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Shelby County Legislative Delegation

Legislative Plaza Suite 38
Nashville, TN 37243

July 31, 2007

**Eddie Roberson, Director
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243**

Dear Director Roberson:

We, the undersigned members of the Shelby County Legislative Delegation, are requesting that the Tennessee Regulatory Authority hold an investigative hearing on the business partnership between Memphis Light, Gas & Water and the Memphis Network Company. This partnership not only used, but also lost over 31 million dollars of rate payers and tax payer's funds.

We are concerned about: Who the investors are? Who did they do business with? Who did they have contracts with, and how many dollars went to the investors companies?

Memphis Network has stated that it is a private company and is not required to respond to local government questions about their business practices. We, demand that they account for all of the 31 million of the rate payers and tax payers dollars. These are public dollars and they must be accounted for.

Also, the House State & Local Government Committee is considering holding hearings regarding joint ventures by municipalities having an electric plant.

Please find enclosed, several questions on areas of concerns we would like to have answered.

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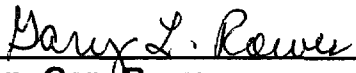
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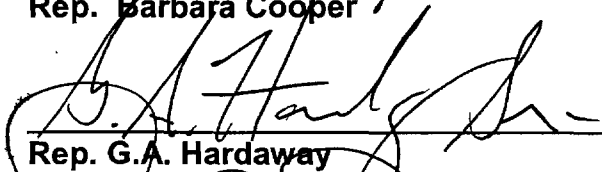
Sincerely,



Rep. Ulysses Jones, Jr.

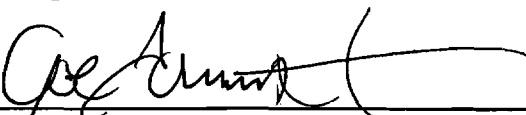

Rep. Gary Rowe


Rep. Larry J. Miller


Rep. Barbara Cooper


Rep. G.A. Hardaway


Sen. Reginald Tate


Rep. Joe Towns

Attachment:

Questions to be asked of MLGW/Networx

1. What was the interest income loss for the \$29 million MLGW invested in Memphis Networx?
2. What was the source of the \$29 million that MLGW contributed/invested in Memphis Networx?
3. What is the history of the interdivision loan that MLGW made from its Electric Division to invest in Memphis Networx?
 - 3.1 When did Memphis Networx/MLGW start paying off debt (interdivision loan from the MLGW Electric Division)?
 - 3.2 How much of the loan was spent?
 - 3.3 What is the payoff schedule for the loan (debt service requirements)?
 - 3.4 Was the transfer of funds from one division to another division done in compliance with City Charter?
4. What expenses were paid out of the MLGW Budget for Memphis Networx over and beyond the \$29 million that was contributed/invested?
 - 4.1 Where any salaries paid to Memphis Networx employees out of the MLGW Budget?
 - 4.2 Were any MLGW employees assigned to work at or on loan to Memphis Networx?
5. Who were the initial private investors in Memphis Networx?
 - 5.1 Who are the current private investors in Memphis Networx?
 - 5.2 How much money did the private investors contribute to Memphis Networx?
 - 5.3 Who are the silent partners, if any, in Memphis Broadband, Memphis Telecom and A&L?
 - 5.4 Is there any relationship between any past or current investor and companies submitting a bid to purchase Memphis Networx?
6. How many customers does Memphis Networx have?
 - 6.1 Who are they (customers)?
 - 6.2 What percentage of customers does the City of Memphis represent?
 - 6.3 What fees are charged to each customer?
7. What is the layout ("as is" drawing) of the fiber optic network, (i.e. map of entire fiber network)?
8. Who are the creditors of Memphis Networx?
 - 8.1 How much is owed to each creditor?
 - 8.2 How long has the debt been outstanding for each creditor?

9. What are the monthly expenses of Memphis Networx?
10. How did the new division of MLGW transform into a membership/investment in a private concern?
 - 10.1 Is there supporting documentation, i.e. board minutes?
 - 10.2 Is there any documentation from the State Comptroller's office approving the investment in a private concern?
11. Who are the Memphis Networx employees since inception of the company?
 - 11.1 What were/are the salaries?
 - 11.2 Who are the employees that have been paid bonuses?
12. What were the construction costs for building the fiber optic network?
13. Obtain copies of all financial statements.
14. What documentation is available documenting that the company was in financial trouble and need to be sold immediately?
15. Was there a MLGW office and/or employee assigned to monitor Memphis Networx?
16. What are the terms and condition of the consultant contract with the private investors on the sale of Memphis Networx?
17. Why was there not a consultant hired to advise MLGW?
18. What is the breakdown of the sales proceeds?
19. Are there provisions to allow other current owners to purchase the company at the same price before the sale to the outside party goes through?
20. What bank handles Memphis Networx finances?
21. What kind of tax write-offs did investors receive from losses on the venture?
 - 21.1 Are they currently able to continue to receive these tax write-offs?
22. Was the vote by MLGW board to sell Networx legal?