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'00 MAR 14 AM 8 44

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March 9, 2000

Via Hand-Delivery

K. David Waddell
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37219

Re: Application of Memphis Networx, LLC for a Certificate of Public Convenience and Necessity to Provide Intrastate Telecommunication Services and Joint Petition of Memphis Light Gas & Water Division, a Division of the City of Memphis, Tennessee ("MLGW") and A&L Networks-Tennessee, LLC ("A&L") for Approval for Agreement Between MLGW and A&L regarding Joint Ownership of Memphis Networx, LLC; Docket No.99-00909 – Responses to Discovery Requests

Dear Mr. Waddell:

Enclosed you will find a copy of the responses to the discovery requests to Memphis Networx, LLC, MLGW and A&L from the Tennessee Cable Telecommunications Association and NEXTLINK-Tennessee, Inc. Some of the responses are confidential and filed under seal pursuant to the protective agreement/Protective Order filed in this docket. Due to the volume of documents involved, we will file additional copies if needed.

Sincerely,

D. Billye Sanders

D. Billye Sanders

DBS:lmb
Enclosures

cc: Parties of Record
Richard Collier, Esq.
John Knox Walkup, Esq.
J. Maxwell Williams, Esq.
Ward Huddleston, Esq.

524507.1

BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

IN RE: APPLICATION OF MEMPHIS NETWORX, LLC FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO PROVIDE INTRASTATE TELECOMMUNICATION SERVICES AND JOINT PETITION OF MEMPHIS LIGHT GAS & WATER DIVISION, A DIVISION OF THE CITY OF MEMPHIS, TENNESSEE ("MLG&W") AND A&L NETWORKS-TENNESSEE, LLC ("A&L") FOR APPROVAL FOR AMENDMENT BETWEEN MLG&W AND A&L REGARDING JOINT OWNERSHIP OF MEMPHIS NETWORX, LLC
DOCKET NO. 99-00909

RESPONSES OF MEMPHIS NETWORX, LLC, MEMPHIS LIGHT, GAS & WATER DIVISION AND A & L NETWORKS-TENNESSEE, LLC TO DISCOVERY REQUEST OF NEXTLINK TENNESSEE, INC.

COME NOW, Applicant, Memphis Networx, LLC ("Memphis Networx") and Joint Petitioners, Memphis Light, Gas and Water Division ("MLG&W") and A&L Networks-Tennessee, LLC ("A&L") and respond to the interrogatories of NEXTLINK Tennessee Inc. ("NEXTLINK").

Interrogatories and Responses

1. Provide copies of all documents concerning MLG&W's decision to enter the telecommunications business, to partner with A&L, and to form Memphis Networx.

Response:

MLG&W objects to this Request on the grounds that it calls for the production of documents that are irrelevant and not reasonably calculated to lead to the discovery of admissible evidence, that it is overly broad and unduly burdensome, and that it may call for the production of privileged documents. MLG&W further objects to NextLink's characterization of A&L as MLG&W's "partner" in the legal sense of that word. Subject to and without waiver of the foregoing objections, MLG&W has attached as Attachment 1 a briefing which was presented to the MLG&W Board of Commissioners prior to the approval of the resolutions that are attached as Exhibit D to the application in this docket.

2. Provide a copy of Memphis Networx's business plan.

Response:

Memphis Networx objects to the provision of its business plan in that the information sought is beyond the scope of information typically requested by the TRA for approval of applications of competing local exchange carriers (CLECs) and is cumulative and duplicative of the information previously filed in this docket in support of this application. Subject to and without waiver of the foregoing, Confidential Attachment 2 is attached pursuant to the protective agreement filed in this docket.

3. Please indicate the applicable section of the charter of MLG&W which authorizes MLG&W to offer telecommunications service throughout Tennessee.

Response:

Please see the response to Request No. 27 of Tennessee Cable Telecommunication Association's (TCTA's) Data Requests in this proceeding.

4. Please identify all existing sources of financing for Memphis Networx, including all amounts currently raised or committed.

Response:

For its response, MLG&W states that its existing source of financing for its interest in Memphis Networx is the $20,000,000 inter-division loan that the MLG&W Board of Commissioners has authorized, subject to all necessary regulatory approvals.

As contemplated by the Umbrella Agreement, (i) MLG&W and A&L currently incur Subsequent Costs and Interim Contributions on behalf or for the benefit of Memphis Networx, and (ii) within seventy-five (75) days after the Tennessee Regulatory Authority issues a final order granting in all material respects the relief requested in the Application and Joint Petition, A&L is obligated to contribute to Memphis Networx $4,666,200, less its Prior Costs, Subsequent Costs and Interim Contributions, and MLG&W is obligated to contribute to Memphis Networx $5,332,800 less its Prior Costs, Subsequent Costs and Interim Contributions. Memphis Networx expects to obtain additional financing through borrowings from third parties.

5. Please describe the source of the funds which MLG&W has invested or intends to invest in Memphis Networx .

(a) Explain how those funds are now being used by MLG&W.

(b) Explain whether and how MLG&W will be able to recoup those funds should Memphis Networx fail.

Response:

The source of funds for the $20,000,000 inter-division loan is working capital of the MLG&W Electric Division. In response to Request No. 5(a), these funds are now classified as cash reserves of the Electric Division and some funds are held in cash, while others are invested in commercial paper and federal agency securities. In response to Request No. 5(b), MLG&W objects on the grounds that this Request seeks information that is irrelevant to this proceeding and is not reasonably calculated to lead to the discovery of admissible evidence. Subject to the foregoing, please see the provisions of Article 10 of the Memphis Networx Operating Agreement, which mitigate MLG&W's capital risk.

6. Please describe in full the accounting procedures that MLG&W has adopted to insure compliance with T.C.A. §§7-52-402 and 7-52-103(d) and/or to prevent cross-subsidization of Memphis Networx.

Response:

Please see the responses to TCTA's Request Nos. 2, 4 and 14.

7. Provide a copy of any accounting rules, including any cost allocation manual, adopted by MLG&W or Memphis Networx for the purpose of compliance with T.C.A. §§7-52-103(d) and 7-52-402, and/or to prevent cross-subsidization of Memphis Networx.

Response:

Please see the Response to Request No. 6.

8. Do MLG&W and Memphis Networx intend to abide by the FCC's affiliate transaction rules (47 C.F.R. § 32.27)? If not, please explain.

Response:

The provisions of 47 CFR §32.27 do not apply to Memphis Networx and MLG&W. While adhering to their position that they are under no legal obligation to do so, Memphis Networx and MLG&W intend to voluntarily put into place procedures that are consistent with those provisions.

9. Will Memphis Networx and MLG&W comply with the structural separation provisions described in 47 U.S.C. 272(b)? If not, why not?

Response:

The provisions of 47 CFR §32.27 do not apply to Memphis Networx and MLG&W. While adhering to their position that they are under no legal obligation to do so, Memphis Networx and MLG&W intend to voluntarily put into place structural separations that are consistent with those provisions, except that members of the Board of Governors are officers of the member entities. There will be separate operations, separate books, separate officers and Memphis Networx will not obtain credit that upon default would allow a creditor to have recourse against the assets of MLG&W, and will conduct all transactions at arm's length.

10. Do MLG&W and Memphis Networx intend to abide by the accounting safeguards approved by the TRA for Chattanooga Electric Power Board (Docket No. 97-07488)? If not, please explain.

Response:

MLG&W and Memphis Networx state that the accounting safeguards approved in Docket No. 97-07488 address a significantly different organizational structure than is present in this Application and Joint Petition such that many of those safeguards do not readily translate to the relationship between MLG&W and Memphis Networx. As MLG&W's responses to Requests Nos. 6 and 7 show, however, MLG&W intends to develop safeguards that will be consistent with those adopted in Docket No. 97-07488, to the extent applicable.

11. Please provide copies of all requests for information you have received from the TRA since filing the application and joint petition and copies of all information you have provided the TRA since filing the petition and application.

Response:

This information was provided to intervenor's counsel by e-mail of February 15, 2000. A copy of that document is attached as Attachment 11. The only other information provided the TRA was contained in the application and joint petition of November 24, 1999 and its supplement of January 11, 2000.

12. Provide a roster of all current, full-time employees of Memphis Networx and a brief description of each one's qualifications.

Response:

Attached as Attachment 12. See also more detailed information in the pre-filed testimony and Application and Joint Petition previously filed.

13. Provide a copy of all contracts between MLG&W and any other party concerning this petition and joint application.

Response:

MLG&W objects to this Request on the ground that the Request is vague and unclear in that the term "concerning" is undefined. Subject to and without waiver of the foregoing, MLG&W states that the only contracts between MLG&W and other parties to the Joint Petition and Application are the Operating Agreement and the "umbrella agreement" filed as Exhibits in this proceeding.

14. Provide a copy of all contracts between Memphis Networx and any other party concerning this petition and joint application.

Response:

Memphis Networx objects to this Request on the ground that the Request is vague and unclear in that the term "concerning" is undefined. Subject to and without waiver of the foregoing, Memphis Networx states that there are no contracts between Memphis Networx and other parties to the Joint Petition and Application.

15. Provide a copy of all contracts between A&L and any other party concerning this petition and joint application.

Response:

A&L objects to this Request on the ground that the Request is vague and unclear in that the term "concerning" is undefined. Subject to and without waiver of the foregoing, A&L states that the only contracts between A&L and other parties to the Joint Petition and Application are the Operating Agreement and the "umbrella agreement" filed as Exhibits in this proceeding.

16. Regarding A&L, please provide the following information:

(a) A copy of A&L's authorization to conduct business in Tennessee.

(b) A&L's articles of organization, charter, or other comparable document.

(c) List all the members of A&L. If any member is an LLC or corporation, identify the members of that LLC or the stockholders of that corporation.

(d) For each LLC or corporation listed above, provide a recent financial statement and three-year projected financials.

Response:

(a) The Certificate of Authority issued to A&L by the Tennessee Secretary of State was filed as Exhibit L to the January 11, 2000 Supplement to the Application and Joint Petition.

(b) The Articles of Organization of A&L were filed as Exhibit C to the Application and Joint Petition.

(c) The only member of A&L is Aptus Networks, LLC, a Kansas limited liability company. The only member of Aptus Networks, LLC is the Lowe Children Family Limited Partnership, a Kansas limited partnership.

(d) A&L objects to this Request on the grounds that it is overly broad and unduly burdensome, and that it may call for the production of privileged documents. Subject to and without waiver of the foregoing objections, A&L states that it has attached as Confidential Attachment 16(d) unaudited balance sheets for Aptus Networks, LLC and A&L Networks - Tennessee prepared as of February 29, 2000, and that Aptus and A&L Networks - Tennessee have not prepared financial projections apart from the projections for Memphis Networx.

17. Will Memphis Networx obtain any support services from MLG&W? If so, please describe in detail the accounting treatment of those services by Memphis Networx and by MLG&W?

Response:

No.

18. Will Memphis Networx, through advertising, company logo, or other public information be identified as being affiliated, directly or indirectly with MLG&W?

Response:

Memphis Networx has a logo that has no identification as being affiliated in any way with MGLW. Ownership of Memphis Networx will be freely disclosed in public information and advertising.

CERTIFICATE OF SERVICE

I, D. Billye Sanders, hereby certify that on this 9th day of March, 2000, a true and correct copy of the foregoing was delivered by hand delivery, facsimile or U.S. Mail postage pre-paid to the Counsel of Record listed below.

D. Billye Sanders

D. Billye Sanders, Esq.

Henry Walker, Esq.
Boult Cummings Conners &
Berry, PLC
414 Union Street, Suite 1600
P. O. Box 198062
Nashville, TN 37219

Attorney for NEXTLINK, Tennessee, Inc.

Guy Hicks, Esq.
Patrick Turner, Esq.
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Nashville, TN 37201-3300

Attorneys for BellSouth Telecommunications, Inc.

Charles B. Welch, Jr., Esq.
Farris, Mathews, Branan, Bobango
& Hellen, P.L.C.
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Nashville, TN 37219

Attorney for Time Warner of the Mid-South L.P., Time Warner Communications of the Mid-South, L.P., and the Tennessee Cable Telecommunications Association

John Knox Walkup, Esq.
Wyatt Tarrant & Combs
511 Union Street,
Suite 1500
Nashville, TN 37219-1750
615-244-0200

Attorney for A&L Networks – Tennessee, LLC and Memphis Networx, LLC

RESPONSE TO:

NEXTLINK – Attachment 1

Arthur D Little

MLGW Network Services (MNet) Board Briefing

Presentation to MLGW's Board of Commissioners

Hometown Energy • MLGW • Working for You

August 19 , 1999

Arthur D. Little, Inc.
Four Embarcadero Center
Suite 600
San Francisco, California
94111-4173

Internet: www.arthurdlittle.com

LT 0026

There are two primary objectives for today's briefing with the MLGW Board of Directors

- Review the agreement between MLGW and A&L Networks

- Understand benefits to the City of Memphis and its citizens

Agenda

MLGW/A&L Partnership

- Ownership Structure
- Governance
- Risk Allocation
- Third Party Minority Participation

City of Memphis and its Citizens

- City of Memphis Revenues
- Memphis Housing Authority
- Rate Payer Benefits
- Economic Development

LT 0028

Agenda

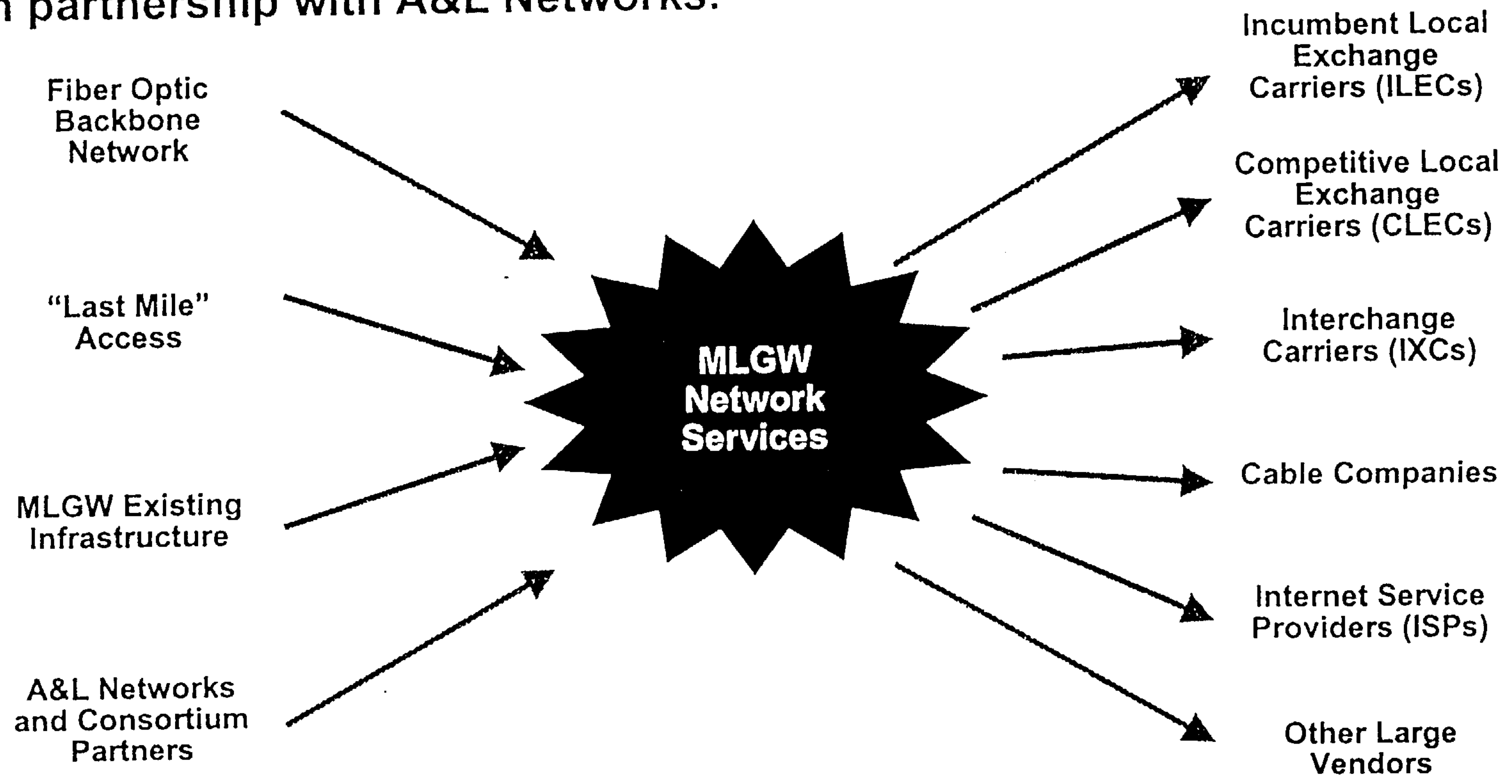
MLGW/A&L Partnership

- Ownership Structure
- Governance
- Risk Allocation
- Third Party Minority Participation

City of Memphis and its Citizens

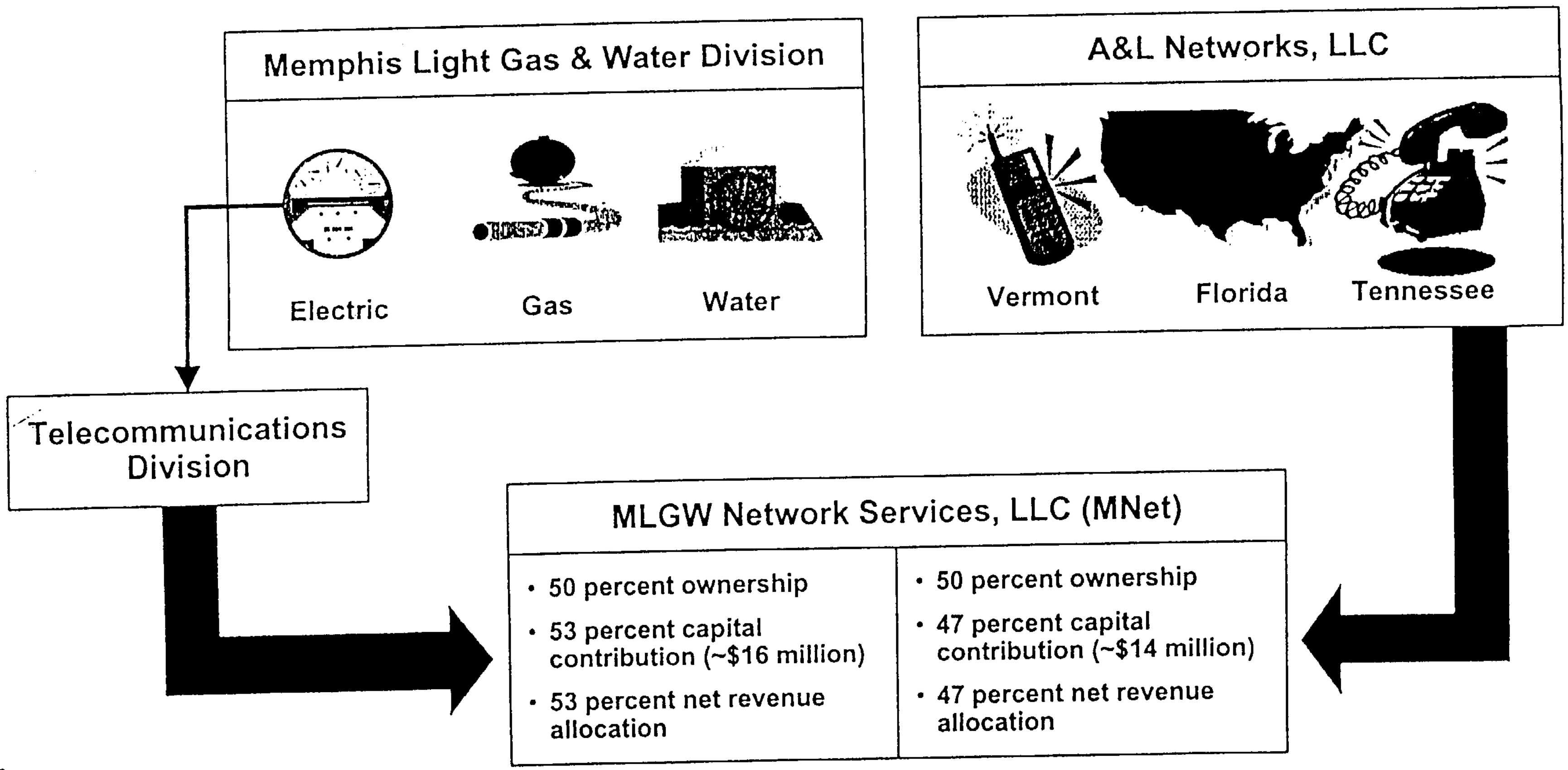
LT 0029

To position MLGW as a premier multi-utility, a full service "carrier's carrier" next generation network (NGN) infrastructure will be developed in partnership with A&L Networks.



MLGW Network Services will provide a level playing field for all competing service providers in Memphis to promote competition and achieve greater value for the "owners" of MLGW.

MLGW and A&L Networks have reached an equitable agreement to own and operate MLGW Network Services for the purposes of providing communications services to Memphis and Shelby County.



LT 0031

Arthur D Little

The MNet operating agreement addresses three primary areas of concern: governance, risk allocation and third-party minority participation.

Governance

- Five-member Board of Directors with the fifth member rotated annually between MLGW and A&L
  - MLGW will designate the fifth member for the first year
- For MLGW, the Board will include the CEO, CFO and General Counsel
- A&L's Board members will be designated by Chairman of A&L, Inc.
- The Board will unanimously choose and annually vote to retain CEO

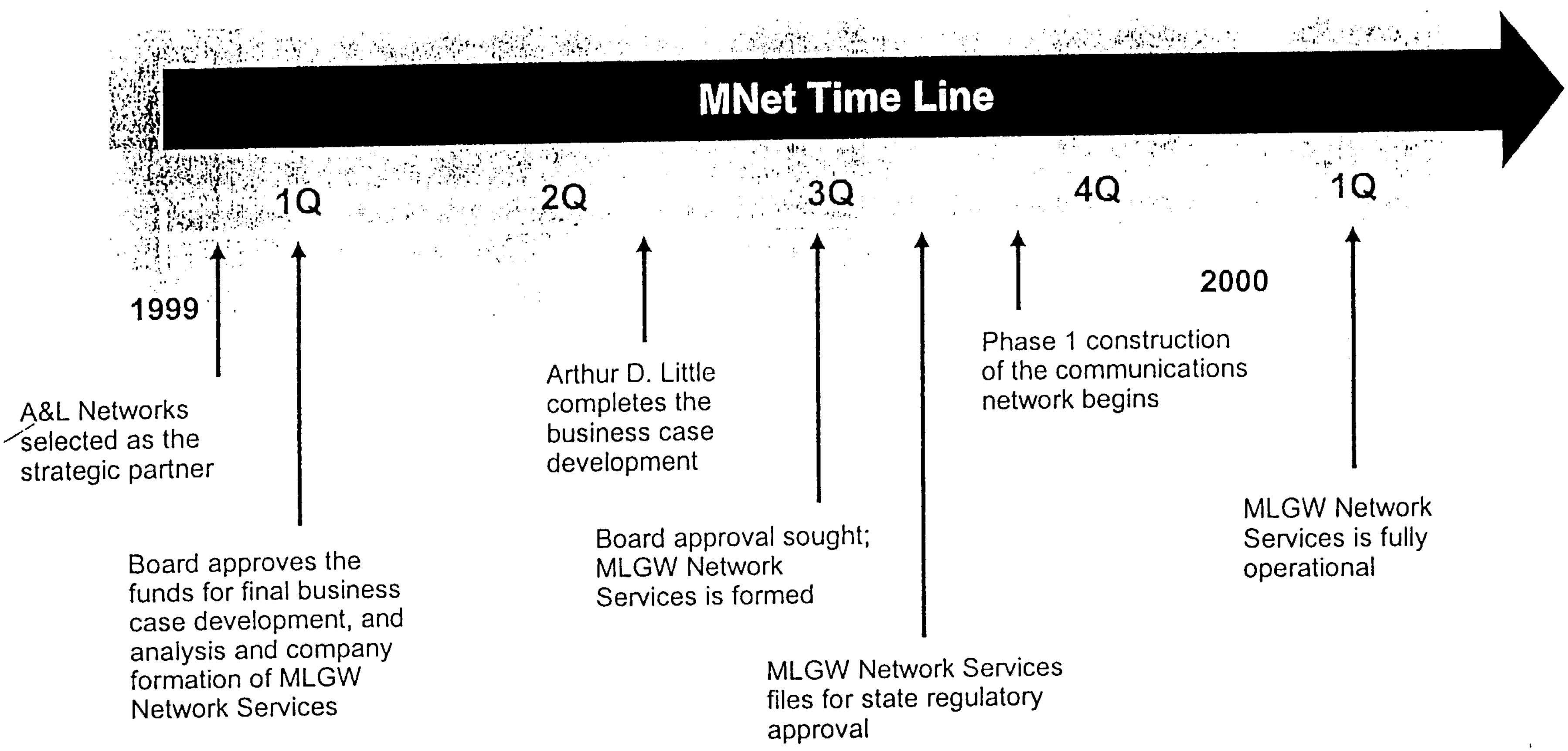
Risk Allocation

- A&L's capital account will absorb initial losses up to $14 million, and then losses will be absorbed by MLGW
- Any losses absorbed by MLGW will be reimbursed prior to losses incurred by A&L
- All expenses incurred prior to approval by the TRA will be shared equally between MLGW and A&L

Third-party Minority Participation

- MNet will be receptive to a qualified minority partner
- Partner must bring both capital and expertise
- MNet will develop minority participation guidelines in keeping with TRA requirement
- MNet will provide access to pre-determined MHA developments
- 1% of MNet annual net revenues will endow a community telecommunications investment fund up to $1 million annually

MNet must quickly be established to capture the market opportunities assumed in the business case.



