were made for fiscal year 2025:

- Retirement rates for employees eligible for reduced or unreduced retirement under the pension plan were modified to reflect current experience in the plan. Also, retirement rates for employees hired post-2012 who are not eligible to participate in the pension plan were modified to reflect expected experience.
- The assumed trend rate for the medical claims was changed from 5.5% in 2024 and following the 2022 Getzen model thereafter, grading to an ultimate rate of 3.94% in the year 2075 to 5.5% in 2024 and following the previously assumed rates for the next 2 years, then graded uniformly following the 2025 Getzen model thereafter, grading to an ultimate rate of 4.04% in the year 2075.
- Participant and spouse participation rates were changed from 100% assumed participant election of medical coverage and 67% spousal election to 96% assumed participant election of medical coverage and 74% spousal election.
- Disability rates were updated from 100% of the 1985 Disability Table to 60% of the 1985 Disability Table.
- The salary scale assumption was increased by 0.64% per age band. The negotiated pay increase was changed to a minimum of 3% / maximum of 5% (based on CPI-U).

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.

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

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

Notes to Schedule (continued):

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

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

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

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

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

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

OTHER POST 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 payroll (c)	Contribution as percent of covered payroll (b)/(c)
2025	\$22,920	\$22,975	\$(55)	\$110,772	21%
2024	23,100	23,175	(75)	104,863	22%
2023	23,020	23,100	(80)	99,163	23%
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%

In computing the tables, actuarial assumptions and methods 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 2025, the assumptions include healthcare cost trends changing from 5.5% in 2024 and following the 2022 Getzen model thereafter, grading to an ultimate rate of 3.94% in the year 2075 to 5.5% in 2024 and following the previously assumed rates for the next 2 years, then graded uniformly following the 2025 Getzen model thereafter, grading to an ultimate rate of 4.04% in the year 2075. Dental and vision cost trends remained at 4.0%. There were no changes to assumptions in fiscal year 2024. 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

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

OTHER POST EMPLOYMENT BENEFIT PLAN (\$000 OMITTED)
Schedule of Employer Contributions (Unaudited) (continued)

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-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:

<u>Plan Year Ended March 31,</u>	<u>Return</u>
2025	7.7%
2024	16.5%
2023	(6.0%)
2022	3.8%
2021	41.6%
2020	(6.6%)
2019	4.5%
2018	11.2%
2017	12.9%
2016	(1.7%)



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