

TENNESSEE REGULATORY AUTHORITY

Eddie Roberson, Chairman
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460 James Robertson Parkway
Nashville, Tennessee 37243-0505

August 8, 2008

Mr. Dan Platko, CEO
Memphis Networx, LLC
7620 Appling Center Drive
Suite 101
Memphis, TN 38133

Mr. Rick Masson
Interim President and CEO
Memphis, Light, Gas & Water
P.O. Box 430
Memphis, TN 38101-0430

In Re: Docket No. 07-00183, *Request for an Investigation of the Business Partnership Between Memphis Light, Gas & Water and Memphis Networx, LLC*

Dear Gentlemen:

In order to assist the Authority in its review of the above captioned matter, it is requested that you provide responses to the attached questions no later than 2:00 P.M. on Tuesday, August 28, 2007. Please address the responses to Darlene Standley and reference Docket No. 07-00183. Should you have any questions regarding the request, please contact me at (615) 741-2904, ext. 149 or David Foster at ext. 188.

Sincerely,

Darlene Standley
Chief, Utilities Division

C: Docket File

1. Provide the estimated interest income foregone on the funds invested by MLGW in Memphis Networkx.
2. Provide the amount and source of the investment by MLGW in Memphis Networkx.
3. Provide the history (loan amount, payment schedule, outstanding balance) for any loans between MLGW and Memphis Networkx.
 - 3.1 Provide a debt amortization schedule for any loans identified in No. 3 above.
 - 3.2 Identify how funds from the loans were utilized by Memphis Networkx and if any of the funds have not been used.
 - 3.3 Describe any provisions in the Memphis City Charter that apply to the transfer of funds between divisions of MLGW and the action taken for compliance with those city charter provisions.
4. Identify any expenses paid by MLGW on behalf of Memphis Networkx over and beyond the \$29 million that was contributed/invested.
 - 4.1 Identify any salaries paid by MLGW to Memphis Networkx employees.
 - 4.2 Identify any MLGW employees that have performed work for Memphis Networkx.
5. Identify by name and address any initial private investors and the current investors in Memphis Networkx.
 - 5.1 State the amounts the private investors have contributed to Memphis Networkx.
 - 5.2 Identify the silent partners, if any, in Memphis Broadband, Memphis Networkx and A&L.
 - 5.3 Describe any relationship between past or current investors in Memphis Networkx and the companies submitting bids to purchase Memphis Networkx. Describe the nature of any relationship identified.
 - 5.4 Identify any dividend payments or other compensation paid to investors in Memphis Networkx.
6. Provide a listing of Memphis Networkx customers (separate by wholesale and retail).
 - 6.1 Provide a breakdown of the percentage of total customers that reside or operate businesses within the City of Memphis.
 - 6.2 Provide a copy of rate schedules and fees assessed to Memphis Networkx customers.
7. Provide a map of Memphis Networkx fiber optic network.
8. Provide a listing of Memphis Networkx' creditors.
 - 8.1 Provide the balance owed by Memphis Networkx to each creditor and the date the debt was incurred.
9. Identify the recurring monthly expenses for Memphis Networkx, including the payee and the amount of each expense, for the latest twelve months.
10. Provide documentation describing or reflecting the manner in which any new division of MLGW was transformed into a membership/investment in a private concern.

- 10.1 Provide any documentation from the State Comptroller's office for approving any investment in a private concern.
11. Identify all employees of Memphis Network since the establishment of the company and provide salary information for each employee, including bonuses paid, compensation packages, etc.
12. Provide a schedule detailing the construction costs for building the fiber optic network.
13. Provide copies of MLGW and Memphis Network financial statements, e.g. balance sheets, income statements, etc. for the past five years.
14. Provide all documentation that serves as a basis and/or support for the decision to sell Memphis Network.
15. State whether MLGW had in place any mechanism for monitoring the status and financial condition of Memphis Network. If so, identify the person(s) who had the responsibility, including job title and location in MLGW, for the reviewing said mechanism.
16. Identify any consultants retained by MLGW or the private investors to provide advice regarding the sale of Memphis Network. Provide the terms of the consultant contracts or provide a copy of the contract. If no consultant was retained, please explain why.
17. Identify how the sales proceeds will be distributed.
18. Are there any existing provisions that allow current owners to purchase the company at the same price before the sale to the outside party is consummated? If so, please provide a copy of these provisions.
19. Identify by name and address each financial institution with which Memphis Network has transacted business.
20. Identify any losses on the investment in Memphis Network that may have resulted in a tax write-off for any investors and state whether such losses are still available for tax write-offs.
21. Provide the legal authority for the vote by MLGW board to sell Memphis Network.