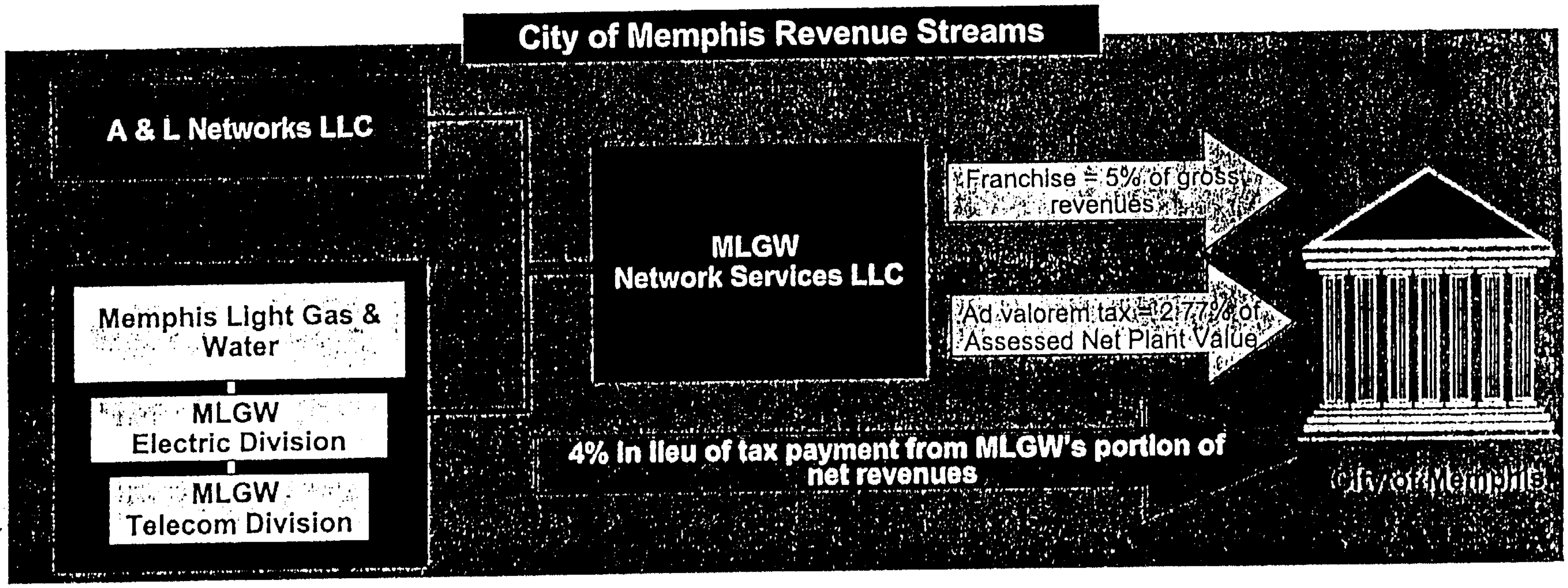
MLGW/A&L
Partnership

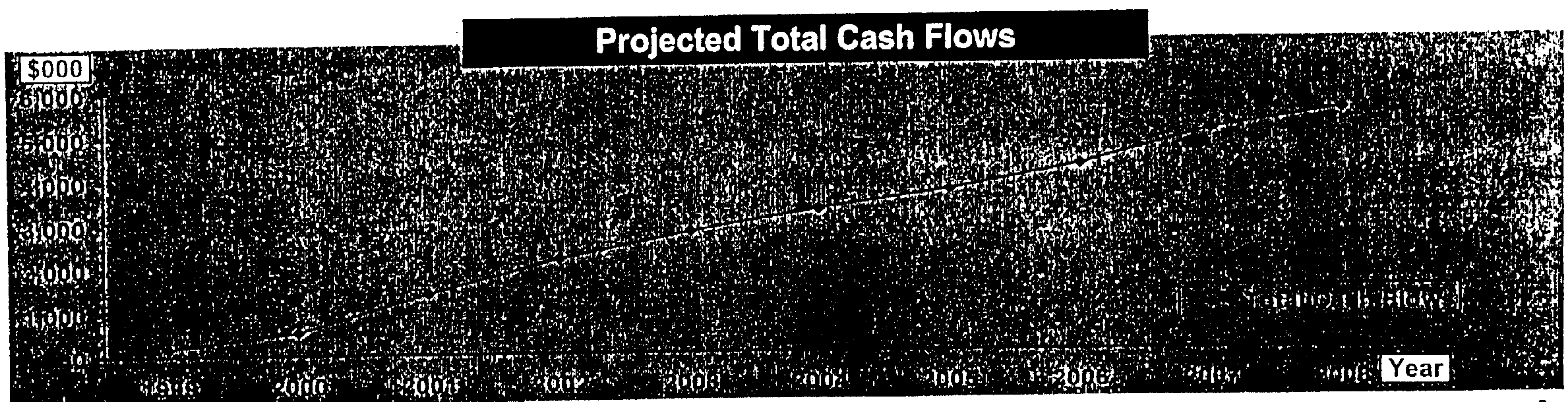
City of
Memphis and its
Citizens

- City of Memphis Revenues
- Memphis Housing Authority
- Rate Payer Benefits
- Economic Development

LT 0034

The City of Memphis will receive substantial revenue streams from MNet.

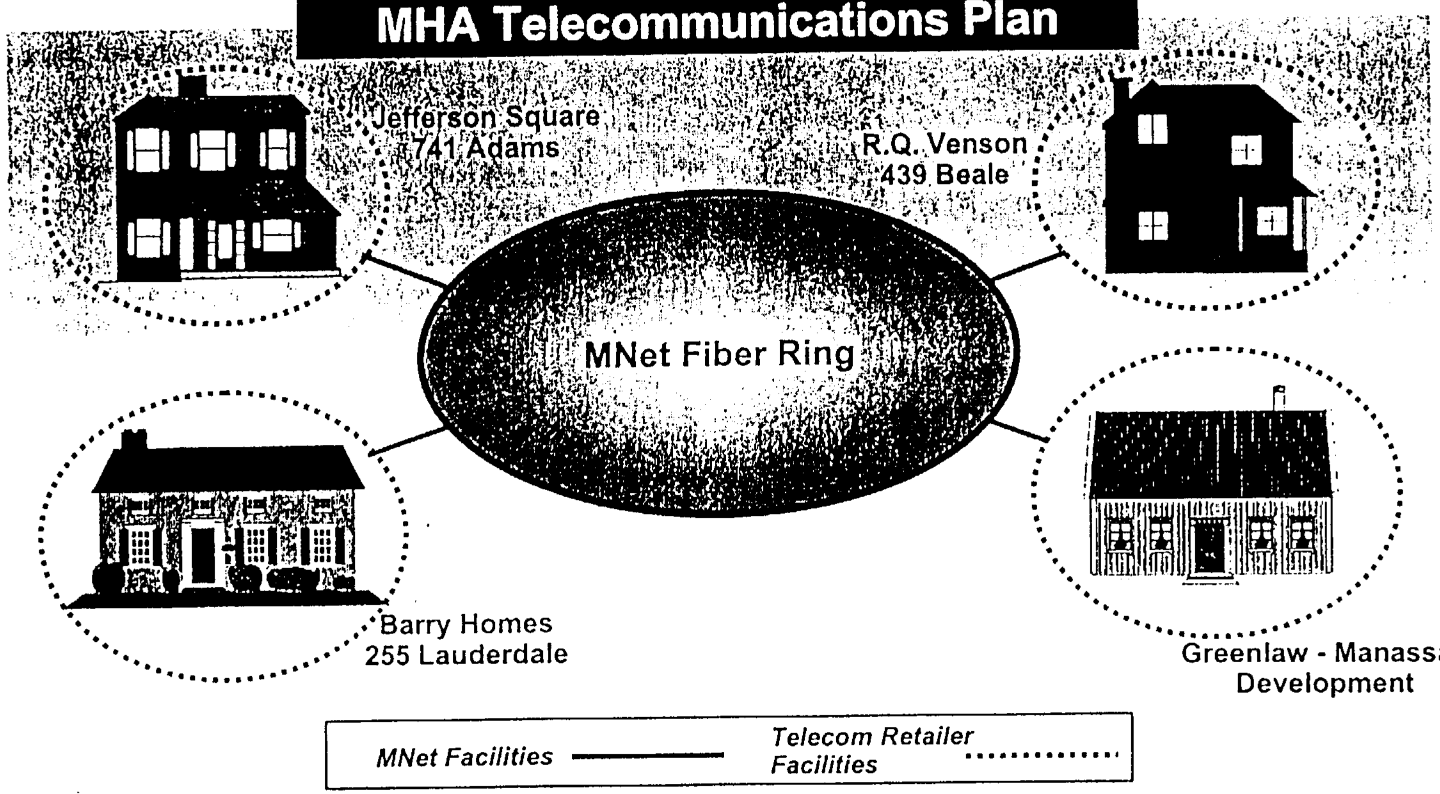




LT 0035

MNet will provide telecommunications backbone access to four MHA developments while working with telecommunications retailers to provision services to residents.

MHA Telecommunications Plan



In addition, MNet will set aside a 1% of annual net revenues to endow a community telecommunications investment fund up to $1million annually.

LT 0036

All net revenues accrued to MLGW from MNet will benefit the Electric Division ratepayers.

- Repayment of initial investment from telecommunications revenues
- Maintain stable rates of the Electric Division through enhanced revenue stream from MNet
- Offer enhanced services and achieve operational efficiencies through technologies that rely on an advanced communications network
  - ✓ Automatic meter reading
  - ✓ Automatic outage notification
  - ✓ Power quality monitoring
  - ✓ Platform for additional energy management services

MNet's state of the art next generation network will facilitate substantial economic development in the Memphis and Shelby County community.

- New electronic infrastructure to support future residential, business and government communications requirements
  - ✓ Memphis as a premier city for next generation services
  - ✓ "Work at home" and telecommuting applications
  - ✓ Improve government service delivery and contain costs
  - ✓ Provide improved education infrastructure
  - ✓ Promotes expansion of existing business and industry
- New businesses locating to Memphis will enhance the existing tax base
  - ✓ New, higher wage technology jobs
  - ✓ Companies with heavy telecom usage requirements
- New competitors will enter the market to provide the community with enhanced services and competitive prices

LT 0038

Mnet's communications infrastructure will result in improved availability, increased choice, and higher quality services for all citizens of Memphis and Shelby County.

- Positively impact opportunities for minority, women and local small businesses
  - ✓ Ownership
  - ✓ Vendor participation
  - ✓ Employment
  - ✓ Training, education and access to address the "Digital Divide"
  - ✓ Entrepreneurial opportunities
- New competitors will enter the market to provide the community with enhanced services and competitive prices

MNet offers potential substantial returns to its owners.

MLGW Network Services Years 1999-2008 (000s)	
MLGW Equity Contribution	53%
MLGW Net Revenue Split	53%
MLGW In lieu of tax payment to City of Memphis	4%

MLGW Cash Flows (Base Case Assumptions)	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Dividends	0	0	0	0	0	0	0	5,233	16,248	19,201
Equity Contribution	(11,660)	(4,240)	0	0	0	0	0	0	0	0
In Lieu of Tax Payment to City	0	0	0	0	0	0	0	[illegible]	[illegible]	[illegible]
Total Cash Flow	(11,660)	(4,240)	0	0	0	0	0	5,024	15,598	18,433

NPV of Cash Flow at 15% 18,048 IRR: 25.8%

A & L Cash Flows										
Dividends	0	0	0	0	0	0	0	4,641	14,409	17,027
Equity Contribution	(10,340)	(3,760)	0	0	0	0	0	0	0	0
Total Cash Flow	(10,340)	(3,760)	0	0	0	0	0	4,641	14,409	17,027

NPV of Cash Flow at 20% 17,084 IRR: 31.8%

MNet Long Term Debt	0	5,000	65,000	75,000	70,000	55,000	30,000	0	0	0

LT 0040

RESPONSE TO:

NEXTLINK – Attachment 2 Confidential (filed under seal)

RESPONSE TO:

NEXTLINK – Attachment 11

From: Billye Sanders <DBS@wallerlaw.com>
To: "'hwalker@bccb.com'" <hwalker@bccb.com>
Date: Tue, Feb 15, 2000 12:00 PM
Subject: Memphis Networx responses to data requests, including pre-filed testiimony

Pursuant to your request, attached are responses to data requests to Memphis Networx, which include the pre-filed testimony of Memphis Networx and MLGW which were filed with the TRA on Feb. 4.
<<DBS MLGW Responses to Data Request.DOC>> <<DBS MLGW Pre-Filed Testimony of J. Maxwell Williams.DOC>> <<KMC MLGW Huddleston testimony.DOC>>

CC: "'kwalkup@wyattfirm.com'" <kwalkup@wyattfirm.com>

RESPONSES TO DATA REQUEST FROM THE TENNESSEE REGULATORY AUTHORITY PURSUANT TO APPLICATION OF MEMPHIS NETWORX, LLC DOCKET NO. 99-00909

FEBRUARY 4, 2000

1. **Sworn Pre-Filed Testimony.**

Response:

Attached is the sworn pre-filed testimony of Ward Huddleston, Jr. on behalf of Memphis Networx, LLC and J. Maxwell Williams on behalf of Memphis Light Gas & Water Division (MLGW).

2. **Please provide an organizational chart of corporate structure.**

Response:

MEMPHIS NETWORX, LLC
ORGANIZATIONAL CHART

Memphis Light Gas & Water Division, a Member

A&L Networks-Tennessee LLC, a Member

Memphis Networx, LLC

3. **We need the toll free number to be provided as a repair and maintenance (customer service) number as soon as you have it in place.**

Response:

Memphis Networx will establish a toll-free repair and maintenance number prior to beginning service. Prior to that time, any inquiries can be directed to Memphis Networx at (901) 213-5112.

4. **Please explain in detail the equipment to be used and the method of deployment.**

Response:

Memphis Networx will deploy a Class 5 carrier grade central office switch from among Nortel, Lucent and Cisco in its network operations center. The selected vendor will be engaged to engineer, furnish and install the equipment through its Professional Services Group under the supervision of Memphis Networx's engineering and construction management. The switch will be comprised of components that are Bellcore Network Equipment Building Standards (NEBS) compliant and meet all industry standards.

The fiber optic cable selected by Memphis Networx will be single mode fiber with 144 strands capable of supporting the delivery of DS1, DS3, OC3, OC12, OC48, OC192 as well as Dense Wave Divisional Multiplexing equipment.

The installation of the backbone cable will be contracted to qualified contractors consistent with the Small and Minority-Owned Telecommunications Business Participation Plan filed with the Authority and under the supervision of Memphis Networx's engineering and construction management. The backbone will be largely aerial with some underground deployment. The detailed design is being developed under the supervision of Memphis Networx's engineering and construction management. It is anticipated the backbone will initially consist of OC48 transmission equipment which will be engineered, furnished and installed by the vendor under the supervision of Memphis Networx's engineering and construction management. Memphis Networx anticipates locating the transmission equipment in 14 BellSouth central offices in Shelby County as well as up to 22 customer access points. From the customer access points, direct connections down to the DS0 level will be provided.

Digital subscriber line access modes (DSLAM) will also be located in the BellSouth central offices for the provision of DSL type services to carriers and end users. The deployment of the DSLAMs will be consistent with the previous methodology.

OC3 equipment will be installed at carrier and large end user sites by Memphis Networx's engineering and construction management personnel. The deployment of hybrid fiber coaxial cable (HFC) to end users will be through qualified contractors under the supervision of Memphis Networx's engineering and construction management.

The timing of the deployment of the network is projected in Exhibit H to the application. It is anticipated the backbone and switching equipment will be deployed in 2000 and 2001 with the access to the end users being primarily in 2001, 2002 and 2003.

BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

IN RE: APPLICATION OF MEMPHIS NETWORX, LLC FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO PROVIDE INTRASTATE TELECOMMUNICATIONS SERVICES AND JOINT PETITION OF MEMPHIS LIGHT GAS AND WATER DIVISION, A DIVISION OF THE CITY OF MEMPHIS, TENNESSEE ("MLGW") AND A&L NETWORKS-TENNESSEE, LLC ("A&L") FOR APPROVAL OF AGREEMENT BETWEEN MLGW AND A&L REGARDING JOINT OWNERSHIP OF MEMPHIS NETWORX, LLC	)	DOCKET NO. 99-00909

PRE-FILED TESTIMONY OF J. MAXWELL WILLIAMS
ON BEHALF OF MLGW

Q. PLEASE STATE YOUR NAME, PLACE OF EMPLOYMENT, TITLE AND BUSINESS ADDRESS.

A. My name is J. Maxwell Williams. I am Vice President and General Counsel for Memphis Light Gas & Water Division, a Division of the City of Memphis, Tennessee. My business address is Memphis Light Gas & Water Division, 220 South Main Street, Memphis, Tennessee 38103.

Q. WHAT IS MLGW SEEKING IN THIS PROCEEDING?

A. MLGW seeks approval of the Operating Agreement of Memphis Networx, LLC pursuant to T.C.A. § 7-52-103(d). The Operating Agreement, which is dated November 8, 1999, is between MLGW and A&L Networks-Tennessee, LLC. Of course, as one of the owners of Memphis Networx, MLGW also supports approval of the application.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to summarize the terms of the Operating Agreement and to comment on the concern mentioned by NEXTLINK in its petition for intervention regarding its pole attachment agreement with MLGW.

Q. PLEASE SUMMARIZE THE TERMS OF THE OPERATING AGREEMENT.

A. MLGW and A&L have agreed to make initial combined capital contributions to Memphis Networx of approximately $10 million and contemplate making capital contributions up to an aggregate amount of approximately $30 million within the next three years. It is anticipated that in the first year MGLW will contribute approximately $ 5.3 million and A&L will contribute approximately $ 4.7 million. The sharing ratio for net profits is 53% for MLGW and 47% for A&L. There is a formula in Article 10 of the Operating Agreement that sets forth in detail the sharing of profits and losses including the losses incurred during the start up phase of the company. Each member will have a 50% voting interest in Memphis Networx. The LLC will be managed by a board of governors.

Q. DO YOU ANTICIPATE THAT OTHER MEMBERS WILL BE ADMITTED TO THE LLC?

A. Additional members will only be admitted with the consent of all members. In the Operating Agreement, MLGW and A&L have agreed to negotiate in good faith to sell a portion of their financial rights to one or more minority owned businesses within four (4) years from the date of approval of Memphis Networx Application by the TRA. This provision is contained in Article 3.4 of the Operating Agreement. Memphis Networx has also made reference to this provision in its Small and Minority-Owned Telecommunications Business Participation Plan.

Q. WHO WILL SELECT THE GOVERNORS OF MEMPHIS NETWORX?

A. The Operating Agreement provides that there shall be five (5) governors, two (2) elected by MLGW and two (2) elected by an A&L, the fifth (5th) will be elected alternately by MLGW and A&L. Initially, the fifth governor will be elected by MLGW. (See Article 5.3 of the Operating Agreement).

Q. WHAT IS THE SIGNIFICANCE OF THE AGREEMENT DATED NOVEMBER 8, 1999 BETWEEN MLGW AND A&L WHICH WAS FILED IN A SUPPLEMENTAL FILING WITH THE TRA IN THIS DOCKET?

A. This Agreement is what we refer to as the "Umbrella Agreement" which deals with sharing of start up costs incurred prior to the formation of the LLC and costs incurred prior to approval of the application and operating agreement by the

TRA. This Agreement is not an agreement for the provision of "related services" (i.e., telecommunications services) which requires approval pursuant to T.C.A. Section 7-52-103. This Agreement was provided to the TRA for informational purposes only.

Q. HAVE YOU REVIEWED THE PETITION FOR INTERVENTION FILED BY NEXTLINK, TENNESSEE, INC. IN THIS DOCKET?

A. Yes.

Q. IN THE PETITION, NEXTLINK SAID THAT IT IS CONCERNED ABOUT THE USE, IF ANY, BY THE PETITIONER OF FIBER OPTIC LINES PROVIDED BY NEXTLINK TO MLGW UNDER A POLE ATTACHMENT AGREEMENT BETWEEN MLGW AND NEXTLINK. DOES MLGW PLAN TO ALLOW MEMPHIS NETWORX TO USE FIBER OPTIC LINES PROVIDED BY NEXTLINK THAT ARE SUBJECT TO THIS POLE ATTACHMENT AGREEMENT?

A. No. The Pole Attachment Agreement between NEXTLINK and MLGW provides that MLGW may use the fiber optic lines only for MLGW's internal purposes. MLGW has no intention of allowing Memphis Networx to use those lines in violation of that Agreement.

Q. DOES THAT CONCLUDE YOUR TESTIMONY?

A. Yes.

VERIFICATION

I, J. Maxwell Williams, declare under penalty of perjury that I am authorized by Memphis Light Gas & Water Division to testify on its behalf, that I have caused the foregoing written testimony to be prepared on my behalf, that I have read the foregoing testimony and that the statements contained therein are true and correct to the best of my knowledge, information and belief.

____

J. Maxwell Williams
Vice President and General Counsel
Memphis Light Gas Water Division

STATE OF TENNESSEE)
)
COUNTY OF SHELBY)

Sworn to and subscribed before me this ____ day of ____________, 2000.

____

Notary Public
My Commission Expires:____________

BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

IN RE: APPLICATION OF MEMPHIS NETWORX, LLC FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO PROVIDE INTRASTATE TELECOMMUNICATIONS SERVICES AND JOINT PETITION OF MEMPHIS LIGHT GAS AND WATER DIVISION, A DIVISION OF THE CITY OF MEMPHIS, TENNESSEE ("MLGW") AND A&L NETWORKS-TENNESSEE, LLC ("A&L") FOR APPROVAL OF AGREEMENT BETWEEN MLGW AND A&L REGARDING JOINT OWNERSHIP OF MEMPHIS NETWORX, LLC	)	DOCKET NO. 99-00909

PRE-FILED TESTIMONY OF WARD HUDDLESTON, JR.
ON BEHALF OF MEMPHIS NETWORX, LLC

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Ward Huddleston, Jr. My business address is 7555 Appling Center Drive, Memphis, Tennessee 38133-5069.

Q. WHAT IS YOUR CURRENT POSITION AT MEMPHIS NETWORX, LLC?

A. I am the Chief Manager of Memphis Networx, LLC. As Chief Manager, I will be responsible for overall operations of the company.

Q. PLEASE DESCRIBE THE CORPORATE STRUCTURE OF MEMPHIS NETWORX.

A. Memphis Networx is a Tennessee limited liability company. Memphis Networx is board-managed. The two members of Memphis Networx are Memphis Light Gas & Water ("MLGW") and A&L Networks-Tennessee, LLC ("A&L"). MLGW, which was established in 1939 by private act, currently operates a municipal electric system in Shelby County, and also provides municipal gas and water distribution services in the county. A&L is a Kansas limited liability company and a wholly owned subsidiary of Aptus Networks, LLC, formerly known as A&L Networks, LLC, also a Kansas limited liability company. Aptus is in the business of partnering with municipal electric utilities for the provision of next generation network services in the local exchange.

Q. DID A&L NETWORK, LLC CHANGE ITS NAME AFTER THE MEMPHIS NETWORX APPLICATION WAS FILED WITH THE AUTHORITY?

A. Yes. On January 31, 2000, A&L Networks, LLC changed its name to Aptus Networks, LLC.

Q. DID A&L NETWORK -TENNESSEE, LLC ALSO CHANGE ITS NAME?

A. No.

Q. WHAT DOES MEMPHIS NETWORX SEEK THROUGH ITS APPLICATION AND TESTIMONY?

A. Memphis Networx is seeking approval of its application for a certificate of public convenience and necessity to provide intrastate telecommunications services in Tennessee. Memphis Networx is acting pursuant to a new state law which allows MLGW, a municipal electric utility, to jointly establish a telecommunications provider with a private entity, in this case A&L.

Q. WHAT DO MLGW AND A&L SEEK THROUGH THEIR JOINT PETITION?

A. MLGW and A&L are seeking approval of the Operating Agreement of Memphis Networx, which allows joint ownership of a telecommunications provider by MLGW and A&L. Such approval is required by state law.

Q. PLEASE DESCRIBE THE RANGE OF SERVICES THAT MEMPHIS NETWORX PROPOSES TO OFFER IN TENNESSEE.

A. As stated in our application, Memphis Networx will initially be offering services in Shelby County, but will expand those services throughout the state, where authorized under state law. Memphis Networx intends to provide wholesale local exchange telecommunications services to carriers, and retail local exchange telecommunications services to end users. Memphis Networx will also resell intraLATA local exchange and interLATA exchange services in the state.

Examples of the proposed services include digital signaling zero (voice grade and digital grade); dedicated DS1 and DS3; optical carrier (OC) 3 and OC 12; toll free dialing, custom calling features, digital subscriber line (DSL); cable modem services (high speed data and voice services via coaxial cable); centrex services; voice and data over packet based switches; metropolitan area network services; collocation services in the Memphis Networx network operations center; 911 and E911 emergency services; white page directory listings and directory assistance; consumer access to and support for the Tennessee Relay

Center; free blocking for 900, 976 type services; Lifeline and Link-up to qualifying citizens; and educational discounts consistent with TRA policy.

Q. WILL MEMPHIS NETWORX REQUIRE CUSTOMERS TO PURCHASE CPE THAT IS NOT COMPATIBLE WITH THE SYSTEMS OF INCUMBENT LOCAL EXCHANGE CARRIERS ("ILECs")

A. No. Memphis Networx will not require its customers to purchase customer premise equipment ("CPE") which is not compatible with ILEC systems.

Q. IS MEMPHIS NETWORX AUTHORIZED TO PROVIDE TELECOMMUNICATIONS SERVICES OR HAS IT SOUGHT AUTHORIZATION TO PROVIDE SERVICES IN ANY OTHER STATE?

A. No. Memphis Networx has not sought approval to offer telecommunications services in any other state.

Q. HOW WILL MEMPHIS NETWORX MONITOR ITS FACILITIES?

A. Memphis Networx will maintain a toll-free number for repairs/maintenance service twenty-four hours a day, seven days a week. A similar toll-free number will also be established for customer service.

Q. DOES MEMPHIS NETWORX POSSESS SUFFICIENT MANAGERIAL, FINANCIAL AND TECHNICAL ABILITIES TO PROVIDE ITS PROPOSED SERVICES?

A. Yes.

Q. PLEASE DESCRIBE MEMPHIS NETWORX'S MANAGERIAL QUALIFICATIONS.

A. I will serve as the Chief Manager of Memphis Networx. I have over 24 years of professional experience including 16 years working for major telecommunications providers, including Sprint, United Telecommunications, and United Telephone-Southeast, and have also supervised several start-up projects.

In addition, David Ori will serve as Secretary and Chief Financial Officer of Memphis Networx. Mr. Ori has over 20 years financial and operational experience.

Initially, Memphis Networx will also utilize consultants from Arthur D. Little, Inc. ("ADL"), one of the world's premier consulting firms with offices in over 50 locations worldwide. The core team of consultants from ADL that will be assigned to the Memphis Networx project include Joel Halvorson, Jerry Freeman and Barbara LaRue all of whom have extensive telecommunications experience.

Q. PLEASE DESCRIBE MEMPHIS NETWORX'S TECHNICAL QUALIFICATIONS.

Randy McDaniel will serve as the Manager of Engineering for Memphis Networx. Mr. McDaniel has over 27 years of telecommunications technological experience. ADL consultants Roger Hay and Pat White will also be available to provide additional technical assistance. Major telecommunications network equipment vendors such as Nortel, Lucent and Cisco will provide the necessary equipment for implementation of the network. All network equipment installed and operated by Memphis Networx will comply with applicable industry standards in the Bellcore Network Equipment Building Standards (NEBS). Nortel Professional Services Group has been engaged to provide a full-time project manager to Memphis Networx. In addition, Contactica, Inc., a subsidiary of ADL, has also agreed to provide design, engineering and construction assistance. Frank Wye of Contactica serves as the consulting engineer on this project. Mr. Wye's resume was included in the exhibits to the application.

Q. IS MEMPHIS NETWORX FINANCIALLY QUALIFIED TO OFFER ITS PROPOSED SERVICES IN TENNESSEE?

A. Yes. MLGW and A&L, the two members of Memphis Networx, have agreed to provide equity funding as described in Article 9 of the Operating Agreement. The pro formas and capital budget provided to the Authority as confidential exhibits also show the type of equipment to be used and its cost.

Upon approval of this application by the TRA, MLGW will provide initial funding, in the approximate amount of $5.3 million, through an inter-division loan from the Electric Division of MLGW to the Telecommunications Division of MLGW that will make an equity investment of approximately $5.3 million in Memphis Networx. This loan is to be paid over a period of 6 years, at a rate of interest that is not less than the highest rate earned on invested electric system funds. Such loan has already been approved by the Comptroller of the State of Tennessee and the Tennessee Valley Authority.

Also upon TRA approval, A&L will provide initial funding, in the approximate amount of $4.7 million. These funds are being raised for A&L through private offerings by a financial investment firm located in Memphis.

Q. PLEASE DESCRIBE MEMPHIS NETWORX'S SMALL AND MINORITY-OWNED TELECOMMUNICATIONS BUSINESS PARTICIPATION PLAN.

A. Memphis Networx has designated Carlotta Maclin as the Diversity Officer who is in charge of implementing the Plan. As part of her duties, Ms. Maclin will identify and develop lists of small and minority-owned businesses who may be potential suppliers and contractors for Memphis Networx; educate these businesses on the opportunities to work with Memphis Networx; invite and solicit bids from qualified entities; provide advice to the company on small and minority-owned business concerns; establish and maintain records of bid solicitations and awards; and ensure that contracts are paid in a timely manner. In addition, the members of Memphis Networx have agreed to negotiate in good faith to sell a portion of the financial rights in Memphis Networx to one or more minority businesses within 4 years of the approval date of the application by the TRA.

Q. HAS MEMPHIS NETWORX FILED AN INTRALATA TOLL DIALING PARITY PLAN?

A. Yes. This Plan was attached to the original Application filed in November, 1999.

Q. HAS MEMPHIS NETWORX ENTERED INTO AN INTERCONNECTION AGREEMENT WITH BELLSOUTH?

A. No. Memphis Networx intends to negotiate the terms of such an interconnection agreement and will submit it to the Authority for approval upon the receipt of its certificate of convenience and necessity from the TRA.

Q. HAS MEMPHIS NETWORX OBTAINED ANY FRANCHISES FROM LOCAL GOVERNMENTS?

A. Memphis Networx has applied for franchises in Memphis and in Shelby County. When approval is obtained, Memphis Networx will seek approval of the franchises from the TRA. Memphis Networx will seek additional franchises as needed as it expands its services.

Q. WHAT MEASURES HAS MEMPHIS NETWORX TAKEN TO PREVENT CROSS- SUBSIDIZATION FROM MLGW?

A. Memphis Networx is a separate legal entity from MLGW. It will have no common employees with MLGW and all of its transactions with MLGW will be at arms length. For example, if Memphis Networx leases pole attachments from MLGW, Memphis Networx will pay the highest rate that any pole attachment customer of MLGW pays. Also if MLGW purchases telecommunications services from Memphis Networx, it will pay the same rate that similarly situated customers will pay, either through the tariff or special contract. All tariffs and/or special contracts would be subject to approval the Authority. Consequently, we believe we have created the company in such a manner and put into place adequate measures so as to prevent cross-subsidization.

Q. IS APPROVAL OF MEMPHIS NETWORX'S APPLICATION IN THE PUBLIC

INTEREST?

A. Yes. Approval of this application and joint petition will help create greater competition in the intrastate telecommunications market by providing an open access network that can be used by various telecommunications providers and end users. Approval will also meet the specific intent of the General Assembly that recently passed legislation authorizing such projects.

Q. WILL MEMPHIS NETWORX ADHERE TO ALL APPLICABLE POLICIES, RULES AND ORDERS OF THE TENNESSEE REGULATORY AUTHORITY?

A. Yes. Memphis Networx will comply with all policies, rules and orders of the Authority.

Q. PLEASE DESCRIBE HOW MEMPHIS NETWORX WILL KEEP ITS BOOKS.

A. Memphis Networx will keep its books in accordance with Generally Accepted Accounting Principles (GAAP). Ernst & Young, a big five accounting firm with significant telecommunications experience, has been engaged as the external auditor to ensure the financial books and records of Memphis Networx will be kept consistently with the applicable guidelines.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

VERIFICATION

I, Ward Huddleston, Jr. declare under penalty of perjury that I am authorized by Memphis Networx, LLC to testify on its behalf, that I have caused the foregoing written testimony to be prepared on my behalf, that I have read the foregoing testimony and that the statements contained therein are true and correct to the best of my knowledge, information and belief.

____

Ward Huddleston, Jr.
Chief Manager
Memphis Networx, LLC

STATE OF TENNESSEE)
)
COUNTY OF SHELBY)

Sworn to and subscribed before me this ____ day of ____________, 2000.

____

Notary Public
My Commission Expires:____________

RESPONSE TO:

NEXTLINK – Attachment 12

Employee Summary of Qualifications:

Ward Huddleston, CEO Memphis Networx, LLC:

- Extensive professional experience gained over the last 24 years
16 years in telecommunications operations
- Strategic planning
Project management
Marketing experience
Legal and regulatory expertise.
B.S. Degree from East Tennessee State University
Doctor of Jurisprudence Degree from the University of Tennessee
Masters of Science in Business from Bristol University
Leadership Challenge Program offered by United Telecommunications, Inc.,
- Advanced Telecommunications Management Program at the University of Southern California
- Strategy for Finance and Marketing Program offered by Wharton.

David Ori, CFO Memphis Networx, LLC:

- Financial executive
20 years of operational and Telecommunications experience
Start up implementation, initial public offerings and acquisition activities experience
Strong financial team building and leadership qualifications

Functional areas include manufacturing, systems integration, program management, systems deployment, inventory control, purchasing & CFO activities.
Bachelor of Science in Finance from the University of Illinois
MBA from Northwestern University

Randy McDaniel, Director of Engineering, Memphis Networx, LLC

- 28 years telecommunication experience
Experienced in fiber optic splicing, installation and training
Designed fiber optic and copper network for data and voice applications
Experienced in cellular technologies
Coordinated and designed power and telephone facilities for cellular telephone cites
Experienced project manager
Installed and provided maintenance for residence and business telephone systems
Graduated Byars High School

Carlotta Maclin, Director of Operations, Memphis Networx, LLC

- 21 years telecommunication experience
Customer service experience including 15 years management experience
Total quality management, process analysis and problem solving skills
Employee development, training, coaching and team building experience
Experienced in sales, training, and budgeting
Experienced in Utility order entry and billing
Call Center management experience
Bachelor of Science in Business Administration from Columbia College
MBA from Christian Brothers University

Kim Covington Facilities Manger, Memphis Networx, LLC

- Experienced in the coordination of special events and proposals
Experienced in the coordination of travel arrangements
Accounts receivable and payroll experience
Financial Analysis experience
- Bachelor Degree in Marketing from the University of Memphis

Peggy Autry Manager of Network Design, Memphis Networx, LLC

- 36 years Telecommunications experience
10 years Experience in engineering drafting and design
Marketing, cashier, order typist and order writer experience
Graduated from Yorkville High School

Dennis James Construction Manager Memphis Networx, LLC

- 8 years telecommunication construction experience

Trained in specialized in highly classified Communication Equipment
Managed start up implementation in electrical/ fiber optic expansion
Coordinated large manufacturing project and production runs
Analyzed construction projects/developed problem resolutions in high-output production environment
Graduated from Ashland High School

RESPONSE TO:

NEXTLINK – Attachment 16(d) Confidential (filed under seal)

BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

IN RE:	)	
	)	
APPLICATION OF MEMPHIS NETWORX, LLC	)	
FOR A CERTIFICATE OF PUBLIC CONVENIENCE	)	
AND NECESSITY TO PROVIDE INTRASTATE	)	
TELECOMMUNICATION SERVICES AND JOINT	)	
PETITION OF MEMPHIS LIGHT, GAS & WATER	)	DOCKET NO. 99-00909
DIVISION, A DIVISION OF THE CITY OF	)	
MEMPHIS, TENNESSEE ("MLGW") AND A&L	)	
NETWORKS-TENNESSEE, LLC ("A&L") FOR	)	
APPROVAL OF AGREEMENT BETWEEN MLGW	)	
AND A&L REGARDING JOINT OWNERSHIP OF	)	
MEMPHIS NETWORX, LLC	)	

RESPONSES OF MEMPHIS NETWORX, LLC, MLGW AND A&L TO DATA REQUESTS OF THE TENNESSEE CABLE TELECOMMUNICATIONS ASSOCIATION

COME NOW, Applicant, Memphis Networx, LLC ("Memphis Networx"), and the Joint Petitioners, Memphis Light, Gas & Water Division ("MLG&W") and A&L Networks – Tennessee, L.L.C. ("A&L") and respond to the data requests of intervenor, Tennessee Cable Telecommunications Association ("TCTA").

DATA REQUESTS AND REPSONSES

Request No. 1. Please Identify and provide a detailed chart of accounts or any and all related Documents for Memphis Networx, (i.e. controlling and subsidiary accounts) including an identification and description of the type of financial activity recorded to each account as of March 1, 2000.

Response: Attached is an unaudited balance sheet through December 31, 1999. An audited report through December 31, 1999 is in the process of being prepared, and a year to date unaudited balance sheet will be available by March 15th. Chart of accounts is reflected in the balance sheet and Statement of Operations. It is attached as Confidential Appendix 1 filed pursuant to the protective agreement in this docket.

<u>Request No. 2.</u> Please Identify and provide any and all Documents regarding accounting directives, memorandums, and/or policies with respect to the affiliate transactions of MLG&W, and the allocation of revenues, expenses, and investment among its divisions.

<u>Response</u>: MLGW objects to this Request on the grounds that it calls for the production of documents that are irrelevant and not reasonably calculated to lead to the discovery of admissible evidence, that it is overly broad and unduly burdensome, and that it may call for the production of privileged documents. Subject to and without waiver of the foregoing objections, MLGW has attached a copy of its most recent administrative and general expense, rent and transportation studies, and its charge code distribution accounting policy. These documents are attached as Appendix 2.

<u>Request No. 3.</u> If not provided in the Response to Question 2, please Identify and provide Documents showing the bases for the allocation of indirect costs and joint costs among the divisions of MLG&W.

<u>Response</u>: Please see MLGW's response to Request No. 2.

Request No. 4. Please Identify and provide any and all Documents regarding the amount of joint and common costs incurred by MLG&W during FY 1998, FY 1999, and for the first two months of 2000.

Response: MLGW objects to this Request on the grounds that it calls for the production of documents that are irrelevant and not reasonably calculated to lead to the discovery of admissible evidence, that it is overly broad and unduly burdensome, and that it may call for the production of privileged documents. Subject to and without waiver of the foregoing objections and responding only to its Telecommunications Division, MLGW states that the Telecommunications Division was not formed until August of 1999 and that joint and common costs will be allocated, consistent with the methodology contained in the documents submitted in response to Response No. 2, to the Telecommunications Division upon receipt of regulatory approval. Please also see Response No. 14.

Request No. 5. Please Identify and provide any and all Documents showing the dollar amount of joint and common costs allocated to each division of MLG&W during FY 1998, FY 1999, and the first two months of 2000.

Response: Please see MLGW's response to Request No. 4.

Request No. 6. Please Identify and provide any and all Documents showing the balance of all organizational expenses incurred by or on behalf of Memphis Networx through March 1, 2000.

Response: It is attached as Confidential Appendix 6 which is filed pursuant to the protective agreement in this docket.

Request No. 7. Please Identify and provide any and all Documents showing the total payments made to managerial consultants, technical consultants, and legal counsel by or on behalf of Memphis Networx as of March 1, 2000. Identify the account to which these expenditures have been or will be classified.

Response: Memphis Networx, MLGW and A&L object to this Request on the grounds that the request is overly broad. Subject to and without waiver of the foregoing, please see Confidential Appendix 7 which is filed pursuant to the protective agreement in this docket.

Request No. 8. Please provide a complete list of all municipalities with which A&L has entered into business relationships to provide services. Identify and provide any and all proposed or executed contracts.

Response: A&L objects to this Request on the grounds that it calls for the production of documents that are irrelevant and not reasonably calculated to lead to the discovery of admissible evidence, that it is overly broad and unduly burdensome, and that it may call for the production of privileged documents. Subject to and without waiver of the foregoing objections, A&L states that (i) it has entered into a Memorandum of Understanding dated November 22, 1999, with the City of Burlington, Vermont, a Vermont municipal corporation acting through its Burlington Electric District ("BED"), and Aptus Networks, LLC ("Aptus"), a Kansas limited liability company, and (ii) BED and Aptus are in the process of negotiating additional contracts, which have not been finalized or executed. See attached Appendix 8.

Request No. 9. Please Identify the external financial statement auditor retained by MLG&W.

Response: Deloitte Touche, Suite 600, 50 North Front Street, Memphis, Tennessee 38103, is MLGW's external financial statement auditor.

Request No. 10. Please indicate whether Memphis Networx will rely on the billing system and services of MLG&W.

Response: No.

Request No. 11. Please describe and provide a copy of any and all Documents showing any and all restrictions regarding the inclusion of Memphis Networx's advertising and other promotional material in the monthly subscriber bills submitted by divisions of MLG&W.

Response: MLGW's current policies restricting the placement of advertising and promotional inserts in MLGW's monthly bills are attached as Appendix 11.

Request No. 12. Please Identify and provide any and all Documents indicating the terms of the joint use pole agreements entered into between MLG&W and requesting parties which requires payment per pole or per attachment. Please explain whether the rental rate is contingent upon the number of feet of pole space assigned to the requesting party.

Response: MLGW objects to this Request on the grounds that it calls for the production of documents that are irrelevant and not reasonably calculated to lead to the discovery of admissible evidence, that it is overly broad and unduly burdensome, and that it may call for the production of privileged documents. Subject to and without waiver of the foregoing objections, copies of MLGW's two current joint use agreements are attached as Appendix 12. MLGW further objects to the second part of this Request on the grounds that it calls for information that is irrelevant and not likely to lead to the discovery of admissible evidence, since Memphis Networx does not plan to own any utility poles and, therefore, would not be eligible to enter into a joint use agreement with MLGW.

Request No. 13. Please Identify and provide any and all Documents containing the terms of the joint use pole agreement entered into between MLG&W and Memphis Networx.

Response: MLGW has not entered into a joint use agreement with Memphis Networx.

Request No. 14. Identify all MLG&W staff, plant equipment, and all other resources used to date in the electric division that assisted the telecom division. Describe the level of and the extent to which they were involved. Describe the allocation of costs from other divisions to the telecom division.

Response: Please see Response No. 4 with respect to cost allocation to the Telecommunications Division. With respect to staff involvement relating to the Telecommunications Division, MLGW provides the following listing of personnel, a portion of whose time since the formation of the Telecommunications Division will be allocated to the Telecommunications Division following regulatory approval, along with a current estimate of the time that those activities have occupied from August 19, 1999 to date:

- Herman Morris, Jr., President and CEO: Less than 5% of Mr. Morris' time has been devoted to review of the telecommunications project, evaluation and approval to proceed in the formation of Memphis Networx, negotiation of the operating agreement, and serving on the Memphis Networx Board of Governors.

- W.L. Thompson, Senior Vice President, Operations: Less than 5% of Mr. Thompson's time has been devoted to review of the telecommunications project, evaluation and approval to proceed in the formation of Memphis Networx, negotiation of the operating agreement, and representing MLGW's interests in subsequent matters.

- Wade Stinson, Vice President, Construction and Maintenance: Approximately 15% of Mr. Stinson's time has been devoted to review of the telecommunications project, input in decision to proceed in the formation of Memphis Networx, negotiation of the operating agreement, and representing MLGW's interests in subsequent matters.

- Michael Whitten, General Auditor: Approximately 15% of Mr. Whitten's time has been devoted to financial analysis of the telecommunications project, input in decision to proceed in the formation of Memphis Networx, negotiation of the operating agreement, and representing MLGW's interests in subsequent matters.

- John McCullough, Vice President, Finance: Less 5% of Mr. McCullough's time has been devoted to financial analysis of the telecommunications project, input in decision to proceed in the formation of Memphis Networx, negotiation of the operating agreement, and serving on the Memphis Networx Board of Governors.

- J. Maxwell Williams, General Counsel: Approximately 15% of Mr. Williams' time has been devoted to legal aspects associated with the analysis of the telecommunications project, negotiation of the operating agreement and related issues, formation of Memphis Networx, seeking regulatory approvals, and related legal matters and to serving on the Memphis Networx Board of Governors.

- Charlotte Knight Griffin, Attorney Level IV, Litigation Coordinator: Approximately 15% of Ms. Knight Griffin's time has been devoted to legal aspects associated with the analysis of the telecommunications project, negotiation of the operating agreement and related issues, formation of Memphis Networx, seeking regulatory approvals, and related legal matters.

- Sheryl Radicioni, Executive Secretary: Approximately 5% of Ms. Radicioni's time has been devoted to administrative support for the Memphis Networx project.

MLGW further states that three other employees, Ronnie Sappington, Michael Kissell, and Gene Crawford have been involved primarily with Electric Division issues related to coordination of third party use of MLGW infrastructure. Any of their work for the benefit of the Telecommunications Division or Memphis Networx has been minimal.

With respect to MLGW's out of pocket expenses for the telecommunications project, please see the itemized expense listing attached as Exhibit C to Supplemental Exhibit M to the Application of Memphis Networx, LLC, filed in this docket, which includes expenses incurred prior to the formation of the MLGW Telecommunications Division in August of 1999 and therefore did not "[assist] the telecom division." MLGW has attached as Appendix 14 a listing of out of pocket expenses incurred since that time.

Request No. 15. Please indicate whether Memphis Networx has executed or intends to execute an agreement with MLG&W to secure space in MLG&W's underground facilities. Identify any compensation being paid for the use of space in the rights of way. Please provide a copy of any proposed or executed agreement.

Response: No such agreement has been entered into by Memphis Networx and MLGW or proposed at this time. No rights of way are being used. If the parties ever enter into an agreement, then it would be based on the same terms and conditions as comparable agreements regarding third party access.

<u>Request No. 16.</u> Please Identify any and all former employees of MLG&W and A&L Networks that are current employees of Memphis Networx. Please provide the name, address and job title for each employee.

<u>Response</u>: Memphis Networx, MLGW and A&L object to this Request on the grounds that the Request is irrelevant and not reasonably calculated to lead to the discovery of admissible evidence. Subject to and without waiver of the foregoing objection, Dennis James, construction manager, worked for MLGW over twenty years ago. His work address is 7555 Appling Center Drive, Memphis, Tennessee.

<u>Request No. 17.</u> Please describe in detail the hiring procedures for current and future Memphis Networx's employees, contractors and any other person promoting the entity's interests.

<u>Response</u>: Memphis Networx, MLGW and A&L object to this Request on the grounds that the Request is irrelevant and not reasonably calculated to lead to the discovery of admissible evidence. Subject to and without waiver of the foregoing objection, attached as Appendix 17 is the hiring procedures document developed by Ward Huddleston, CEO of Memphis Networx. Committees will consist of Memphis Networx employees only.

<u>Request No. 18.</u> Please Identify the location or proposed location of the Memphis Networx operations' center.

<u>Response</u>: There is no operations center at this time. The proposed location is at the current business office of Memphis Networx identified in the Application and Joint Petition as:

7555 Appling Center Drive
Memphis, Tennessee 38133-5069

<u>Request No. 19.</u> Please Identify the facilities, including general support assets, that will be shared or jointly used between Memphis Networx and the divisions of MLG&W.

<u>Response</u>: There are no plans to share or jointly use facilities including general support assets. Memphis Networx may enter into agreements to utilize MLGW facilities and any agreements would be at arm's length just as with any other providers.

<u>Request No. 20.</u> Please indicate whether "Gross Asset Value" (as the term is defined in the proposed Operating Agreement) contributed by A&L Networks or MLG&W is different from the gross fair market value of the asset. If a difference exists, please provide an explanation for all differences.

<u>Response</u>: Not applicable, since all of the contributions by A&L Networks-Tennessee, LLC and MLGW to Memphis Networx, LLC have been in cash.

Request No. 21. Please Identify and provide any and all Documents pertaining to any and all loan applications which have been approved by the Comptroller of the State of Tennessee and the Tennessee Valley Authority that are in any way related to the application subject to this proceeding.

Response: MLGW objects to this Request on the grounds that it calls for the production of documents that are irrelevant and not reasonably calculated to lead to the discovery of admissible evidence, that it is overly broad and unduly burdensome, and that it may call for the production of privileged documents. Subject to and without waiver of the foregoing objections, MLGW has attached as Appendix 21 copies of all correspondence between MLGW and the State Director of Local Finance and between MLGW and TVA, relating to the inter-division loan between MLGW's Electric Division and the Telecommunications Division of the Electric Division.

Request No. 22. Identify any and all business entities in which MLG&W holds an interest as of March 1, 2000. Describe the nature of the business, MLG&W's percentage ownership or interests in the entity, and the entity's business structure.

Response: To the extent that this Request calls for information relating to the MGLW retirement system or the MLGW Post Retirement Medical Benefit Fund, MLGW objects on the grounds that this Request calls for information that is irrelevant and not reasonably calculated to lead to the discovery of admissible evidence. Subject to and without waiver of the foregoing objection, MLGW states that Memphis Networx is the only separate business entity that is responsive to this Request and that its ownership and business structure is as set forth in the Exhibits to the Application of Memphis Networx, LLC filed in this docket.

Request No. 23. List all pursuits in which MLG&W is currently engaged to increase its non-traditional revenue, i.e. income generated from sources other than the delivery of electric, gas and water services.

Response: MLGW objects to this Request on the grounds that the Request is vague and unclear, because the terms "pursuits" and "non-traditional revenue" are not defined and because the example given for "non-traditional revenue" may not accurately describe MLGW's current or historic operations. Subject to and without waiver of the foregoing, MLGW interprets this Request to require MLGW to identify any additional current lines of business of MLGW that are not related to its electric, gas or water operations, and MLGW directs TCTA to MLGW's response to Request No. 22.

Request No. 24. List the MLG&W construction projects started within the past five (5) years, requiring the deployment of telecommunications facilities on behalf of the electric, gas, and water divisions. Indicate whether Memphis Networx will lease or have access to any of these facilities, including the terms of the arrangement.

Response: Attached as Appendix 24 is a list of MLGW's capital expenditures for its telecommunications equipment and facilities from 1995-99. MLGW states that there is no agreement for Memphis Networx to lease or have access to any of this equipment or facilities. If MLGW and Memphis Networx enter into a future agreement, then it would be consistent with all legal and regulatory requirements.

Request No. 25. Indicate whether the operations of Memphis Networx will be self-insured under MLG&W's current program.

Response: No.

Request No. 26. Please Identify and provide any and all Documents describing the process used to acquire the necessary managerial and technical expertise, including, without limitation, the release of a Request for Proposal to targeted entities or individuals; the number of Responses; the evaluation of candidates; and the ultimate selection of consultants, employees, and network equipment vendors.

Response: The response to Request No. 17 is responsive to this request. Memphis Networx retained ADL because that firm was familiar with the project and had substantial expertise in the area.

Request No. 27. Please Identify with particularity any and all charter provisions, ordinances, resolutions, rules or regulations which authorize MLG&W to enter into the proposed business relationship with A&L Networks to organize Memphis Networx and/or provide the telecommunications services described in the Application subject to this proceeding.

Response: MLGW objects to this Request on the grounds that it seeks the mental impressions, conclusions, opinions or legal theories of counsel or other representatives concerning this regulatory proceeding or seeks information that is otherwise privileged, and that the Request calls for a legal conclusion. Subject to and without waiver of the foregoing objections, MLGW states that it principally relies upon Chapter 381 of the Private Acts of 1939, as amended, and codified as Article 65 of the Charter and Related Laws of the City of Memphis, certain Resolutions of the MLGW Board of Commissioners dated March 4, 1999, August 19, 1999, and October 21, 1999, and the provisions of Title 7, Chapter 52 of Tennessee Code Annotated.

Request No. 28. Please provide a detailed description of the network facilities that Memphis Networx has constructed or will be constructing, or has or will be constructed for its use, for the purpose of providing the telecommunications services described in the Application subject to this proceeding. Include in your answer: (a) the location of the network facilities; (b) the name and address of the contractor; (c) the date the construction was completed and/or the scheduled date of completion; and (d) an itemization of the construction costs.

Response: No facilities have been constructed. No construction has taken place. A Notice to Contractors of a pre-bid meeting has been released and is attached as Appendix 28.

Request No. 29. Please describe the relationship between the MLG&W Division and the City of Memphis. Include in your answer: (a) an identification of all enabling legislation enacted which is or was applicable to the creation, organization and operation of MLG&W; (b) a description of the organizational structure or an organizational chart of MLG&W; and (c) identification of the owner(s) of MLG&W.

Response: MLGW objects to this Request on the grounds that it seeks in part the mental impressions, conclusions, opinions or legal theories of counsel or other representatives concerning this regulatory proceeding or seeks information that is otherwise privileged, and that the Request calls in part for a legal conclusion. MLGW further objects to part (a) of this Request on the grounds that it is overly broad, vague and unduly burdensome, in that numerous provisions of numerous Titles of the Tennessee Code alone apply to the operation of MLGW, and that the Request seeks information that is irrelevant and not likely to lead to the discovery of admissible evidence. Subject to and without waiver of the foregoing objections, and in response to the various parts as follows: (a) Chapter 381 of the Private Acts of 1939, as amended, and codified as Article 65 of the Charter and Related Laws of the City of Memphis is the enabling legislation of MLGW, assuming that the term "enabling legislation" means the legislation that originally created or "enabled" MLGW and provided for its organization and operation, since the term "enabling legislation" is not defined in this Request; MLGW has not identified in this Response the numerous other statutes or other legal authorizations that could "enable" some aspect of MLGW's operations; (b) An organizational chart of MLGW is attached as Appendix 29; (c) MLGW does not have "owners" in the traditional sense and refers TCTA to the enabling legislation referred to in subpart (a) for this legal issue.

Request No. 30. Identify and Provide any and all correspondence, memoranda, notes, contracts, or other related Documents pertaining to the entity, East 46th Street Partners. Describe the relationship between East 46th Street Partners and Memphis Networx, A&L, and/or MLG&W. Describe any existing or proposed transactions, deals, ventures, or other related revenue-generating plans with East 46th Street Partners, and Identify any agent, affiliate, employee, person, or other party that may have knowledge relating to that relationship.

Response: MLGW, A&L and Memphis Networx object to this Request on the grounds that it calls for the production of documents that are irrelevant and not reasonably calculated to lead to the discovery of admissible evidence, that it is overly broad and unduly burdensome, and that it may call for the production of privileged documents. Subject to and without waiver of the foregoing objections, MLGW directs TCTA to the documents produced in December of 1999 to John Farris in response to his public records request, which apparently have been furnished to TCTA. When used elsewhere in these Responses, the term "December Public Records Response," refers to this Response. For its response regarding MLGW's relationship with East 46th Street, MLGW states that East 46th Street was an unsuccessful bidder for participation in MLGW's telecommunications project and that MLGW has no continuing relationship with East 46th Street for telecommunications projects. Subject to and without waiver of the foregoing objections, A&L states that it has no relationship with, and no documents pertaining to, East 46th Street Partners. Subject to and without waiver of the foregoing objections, Memphis Networx states that it has no documents pertaining to, and no relationship with, East 46th Street Partners.

Request No. 31. Identify the actual rate of interest charged to the telecommunication division of MLG&W pursuant to the twenty million dollar ($20,000,000.00) Revolving Line of Credit Note, and include the resource data and related Documents used to calculate that rate of interest. (See document identified as Attachment "A.")

Response: In accordance with the approval of the State Director of Local Finance, the inter-division loan of MLGW is subject to the Authority's approval of the Application of Memphis Networx. Therefore, the inter-division loan has not yet been funded and no actual rate of interest has been charged.

Request No. 32. Describe any collateral or any other security received by MLG&W from Memphis Networx or A&L with respect to the twenty million dollar ($20,000,000.00) revolving line of credit.

Response: None. The inter-division loan is between MLGW's Electric Division and its Telecommunications Division, and MLGW's Telecommunications Division will receive a membership interest in Memphis Networx in exchange for its subsequent capital contribution. Neither Memphis Networx nor A&L receive any funds under the inter-division loan, and therefore neither Memphis Networx nor A&L pledge any collateral or other security for the inter-division loan.

Request No. 33. Identify and Provide any and all pre-1999 correspondence, memoranda, notes, contracts, or any other related Documents pertaining to the Author D. Little, Inc. written by A&L and/or MLG&W.

Response: MLGW and A&L object to this Request on the grounds that the Request is vague and unclear and may call for the production of privileged documents. Subject to and without waiver of the foregoing, please see the December Public Records Response. Subject to and without waiving the foregoing objections, A&L has attached correspondence dated prior to January 1, 1999, involving A&L and Arthur D. Little, Inc. It is attached as Confidential Appendix 33.

Request No. 34. Describe the relationship between Arthur D. Little, Inc. and A&L, and/or MLG&W, prior to 1999.

Response: MLGW and A&L object to this Request on the grounds that this Request calls for information that is irrelevant and not reasonably calculated to lead to the discovery of admissible evidence, that it is overly broad and unduly burdensome, and that it may call for the production of privileged documents. Subject to and without wavier of the foregoing, for its response, MLGW states that it had become acquainted with certain Arthur D. Little consultants prior to 1999 in their capacity as telecommunications consultants to A&L, but that it had not engaged Arthur D. Little prior to 1999 in any capacity. Subject to and without waiver of the foregoing objections, A&L states that prior to 1999, Arthur D. Little, Inc. provided consulting services to A&L.

Request No. 35. Describe in detail the business case developed by Memphis Networx and its strategic partner, MLG&W, finding that market conditions supported Memphis Networx's entry into the telecommunication services industry. Include any and all assumptions, data analysis, and any other related Documents.

Response No. 35. MLGW objects to the characterization of MLGW as the "strategic partner" of Memphis Networx on the basis that this description does not properly describe the legal relationship between MLGW and Memphis Networx.

Memphis Networx objects to the provision of its detailed business case that market conditions support entry into the telecommunications industry in that the information sought is beyond the scope of information typically required by the TRA for approval of CLEC applications and is unreasonable, cumulative and duplicative of the information previously filed in this docket in support of the application. In addition, Memphis Networx objects to this Request on the grounds that this Request calls for information that is irrelevant and not reasonably calculated to lead to the discovery of admissible evidence and may call for the production of privileged documents. Subject to and without waiver of the foregoing, please see the December Public Records Response.

Request No. 36. In an August 23, 1999 e-mail that Alex Lowe of A&L Underground sent to personnel at MLG&W, Mr. Lowe advised that A&L and MLG&W should inventory their Documents to "prevent disclosure of sensitive information if they get aggressive." Mr. Lowe advised, moreover, that once this information is identified and listed, it should "be moved to A&L (or Mnet? Ask Rickie or Max) to keep it out of the line of fire." Identify and produce both the list to which Mr. Lowe refers, as well all the "sensitive documents." Furthermore, Identify the people who received this communication, the people specifically named in the e-mail, and any other person who had knowledge of the e-mail's existence. (See document identified as Attachment "B.")

Response: MLGW and A&L object to this Request on the grounds that this Request calls for information that is irrelevant and not reasonably calculated to lead to the discovery of admissible evidence and that this Request is overly broad and unduly burdensome to the extent that it requires MLGW and A&L to ascertain each and every person "who had knowledge of the e-mail's existence." Subject to and without waiver of the foregoing objections, for its response, MLGW states that to its knowledge no such list was ever created; MLGW notes that the term "sensitive documents" does not appear in the e-mail, dated August 23, 1999, from Mr. Lowe, but avers that no documents containing the "sensitive information" referred to in Mr. Lowe's e-mail were identified and moved from MLGW. MLGW and A&L state that the addressees on the e-mail from Alex Lowe (A&L) are Wade Stinson (MLGW), Ed Powell (A&L), Ward Huddleston, Joel Halvorson (Arthur D. Little), Jerry Freeman (Arthur D. Little), Erik Wetmore (Arthur D. Little), Mike Whitten (MLGW), Mark Heuberger (MLGW), and Larry Thompson (MLGW). MLGW and A&L further state that the references to "Jerry", "Eric", "Rickie" and "Max" presumably relate to Jerry Freeman, Erik Wetmore, Ricky Wilkins (counsel for A&L) and Max Williams (General Counsel for MLGW), and MLGW states that neither Mr. Williams nor MLGW's other legal counsel were aware of this e-mail until their review of documents in responding to the December Public Records Response. A&L states that Mr. Wilkins was not aware of this e-mail until this data request was made.

Subject to and without waiver of the foregoing objections, A&L does not know of a list of sensitive documents, or of any documents which were moved from MLGW to A&L or Memphis Networx to "prevent disclosure of sensitive information."

It should be noted that the e-mail in question was given to John Farris (attorney with the law firm of Farris, Mathews, Branan, Bobango & Hellen, counsel for TCTA and Time Warner in this proceeding) by MLGW in response to the December Public Records Response.

Request No. 37. Identify and describe any provisions, plans, or alternative measures that will be utilized or implemented regarding the infrastructure presently in place or other improvements already made in the event that the TRA does not approve Memphis Networx's Application for CCN.

Response:

There is no infrastructure in place.

Request No. 38. Describe Aptus and its relationship to A&L. Identify and list Aptus' board of directors (or the people who manage the business and its affairs, if not organized as a traditional corporation).

Response:

Aptus is a Kansas limited liability company which is the sole member of A&L Networks – Tennessee. George A. Lowe, II is the sole manager of Aptus.

Request No. 39. Identify and provide a list of A&L shareholders (or comparable investors if not organized as a traditional corporation), including, but not limited to A&L Construction, A&L Underground, and A&L-Tennessee, L.L.C.

Response:

A&L objects to this Request on the grounds that it calls for the production of documents that are irrelevant and not reasonably calculated to lead to the discovery of admissible evidence, that it its overly broad and unduly burdensome, and that it may call for the production of privileged documents. Subject to and without waiver of the foregoing objection, A&L states:

(i) Aptus is the sole member of A&L Networks – Tennessee. The Lowe Children Family Limited Partnership, a Kansas limited partnership , is the sole member of Aptus. Lowe Holdings, LLC, a Kansas limited liability company, is the sole general partner of, and owns a 1% interest in the profits and losses of, the Lowe Children Family Limited Partnership, and an irrevocable trust created by George A. Lowe, II for the benefit of his children (the "1988 Irrevocable Children's Trust") is the sole limited partner of, and owns a 99% interest in the profits and losses of, the Lowe Children Family Limited Partnership. George A Lowe, II is the sole manager of Lowe Holding, LLC.

(ii) A&L Underground, Inc. has issued and outstanding 50 shares of Class A Voting Stock, owned by the 1996 revocable trust created by George A. Lowe, II, and 450 shares of Class B Non-Voting Stock, owned by Lowe Drilling, L.P., a Kansas limited partnership. George A. Lowe, II owns a .9% general partnership interest and an 83% limited partnership interest in Lowe Drilling, L.P.; Dan Lowe owns a .1% general partnership interest in Lowe Drilling, L.P.; and the 1988 Irrevocable Children's Trust owns a 16% limited partnership interest in Lowe Drilling, L.P.

(iii) The A&L entities do not include an entity called A&L Construction.

Request No. 40. Identify and provide a list of A&L's board of directors (or the people who manage the business and its affairs, if not organized as a traditional corporation) including, but not limited to A&L Construction, A&L Underground, and A&L-Tennessee, L.L.C.

Response:

See response to Request Number 39.

Request No. 41. Provide A&L Underground's audited and unaudited 1998 financial records.

Response:

A&L objects to this Request on the grounds that it calls for the production of documents that are irrelevant and not reasonably calculated to lead to the discovery of admissible evidence, that it is overly broad and unduly burdensome, and that it may call for the production of privileged documents. Subject to and without waiver of the foregoing objection, A&L has attached its audited financial statements prepared as of and for the twelve months ended October 31, 1998, as Confidential Appendix 41 pursuant to the protective agreement in the docket.

Request No. 42. Provide A&L Networks-Tennessee, L.L.C.'s operating agreement.

Response:

See attached Confidential Appendix 42.

Request No. 43. Identify, describe and document any loan commitments from third parties to MLG&W, A&L, or Memphis Networx. Identify the lender and the terms. If applicable, please provide a copy of the Document.

Response: MLGW, A&L and Memphis Networx have not received any loan commitments from third parties for the Memphis Networx project.

Request No. 44. Identify the percentage of long-term debt projected to be outstanding in Year 4 according to the Memphis Networx Pro Forma Balance Sheet (Exhibit H) that will be in the form of a loan from MLG&W and the percentage that will be guaranteed by MLG&W. Please provide the percentage of Year 4 long-term debt that will be secured from parties other than stakeholders in the Memphis Networx LLC.

Response: For its response, MLGW states that it has no plans to make any loan to Memphis Networx nor to guarantee any third party loan to Memphis Networx. In addition, see response of Memphis Networx in Confidential Appendix 44.

Request No. 45. Provide a percentage breakdown of the Year 1 start-up costs projected to be incurred by Memphis Networx according to the Pro Forma financial statements (Exhibit H) by major category of expenditure (e.g. managerial consultants, technical consultants, etc.)

Response:

See Confidential Response in Appendix 45 filed pursuant to the protective agreement in this docket.

Request No. 46. Identify, describe and provide any and all Documents Memphis Networx, A&L, and/or MLG&W may have prepared indicating the economic viability of the Memphis Networx venture.

Response: MLGW, A&L and Memphis Networx object to this Request on the grounds that it is overly broad and unduly burdensome, that it is vague and unclear in that the term "economic viability" is not defined, and that it may call for the production of privileged documents. Subject to and without waiver of the foregoing, MGLW states please see the December Public Records Response. Subject to and without waiver of the foregoing, A&L and Memphis Networx state that they have not prepared, and have relied upon consultants for the preparation of, economic analyses.

Request No. 47. Identify, describe and provide any and all Documents Memphis Networx, A&L, and/or MLG&W may have prepared showing the circumstances under which MLG&W, A&L, and/or Memphis Networx would lose money, or that the venture was not an economically viable or feasible arrangement.

Response: MLGW, A&L and Memphis Networx object to this Request on the grounds that it is overly broad and unduly burdensome, that it is vague and unclear in that the terms "lose money" and "economically viable" and "feasible" are not defined, and that it may call for the production of privileged documents. Subject to and without waiver of the foregoing, MLGW states please see the December Public Records Response. Subject to and without waiver of the foregoing, A&L and Memphis Networx state that they have not prepared, and have relied upon consultants for the preparation of, economic analyses.

Request No. 48. Provide the date, amount, and purpose of any investment, cash or otherwise, by A&L for Memphis Networx.

Response:

Pursuant to Section 9.1(a) of the Operating Agreement dated November 8, 1999, entered into between MLGW and A&L Networks – Tennessee, A&L made an initial capital contribution to Memphis Networx of $467. In addition, A&L has incurred certain Prior Costs, Subsequent Costs and Interim Contributions as contemplated by that certain Agreement dated November 8, 1999, between MLGW and A&L Networks – Tennessee (the "Umbrella Agreement"). Within 75 days after the Tennessee Regulatory Authority issues a final order granting in all material respects the relief requested in the Application and Joint Petition, A&L Networks – Tennessee is obligated to contribute $4,666,200 to Memphis Networx, less A&L Networks – Tennessee's Prior Costs, Subsequent Costs and Interim Contributions.

See attached confidential Appendix 48.

Request No. 49. Identify and produce any contract or related arrangement with a minority-owned, minority-involved or small business entity wherein said entity will provide services or goods to Memphis Networx.

Response:

Memphis Networx objects to this Request on the grounds that it is irrelevant and not reasonably calculated to lead to the discovery of admissible evidence. Subject to and without waiver of the foregoing objection, Memphis Networx states that it has contracted and engaged minority-owned businesses to provide goods and services.

See Confidential Response in Appendix 49 filed pursuant to the protective agreement in this docket.

Request No. 50. Provide a chart describing the ethnic and/or gender diversity of A&L's workforce.

Response:

A&L objects to this Request on the grounds that it is irrelevant and not reasonably calculated to lead to the discovery of admissible evidence. Subject to and without waiver of the foregoing objection, A&L states that currently, A&L has only seven employees, four men, and three women.

Request No. 51. Identify and describe any current or potential minority-owned investor in Memphis Networx.

Response:

None have been identified.

Request No. 52. Identify and provide any and all Documents relating to MLG&W's, Memphis Networx's, or A&L's relationship with Entergy.

Response: MLGW, A&L and Memphis Networx object to this Request on the grounds that it calls for the production of documents that are irrelevant and not reasonably calculated to lead to the discovery of admissible evidence, that it is overly broad and unduly burdensome, and that it may call for the production of privileged documents. Subject to and without waiver of the foregoing objections, MLGW has no formal relationship with any of the Entergy companies, but MLGW interprets this Request to refer to discussions between MLGW and Entergy Technology Company that were mentioned in certain documents furnished in the December Public Records Response; MLGW's most recent discussion draft Indefeasible Right of Use Agreement between MLGW and Entergy Technology Company is attached as Appendix 52.

A&L and Memphis Networx have no relationship with Entergy.

Request No. 53. Describe any monetary advances made against any inter-divisional loan made to date from the MLG&W's electric division to the telecom division.

Response: Please see MLGW's response to Request No. 31.

Request No. 54. Describe the changes, if any, to the business plan and equity investments described in the November 19, 1999 letter to John McCullough from David Bowling, the Acting Director for the Comptroller of the Treasury. Please provide copies of both the original and revised plans. (See document identified as Attachment "C.")

Response: Please see MLGW's response to Request No. 21. A comparison of these documents will identify any changes made to the Memphis Networx business plan.

Request No. 55. Describe any other public utility that has proposed to enter into, has declined to enter into, or has actually entered into the telecommunications industry, either directly or indirectly, within the past five (5) years that MLG&W either reviewed and/or relied upon during its decision to provide the proposed services.

Response: MLGW objects to this Request on the grounds that it calls for information that is irrelevant and not reasonably calculated to lead to the discovery of admissible evidence, that it is overly broad and unduly burdensome, and that the Request inaccurately describes MLGW as a "public utility" in the legal sense of that word. Subject to and without waiver of the foregoing, MLGW states that it primarily considered the Chattanooga Electric Power Board, along with the expertise of Arthur D. Little. MLGW further states that several members of its management team attended utility conferences where the topic of telecommunications was addressed and the experiences of several utilities were presented.

Request No. 56. List all the cities and describe projects where A&L is currently operating a similar telecommunications service network.

Response:

A&L objects to this Request on the grounds that it calls for the production of documents that are irrelevant and not reasonably calculated to lead to the discovery of admissible evidence, that it is overly broad and unduly burdensome, and that it may call for the production of privileged documents. Subject to and without waiver of the foregoing objections, A&L states that it is not currently operating a similar telecommunications service network.

Request No. 57. Provide the Income Statement for A&L-Tennessee, LLC.

Response:

To date, A&L Networks – Tennessee has not prepared an income statement, because it has not had any income, and most of its expenditures have been capitalized.

Request No. 58. With the exception of differences incidental to the types of services it provides, is MLG&W organized or managed any differently than any other department or division of the government of the City of Memphis? If so, please specifically describe any and all differences.

Response: MLGW objects to this Request on the following grounds: (1) that it is irrelevant and not likely to lead to the discovery of admissible evidence because MLGW is organized and managed separately and apart from the City of Memphis general government; (2) that it seeks in part the mental impressions, conclusions, opinions or legal theories of counsel or other representatives concerning this litigation or seeks information that is otherwise privileged, and that the Request calls in part for a legal conclusion; (3) that it is overly broad and unduly burdensome to the extent that it requires MLGW to identify each and every difference between the organization or management of MLGW and the organization and management of the departments or divisions of the City of Memphis general government, since MLGW has insufficient knowledge regarding the internal organization and management of said departments or divisions of the City of Memphis general government.

CERTIFICATE OF SERVICE

I, D. Billye Sanders, hereby certify that on this 9 day of March, 2000, a true and correct copy of the foregoing was delivered by hand delivery, facsimile or U.S. Mail postage pre-paid to the Counsel of Record listed below.

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Attorney for A&L Networx – Tennessee, LLC and Memphis Networx

RESPONSE TO:

TCTA – Appendix 1 Confidential (filed under seal)

RESPONSE TO:

TCTA – Appendix 2

ADMINISTRATIVE AND GENERAL EXPENSES TO BE CAPITALIZED IN 1992

1992 Administrative and General Expenses to be Capitalized: **$4,146,356**

	ELECTRIC	GAS	WATER	TOTAL
Constr. Work In Progress 12/31/91	$30,011,493	$15,813,360	$9,059,333	$54,884,186
Less Contract Work In Progress	8,946,937	2,416,336	1,242,156	12,605,429
Construction WIP Less Contr. WIP 12/31/91	$21,064,556	$13,397,024	$7,817,177	$42,278,757
1992 Proposed Budget	$48,278,000	$37,515,000	$20,989,000	$106,782,000
Less Contract Work	13,697,668	2,671,548	3,635,223	20,004,439
Proposed Budget Excl. Cont. Work	$34,580,332	$34,843,452	$17,353,777	$86,777,561
Less 10% Adjustment for Items Incl. In Budget on which expenditures may not occur, such as Cont'g. Fund	$3,458,033	$3,484,345	$1,735,378	$8,677,756
Estimated 1992 Capital Expenditures	$31,122,299	$31,459,107	$15,618,399	$78,199,805
Constr. WIP Less Contract WIP 12/31/91	$21,064,556	$13,397,024	$7,817,177	$42,278,757
Estimated 1992 Capital Expenditures	31,122,299	31,459,107	15,618,399	78,199,805
	$52,186,855	$44,856,131	$23,435,576	$120,478,562

$$\frac{\$4,146,356}{\$120,478,562} = 3.4$$

Administrative & General Exp. Allocation.

Projected Figures For 1992

Sch No		
A.	Salaries, Transportation, Office Supplies & Other Expense	2635813
B	Rent & Maint of Gen Plant	730174
B	Pension Benefit	207786
B	Insurance Benefit	572583
		4146356

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A & G Allocation Study for
Salaries, Transp, & Other Expenses

	Area or Dept	Actual for 1991	Basis for Allocation		Amount Applicable to Construction	Per-Cent
	010000 Tnsd	330417	2	✓	30068	9.1
	010300 – Dept. Aud	991924	2	✓	90265	9.1
420000	020000 V.P. H.R.	115462	3	✓	24247	21.0
470005	020100 Personnel	1067442	3	✓	224163	21.0
420200	020200 Trg.	127534	3	✓	26782	21.0
210	020220 Safety Svcs.	967719	3	✓	203221	21.0
220	020240 Prog. Dev.	388115	3	✓	81504	21.0
230	020250 Mgmt. Dev.	335633	3	✓	70483	21.0
240	020260 Org. Dev.	378250	3	✓	79433	21.0
250	020270 Coop. Ins. Prog.	114214	3	✓	23985	21.0
704002	020600 Gen. Svcs.	368914	3	✓	77472	21.0
4103	020610 Sec. Svcs	1375738	3	✓	288905	21.0
4704	020620 Rev. Prot.	449293	3	✓	94352	21.0
5300005	030000 V.P./Sec. Treas.	200733	2	—	18267	9.1
530108 / 530114	030100 Gen. Acct.	95568	2	✓	8697	9.1
	030110 Payroll	162469	3	✓	34118	21.0
530128	030120 Mgmt. Acct.	885309	2	✓	80563	9.1
400508	030300 Ins. Mgr. Off.	90056	3	✓	18912	21.0
420570	030310 Ins.	443759	3	✓	93189	21.0
420580	030330 Pension	133314	3	✓	27996	21.0
	500000 Sr. V.P.	230672	2	✓	20991	9.1
140 / 150 / 170 / 1725	~~500100~~	325629	2	—	29632	9.1
	500130 FIS.	641862	2	✓	58409	9.1
400200	500300 L. R. Committee	226835	2	✓	20642	9.1
410300	500400 Dept (MIS)	7550070	2	✓	687056	9.1
	510000 VP Fin. Div.	373472	1	✓	162834	43.6
	520000 V.P. Oper.	362596	1	✓	44962	12.4
	550000 V.P. Constr.	161151	2		14665	9.1
	410000			✓	2635813	
	400000 Sr. V.P.			✓		
	470120 Empl. & Placement			✓		
	470130 Selection & Placement			✓		
	470140 Compensation Admin.			✓		

BASIS FOR ALLOCATION:
A&G ALLOCATION STUDY:
PER-CENTS 1991

(1) ALLOCATED on the BASIS OF CONSTRUCTION PAYROLL TO TOTAL PAYROLL FOR EMPLOYEES SUPERVISED
(2) " " " " " EXPENDITURES TO TOTAL EXPENDITURES.
(3) " " " " " PAYROLL TO PAYROLL

	O&M	CAPITAL	PER-CENT
(1) DIVISION 510000	4406521	3401777	43.6
		7808298	
" 520000	10893329	1537854	12.4
		12431183	
(2) CONSTRUCTION EXPENDITURES (FINAL BUDGET 1991)	822,159,000	82,064,000	9.1 %
		904,223,000	
(3) PAYROLL (1991) BUDGET (DID NOT INCLUDE A&G COST)	69158052	18420453	21.0 %
		87578505	

A&G Allocation Study - Rental

		1991 Actual Labor O&M	Capital	% Applicable To Constr.	From Property Acct. Total Rent For 1986	Amount Applicable To Constru
Admin Bldg.					1875858	
Area	010000	159084				
Dept.	010300	534588				
Dept.	010400	945630				
Area	020000	96292				
Area	020100	833583				
Area	020300	185737				
Area	020630	176907				
Div.	030000	2642791	138658			
Area	040000	92571				
Area	040020	46955				
Area	040030					
Area	040040	61972				
Div.	050000	57833				
Area	500000	79682				
Dept.	500100	513105				
Area	520300	194014				
Dept.	500400	3160470	11776			
Area	500500	90500				
Area	500510	131179				
Area	500520	435228	5039			
Div	510000	4406521	3401777			
Area	520000	95612				
Area	540000	89462				
Area	540100	79813				
~~Area~~	~~540110~~ (Partial)					
Area	540120	825649				
Dept.	540300	1451922				
Area	540400	148434				
Area	540410	1099410				
Area	540470	2644022				
Area	550000	100508				
		21379274	3557250	14.3 %		268248

National 45-605 Eye-Ease Made in USA

		1	2	3	4	5
		1996 Actual LABOR			* From Property Acc. Total Rent for 1986	Amount Applicable To Construct
		O&M	CAPITAL	% Applicable To Construction		
Electric Oper. Bldg					206547	
Dept.	520100.	3940976	1039668			
Dept	520600	1563462	63			
		5504438	1039731	15.9		32841
Brunswick Svc. Ctr					87412	
Dept	551000.	2133826	2168572			
Area	540460	1249007				
Area	550680	177687				
		3560520	2168572	37.9		33129
Central Shops					318582	
Dept	550100	2752910	1122807			
	(Excluding 550120)			29.0		92389
Heavy Eq. Blg					31781	
Area	550120.	974894	125724			
Area	550650.	502602	4484			
Area	550690	244646	414732			
		1722142	544940	24.0		7627
653 Beale (Fontaine)					80649	
Area	550640	225527	152455			
Area	550140	701185	749388			
		926712	901843	49.3		39760
Gas Svc. Center					395407	
Dept.	550900	2364550	1669262			
Dept.	550700	6225286	2420464			
~~Dept~~	~~550200~~					
Area	540420. Cust Svc.	1516998				
Area	550630. Gas, W.L.	839737	2826			
Area	020640 Bldg. Svcs.	499544	173			
~~Area~~	~~320610~~					
Area	550600 Transp.	328310				
Area	550610 N. Parkway	158765				
Area	540130 Mtr. Reading	797778				
Area	500540 S. Room	62710				
Area	500560 S/R 89	654379	74			
Area	550645 Tire Shop	258050	53			
		13706107	4093452	23.0		90944

National 45-408 Eye-Ease Made in USA

	1991 Actual Labor O&M	1991 Actual Labor Capital	% Applicable to Construction	From Property Acct. Total Amt for 1986	Amount Applicable to Constr.
Hickory Hill Svc. Ctr				84982	
Dept 550800	2337101	1960915			
Area 540440	1480149				
Area 550670	386059				
~~Area 540110~~	4203309	1960915	31.8		27024
South Svc. Ctr				195130	
Dept 551200.	2538724	1745826			
Area 540430	1348951	104			
Area 550660	249069	23971			
~~Area 540110~~	4136744	1769901	30.0		58539
Training Center					
~~Dept. 020200~~	~~1492156~~	~~21506~~			
~~Area 550620~~	~~73112~~	~~129~~			

A&G Allocation Study - Rental

Rental of Fur & Fixtures: Basis For Allocation (#3) 21% X 216622 = 45491

Rental of Stores Equip.: Basis for Allocation See Below For % 85% X 16,642 = 14146

Rental of Tools Shop & Garage EQ: Basis for Allocation (Trans. & Payroll) 38.2% X 524450 = 20036

	Total Salaries Applicable to Construction	14% Pension Benefit 1991	Insurance Benefit 12.27 *
A&G. Salaries	1484184	207786	182109
Transportation	1864779		228808
Purch & Stores.	1317571		161666
		207786	572583

(1) Total Salaries in 550100 Div. 4387715
Based on 1991 Actual
Total Transp Chgs. for Div. Cap. 4228066 42.5 %
Total O&M & Cap 9960873 1864779

(2) Total Salaries in Stores Area. 1550083
Based on 1991 Actual
Total M&S Chgs. For Div Cap. 11473066 85.0 %
Total O&M & Cap 13498395 1317571

	(O&M Labor)	(Cap. Labor)	
Dept. 550100 (Labor)	3727804	1248531	4387715
	1317571	1864779	42.5
			1864779
	5045375	3113310	3113310
			8158685 = 38.2 %

* From 1992 Employee Benefit Study.

Total Rent 730174

JOURNAL VOUCHER

MLGW DIVISION

JOURNAL VOUCHER NAME INTERDEPT.RENTS -COMMUNICATION EQUIPMENT OWNED BY ELECTRIC
JOURNAL VOUCHER Type 5 Offset Div ## Trans Flag____ Source: JV

JOURNAL VOUCHER #

PAGE:
LINES PER PAGE:______

TRANSACTION DATE: 7-30-92
BATCH CONTROL TOTAL $31,825.84

KEYED _________

Line Number	Perform Area	Charge Code	Request Area	Work Req Number	FERC Number	DEBIT AMOUNT	CREDIT AMOUNT	FLCL Cd	DESCRIPTION
1.00	988888	4901	988888		24019310	18547.34			RENTS-MISC. COMMUNICATION EQUIP.-GAS
2.00	988888	4902	988888		34019310	13278.49			RENTS-MISC. COMMUNICATION EQUIP.-WAT.
3.00	999999	8204	999999		14000400		31825.84		RENT REVENUE FROM ELECTRIC PROPERTY
TOTAL						31825.84	31825.84		

PREPARED BY __________ APPROVED BY __________ APPROVED BY __________

COMMUNICATION EQUIPMENT

PLANT ACCOUNT
1119-[illegible]

DEP. ACCOUNT
1119-3970

ACCOUNT BALANCE
8547303.50

TAX RATE
((1 + .55) * 2.15% * .9557 CITY
((1 + .55) * 2.86% * .9557 COUNTY

INT. RATE
5%

DEP. RATE
5%

O & M % RATE
ELECTRIC 6.00
GAS 17.00
WATER 13.00

	SPLIT BASIS (ACTUAL)	PLANT VALUE BY USAGE	ACCUM. DEPREC.	PLANT MINUS ACCUM. DEPREC. BY USAGE	TAX BASIS	INTEREST EXPENSE	DEPRECIATION EXPENSE 1999	CITY TAX EXPENSE	COUNTY TAX EXPENSE	O & M EXPENSE	INT,DEP,TAX, O & M TOTAL	MONTHLY EXPENSE
ELECTRIC	1.00	5135530.92	1166288.27	3969242.65	3969242.65	198462.13	256776.55	44857.02	60087.54	0.00	560183.23	46681.94
GAS	1.00	2040413.68	463381.60	1577032.08	1577032.08	78851.60	102020.68	17822.29	23873.57	0.00	222568.13	18547.34
WATER	1.00	1460781.72	331746.15	1129035.57	1129035.57	56451.78	73039.09	12759.40	17091.67	0.00	159341.93	13278.49
TOTAL	3.00	8636726.32	1961416.02	6675310.30	6675310.30	333765.52	431836.32	75438.70	101052.77	0.00	942093.30	78507.78

RENT DUE ELECTRIC FOR MONTH FROM:

JV #	ACCT. #	DEBIT	CREDIT
	1401-9310		
	2401-9310	18547.34	
	3401-9310	13278.49	
	1400-0400		31825.84
	2400-0400		
	3400-0400		
TOTAL		31825.84	31825.84

JOURNAL VOUCHER

MLGW DIVISION

JOURNAL VOUCHER NAME INTERDEPT. RENTS-COMMUNICATION EQUIP. (OWNED BY GAS)
JOURNAL VOUCHER Type 5 Offset Div #1 Trans Flag___ Source: JV

JOURNAL VOUCHER #

TRANSACTION DATE: 7-30-92
PAGE: BATCH CONTROL TOTAL $7,150.34
LINES PER PAGE:_____

KEYED ______

Line Number	Perform Area	Charge Code	Request Area	Work Req Number	FERC Number	DEBIT AMOUNT	CREDIT AMOUNT	PLCL Dd	DESCRIPTION
1.00	988888	4900	988888		14019310	5739.09			RENTS-MISC. COMMUNICATION EQUIP. ELEC.
2.00	988888	4902	988888		34019310	1411.25			RENTS-MISC. COMMUNICATION EQUIP. WATER
3.00	999999	8234	999999		24000400		7150.34		RENT REVENUE FROM GAS PROPERTY
TOTAL						7150.34	7150.34		

PREPARED BY ______________ APPROVED BY ______________ APPROVED BY ______________

COMMUNICATION EQUIPMENT

PLANT ACCOUNT 2118-3970 DEP. ACCOUNT 2119-3970

ACCOUNT BALANCE
1096182.97

TAX RATE
(1 $ .55) $ 2.15% $ .9557 CITY
(2 $ .55) $ 2.15% $ .9557 COUNTY
INT. RATE
5%

DEP. RATE
5%

O & M % RATE
ELECTRIC 6.00
GAS 17.00
WATER 13.00

	SPLIT BASIS (ACTUAL)	PLANT VALUE BY USAGE	ACCUM. DEPREC.	PLANT MINUS ACCUM. DEPREC. BY USAGE	TAX BASIS	INTEREST EXPENSE	DEPRECIATION EXPENSE 1991	CITY TAX EXPENSE	COUNTY TAX EXPENSE	O & M EXPENSE	INT,DEP.,TAX O & M TOTAL	MONTHLY EXPENSE BY USAGE
ELECTRIC	1.00	432590.42	145413.76	487176.66	487176.66	24358.83	31629.52	3505.66	7375.02	0.00	68869.03	5739.09
GAS	1.00	248888.04	57211.97	191676.07	191676.07	9583.80	12444.40	2166.16	2901.65	0.00	27096.01	2258.00
WATER	1.00	155555.02	35757.48	119797.54	119797.54	5989.88	7777.75	1353.85	1813.53	0.00	16935.01	1411.25
TOTAL		1037033.48	238383.72	798650.26	798650.26	39932.51	51851.67	9025.67	12090.20	0.00	112900.05	9408.34

RENT DUE GAS PER MONTH FROM:

JV #	ACCT. #	DEBIT	CREDIT
	1401-9310	5739.09	
	2401-9310		
	3401-9310	1411.25	
	1400-0400		
	2400-0400		7150.34
	3400-0400		
TOTAL		7150.34	7150.34

JOURNAL VOUCHER

MLGW DIVISION

JOURNAL VOUCHER NAME INTERDEPT. RENTS-LABORATORY RADIO EQUIP. (OWNED BY ELECTRIC)
JOURNAL VOUCHER Type 5 Offset Div #1 Trans Flag___ Source: JV

JOURNAL VOUCHER #

TRANSACTION DATE: 7-30-92
PAGE: BATCH CONTROL TOTAL $359.22
LINES PER PAGE:_____

KEYED _______

Line Number	Perform Area	Charge Code	Request Area	Work Req Number	FERC Number	DEBIT AMOUNT	CREDIT AMOUNT	FLCL Cd	DESCRIPTION
1.00	988888	4901	988888		24019310	221.06			RENTS-MISC. LAB. & RADIO EQUIP.-GAS
2.00	988888	4902	988888		34019310	138.16			RENTS-MISC. LAB. & RADIO EQUIP.-WATER
3.00	999999	8204	999999		14000400		359.22		RENT REVENUE FROM ELECTRIC PROPERTY
TOTAL						359.22	359.22		

PREPARED BY ____________ APPROVED BY ____________ APPROVED BY ____________

PLANT ACCOUNT 1118-3950 DEPREC. ACCOUNT 1119-3950

LABORATORY & RADIO EQUIPMENT

ACCOUNT BALANCE
123237.40

TAX RATE
(1 * .55) * 2.15% * .9557 CITY
(1 * .55) * 2.88% * .9557 COUNTY
INT. RATE
5%

DEP. RATE
8%

O & M % RATE
ELECTRIC 6.00
GAS 17.00
WATER 13.00

	SPLIT BASIS E & W & G	PLANT VALUE BY USAGE	ACCUM. DEPREC.	PLANT MINUS ACCUM. DEPREC. BY USAGE	TAX BASIS	INTEREST EXPENSE	DEPREC. EXPENSE 1991	CITY TAX EXPENSE	COUNTY TAX EXPENSE	O & M EXPENSE	INT, DEP, TAX & O & M TOTAL	MONTHLY EXPENSE BY USAGE
ELECTRIC	0.61	75174.81	65648.02	9526.79	9526.79	476.34	6013.99	107.66	144.22	0.00	6742.21	561.85
GAS	0.24	29576.98	25828.73	3748.25	3748.25	187.41	2366.16	42.36	56.74	0.00	2652.67	221.06
WATER	0.15	18485.61	16142.96	2342.65	2342.65	117.13	1478.85	26.47	35.46	0.00	1657.92	138.16
TOTAL	1.00	123237.40	107619.71	15617.69	15617.69	780.88	9858.99	176.50	236.43	0.00	11052.80	921.07

RENT DUE ELECTRIC PER MONTH FROM:

JV #	ACCT. #	DEBIT	CREDIT
	1401-9310		
	2401-9310	221.06	
	3401-9310	138.16	
	1400-0400		359.22
	2400-0400		
	3400-0400		
TOTAL		359.22	359.22

JOURNAL VOUCHER

MLGW DIVISION

JOURNAL VOUCHER NAME INTERDEPT. RENTS-LABORATORY EQUIPMENT (OWNED BY GAS)
JOURNAL VOUCHER Type 5 Offset Div 01 Trans Flag___ Source: JV

JOURNAL VOUCHER #

PAGE:
LINES PER PAGE:_____

TRANSACTION DATE: 7-30-92
BATCH CONTROL TOTAL $482.63

KEYED ________

Line Number	Perform Area	Charge Code	Request Area	Work Req Number	FERC Number	DEBIT AMOUNT	CREDIT AMOUNT	FLD. Cd	DESCRIPTION
1.00	988888	4900	988888		14019310	387.37			RENTS - MISC. LAB. EQUIP.-ELECTRIC.
2.00	988888	4902	988888		34019310	95.26			RENTS - MISC. LAB. EQUIP.-WATER
3.00	999999	8234	999999		24000400		482.63		RENT REVENUE FROM GAS PROPERTY
TOTAL						482.63	482.63		

PREPARED BY ________

APPROVED BY ________

APPROVED BY ________

LABORATORY EQUIPMENT

PLANT ACCOUNT
2118-3950

DEPREC. ACCOUNT
2119-3950

ACCOUNT BALANCE
64114.08

TAX RATE
(($ .55) $ 2.15% $ .9557 CITY
(($ .55) $ 2.15% $ .9557 COUNTY

INT. RATE
5%

DEP. RATE
8%

O & M % RATE
ELECTRIC 6.00
GAS 17.00
WATER 13.00

	SPLIT BASIS (A & G)	PLANT VALUE BY USAGE	ACCUM. DEPREC.	PLANT MINUS ACCUM. DEPREC. BY USAGE	TAX BASIS	INTEREST EXPENSE	DEPRECIATION EXPENSE 1991	CITY TAX EXPENSE	COUNTY TAX EXPENSE	O & M EXPENSE	INT, DEP, TAX O & M TOTAL	MONTHLY EXPENSE BY USAGE
ELECTRIC	0.61	39109.59	19228.48	19881.11	19881.11	994.06	3128.77	224.68	300.97	0.00	4648.47	387.37
GAS	0.24	15387.38	7565.30	7822.08	7822.08	391.10	1230.99	88.40	118.41	0.00	1828.91	152.41
WATER	0.15	9617.11	4728.32	4888.80	4888.80	244.44	769.37	55.25	74.01	0.00	1143.07	95.26
TOTAL	1.00	64114.08	31522.10	32591.98	32591.98	1629.60	5129.13	368.33	493.39	0.00	7620.44	635.04

RENT DUE GAS PER MONTH FROM:

JV #	ACCT. #	DEBIT	CREDIT
	1401-9310	387.37	
	2401-9310		
	3401-9310	95.26	
	1400-0400		
	2400-0400		482.63
	3400-0400		
TOTAL		482.63	482.63

JOURNAL VOUCHER

MLGW DIVISION

JOURNAL VOUCHER NAME INTERDEPT. RENTS-STORES EQUIPMENT (OWNED BY GAS)
JOURNAL VOUCHER Type 5 Offset Div #1 Trans Flag___ Source: JV

JOURNAL VOUCHER #

PAGE:
LINES PER PAGE:_____

TRANSACTION DATE: 7-30-92
BATCH CONTROL TOTAL $1,170.94

KEYED ______

Line Number	Perform Area	Charge Code	Request Area	Work Req Number	FERC Number	DEBIT AMOUNT	CREDIT AMOUNT	PLCL Cd	DESCRIPTION
1.00	988888	4900	988888		140193101	939.83			RENTS - MISC. STORES EQUIP.-ELECTRIC.
2.00	988888	4902	988888		340193101	231.11			RENTS - MISC. STORES EQUIP.-ELECTRIC.
3.00	999999	18234	999999		240000400		1170.94		RENT REVENUE FROM GAS PROPERTY
TOTAL						1170.94	1170.94		

PREPARED BY ______

APPROVED BY ______

APPROVED BY ______

PLANT ACCOUNT	DEPREC. ACCOUNT	STORES EQUIPMENT
2119-3970	2108-3930	

ACCOUNT BALANCE
326477.79

TAX RATE
(1 * .55) * 2.15% * .9557 CITY
(1 * .55) * 2.15% * .9557 COUNTY
INT. RATE
5%

RET. RATE
3%

O & M % RATE
ELECTRIC 6.00
GAS 17.00
WATER 13.00

	SPLIT BASIS (A & B)	PLANT VALUE BY USAGE	ACCUM. DEPREC.	PLANT MINUS ACCUM. DEPREC. BY USAGE	TAX BASIS	INTEREST EXPENSE	DEPRECIATION EXPENSE 1991	CITY TAX EXPENSE	COUNTY TAX EXPENSE	O & M EXPENSE	INT,DEP,TAX, O & M TOTAL	MONTHLY EXPENSE BY USAGE
ELECTRIC	0.61	199151.45	129770.57	69380.88	69380.88	3469.04	5974.54	784.08	1050.31	0.00	11277.98	939.83
GAS	0.24	78354.67	51057.27	27297.40	27297.40	1364.87	2350.64	308.49	413.24	0.00	4437.24	369.77
WATER	0.15	48971.67	31910.80	17060.87	17060.87	853.04	1469.15	192.81	258.27	0.00	2773.27	231.11
TOTAL	1.00	326477.79	212738.44	113739.15	113739.15	5686.96	9794.33	1285.38	1721.82	0.00	18488.49	1540.71

RENT DUE GAS PER MONTH FROM:

JV #	ACCT. #	DEBIT	CREDIT
	1401-9310	939.83	
	2401-9310		
	3401-9310	231.11	
	1400-0400		
	2400-0400		1170.94
	3400-0400		
TOTAL		1170.94	1170.94

JOURNAL VOUCHER

MLGW DIVISION

JOURNAL VOUCHER NAME INTERDEPT. RENTS-STORES EQUIP. (owned by electric)
JOURNAL VOUCHER Type 5 Offset Div 01 Trans Flag___ Source: JV

JOURNAL VOUCHER #

TRANSACTION DATE: 7-30-92
PAGE: BATCH CONTROL TOTAL $62.86
LINES PER PAGE:____

KEYED ______

Line Number	Perform Area	Charge Code	Request Area	Work Req Number	FERC Number	DEBIT AMOUNT	CREDIT AMOUNT	PLCL Cd	DESCRIPTION
1.00	988888	4901	988888		24019310	38.69			RENTS - STORES EQUIP. -GAS
2.00	988888	4902	988888		34019310	24.18			RENTS - STORES EQUIP. -WATER
3.00	999999	B204	999999		14000400		62.86		RENT REVENUE FROM ELECTRIC PROPERTY
TOTAL						62.86	62.86		

PREPARED BY ____________ APPROVED BY ____________ APPROVED BY ____________

STORES EQUIPMENT

PLANT ACCOUNT 1101-3930

DEPREC. ACCOUNT 1108-3930

ACCOUNT BALANCE
35526.74

TAX RATE
(1 * .55) * 2.15% * .9557 CITY
(1 * .55) * 2.88% * .9557 COUNTY

INT. RATE
5%

DEP. RATE
3%

O & M % RATE
ELECTRIC 6.00
GAS 17.00
WATER 13.00

	SPLIT BASIS (A & G)	PLANT VALUE BY USAGE	ACCUM. DEPREC.	PLANT MINUS DEPREC. BY USAGE	TAX BASIS	INTEREST EXPENSE	DEPRECIATION EXPENSE 1991	CITY TAX EXPENSE	COUNTY TAX EXPENSE	O & M TAX EXPENSE	INT,DEP,TAX O & M TOTAL	MONTHLY EXPENSE BY USAGE
ELECTRIC	0.61	21671.31	14740.65	6930.66	6930.66	346.53	650.14	78.32	104.92	0.00	1179.92	98.33
GAS	0.24	8526.42	5799.60	2726.82	2726.82	136.34	255.79	30.82	41.28	0.00	464.23	38.69
WATER	0.15	5329.01	3624.75	1704.26	1704.26	85.21	159.87	19.26	25.80	0.00	290.14	24.18
TOTAL	1.00	35526.74	24165.00	11361.74	11361.74	568.09	1065.80	128.40	172.00	0.00	1934.29	161.19

RENT DUE ELECTRIC PER MONTH FROM:

JV #	ACCT. #	DEBIT	CREDIT
	1401-9310		
	2401-9310	38.69	
	3401-9310	24.18	
	1400-0400		62.86
	2400-0400		
	3400-0400		
TOTAL		62.86	62.86

JOURNAL VOUCHER | MLGW DIVISION

JOURNAL VOUCHER NAME INTERDEPT. RENTS-OFFICE FURNITURE (OWNED BY GAS)
JOURNAL VOUCHER TYPE 5 Offset Div 1 Trans Flag___ Source: JV

JOURNAL VOUCHER #

TRANSACTION DATE: 7-30-92
PAGE: BATCH CONTROL TOTAL $31,166.52
LINES PER PAGE:_____

KEYED ________

Line Number	Perform Area	Charge Code	Request Area	Work Req Number	FERC Number	DEBIT AMOUNT	CREDIT AMOUNT	PLCL Cd	DESCRIPTION
1.00	988888	4900	988888		34019310	25015.23			RENTS - MISC. BLDGS. EXPENSE -ELECTRIC
2.00	988888	4902	988888		34019310	6151.29			RENTS - MISC. BLDGS. EXPENSE -WATER
3.00	999999	8234	999999		24000400		31166.52		RENT REVENUE FROM GAS PROPERTY
TOTAL						31166.52	31166.52		

PREPARED BY ____________ APPROVED BY ____________ APPROVED BY ____________

OFFICE FURNITURE & FIXTURES

PLANT ACCOUNT 2118-3910
DEPREC. ACCOUNT 2119-3910

ACCOUNT BALANCE
6030124.26

TAX RATE
(1 + .55) * 2.15% * .9557 CITY
(1 + .55) * 2.15% * .9557 COUNTY
INT. RATE
5%

DEP. RATE
4%

O & M % RATE
ELECTRIC 6.00
GAS 17.00
WATER 13.00

	SPLIT BASIS (A & B)	PLANT VALUE BY USAGE	ACCUM. DEPREC.	PLANT MINUS ACCUM DEPREC. BY USAGE	TAX BASIS	INTEREST EXPENSE	DEPRECIATION EXPENSE 1991	CITY TAX EXPENSE	COUNTY TAX EXPENSE	O & M EXPENSE	INT,DEP,TAX, O & M TOTAL	MONTHLY EXPENSE BY USAGE
ELECTRIC	0.61	3678375.80	1676166.74	2002209.06	2002209.06	100110.45	147135.03	22627.27	30310.02	0.00	300182.77	25015.23
GAS	0.24	1447229.82	659475.44	787754.39	787754.39	39387.72	57889.19	8902.53	11925.25	0.00	118104.70	9842.06
WATER	0.15	904518.64	412172.15	492346.49	492346.49	24617.32	36180.75	5564.08	7453.28	0.00	73815.44	6151.29
TOTAL	1.00	6030124.26	2747814.32	3282309.94	3282309.94	164115.50	241204.97	37093.89	49688.55	0.00	492102.91	41008.58

RENT DUE GAS PER MONTH FROM:

JV #	ACCT. #	DEBIT	CREDIT
	1401-9310	25015.23	
	2401-9310		
	3401-9310	6151.29	
	1400-0400		
	2400-0400		31166.52
	3400-0400		
TOTAL		31166.52	31166.52

JOURNAL VOUCHER — MLGW DIVISION

JOURNAL VOUCHER NAME INTERDEPT. RENTS-TOOLS SHOP AND GARAGE EQUIP. — JOURNAL VOUCHER #

JOURNAL Type 5 Offset Div #1 Trans Flag___ Source: JV

TRANSACTION DATE: 7-30-92 — KEYED ______

PAGE: — BATCH CONTROL TOTAL $7,836.79

LINES PER PAGE:_____

Line Number	Perform Area	Charge Code	Request Area	Work Req Number	FERC Number	DEBIT AMOUNT	CREDIT AMOUNT	PLCL Cd	DESCRIPTION
1.00	988888	4900	988888		14019310	6290.06			RENTS - TOOLS SHOP & GAR. EQUIP-ELEC.
2.00	988888	4902	988888		34019310	1546.74			RENTS - TOOLS SHOP & GAR. EQUIP-ELEC.
3.00	999999	8234	999999		24000400		7836.79		RENT REVENUE FROM GAS PROPERTY
TOTAL						7836.79	7836.79		

PREPARED BY ____________ APPROVED BY ____________ APPROVED BY ____________

TOOLS SHOP AND GARAGE EQUIPMENT

PLANT ACCOUNT 2118-3940 DEPREC. ACCOUNT 2119-3940

ACCOUNT BALANCE
1319572.47

TAX RATE
(1 / .55) * 2.15% * .9557 CITY
((1 / .55) * 2.88% * .9557 COUNTY
INT. RATE
5%

DEP. RATE
8%

O & M % RATE
ELECTRIC 6.00
GAS 17.00
WATER 13.00

	SPLIT BASIS (A & G)	PLANT VALUE BY USAGE	ACCUM. DEPREC.	PLANT MINUS ACCUM. DPREC. BY USAGE	TAX BASIS	INTEREST EXPENSE	DEPRECIATION EXPENSE 1991	CITY TAX EXPENSE	COUNTY TAX EXPENSE	O & M EXPENSE	INT,DEP,TAX O & M TOTAL	MONTHLY EXPENSE BY USAGE
ELECTRIC	0.61	804939.21	659915.07	145024.14	145024.14	7251.21	64395.14	1638.94	2195.42	0.00	75480.70	6290.06
GAS	0.24	316697.39	259638.72	57058.68	57058.68	2852.93	25335.79	644.83	863.77	0.00	29697.32	2474.78
WATER	0.15	197935.87	162274.20	35661.67	35661.67	1783.08	15834.87	403.02	539.86	0.00	18560.83	1546.74
TOTAL	1.00	1319572.47	1081827.98	237744.49	237744.49	11887.22	105565.80	2686.79	3599.04	0.00	123738.85	10311.57

RENT DUE GAS PER MONTH FROM:

JV #	ACCT. #	DEBIT	CREDIT
	1401-9310	6290.06	
	2401-9310		
	3401-9310	1546.74	
	1400-0400		
	2400-0400		7836.79
	3400-0400		
TOTAL		7836.79	7836.79

JOURNAL VOUCHER | **MLGW DIVISION**

JOURNAL VOUCHER NAME INTERDEPT. RENTS-STORES EQUIPMENT (OWNED BY WATER) | JOURNAL VOUCHER #

JOURNAL Type 5 Offset Div #1 Trans Flag___ Source: JV

TRANSACTION DATE: 7-30-92 | KEYED ________

PAGE:

BATCH CONTROL TOTAL $47.15

LINES PER PAGE: ____

Line Number	Perform Area	Charge Code	Request Area	Work Req Number	FERC Number	DEBIT AMOUNT	CREDIT AMOUNT	PLCL Cd	DESCRIPTION
1.00	1988888	4900	1988888		14019310	33.84			RENTS - MISC. STORES EQUIP.-ELECTRIC.
2.00	1988888	4901	1988888		24019310	13.31			RENTS - MISC. STORES EQUIP.-WATER
3.00	1999999	8259	1999999		34000400		47.15		RENT REVENUE FROM WATER PROPERTY
TOTAL						47.15	47.15		

PREPARED BY ____________ APPROVED BY ____________ APPROVED BY ____________

STORES EQUIPMENT

PLANT ACCOUNT 3101-3930

DEPREC. ACCOUNT 3101-3930

ACCOUNT BALANCE
16719.75

TAX RATE
(1 + .55) * 2.15% * .9557 CITY
(1 + .55) * 2.88% * .9557 COUNTY

INT. RATE
5%

DEP. RATE
3%

O & M % RATE
ELECTRIC 6.00
GAS 17.00
WATER 13.00

	SPLIT BASIS (A + G)	PLANT VALUE BY USAGE	ACCUM. DEPREC.	PLANT MINUS ACCUM DEPREC BY USAGE	TAX BASIS	INTEREST EXPENSE	DEPRECIATION EXPENSE 1991	TAX EXPENSE	O & M EXPENSE	INT,DEP,TAX O & M TOTAL	MONTHLY EXPENSE BY USAGE
ELECTRIC	0.61	10199.05	8197.38	2001.67	2001.67	100.08	305.97	0.00	0.00	406.05	33.84
GAS	0.24	4012.74	3225.20	787.54	787.54	39.38	120.38	0.00	0.00	159.76	13.31
WATER	0.15	2507.96	2015.75	492.21	492.21	24.61	75.24	0.00	0.00	99.85	8.32
TOTAL	1.00	16719.75	13438.33	3281.42	3281.42	164.07	501.59	0.00	0.00	665.66	55.47

RENT DUE WATER PER MONTH FROM:

JV #	ACCT. #	DEBIT	CREDIT
	1401-9310	33.84	
	2401-9310	13.31	
	3401-9310		
	1400-0400		
	2400-0400		
	3400-0400		47.15
TOTAL		47.15	47.15

JOURNAL VOUCHER

MLGW DIVISION

JOURNAL VOUCHER NAME INTERDEPT.RENTS-STORES EQUIPMENT (OWNED BY GAS)
JOURNAL TYPE 5 Offset Div #1 Trans Flag___ Source: JV

JOURNAL VOUCHER #

PAGE:
LINES PER PAGE:_____

TRANSACTION DATE: 7-30-92
BATCH CONTROL TOTAL $140.54

KEYED _______

Line Number	Perform Area	Charge Code	Request Area	Work Req Number	FERC Number	DEBIT AMOUNT	CREDIT AMOUNT	PLCL Cd	DESCRIPTION
1.00	988888	4900	988888		14019310	112.95			RENTS - MISC. STORES EQUIP.-ELECTRIC.
2.00	988888	4902	988888		34019310	27.58			RENTS - MISC. STORES EQUIP.-WATER
3.00	999999	18234	999999		24000400		140.54		RENT REVENUE FROM GAS PROPERTY
TOTAL						140.54	140.54		

PREPARED BY ____________ APPROVED BY ____________ APPROVED BY ____________

STORES EQUIPMENT

PLANT ACCOUNT
2101-3520

DEPEC. ACCOUNT
2108-3920

ACCOUNT BALANCE
71476.69

TAX RATE
(($ .55) $ 2.15% $ .9557 CITY
(($ .55) $ 2.80% $ .9557 COUNTY

INT. RATE
5%

DEF. RATE
5%

O & M % RATE
ELECTRIC 6.00
GAS 17.00
WATER 13.00

	SPLIT BASIS (A & B)	PLANT VALUE BY USAGE	ACCUM. DEPREC.	PLANT MINUS ACCUM DEPREC BY USAGE	TAX BASIS	INTEREST EXPENSE	DEPRECIATION EXPENSE 1991	CITY TAX EXPENSE	COUNTY TAX EXPENSE	O & M EXPENSE	INT,DEP,TAX O & M TOTAL	MONTHLY EXPENSE BY USAGE
ELECTRIC	0.61	43600.78	42980.43	620.35	620.35	31.02	1308.02	7.01	9.39	0.00	1355.44	112.95
GAS	0.24	17154.41	16910.33	244.07	244.07	12.20	514.63	2.76	3.69	0.00	529.59	44.13
WATER	0.15	10721.50	10568.96	152.55	152.55	7.63	321.65	1.72	2.31	0.00	331.00	27.58
TOTAL	1.00	71476.69	70459.72	1016.97	1016.97	50.85	2144.30	11.49	15.40	0.00	2216.03	184.67

RENT DUE GAS PER MONTH FROM:

JV #	ACCT. #	DEBIT	CREDIT
	1401-9310	112.95	
	2401-9310		
	3401-9310	27.58	
	1400-0400		
	2400-0400		140.54
	3400-0400		
TOTAL		140.54	140.54

JOURNAL VOUCHER

MLGW DIVISION

JOURNAL VOUCHER NAME INTERDEPT. RENTS -DATA PROCESSING EQUIPMENT (OWNED BY WATER)
JOURNAL VOUCHER Type 5 Offset Div #1 Trans Flag____ Source: JV

JOURNAL VOUCHER #

PAGE:
LINES PER PAGE:_____

TRANSACTION DATE: 7-30-92
BATCH CONTROL TOTAL $139,044.68

KEYED ______

Line Number	Perform Area	Charge Code	Request Area	Work Req Number	FERC Number	DEBIT AMOUNT	CREDIT AMOUNT	PLCL Cd	DESCRIPTION
1.00	988888	4900	988888		14019310	99785.00			RENTS-MISC. DATA PROCESSING EQUIP-GAS
2.00	988888	4901	988888		24019310	39259.67			RENTS-MISC. DATA PROCESSING EQUIP-ELEC
3.00	999999	8259	999999		34000400		139044.68		RENT REVENUE FROM WATER PROPERTY
TOTAL						139044.68	139044.68		

PREPARED BY ______ APPROVED BY ______ APPROVED BY ______

DATA PROCESSING EQUIPMENT

PLANT ACCOUNT 2191-3910 DEPREC. ACCOUNT 2108-3910

ACCOUNT BALANCE
14306362.63

TAX RATE
(2 * .55) * 2.15% * .9557 CITY
(1 * .55) * 2.88% * .9557 COUNTY
INT. RATE
5%

DEP. RATE
10%

O & M % RATE
ELECTRIC 6.00
GAS 17.74
WATER 13.00

	SPLIT BASIS (A & B)	PLANT VALUE BY USAGE	ACCUM. DEPREC.	PLANT MINUS ACCUM. DEPREC BY USAGE	TAX BASIS	INTEREST EXPENSE	DEPRECIATION EXPENSE 1991	CITY TAX EXPENSE	COUNTY TAX EXPENSE	O & M EXPENSE	INT,DEP,TAX O & M TOTAL	MONTHLY EXPENSE BY USAGE
ELECTRIC	0.61	8726881.20	2232242.63	6494638.58	6494638.58	324731.93	872688.12	0.00	0.00	0.00	1197420.05	99785.00
GAS	0.24	3433527.03	878259.39	2555267.64	2555267.64	127763.38	343352.70	0.00	0.00	0.00	471116.09	39259.67
WATER	0.15	2145954.39	548912.12	1597042.27	1597042.27	79852.11	214595.44	0.00	0.00	0.00	294447.55	24537.30
TOTAL	1.00	14306362.63	3659414.14	10646948.49	10646948.49	532347.42	1430636.26	0.00	0.00	0.00	1962983.69	163581.97

RENT DUE WATER PER MONTH FROM:

JV #	ACCT. #	DEBIT	CREDIT
	1401-9310	99785.00	
	2401-9310	39259.67	
	3401-9310		
	1400-0400		
	2400-0400		
	3400-0400		139044.68
TOTAL		139044.68	139044.68

JOURNAL VOUCHER

MLGW DIVISION

JOURNAL VOUCHER NAME INTERDEPT. RENTS-BUILDINGS
JOURNAL VOUCHER Type 5 Offset Div 01 Trans Flag____ Source: JV

JOURNAL VOUCHER #

PAGE:
LINES PER PAGE:______

TRANSACTION DATE: 7-1-92
BATCH CONTROL TOTAL $175,674.46

KEYED ________

LINE NUMBER	Perform Area	Charge Code	Request Area	Work Req Number	FERC Number	DEBIT AMOUNT	CREDIT AMOUNT	FLDL Cd	DESCRIPTION
1.00	7888888	4900	5888882		14019310	74,148.81			RENTS - MISC. BLDGS. EXPENSE -ELECTRIC
2.00	5888888	4901	7888888		24019310	15956.68			RENTS - MISC. BLDGS. EXPENSE -GAS
3.00	9888898	4902	9888889		34019310	25250.45			RENTS - MISC. BLDGS. EXPENSE -WATER
4.00	7888888	4903	9888888		11840001	32792.93			RENTS - MISC. BLDGS. EXPENSE -M & S
5.00	9899888	4904	5888888		11880001	27531.59			RENTS - MISC. BLDGS. EXPENSE -TRANS.
6.00	9999999	8204	9999999		14000400		20,559.84		RENT REVENUE FROM ELECTRIC PROPERTY
7.00	9999999	8234	5999979		24000400		83,221.05		RENT REVENUE FROM GAS PROPERTY
8.00	7999997	8259	9999979		34000400		11,529.05		RENT REVENUE FROM WATER PROPERTY
9.00	9888898	4905	7888839		14019300		4205.61		RENTS- MISC. GENERAL OPR. EXP. ELEC.
10.00	7888888	4906	9888888		24019300		53,295.49		RENTS- MISC. GENERAL OPR. EXPENSE GAS
11.00	7888888	4907	9888588		34019300		0.00		RENTS- MISC. GENERAL OPR. EXP. WATER.
12.00	5888898	4908	9888828		14029320		415.94		RENTS- MISC. GENERAL MAIN. EXP. ELEC.
13.00	9388888	4909	9888828		24029320		2,407.48		RENTS- MISC. GENERAL MAIN. EXPENSE GAS
14.00	9988898	4910	7888888		34029320		0.00		RENTS- MISC. GENERAL MAIN. EXP. WATER
15.00									
16.00									
17.00									
18.00									
19.00									
20.00									
21.00									
22.00									
23.00									
24.00									
25.00									
TOTAL						175674.46	175674.46		

PREPARED BY ______________________

APPROVED BY ______________________

APPROVED BY ______________________

[illegible]	DV	TOTAL SQ. FT	ALLOC ENTIS	USAGE ELECTRIC SQ. FT	USAGE GAS SQ. FT	USAGE WATER SQ. FT	USAGE M & S SQ. FT	USAGE TRANSP. SQ. FT
[illegible]	E							
[illegible] CENTER	E							
[illegible]	E	[illegible]						
[illegible]	E	[illegible]		[illegible]	[illegible]	555.00		30914.00
[illegible]	E	5561.00						
[illegible]	G	24208.00						
ADMIN. OFFICE	G	350500.00		194135.55	76281.20	47738.25	7221.00	55024.00
[illegible] UNION	G	1580.00		664.00	490.00	426.00		
[illegible]	G							
[illegible] #1	G	30942.00		30942.00				
BLDG #1	G	37597.00					37587.00	
BLDG #3	G	30150.00					30150.00	
BLDG #4	G	24160.00			24160.00			
BLDG #5	G	[illegible]						35742.00
BLDG #7	G	197.00						197.00
BLDG #8	G	121155.00		7169.00	57175.00	1435.00	36486.00	80192.00
BLDG #9	G	300.00				300.00		
BLDG #10 /RADIO	G	248.00		248.00				
[illegible]	G	30.00		13.00	19.00		24.00	24.00
[illegible]	G	6.00						
[illegible]	G	[illegible]		4352.90	3542.00	986.00	16220.00	1165.00
[illegible]	G	29157.00		5452.00	2948.00	959.00	17083.00	2665.00
[illegible]	G	44348.00		5976.00	5842.00	4552.00	18569.00	9409.00
[illegible]	G	[illegible]		754.00	297.00	185.00		
[illegible] OFFICE	G	[illegible]		1875.00	737.00	441.00		
[illegible] OFFICE	G	0.00						
[illegible] OFFICE	G	5567.00		3640.00	1432.00	935.00		
[illegible]	G	47851.00		29189.00	11484.00	7178.00		
[illegible]		[illegible]	0.00	[illegible]	[illegible]	[illegible]	163750.00	208322.00

[illegible]
[illegible]

[illegible]	[illegible]	[illegible] VALUE	ACCUM. [illegible]	PLANT MINUS ACCUM. [illegible]	[illegible] VALUE
[illegible] ST. [illegible]	[illegible]	[illegible]	45891.92	4464[illegible].18	
[illegible] CENTER	5		0.00	185527.00	185527.00
[illegible]	[illegible]	4012275.00	[illegible]	1677[illegible]	0.00
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]044.95	375675.[illegible]
[illegible]	[illegible]	244475.[illegible]	108124.[illegible]	135354.[illegible]	0.00
[illegible]	6	81[illegible]14.[illegible]	[illegible]53.45	7[illegible]5.55	0.00
[illegible] OFFICE	6	[illegible]173.00	7361469.55	7152064.47	743401.52
[illegible]	6	[illegible]	[illegible]	188105.50	60920.00
[illegible]	6		0.00	676887.00	576887.00
BLDG #1	6	6[illegible]41.41	3[illegible]173.49	300664.93	
BLDG #2	6	405607.52	271[illegible]7.55	134325.97	
BLDG #3	6	24[illegible]2.95	20[illegible]9.57	37224.41	
BLDG #5	6	594990.73	[illegible]724.00	[illegible]66.73	
BLDG #[illegible]	6	[illegible].44	[illegible].23	[illegible].21	
BLDG #7	6	[illegible]9.95	[illegible].91	57731.[illegible]	
BLDG #5	6	[illegible]7285.2[illegible]	1173262.25	1104023.04	
BLDG #7	6	[illegible]713.50	[illegible]621.11	84092.40	
[illegible] RADIO	6	[illegible]832.67	5205.23	1627.64	
[illegible]	6	[illegible]247.64	4124.[illegible]	19122.90	
[illegible]	6	[illegible]493.[illegible]	1[illegible]	914564.[illegible]	
[illegible]	6	[illegible].00	[illegible].26	1780[illegible].74	126819.00
[illegible]	6	[illegible].00	656129.27	[illegible].73	29131.00
[illegible]	6	[illegible].00	[illegible].45	[illegible]701.51	246572.00
[illegible]	6	50[illegible].00	[illegible]58.67	4[illegible].23	0.00
[illegible] OFFICE	6	[illegible].00	49[illegible].[illegible]	[illegible].9[illegible]	20141.00
[illegible]	[illegible]	[illegible]	5[illegible].57	7[illegible]1.47	2[illegible]203.[illegible]
[illegible] OFFICE	3	[illegible]44.00	44673.29	835501.71	[illegible]
[illegible] CENTER	6	[illegible]773.00	321420.08	2233352.92	
[illegible]		[illegible]	[illegible]	20[illegible]548.0[illegible]	[illegible].52

INTERDEPARTMENTAL RENTS
O & M EXPENSES CALCULATION

TAX RATE
E (110.55)*(0.0275)*(0.9557
G (110.55)*(0.0260)*(0.9557

DEF. RATE
E 3%
G 3%
N 3%

INT RATE 5%

BUILDING	OWNER	CITY TAXES	COUNTY TAXES	DEPR PLANT 1991	INT. EXP. PLANT	INT. EXP. LAND	OPERATING EXPENSE	MAINTENANCE EXPENSE	UTILITIES EXPENSE	TOTAL EXPENSES
BEALE ST. LND.	E	59449.36	67578.68	45091.82	223204.51				0.00	386324.38
TRAINING CENTER	E	2096.67	2868.56		0.00	9276.35			0.00	14181.58
ELECTRIC OFF.	E	19125.97	25615.94	80344.12	84619.55	0.00	0.00	0.00	0.00	209705.54
C... SHP & BODY	E	20118.62	26749.86	34560.88	50228.50	38783.75	0.00	0.00	0.00	170641.8[illegible]
					0.00					
SAFETY SER.	S	1540.36	2061.17	4889.58	6817.71	0.00			0.00	15312.41
BEALE ST. LND.	G	7913.36	10600.22	16386.28	35011.28	0.00	0.00	0.00	0.00	69911.13
ADMIN. -OFFICE	G	80826.58	108270.02	197402.66	320433.17	37170.08	0.00	0.00	0.00	744102.50
CREDIT UNION	G	2125.81	2847.60	2728.20	5359.27	4046.00	0.00			17106.88
GAS S/C LAND	G	7649.60	10246.91	0.00	0.00	33944.35	0.00		0.00	51740.86
BLDG #1	G	3377.96	4551.55	13796.87	15033.25	0.00	0.00	0.00	0.00	36779.53
BLDG #2	G	1518.04	2033.47	8112.19	6716.30	0.00	0.00	0.00	0.00	18379.99
BLDG #3	G	420.60	563.51	4819.26	1861.72	0.00	0.00	0.00	0.00	7664.67
BLDG #5	G	3777.60	5060.23	11699.81	16713.34	0.00	0.00	0.00	0.00	37450.98
BLDG #6	G	911.45	1220.92	7526.15	4032.56	0.00	0.00	0.00	0.00	13691.08
BLDG #7	G	652.43	873.95	1934.58	2886.56	0.00	0.00	0.00	0.00	6347.52
BLDG #8	G	15867.08	21254.51	51545.71	70201.15	0.00	0.00	0.00	0.00	158869.44
BLDG #9	G	950.34	1273.01	2454.27	4204.62	0.00	0.00	0.00	0.00	8882.25
BLDG #10 /RADIO	G	18.37	24.64	136.66	81.30	0.00	0.00	0.00	0.00	261.07
BLDG #11 /GUARD	G	204.81	274.35	444.95	906.15	0.00	0.00	0.00	0.00	1830.26
OTHER SSC	G	9205.51	12331.11	20129.86	40728.20	0.00	0.00	0.00	0.00	82394.68
HICKORY HILL	G	20139.54	26977.62	44707.08	82662.97	6440.95	0.00	0.00	0.00	180929.19
MOUNTAIN...	G	18223.41	24410.89	44870.48	79369.79	1256.55	0.00	0.00	0.00	168131.12
SOUTH SC	G	29063.19	38931.16	65768.29	116256.48	12328.60	0.00	0.00	0.00	262347.70
MILL. OFFICE	G	4909.18	6575.02	10061.10	21719.82	0.00	0.00	0.00	0.00	43266.81
N. COMM. OFFICE	G	3255.74	4401.36	6181.10	13030.15	1507.05	0.00	0.00	0.00	28405.40
S. COMM. OFFICE	G	7911.39	10597.58	13581.52	31292.42	3710.15	0.00	0.00	0.00	67093.06
W. COMM. OFFICE	G	9412.47	12549.52	14990.88	35243.21	6533.35	0.00	0.00	0.00	78858.46
TRAINING CENTER	N	0.00		51095.46	111667.65	0.00	0.00	0.00	0.00	162763.11
total		321746.24	430990.32	755459.75	1380291.23	154657.18	0.00	0.00	0.00	3043374.71

INTERDEPARTMENTAL RENTS
USAGE DOLLAR AMOUNTS EXPENSE CALCULATION

BUILDING	DIV BY	ALLOC BASIS	USAGE EXPENSE ELECTRIC	USAGE EXPENSE GAS	USAGE EXPENSE WATER	USAGE EXPENSE M & S	USAGE EXPENSE TRANSP.	TOTAL EXPENSE
BEALE ST. LND.	E	A & G	235657.87	92717.85	57948.66			386324.38
TRAINING CENTER	E	A & G	8650.76	3403.58	2127.24			14181.58
ELECTRIC DRP.	E	A & G	127922.82	50330.29	31456.43			209709.54
CTL. SHP.& #301	E	SQ.FT	111941.03	2218.34	1023.85		55458.59	170641.81
SAFTY SER.	E	A & G	9340.57	3674.98	2296.86			15312.41
BEALE ST. LND.	G	A & G	42645.79	16778.67	10486.67			69911.13
ADMIN. -OFFICE	G	SQ.FT/A&G	379341.10	149341.37	93384.86	14137.95	107597.22	744102.50
CREDIT UNION	G	A & G	10435.20	4105.65	2566.03			17106.88
GAS S/C LAND	G	A & G	31561.93	12417.81	7761.13			51740.86
BLDG #1	G	ACTUAL	36779.53					36779.53
BLDG #2	G	ACTUAL				18379.99		18379.99
BLDG #3	G	ACTUAL				7664.67		7664.67
BLDG #5	G	ACTUAL		37450.98				37450.98
BLDG #6	G	ACTUAL					13691.08	13691.08
BLDG #7	G	ACTUAL					6347.52	6347.52
BLDG #8	G	SQ. FT	6243.53	49789.37	1239.17	31773.69	69822.68	158868.44
BLDG #9	G	ACTUAL			8882.25			8882.25
BLDG #10 /RADIO	G	A & G	159.25	62.66	39.16			261.07
BLDG #11 /GUARD	G	A & G	1116.46	439.26	274.54			1830.26
DRIER G&C	G	A & G	50260.76	19774.72	12359.20			82394.68
HICKORY HILL	G	SQ. FT	30757.79	23520.66	7237.13	112175.47	7237.13	180928.18
BRUNSWICK	G	SQ. FT	31944.91	16813.11	5043.93	99197.36	15131.80	168131.12
SOUTH SC	G	SQ. FT	36203.98	34629.90	26234.77	110186.04	55093.02	262347.70
MILLINGTON OFFI	G	A & G	26392.33	10383.87	6489.92			43266.11
N. COMM. OFFICE	G	A & G	17327.29	6817.30	4260.81			28405.40
S. COMM. OFFICE	G	A & G	40926.77	16102.34	10063.96			67093.06
W. COMM. OFFICE	G	A & G	48103.66	18926.03	11828.77			78858.46
TRAINING CENTER	W	A & G	99285.49	39063.15	24414.47			162763.11
TOTAL			1383298.83	608761.89	327417.81	397515.17	330379.03	3043374.71

INTERDEPARTMENTAL RENTS
EFFECT IN EXISTING ALLOCATIONS FOR USAGE

BUILDING	DW	1401-9310 ELEC	2401-9310 GAS	3401-9310 WATER	1184-0001 M & S	1188-0001 TRANSF.
BEALE ST. LND.	E		92717.85	57948.66	0.00	0.00
TRAINING CENTER	E		3403.58	2127.24	0.00	0.00
ELECTRIC OFF.	E		50330.27	31456.43	0.00	0.00
CTL. SHE.& BODY	E		2218.34	1025.85	0.00	55458.59
SAFETY SER.	E		3674.98	2296.86	0.00	0.00
BEALE ST. LND.	G	42645.79		10486.67	0.00	0.00
ADMIN. -OFFICE	G	579641.10		93381.86	14137.95	107597.22
CREDIT UNION	G	10435.20		2566.03	0.00	0.00
		0.00		0.00	0.00	0.00
SAS S/C LAND	G	31561.93		7761.13	0.00	0.00
BLDG #1	G	36779.53		0.00	0.00	0.00
BLDG #2	G	0.00		0.00	18379.99	0.00
BLDG #3	G	0.00		0.00	7664.67	0.00
BLDG #5	G	0.00		0.00	0.00	0.00
BLDG #6	G	0.00		0.00	0.00	13691.08
BLDG #7	G	0.00		0.00	0.00	6347.52
BLDG #8	G	6243.53		1239.17	31773.69	69922.68
BLDG #9	G	0.00		8882.25	0.00	0.00
BLDG #10 /RADIO	G	159.25		37.16	0.00	0.00
BLDG #11 /GUARD	G	1116.46		274.54	0.00	0.00
OTHER GSC	G	50260.76		12359.20	0.00	0.00
HICKORY HILL	G	30757.79		7237.13	112175.47	7237.13
BRUNSWICK	G	31944.91		5043.95	99197.34	15131.80
SOUTH SC	G	34263.98		26234.77	110186.04	55093.02
WELLINGTON OFFI	G	26792.33		6489.92	0.00	0.00
N. COMM. OFFICE	G	17327.29		4240.91	0.00	0.00
S. COMM. OFFICE	G	40926.77		10063.95	0.00	0.00
W. COMM. OFFICE	G	48107.66		11828.77	0.00	0.00
TRAINING CENTER	W	79285.49	37063.15		0.00	0.00
TOTAL 12 months		389785.76	191408.19	303005.34	393515.17	330379.03
TOTAL 1 month		71148.91	15950.68	25250.45	32792.93	27531.59

INTERDEPARTMENTAL RENTS
CREDITS TO REV & MAINTENANCE ACCOUNTS FOR USAGE

BUILDING	DAE BY	1400-0400 ELEC REV	2400-0400 GAS REV	3400-0400 WATER REV	1401-9300 E. OPER.	2401-9300 G. OPER.	3401-9300 W. OPER.	1402-9320 E. MAIN.	2402-9320 G. MAIN.	3402-9320 W. MAIN.
BEALE ST. LND.	E	150666.51			0.00			0.00		
TRAINING CENTER	E	5530.82			0.00			0.00		
ELECTRIC OPP.	E	81786.72			0.00			0.00		
ETL. SAF.& NOV	E	2242.19			30467.31			4991.27		
SAFTY SER.	E	5971.84								
BEALE ST. LND.	G		53132.46			0.00			0.00	
ADMIN. -OFFICE	G		473025.96			115648.41			6086.76	
CREDIT UNION	G		13004.23			0.00			0.00	
			0.00			0.00			0.00	
GAS S/C LAND	G		37323.06			0.00			0.00	
BLDG #1	G		36779.53			0.00			0.00	
BLDG #2	G		0.00			18012.39			367.60	
BLDG #3	G		0.00			7511.38			155.29	
BLDG #5	G		0.00			0.00			0.00	
BLDG #6	G		0.00			13417.26			273.82	
BLDG #7	G		0.00			6220.56			126.95	
BLDG #8	G		7482.70			99564.44			2031.93	
BLDG #9	G		8882.25			0.00			0.00	
BLDG #10 /RADIO	G		198.42			0.00			0.00	
BLDG #11 /GUARD	G		1391.99			0.00			0.00	
OTHER GSC	G		62617.96			0.00			0.00	
HICKORY HILL	G		37994.92			115830.22			3582.38	
BRUNSWICK	G		36988.85			104326.12			8003.04	
SQUAR SE	G		62438.75			157015.10			8263.95	
MILLINGTON OFFI	G		33882.25			0.00			0.00	
N. COMM. OFFICE	G		21538.10			0.00			0.00	
S. COMM. OFFICE	G		51990.73			0.00			0.00	
W. COMM. OFFICE	G		59972.43			0.00			0.00	
TRAINING CENTER	W			138348.64		0.00			0.00	
total 12 months		247198.08	998652.57	139348.64	50467.31	639545.89	0.00	4991.27	28999.72	0.00
total 1 month		20599.84	83221.05	11529.05	4205.61	53295.49	0.00	415.94	2417.48	0.00

Charge Code Distribution Committee

Status Report

June 11, 1996

Purpose

- Examine the MLGW Accounting Policy for allocating costs to the three divisions and continue to ensure:
  - Results of operations and changes in financial position of each division are presented fairly and consistently from year to year
  - Cost allocation methods are utilized consistently throughout the Division
  - Adherence to the regulations of:
    - GAAP FERC GASB
    - FASB NARUC

Purpose

(cont'd)

- Review the existing charge code conversions and recommend changes, *if necessary*, to conform with the revised Accounting Policy
- Review Mission 2000 account re-distribution requests and make final determination based on policy developed
- Document the revised MLGW accounting policy and guidelines for handling exceptions

Policy & Guidelines

- Costs must be allocated to the three divisions in a manner which ensures:
  - Results of operations and changes in financial position of each division are presented fairly and consistently from year to year
  - Allocation methods are reasonable and cost effective to maintain
    - Reasonable number of split formulas
    - Significant dollars are impacted by the split (5% or greater impact)

Policy & Guidelines
(cont'd)

- Adherence to GAAP, FASB, GASB, FERC, & NARUC regulations

◆ Charge codes in a supervisor's area will be split to the three divisions based on the function of the area (not based on individual employee activities)

◆ Manager area charge codes will be on an A&G split, or, if practical and material, on a pro-rata basis based on the functions of the supervisor areas in the department

Policy & Guidelines
(cont'd)

- Charge codes for the areas of Vice-Presidents and above will be distributed on the A&G split
- Contracted services for the exclusive benefit of a particular division will be charged direct to the appropriate division. Contracts which supplement the normal functions of an area will be allocated to the three divisions based on the function of the area

Policy & Guidelines
(cont'd)

- The Stores Clearing Account will only include expenses which are directly attributable to the facilities and employees the storerooms
  - Costs Included:
    - Employee labor and benefits
    - Insurance and Utilities of storeroom buildings
    - Lost and unaccounted for inventory
    - etc.
  - Costs Not Included:
    - Purchasing/Contracts Management
    - Accounting
    - Information Services
    - etc.

Policy & Guidelines

(cont'd)

- The Transportation Clearing Accounts will accumulate all costs of owning, using and maintaining vehicles and equipment
  - Costs Included:
    - Transportation labor and benefits
    - Insurance and Utilities buildings
    - Depreciation, interest and taxes on vehicles and equipment
    - etc.
  - Costs Not Included:
    - Purchasing/Contracts Management
    - Accounting
    - Information Services
    - etc.

Policy & Guidelines

(cont'd)

- Rental of commonly used facilities and property will consist of depreciation, interest, and in-lieu-of-tax payments only
- Expenses related to commonly used facilities and property will be allocated to the three divisions as incurred (property insurance, utilities, housekeeping, security, building maintenance, etc.)
- Supervisors may not enter changes to the fixed time distribution of their employees. Requests for changes will be coordinated by Budget, Plant & Rates

Policy & Guidelines
(cont'd)

- Exceptions to area splits will be considered if:
  - The activity is outside the normal area function (ice storm)
  - There is a need to collect specific costs for reimbursement (claims, job orders)
  - There is a material financial impact

Policy & Guidelines
(cont'd)

- Area personnel are expected to use correct charge codes for functions performed, and should not manipulate the cost allocation process by using improper charge codes
- Budget, Plant and Rates will be responsible for routine maintenance of charge code allocations based upon the MLGW Accounting Policy
- The General Auditor, and the Managers of General Accounting, and Budget, Plant & Rates will review the MLGW Accounting Policy at least every five years

Actions Taken

- Examined and revised the MLGW Accounting Policy for allocating costs to the three divisions
- Assigned allocation methods to each area based on area function
- Eliminated charge codes not used in 24 months
- Reviewed charge code distributions and MISSION 2000 requests for each area
- Made changes as necessary to area charge code conversions to comply with Policy

Standard Allocation Methods

- Customer 43%-E 32%-G 25%-W
- Customer Service 43%-E 39%-G 18%-W
- Commercial Customer 49%-E 26%G 25%-W
- Administrative & General 57%-E 27%-G 16%-W
- Regular Payroll $ 51.6%-E 25.6%-G 17.0%-W 2.1%-St 3.7%-Tr

Standard Allocation Methods
(con't)

◆ Const. & Maintenance	62%-E	22%-G	16%-W
◆ C&M Gas Distribution	15%-E	85%-G	0%-W
◆ C&M Water Distribution	2.5%-E	5.5%-G	92%-W

◆ Custom Splits Used Only in Rare Circumstances

Examples

ELECTRIC ENGINEERING

- **ALLOCATE ALL COSTS 100% TO ELECTRIC DIVISION**
  - Labor
  - Accrued Vacation
  - Military Leave
  - United Way
  - Office Expenses
  - etc....

Examples

SYSTEM OPERATIONS

- Manager's Office - Customer Split
- Systems Control, Electric - 100% Electric
- Systems Control, Gas & Wtr - 56% Gas 44% Water*

* Pro-rata Gas & Water portion of Customer Split

Examples

CUSTOMER SERVICE

- Manager's Office - Customer Split
- Service Dispatching - Customer Split
- Information Center - Customer Split
- Customer Service - Customer Service Split*

*Based on Number of E, G & W Calls Worked

Examples

WORK CENTERS

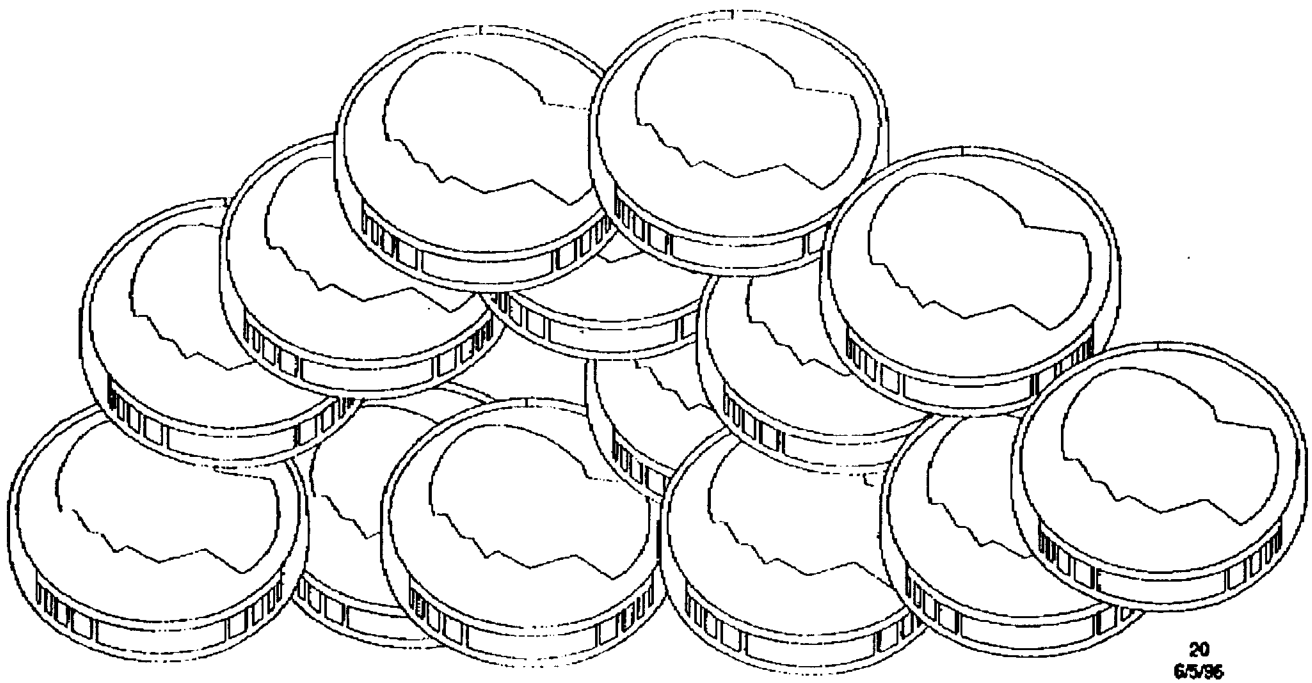
- **ALLOCATED BASED ON 3-Yr. AVG. CHARGES BY WORK CENTER AREAS**
  - Managers' Offices - 62% - E 22%-G 16%-W
  - Electric Distribution - 100% - E
  - Gas Distribution - 15% - E 85% -G
  - Water Distribution - 2.5%-E 5.5%-G 92% -W
  - Storerooms - 100% To Stores Loading
  - Customer Engineering - Customer Split

Examples

DISTRIBUTION SUPPORT

- VARIOUS METHODS DUE TO THE DIVERSITY OF FUNCTIONS PERFORMED AND THE HIGH DOLLAR IMPACT
  - Manager's Office & Staff - Const & Maint Split (Same as Work Center Mgrs)
  - Compost Plant -100% Electric
  - Tree Trimming -100% Electric
  - General Construction - A&G Split
  - Const. & Maint. Support - Const & Maint Split
  - Facilities Locators - Customer Split
  - etc.....

Results of Implementing Revised Standard Allocation Methods



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Results of Implementing Revised Standard Allocation Methods

Electric O&M	↓ $1.6 Million
Gas O&M	↓ $1.2 Million
Water O&M	↑ $2.2 Million
Capitalized Costs	↑ $0.6 Million
Net Effect	$0.0

Results of Implementing Revised Standard Allocation Methods

(In Thousands of Dollars)

Division	Electric	Gas	Water
President	⇩ $44.4	⇧ $2.8	⇧ $41.6
General Counsel	$0.0	$0.0	$0.0

Results of Revised Standard Allocation Methods

(In Thousands of Dollars)

Division	Electric O&M	Gas O&M	Water O&M
Sr. VP - Admin & Support	$0.0	$0.0	$0.0
VP - Support Services	$0.0	$0.0	$0.0
VP - Human Resource	⇧ $78.2	⇩ $173.1	⇧ $94.9

Results of Implementing Revised Standard Allocation Methods

(In Thousands of Dollars)

Division	Electric	Gas	Water	Capital/ Loading
VP - Pub.Aff & Procur.	⇧ $150.2	⇧ $224.2	⇧ $296.5	⇩ $670.9
VP - Customer Service	⇩ $792.9	⇧ $72.7	⇧ $720.2	$0.0

Results of Implementing Revised Standard Allocation Methods

(In Thousands of Dollars)

Division	Electric	Gas	Water	Capital/ Loading
Sr. VP - Oper & Sec/Treas	$0.0	$0.0	$0.0	$0.0
VP - Engineer	⇧ $117.0	⇩ $137.4	⇧ $121.3	⇩ $100.9
VP - Operation	⇩ $381.7	⇧ $320.5	⇧ $61.5	⇩ $0.3

Results of Implementing Revised Standard Allocation Methods

(In Thousands of Dollars)

Division	Electric	Gas	Water	Cap / Loading
VP - Finance	⇩ $111.9	⇧ $76.3	⇧ $35.6	$0.0
VP - Const. & Maint.	⇩ $500.1	⇧ $379.2	⇧ $40.6	⇧ $80.3
Non-Deptmntl. Charges	⇩ $104.4	⇩ $1,991.1	⇧ $751.7	⇧ $1,343.8
Totals	⇩ $1,590.0	⇩ $1,225.9	⇧ $2,163.9	⇧ $652.0

Implementation Plan

- Implement Charge Code Changes for Actual Use beginning July 1, 1996
- Update MLGW Strategic Plan to reflect the revised Accounting Policy
- Implement Charge Code Changes for the 1997 Budget

Implementation Plan

- Broaden the scope of existing financial report review meetings to incorporate discussion of significant accounting issues affecting financial policy and reporting
- Perform periodic internal audits to ensure compliance with the MLGW accounting policy

Recommended Additional Issues to Address

- Written Policies and Procedures - Develop a comprehensive MLGW accounting policies and procedures manual to provide a structured and permanent means of documentation. Items to be covered should include, but are not limited to, the following:
  - Overhead Allocations
    - Stores, Transportation, A&G, E&S, Employee Benefits, etc.
  - Capitalization Policy
  - Explanations of account groupings for financial statement presentation
  - Rents and Allocation of Common Facilities

Recommended Additional Issues to Address

- Fixed Distribution
  - Decrease use of Generated Time
  - Tie fixed distribution to position
  - Determine types of labor that qualify for fixed distribution
  - Develop Standards for allocating employee time between O&M and Capital

Recommended Additional Issues to Address

- ◆ Financial Reporting System
  - Perform a needs analysis for a new financial reporting system to improve:
    - Ability to monitor departmental costs, i.e. 8999 and 9000
    - Flexibility of end-user reporting
    - Simplicity and accuracy of field reporting
    - Audit trail

Recommended Additional Issues to Address

- Common Cost Allocation (A&G Split)
  - Review methodology for determining split to each Division
  - Implement changes if necessary

Recommended Additional Issues to Address

- A&G Overhead Rates
  - Review methodology for inclusion of costs in the overhead rate
  - Consider separate overhead pools and rates for each division
  - Make changes to overhead rates as necessary

Recommended Additional Issues to Address

- E&S Overhead Rates
  - Determine the correlation between the level of construction and the level of work required by a support department, i.e.
    - Property Accounting
    - Survey
  - Consider prohibiting fixed time distribution to E&S charge codes
  - Consider eliminating or reducing the number of E&S pools

Recommended Additional Issues to Address

- Charge Backs
  - Determine Division policy for charge back of costs, i.e.
    - Travel
    - Information Services
    - Training
    - Communication Production/Distribution
    - Central Shops
    - Office furniture and equipment
    - Employee Benefits

Summary

Benefits of Charge Code Review

- Completed a thorough "Housecleaning" of existing charge code conversions
- Clarified and documented the Cost Allocation Policy
- Maintained consistency in charge code allocations throughout the Division
- Identified areas for improvement
  - More frequent reviews of allocations
  - Policy Documentation
  - Identified system enhancements

Mission 2000 Account Redistribution
1996 Budget

	Area	Before Redistribution Electric	Gas	Water	TOTAL**	SYSTEM TOTAL**	CHG CODE EXCEPTS	PROPOSED SPLIT	After Redistribution Electric	Gas	Water	TOTAL	Difference* Electric	Gas	Water	Total
President's Office	610000	216,887.28	102,788.19	80,911.52	390,887.00	390,887.00		A&G	216,887.20	102,788.19	80,911.52	390,887.00	0.00	(0.00)	0.00	0.00
Dept. Total		216,887.28	102,788.19	80,911.52	390,887.00	390,887.00			216,887.28	102,788.19	80,911.52	390,887.00	0.00	(0.00)	0.00	0.00
Corporate Communications	610810	196,853.00	74,325.40	4,299.00	275,481.00	275,488.00		A&G	157,828.16	74,381.76	44,878.00	275,488.00	38,934.84	(58.38)	(38,875.40)	3.00
Dept. Total		196,853.00	74,325.40	4,302.00	275,481.00	275,488.00			157,828.16	74,381.76	44,878.00	275,488.00	38,934.84	(58.38)	(38,875.40)	3.00
Int. Audit - General Auditing	610705	185,880.47	78,536.37	45,883.88	290,831.00	290,831.00		A&G	163,800.47	78,551.37	46,540.00	290,831.00	50.00	(15.00)	(45.00)	0.00
Int. Audit - EDP Audit	610710	136,887.00	80,282.50	29,288.72	245,487.00	245,487.00		A&G	138,887.49	45,282.59	35,298.12	245,487.00	0.00	0.00	0.00	0.00
Int. Audit - Admin & Financial	610370	146,838.22	85,803.52	30,878.16	253,113.00	253,113.00		A&G	146,270.41	68,348.51	40,498.00	253,113.00	4,350.89	(2,738.89)	(1,621.98)	0.00
Travel Control	610330	258,850.46	123,354.42	73,080.12	456,884.00	464,884.00		A&G	260,429.88	123,281.38	73,103.84	456,884.00	26.88	(6.96)	(13.02)	0.00
Dept. Total		711,882.14	333,758.98	187,798.98	1,248,155.00	1,298,365.00			710,422.36	336,515.85	188,816.80	1,248,385.00	4,138.79	(2,758.85)	(1,080.84)	0.00
Division Total		1,120,822.43	518,878.48	282,850.00	1,902,845.00	1,902,540.00			1,084,447.80	513,888.80	304,486.40	1,902,540.00	44,374.83	(2,815.31)	(41,586.38)	3.00

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* Total Before Redistribution less Total After Redistribution

** Excludes Charge Codes 4700, 1177, 4999 and 8999

Mission 2000 Account Redistribution
1996 Budget

	Area	Before Redistribution Electric	Gas	Water	TOTAL**	SYSTEM TOTAL**	CHG CODE EXCEPTS.	PROPOSED SPLIT
General Counsel	050000	96,256.62	45,585.12	27,810.26	169,671.00	169,671.00		A&G
Dept. Total		96,256.62	45,585.12	27,810.26	169,671.00	169,671.00		
Legal Services	050100	232,098.54	169,909.82	65,187.54	467,195.00	467,195.00		A&G
Claims	050110	278,270.15	131,812.85	78,111.29	488,195.00	488,195.00		A&G
Workers' Comp Claim Pmts	050130	0.00	0.00		0.00	0.00		A&G
Dept. Total		510,368.69	241,751.87	143,298.74	955,390.00	955,390.00		
Outside Legal Services	050200	111,989.00	53,037.98 225,996.00	31,429.92	196,437.00 225,996.00	196,437.00 225,996.00	0631	A&G G
Area Total		111,989.09	279,033.99	31,429.92	422,433.00	422,433.00		
Dept. Total		111,989.09	279,033.99	31,429.92	422,433.00	422,433.00		
Division Total		718,596.40	566,390.68	201,167.82	1,466,684.00	1,466,684.00		

	After Redistribution Electric	Gas	Water	TOTAL	Difference* Electric	Gas	Water	Total
General Counsel	96,256.47	45,585.17	27,810.36	169,651.00	0.15	(0.46)	(0.10)	
Dept. Total	96,256.47	45,585.17	27,810.36	169,651.00	0.15	(0.05)	(0.10)	0.00
Legal Services	232,095.45	169,910.95	65,188.60	467,195.00	3.00	(1.03)	(2.00)	0.00
Claims	278,271.16	131,812.85	78,111.29	488,195.00	0.00	0.00	0.00	0.00
Workers' Comp Claim Pmts	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dept. Total	510,366.60	241,752.66	143,299.80	955,390.00	3.00	(1.63)	(2.98)	0.00
Outside Legal Services	111,989.09 0.00	53,037.98 225,996.00	31,429.92 0.00	196,437.00 225,996.00	0.00	(0.00)	0.00	0.00
Area Total	111,989.10	279,033.99	31,429.92	422,433.00	0.00	(0.09)	0.00	0.00
Dept. Total	111,989.09	279,033.99	31,429.92	422,433.00	0.00	(0.01)	0.00	0.00
Division Total	718,592.16	488,391.70	201,710.00	1,466,684.00	3.24	(1.08)	(2.16)	0.00

* Total Before Redistribution less Total After Redistribution

** Excludes Charge Codes [illegible]

Mission 2000 Account Redistribution
1996 Budget

	Area	Before Redistribution Electric	Gas	Water*	TOTAL**	SYSTEM TOTAL**	CHG CODE EXCEPTS	PROPOSED SPLIT	After Redistribution Electric	Gas	Water	TOTAL	Difference* Electric	Gas	Water	Total
Sr. VP - Admin & Support	400000	98,927.84	47,334.34	29,049.82	175,312.00	175,312.00		A&G	98,927.84	47,334.24	29,049.92	175,312.00	0.00	(0.00)	0.00	0.00
Dept. Total		98,927.84	47,334.34	29,049.82	175,312.00	175,312.00			98,927.84	47,334.34	29,049.82	175,312.00	0.00	(0.00)	0.00	0.00
Elec Planning/Cost Mgmt	400100	164,239.80 0.00	77,797.80 0.00	46,102.40 0.00	288,140.00 0.00	288,140.00 0.00	3929	A&G CUSTOMER	164,239.80 0.00	77,797.80 0.00	46,102.40 0.00	288,140.00 0.00	0.00 0.00	(0.00) 0.00	0.00 0.00	0.00 0.00
Area Total		164,239.80	77,797.80	46,102.40	288,140.00	288,140.00			164,239.80	77,797.80	46,102.40	288,140.00	0.00	(0.00)	0.00	0.00
Industrial Engineering	400110	152,025.84 774.00	72,012.24 376.00	42,673.92 450.00	266,712.00 1,600.00	266,712.00 1,600.00	3920	A&G CUSTOMER	152,025.84 774.00	72,012.24 376.00	42,673.92 450.00	266,712.00 1,600.00	0.00 0.00	0.00 0.00	0.00 0.00	0.00 0.00
Area Total		152,799.84	72,388.24	43,123.92	268,312.00	268,312.00			152,799.84	72,388.24	43,123.92	268,312.00	0.00	0.00	0.00	0.00
Dept. Total		317,039.64	150,186.04	89,226.32	556,452.00	556,452.00			317,039.64	150,186.04	89,226.32	556,452.00	0.00	(0.00)	0.00	0.00
Labor Relations - Mgr's Off	400200	170,434.29	84,995.19	59,367.52	314,797.00	314,797.00		A&G	170,434.29	84,995.19	59,367.52	314,797.00	0.00	(0.00)	0.00	0.00
Dept. Total		170,434.29	84,995.19	59,367.52	314,797.00	314,797.00			170,434.29	84,995.19	59,367.52	314,797.00	0.00	(0.00)	0.00	0.00
Comm Production/Distrib	400120	775,362.40 583,318.58 88,110.87	387,274.10 436,985.82 65,570.86	217,850.60 340,301.90 51,227.25	1,380,587.00 1,361,206.00 204,909.00	1,380,587.00 1,361,206.00 204,909.00	6793 6797	AMB CUSTOMER CUSTOMER	775,534.59 583,318.58 88,119.87	387,358.49 436,985.82 65,570.86	217,593.92 340,301.90 51,227.25	1,380,587.00 1,361,206.00 204,909.00	(172.19) 0.00 (9.00)	(84.39) 0.00 0.00	256.58 0.00 0.00	0.00 0.00 0.00
Area Total		1,446,791.85	889,830.82	609,479.25	2,946,702.00	2,946,702.00			1,446,964.04	889,915.28	609,222.67	2,946,702.00	(172.19)	(84.39)	256.58	0.00
Division Total		2,045,183.82	1,151,146.37	777,123.81	3,973,463.00	3,973,463.00			2,045,355.01	1,151,230.76	776,868.43	3,973,463.00	(172.19)	(84.39)	256.58	0.00

* Total Before Redistribution less Total After Redistribution

** Excludes Charge Codes 8798, 7777, 8999 and 9999

Mission 2000 Account Redistribution
1996 Budget

		Before Redistribution							After Redistribution				Difference*			
	Area	Electric	Gas	Water	TOTAL**	SYSTEM TOTAL**	CHG CODE EXCEPTS.	PROPOSED SPLIT	Electric	Gas	Water	TOTAL	Electric	Gas	Water	Total
VP - Support Services	410000	13,880.90	6,578.90	3,880.20	24,370.00	24,370.00		A&G	13,880.90	6,578.90	3,880.20	24,370.00	0.00	(0.00)	0.00	0.00
Dept. Total		13,880.90	6,578.90	3,880.20	24,370.00	24,370.00			13,880.90	6,578.90	3,880.20	24,370.00	0.00	(0.00)	0.00	0.00
Comm Services - Mgr's Off	440100	7.90	3.78	2.34	14.00	14.00		A&G	7.90	3.78	2.34	14.00	0.00	(0.00)	0.00	0.00
Division Total		13,888.80	6,582.68	3,882.44	24,384.00	24,384.00			13,888.80	6,582.68	3,882.44	24,384.00	0.00	(0.00)	0.00	0.00

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* Total Before Redistribution less Total After Redistribution

** Excludes Charge Codes [illegible]

Mission 2000 Account Redistribution
1996 Budget

	Area	Electric (Before Redistribution)	Gas (Before Redistribution)	Water (Before Redistribution)	TOTAL** (Before Redistribution)	SYSTEM TOTAL**	CHG CODE EXCEPT'N	PROPOSED SPLIT	Electric (After Redistribution)	Gas (After Redistribution)	Water (After Redistribution)	TOTAL (After Redistribution)	Electric (Difference*)	Gas (Difference*)	Water (Difference*)	Total (Difference*)
VP - Human Resources	420000	82,884.20	39,186.20	23,209.00	145,000.00	145,000.00		A&G	82,884.20	39,186.20	23,209.00	145,000.00	0.00	(0.00)	0.00	0.00
Dept. Total		82,884.20	38,886.80	23,209.00	145,000.00	145,000.00			82,884.20	39,186.20	23,209.00	145,000.00	0.00	(0.00)	0.00	0.00
Human Resources - Mgr's Off	420100	199,282.13	95,588.83	56,604.00	351,473.00	351,473.00		A&G	200,330.61	94,807.71	56,235.00	351,473.00	(1,047.48)	990.32	349.16	0.00
		4,835.00	2,290.00	1,357.44	8,484.00	8,484.00	8200	G	0.00	8,484.00	0.00	8,484.00	4,835.00	(6,193.17)	1,357.44	0.00
		17,955.00	8,505.00	5,040.00	31,500.00	31,500.00	2990	G	0.00	31,500.00	0.00	31,500.00	17,955.00	(22,995.00)	5,040.00	0.00
Area Total		222,063.83	106,381.71	62,982.20	391,457.00	391,457.00			200,330.61	134,861.71	56,235.00	391,457.00	21,743.40	(28,480.00)	6,740.00	0.00
Medical Services	420110	29,535.12	13,989.32	8,290.56	51,816.00	51,816.00		A&G	29,535.12	13,989.22	8,290.56	51,816.00	0.00	0.00	0.00	0.00
Selection & Placement	420130	250,310.94	118,588.34	70,262.72	439,142.00	439,142.00		A&G	250,310.94	118,588.34	70,262.72	439,142.00	0.00	0.00	0.00	0.00
Compensation Administration	420140	219,132.51	103,790.61	61,519.80	384,443.00	384,443.00		A&G	219,332.51	103,790.61	61,518.00	384,443.00	0.00	(0.00)	0.00	0.00
Dept. Total		721,050.38	342,719.98	203,046.40	1,266,858.00	1,266,858.00			699,310.18	371,230.98	196,299.84	1,266,858.00	21,743.40	(28,480.00)	6,740.00	0.00
Training & Devel - Mgr's Off	420200	91,314.87	43,346.77	25,888.16	160,551.00	160,551.00		A&G	91,514.87	43,346.77	25,688.16	160,551.00	0.00	(0.00)	0.00	0.00
Safety & Field Training	420210	586,713.82	267,716.84	172,154.28	1,130,825.00	1,130,825.00		A&G	542,876.25	306,888.75	181,060.00	1,130,825.00	43,837.67	(39,131.95)	(9,725.72)	0.00
Video Production & Support	420220	52,741.80	27,361.00	16,208.00	101,300.00	101,300.00		A&G	52,741.80	27,361.00	16,208.00	101,300.00	0.00	(0.00)	0.00	0.00
Employee Development	420230	235,575.30	111,588.30	66,126.40	413,290.00	413,290.00		A&G	235,575.30	111,588.30	66,126.40	413,290.00	0.00	(0.00)	0.00	0.00
Organizational Development	420240	347,221.20	164,473.20	97,465.60	609,160.00	609,160.00		A&G	347,221.20	164,473.20	97,465.60	609,160.00	0.00	0.00	0.00	0.00
Co-Ops and Spec Emp Progs	420250	54,047.00	23,846.52	10,709.48	92,583.00	92,583.00		A&G	52,778.01	25,000.11	14,814.88	92,593.00	6,298.99	(1,154.59)	(4,810.40)	0.00
Dept. Total		1,468,892.00	638,989.59	388,322.92	2,513,518.00	2,513,519.00			1,432,705.83	478,650.13	402,183.04	2,513,518.00	54,106.66	(40,266.64)	(13,909.32)	0.00
ESC - Mgr's Office	420300	150,954.80	71,504.91	42,373.26	264,833.00	264,833.00		A&G	150,954.81	71,504.91	42,373.28	264,833.00	0.00	(0.00)	0.00	0.00
Dept. Total		150,954.81	71,504.91	42,373.28	264,833.00	264,833.00			150,954.81	71,504.91	42,373.28	264,833.00	0.00	(0.00)	0.00	0.00
General Services - Mgr's Off	420400	99,302.39	46,918.89	27,738.72	174,071.00	174,071.00		A&G	99,229.47	46,939.17	27,851.36	174,071.00	561.92	(49.78)	(112.64)	0.00
Security Services	420410	889,782.64	468,832.44	218,341.02	1,738,836.00	1,738,836.00		A&G	960,986.52	488,845.72	277,893.76	1,738,836.00	(223.90)	(113.28)	247.28	0.00
Revenue Protection	420420	270,318.09	129,084.27	72,624.64	471,877.00	471,877.00		CUSTOMER	202,807.81	153,000.64	117,969.25	471,877.00	67,200.00	(71,916.37)	(45,344.69)	0.00
Bldg Services - Admin Bldg	420430	325,276.86	167,137.90	62,843.20	480,280.00	480,290.00		A&G	273,718.54	129,656.16	76,833.28	480,280.00	(48,491.68)	62,481.74	(13,800.00)	0.00
Building Services - Properties	420440	393,013.52	814,829.72	162,503.76	1,271,347.00	1,271,347.00		A&G	724,667.79	343,283.80	203,415.82	1,271,347.00	(121,654.27)	871,566.03	(79,911.76)	0.00
Dept. Total		2,177,953.44	1,351,934.22	604,859.34	4,134,339.00	4,134,339.00			2,290,510.45	1,130,665.38	703,963.17	4,134,339.00	(212,557.01)	212,098.84	(95,111.83)	0.00
Risk Management - Mgr's Off	420500	84,562.80	41,050.80	24,326.40	152,440.00	152,440.00		A&G	86,602.40	41,958.00	24,376.40	152,440.00	0.00	0.00	0.00	0.00
Insurance	420510	323,448.58	158,581.80	93,148.62	576,107.00	576,107.00		A&G	326,380.99	156,548.89	92,177.12	576,107.00	(4,934.43)	3,962.91	973.10	0.00
Pension	420520	64,859.54	31,196.64	18,486.88	115,543.00	115,543.00		A&G	65,458.51	31,196.61	18,486.88	115,543.00	0.00	(0.00)	0.00	0.00
Insurance Amortization	420530	12,449.96	5,807.34	3,494.72	21,847.00	21,858.00		A&G	12,459.96	5,901.66	3,497.20	21,858.00	(9.12)	14.32	12.94	(14.90)
LT Disability Non Occup	420540	285,847.85	178,304.89	100,730.26	565,182.00	565,102.00		A&G	272,100.14	152,577.54	80,418.32	565,102.00	(36,130.29)	25,807.15	10,327.94	4.06
Dept. Total		774,396.88	416,041.44	240,195.86	1,430,634.00	1,430,650.00			815,478.50	384,275.50	228,904.06	1,430,658.06	(41,072.87)	29,765.94	11,291.88	(16.09)
Division Total		5,383,460.28	2,869,780.34	1,581,009.48	8,756,243.00	8,755,258.00			5,471,643.87	2,806,702.30	1,506,942.93	8,755,258.00	(78,460.77)	123,078.24	(44,943.47)	(18.00)

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* Total Before Redistribution less Total After Redistribution

** Excludes Charge Codes 8758, 2717, 9991 and 9999

Mission 2000 Account Redistribution
1996 Budget

		Before Redistribution							After Redistribution				Difference*			
	Area	Electric	Gas	Water	TOTAL**	SYSTEM TOTAL**	CHG CODE EXCEPTS	PROPOSED SPLIT	Electric	Gas	Water	TOTAL	Electric	Gas	Water	Total
VP - Public Aff & Procur	430000	81,980.83	38,759.43	22,916.84	143,654.00	143,654.00		ALG	81,882.78	38,786.68	22,984.64	143,654.00	97.75	(25.75)	(68.00)	0.00
Government Relations	430020	34,672.75	18,812.75	9,488.50	60,375.00	60,375.00		ALG	34,413.75	14,301.25	9,660.00	60,375.00	(341.00)	511.50	(170.50)	0.00
Community Relations	430030	65,296.84	26,190.24	15,521.92	97,812.00	97,812.00		ALG	65,296.84	26,190.24	15,521.92	97,812.00	0.00	0.00	0.00	
Dept. Total		171,380.17	81,762.82	47,898.06	301,841.00	301,841.00			171,583.37	81,281.07	48,166.66	301,841.00	(243.28)	481.75	(238.50)	0.00
Economic Development	430100	292,427.50	138,516.84	82,083.58	513,022.00	513,022.00		ALG	292,422.54	138,515.94	82,083.52	513,022.00	0.00	(0.80)	0.00	0.00
Dept. Total		292,422.54	138,516.84	82,083.62	513,022.00	513,022.00			292,422.54	138,516.94	82,083.52	513,022.00	0.00	(0.80)	0.00	0.00
Energy Use & Mktg - Mgr's Ofc	430200	91,275.37 0.00	69,003.32 5,000.00	8,701.31 0.00	149,980.00 5,000.00	149,980.00 5,000.00	4755	CUSTOMER G	84,491.40 0.00	47,993.60 5,000.00	37,495.00 0.00	149,980.00 5,000.00	16,783.97 0.00	11,009.72 0.00	(27,793.69) 0.00	0.00 0.00
Area Total		91,275.37	64,003.32	8,701.31	154,980.00	154,980.00			84,491.40	52,993.60	37,495.00	154,980.00	16,783.97	11,009.72	(27,793.69)	0.00
Consumer Education	430210	471,233.46 21,840.48	168,505.96 50,961.40	37,344.58 0.00	677,074.00 72,802.00	677,074.00 72,802.00	4795	CUSTOMER 50E/50G	291,341.82 36,401.00	216,463.60 36,401.00	169,268.50 0.00	677,074.00 72,802.00	180,091.64 (14,560.40)	(48,067.72) 14,560.40	(132,023.92) 0.00	0.00 0.00
Area Total		493,073.86	219,467.36	37,344.58	749,876.00	749,876.00			327,842.82	253,064.60	169,268.50	749,876.00	165,531.24	(33,507.32)	(132,023.92)	0.00
Energy Services	430720	182,329.36 0.00 (498.00) 200,264.00 0.00 51,383.10	96,460.35 15,530.00 0.00 0.00 0.00 22,167.00	38,609.38 0.00 0.00 0.00 0.00 0.00	238,400.00 15,530.00 (498.00) 200,264.00 0.00 73,003.00	238,499.00 15,530.00 (498.00) 200,264.00 0.00 73,003.00	4755 4791 4794 4795 4798	COMM CUST G E E 50E/50G 50E/50G	118,864.51 0.00 (498.00) 200,264.00 0.00 36,646.50	62,009.76 15,530.00 0.00 0.00 0.00 36,646.50	58,625.73 0.00 0.00 0.00 0.00 0.00	238,499.00 15,530.00 (498.00) 200,264.00 0.00 73,003.00	35,384.84 0.00 0.00 0.00 14,738.60	(6,340.39) 0.00 0.00 0.00 (14,738.60)	(29,034.45) 0.00 0.00 0.00 0.00	(0.00) 0.00 0.00 0.00 0.00
Area Total		403,508.45	87,314.35	38,609.38	527,497.00	527,497.00			353,427.00	114,395.24	59,624.75	527,497.00	50,103.46	(21,078.99)	(29,024.45)	(0.00)
Dept. Total		971,952.68	374,876.93	77,646.19	1,432,353.00	1,432,353.00			745,541.23	420,493.52	266,388.95	1,432,353.00	232,418.65	(43,170.56)	(188,842.84)	(0.00)
Procurement - Mgr's Office	430300	265.00	135.00	90.00	500.00	157,448.00		ALG	89,745.93	42,511.23	25,191.84	157,448.00	(89,460.93)	(42,376.23)	(25,111.84)	(156,948.00)
Contracts Management	430310	98,998.91	45,700.00	27,474.00	172,963.00	172,963.00		ALG	98,998.91	46,700.00	27,074.00	172,963.00	0.00	0.00	0.00	0.00
Purchasing	430320	0.00	0.00	0.00	0.00	513,000.00		ALG	292,982.33	138,771.83	82,235.84	513,989.00	(292,982.33)	(138,771.83)	(82,235.84)	(513,989.00)
Material Control	630330	0.00	0.00	0.00	0.00	1,200.00		STORES	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Storeroom Supervisor Ctl	430340	0.00	0.00	0.00	0.00	320.00		STORES	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
S/R 85 - Stores & Salvage	630350	0.00	0.00	0.00	0.00	244.00		STORES	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dept. Total		98,873.91	49,835.01	27,764.08	173,463.00	846,945.00			481,297.17	227,982.07	135,108.96	844,381.00	(382,423.26)	(181,147.46)	(107,348.84)	(670,918.00)
Division Total		1,540,578.45	643,880.70	235,311.85	2,419,878.00	3,092,361.00			1,690,824.31	868,233.40	531,238.28	3,090,797.00	(150,247.86)	(224,292.79)	(298,427.44)	(670,918.00)

* Total Before Redistribution less Total After Redistribution

** Excludes Charge Codes 0788, 7777, 9999 and 9979

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Mission 2000 Account Redistribution
1996 Budget

	Area	Electric	Gas	Water	Before Redistribution TOTAL**	SYSTEM TOTAL**	CHG CODE EXCEPTS	PROPOSED SPLIT	After Redistribution Electric	Gas	Water	TOTAL	Difference* Electric	Gas	Water	Total
VP - Customer Service	440000	46,455.00	43,866.30	32,982.61	142,104.00	142,804.00		A&G	61,500.00	38,605.60	22,877.04	142,804.00	(15,065.82)	5,380.05	9,606.17	0.00
Dept. Total		46,435.00	43,866.33	32,982.61	142,804.00	142,904.00			61,500.00	38,605.00	22,877.04	142,904.00	(15,065.82)	5,380.05	9,605.17	0.00
Customer Acctg - Mgr's Off	440100	80,653.02	52,684.61	38,480.37	170,806.00	170,820.00		CUSTOMER	73,456.04	54,864.96	42,782.00	170,820.00	7,196.98	(2,570.35)	(4,626.63)	0.00
Customer Accts & Records	440120	478,581.40	351,824.00	273,186.83	1,103,482.00	1,103,482.00		CUSTOMER	474,488.86	353,107.84	275,865.60	1,103,482.00	4,152.82	(1,483.15)	(2,668.67)	0.00
Meter Reading - NSC	440130	526,595.29	388,715.43	303,769.72	1,220,828.00	1,220,828.00		CUSTOMER	524,812.43	388,468.28	305,607.25	1,220,828.00	1,842.78	(683.85)	(1,248.83)	0.00
Meter Reading - HHSC	440140	514,586.34	382,016.48	298,168.39	1,194,775.00	1,194,775.00		CUSTOMER	513,783.25	382,320.80	298,593.75	1,194,775.00	835.09	(308.54)	(525.56)	0.00
Meter Reading - SSC	440150	571,071.94	423,391.81	330,224.64	1,324,788.00	1,324,788.00		CUSTOMER	569,558.84	423,932.10	331,297.00	1,324,788.00	1,512.70	(540.25)	(972.45)	0.00
Dept. Total		2,171,886.63	1,598,645.10	1,243,427.27	5,013,882.00	5,013,882.00			2,155,560.26	1,604,482.24	1,250,470.00	5,013,882.00	16,646.37	(5,097.14)	(10,043.23)	0.00
Credit & Collections	440200	76,166.79	55,202.36	42,803.86	174,173.00	174,173.00		CUSTOMER	74,664.30	55,735.30	43,543.25	174,173.00	1,402.49	(533.00)	(650.40)	0.00
Credit	440210	311,600.06	229,430.51	179,806.43	719,088.00	719,088.00		CUSTOMER	309,287.84	230,100.16	179,772.00	719,088.00	1,877.22	(669.65)	(1,203.53)	0.00
Adjustments & Collections	440220	7,680.71	5,347.84	4,015.45	17,137.00	17,137.00		CUSTOMER	7,359.81	5,463.04	4,264.85	17,137.00	321.90	(116.00)	(208.00)	0.00
Collections	440230	428,846.40	314,751.90	244,498.30	987,886.40	987,886.00		CUSTOMER	424,796.28	316,126.72	246,974.00	987,886.00	3,050.12	(1,375.40)	(2,475.72)	0.00
North Community Office	440240	148,881.50	119,868.48	82,283.01	378,743.00	378,743.00		CUSTOMER	142,868.40	121,103.76	94,885.75	378,743.00	3,722.04	(1,378.30)	(2,382.74)	0.00
Lamar Community Office	440250	189,615.00	139,310.14	108,241.81	437,167.00	437,167.00		CUSTOMER	187,981.61	139,893.40	108,291.76	437,167.00	1,639.24	(583.30)	(1,048.84)	0.00
Whitehaven Community Office	440260	162,904.22	120,958.00	93,407.78	376,370.00	376,370.00		CUSTOMER	161,859.10	120,438.40	94,082.50	376,370.00	1,045.12	(380.40)	(664.72)	0.00
Dept. Total		1,343,667.36	983,007.83	763,868.81	3,090,574.00	3,090,574.00			1,330,940.82	988,083.60	772,643.58	3,090,574.00	13,906.84	(4,886.05)	(8,974.80)	0.00
Customer Service - Mgr's Off	440300	103,188.14	75,792.87	58,938.98	237,928.00	237,928.00		CUSTOMER	102,309.04	76,338.06	58,480.00	237,928.00	889.10	(364.09)	(545.01)	(0.00)
Service Dispatching	440310	618,410.82	464,542.70	350,178.48	1,433,130.00	1,433,130.00		CUSTOMER	616,245.90	456,801.50	358,282.60	1,433,130.00	164.92	(58.09)	(106.82)	0.00
Customer Service - NESC	440320	1,000,643.02 0.00	739,960.04 38,341.00	135,838.94 0.00	1,885,443.00 38,341.00	1,885,443.00 38,341.00	4848	CUST SERV G	810,740.49 0.00	735,377.77 38,341.00	339,325.74 0.00	1,885,443.00 38,341.00	189,902.63	4,617.27	(293,538.89)	0.00
Area Total		1,000,643.02	778,301.04	135,838.94	1,923,784.00	1,923,784.00			810,740.49	773,663.77	339,326.94	1,923,784.00				
Customer Service - SSC	440330	848,107.00 0.00	841,304.44 100,883.00	154,129.57 0.00	1,644,542.00 100,883.00	1,644,542.00 100,883.00	4858	CUST SERV G	707,183.95 0.00	643,371.38 100,883.00	296,017.56 0.00	1,644,542.00 100,883.00	190,902.30 141,164.91	4,537.27 (54.04)	(203,509.80) (141,887.88)	0.00 0.00
Area Total		848,107.00	742,187.44	154,129.57	1,745,425.00	1,745,425.00			707,183.95	742,254.38	296,017.56	1,745,425.00				
Customer Service - HHSC	440340	1,013,432.30 0.00	785,110.92 101,872.00	174,896.58 0.00	1,853,186.00 101,872.00	1,853,186.00 101,872.00	4864	CUST SERV G	838,879.44 0.00	751,743.52 101,872.00	351,573.84 0.00	1,853,186.00 101,872.00	141,391.83 173,581.46	(66.94) 3,266.88	(149,882.98) (176,877.24)	0.00 (29.80)
Area Total		1,013,412.30	866,982.12	174,896.58	2,055,031.00	2,055,060.00			838,878.84	867,615.22	351,573.84	2,056,060.00				
Customer Service - Whitehaven	440350	344,214.36	140,973.50 25,408.00	78,183.14	563,991.00 25,400.00	563,982.00 25,400.00	4858	CUST SERV G	242,512.26	219,932.90 25,400.00	101,516.78	563,982.00 25,400.00	173,581.46 101,702.10	3,366.80 (78,979.00)	(176,877.24) (29,813.61)	(29.80) (9.04)
Area Total		344,214.36	166,172.50	78,783.14	589,390.00	589,481.00			242,512.26	246,451.00	101,516.78	589,481.00				
Customer Service - Brunswick	440360	912,098.57	882,150.53 72,204.00	131,974.80	1,705,625.00 72,294.00	1,705,625.90 72,204.90	4868	CUST SERV G	733,418.75	665,193.75 72,204.00	307,012.50	1,706,625.00 72,294.00	101,702.10 178,680.82	(78,979.18) (2,743.27)	(22,813.63) (175,937.60)	(9.04) (0.00)
Area Total		912,098.57	734,664.53	131,974.80	1,777,829.00	1,777,829.00			733,418.75	737,397.75	307,012.50	1,777,829.00	178,680.82	(2,743.22)	(175,937.60)	(0.09)
Information Center	440370	1,310,595.31	996,082.14	783,048.25	3,090,719.24	3,086,719.00		CUSTOMER	1,329,149.17	986,790.00	772,179.75	3,086,719.00	(17,553.86)	6,697.17	10,856.50	(0.14)
Dept. Total		6,150,727.51	4,818,025.80	1,874,497.86	12,851,246.26	12,861,366.00			5,380,288.58	4,885,521.34	2,595,444.66	12,861,366.00	770,322.66	(67,495.94)	(710,946.90)	(170.74)
Division Total		8,739,672.96	7,444,454.96	3,894,196.34	21,096,686.26	21,096,866.00			8,948,095.41	7,517,563.44	4,834,436.08	21,096,866.00	782,657.48	(72,696.40)	(779,270.75)	(179.74)

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* Total Before Redistribution less Total After Redistribution

** Excludes Charge Codes 6 ?98, 7777, 9995 and 9996

Mission 2000 Account Redistribution
1996 Budget

	Area	Electric	Gas	Water	Before Redistribution TOTAL**	SYSTEM TOTAL**	CHG CODE EXCEPTS.	PROPOSED SPLIT	After Redistribution Electric	Gas	Water	TOTAL	Difference* Electric	Gas	Water	Total
Sr. VP - Opr & Sec/Treas	[illegible]	125,927.25	98,648.75	35,348.00	229,925.00	229,925.00		A&G	125,927.25	98,648.75	35,348.00	229,925.00	0.00	(0.00)	0.00	0.00
		0.00	0.00	132,543.00	132,543.00	132,543.00	4150	W	0.00	0.00	132,543.00	132,543.00	0.00	0.00	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	9430	G	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Area Total		125,927.25	98,648.75	167,891.00	353,400.00	353,400.00			125,927.25	98,648.75	167,891.00	353,400.00	0.00	(0.00)	0.00	0.00
Dept. Total		125,927.25	98,648.75	167,891.00	353,400.00	353,400.00			125,927.25	98,648.75	167,891.00	353,400.00	0.00	(0.00)	0.00	0.00
Division Total		125,927.25	98,648.75	167,891.00	353,400.00	353,400.00			125,927.25	98,648.75	167,891.00	353,400.00	0.00	(0.00)	0.00	0.00

* Total Before Redistribution less Total After Redistribution

** Excludes Charge Codes 0700, 7777, 9999, and 9004

Mission 2000 Account Redistribution
1996 Budget

	Area	Before Redistribution Electric	Gas	Water	TOTAL**	SYSTEM TOTAL**	CNG CODE EXCEPTS.	PROPOSED SPLIT	After Redistribution Electric	Gas	Water	TOTAL	Difference* Electric	Gas	Water	Total
VP - Engineering	510000	114,324.27 0.00	54,056.97 0.00	32,033.76 33,000.00	200,415.00 33,000.00	200,415.00 33,000.00	2953	A&G W	114,236.55 0.00	54,112.05 0.00	32,066.40 33,900.00	200,415.00 33,000.00	87.72 0.00	(55.08) 0.00	(32.64) 0.00	0.00 0.00
Area Total		114,324.27	54,056.97	66,001.76	234,413.00	234,413.00			114,236.55	54,112.05	66,064.40	234,413.00	87.72	(55.08)	(32.64)	0.00
Dept. Total		114,324.27	54,056.97	66,001.76	234,413.00	234,413.00			114,236.55	54,112.05	66,064.40	234,413.00	87.72	(55.08)	(32.64)	0.00
Facilities Eng - Mgr's Office	510100	28,827.00	13,560.40	8,035.84	50,224.00	50,224.00		A&G	28,827.00	13,560.40	8,035.84	50,224.00	0.00	0.00	0.00	0.00
Land & Mapping	510120	184,881.92 7,000.00 13,165.00 17,383.00	144,480.53 3,504.00 0.00 0.00	27,044.95 3,504.00 0.00 0.00	336,817.00 14,018.00 13,165.00 17,383.00	336,817.00 14,018.00 13,165.00 17,383.00	1503 1505 1700	C&M Customer E E	208,866.54 6,926.00 13,165.00 17,383.00	74,889.74 4,485.82 0.00 0.00	53,860.72 3,504.00 0.00 0.00	336,817.00 14,018.00 13,165.00 17,383.00	(44,145.02)	20,390.79	(26,245.77)	0.00
Area Total		222,212.58	147,984.93	31,148.95	381,381.00	381,381.00			245,611.42	79,004.80	57,364.72	381,381.00	(44,145.02)	70,390.79	(26,245.77)	0.00
Property Mgmt & Survey	510130	275,448.28 0.00	10,328.18 3,481.00	6,066.52 0.00	291,842.00 3,481.00	291,842.00 3,481.00	1454	C&M G	180,842.04 0.00	64,205.24 3,481.00	46,094.72 0.00	291,842.00 3,481.00	94,584.25	(53,878.05)	(40,428.20)	0.00
Area Total		275,448.28	13,807.18	6,066.52	295,323.00	295,323.00			180,842.04	67,686.24	46,094.72	295,323.00	94,584.25	(53,879.05)	(40,428.20)	0.00
Work Mgmt & Quality Control	510155	81,737.00	24,985.38	18,551.62	105,276.00	105,275.00		C&M	85,270.00	23,160.50	16,844.50	105,275.00	(3,532.81)	1,274.88	2,307.92	0.00
Area Total		81,737.00	24,985.38	18,551.62	105,275.00	105,275.00			85,270.50	23,160.50	16,844.09	105,275.00	(3,532.81)	1,224.00	2,307.92	0.00
FIS Development - Mgr's Off	510160	608,238.47 106,200.00 20,004.00 305,000.00 32,736.81 34,515.76 3,130.72 3,900.00 107,412.00	388,839.07 167,615.00 48,477.20 0.00 15,909.81 18,349.58 1,492.82 4,800.00 0.00	239,071.46 282,525.00 72,440.00 0.00 8,159.28 8,090.44 873.36 7,500.00 0.00	991,100.00 628,050.00 144,824.00 305,050.00 57,433.00 60,554.00 5,406.00 15,800.00 107,412.00	985,350.00 585,050.00 144,824.00 305,050.00 57,433.00 60,554.00 5,406.00 15,800.00 107,412.00	0195 0196 0205 0214 0210 0215 0218 2872	C&M Special Special E E E E Special E	818,001.00 178,517.00 63,216.00 305,050.00 57,433.00 60,554.00 5,406.00 0.00 107,412.00	218,581.00 173,798.50 (3,477.20) 0.00 0.00 0.00 0.00 7,800.00 0.00	158,968.00 172,768.00 38,231.00 0.00 0.00 0.00 0.00 7,800.00 0.00	990,550.00 525,050.00 144,824.00 305,050.00 57,433.00 60,554.00 5,406.00 15,000.00 107,412.00	(106,799.63) (173,507.00) (38,231.00) 0.00 (21,056.19) (26,038.72) (2,382.28) 3,900.00 0.00	412,258.07 (16,261.50) (0.00) 0.00 15,506.91 18,349.58 1,483.92 (3,000.00) 0.00	89,103.46 89,256.60 38,231.00 0.00 8,159.28 8,690.84 873.36 0.00 0.00	(2,400.00) 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00
Area Total		1,120,884.58	879,671.60	601,315.24	2,292,000.00	2,294,400.00			1,475,878.00	442,824.78	378,386.00	2,294,400.00	(316,597.22)	187,844.98	275,350.21	(2,400.00)
FIS Conversion	510161	0.00	0.00	0.00	0.00	0.00	0195	C&M Special	0.00 0.00	0.00 0.00	0.00 0.00	0.00 0.00	0.00 0.00	0.00 0.00	0.00 0.00	0.00 0.00
Area Total		0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FIS Conversion - Shift 1	510162	0.00 0.00	0.00 0.00	0.00 0.00	0.00 0.00	0.00 0.00	0196	C&M G	0.00 0.00	0.00 0.00	0.00 0.00	0.00 0.00	0.00 0.00	0.00 0.00	0.00 0.00	0.00 0.00
Area Total		0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FIS Conversion - Shift 2	510163	0.00 0.00 0.00	0.00 0.00 0.00	0.00 0.00 0.00	0.00 0.00 0.00	0.00 0.00 0.00	0199 0207	C&M G W	0.00 0.00 0.00	0.00 0.00 0.00	0.00 0.00 0.00	0.00 0.00 0.00	0.00 0.00 0.00	0.00 0.00 0.00	0.00 0.00 0.00	0.00 0.00 0.00
Area Total		0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FIS Conversion - Shift 3	510164	0.00 0.00	0.00 0.00	0.00 0.00	0.00 0.00	0.00 0.00	0159	C&M G	0.00 0.00	0.00 0.00	0.00 0.00	0.00 0.00	0.00 0.00	0.00 0.00	0.00 0.00	0.00 0.00
Area Total		0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Engineering Services	510175	446,138.45 0.00 0.00	156,439.87 0.00 3,500.00	128,126.68 0.00 0.00	730,705.00 0.00 3,500.00	730,705.00 0.00 3,500.00	1450 1454	A&G E G	416,501.65 0.00 0.00	187,290.35 0.00 3,500.00	126,912.00 0.00 0.00	730,705.00 0.00 3,500.00	28,636.80 0.00 0.00	(29,850.48) 0.00 0.00	1,213.68 0.00 0.00	0.00 0.00 0.00
Area Total		446,138.45	159,939.87	128,126.68	734,205.00	734,205.00			416,501.65	190,790.35	126,912.00	734,205.00	28,636.80	(30,850.48)	1,213.68	0.00
Computer Mapping & Graphics	510180	0.00 0.00 0.00	0.00 0.00 0.00	0.00 0.00 0.00	0.00 0.00 0.00	0.00 0.00 0.00	3922 3923	C&M E E	0.00 0.00 0.00	0.00 0.00 0.00	0.00 0.00 0.00	0.00 0.00 0.00	0.00 0.00 0.00	0.00 0.00 0.00	0.00 0.00 0.00	0.00 0.00 0.00
Area Total		0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Telecommunications Eng	510190	715,580.04	283,115.23	140,792.04	1,140,505.28	1,190,474.00		A&G	578,530.18	331,427.80	190,475.84	1,190,474.00	38,027.83	(38,312.75)	(40,583.80)	(40,868.72)
Dept. Total		2,849,877.92	1,322,456.37	825,640.08	5,087,972.28	5,051,341.00			3,001,082.17	1,148,815.14	812,323.47	5,051,341.00	(249,196.37)	75,420.30	123,317.27	(43,768.72)

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* Total Before Redistribution less Total After Redistribution

** Excludes Charge Codes 0780, 7777, 0995 and 9700

Mission 2000 Account Redistribution
1996 Budget

	Area	Before Redistribution Electric	Gas	Water	TOTAL**	SYSTEM TOTAL**	CHG CODE EXCEPTS.	PROPOSED SPLIT	After Redistribution Electric	Gas	Water	TOTAL	Difference* Electric	Gas	Water	Total
Gas/Water Eng - Mgr's Office	510200	25,964.87	12,296.77	7,299.18	45,561.00	45,561.00		SPECIAL	0.00	26,418.58	19,131.42	45,561.00	25,964.87	(14,120.88)	(11,843.24)	0.00
Gas Engineering	510220	183,440.42	219,988.28	40,801.29	434,330.00	434,330.00		G	0.00	434,330.00	0.00	434,330.00	183,440.42	(204,341.71)	40,801.29	0.00
Water Engineering	510230	210,821.25	95,616.70	292,315.05	498,853.00	498,853.00		W	0.00	0.00	498,853.00	498,853.00	210,821.25	95,616.70	(298,537.95)	0.00
Residential Engineering	510240	180,148.88	64,461.84	34,247.08	278,857.00	278,857.00		Customer	119,091.51	88,426.24	69,239.25	276,857.00				
Dept. Total		600,474.82	372,364.80	374,651.58	1,245,681.00	1,245,681.90			119,091.51	139,375.82	987,223.67	1,245,681.00	480,375.74	(137,845.89)	(342,479.87)	0.00
Electric Engineering - Mgr's Ofc	510300	66,928.13	31,700.43	18,780.44	117,409.00	117,409.00		E	117,409.00	0.00	0.00	117,409.00	(50,480.87)	31,700.43	18,780.44	0.00
Substation & Transm Eng	510310	285,483.82	75,422.12	44,628.99	405,513.00	405,513.00		E	405,513.00	0.00	0.00	405,513.00	(120,029.18)	75,422.12	44,628.00	0.00
Reliability & Power Quality	510360	288,377.88	18,535.43	12,105.74	318,818.00	318,819.00		E	318,818.00	0.00	0.00	318,818.00	(31,841.17)	18,535.43	12,105.74	0.00
Elec Distribution Engineering	510370	548,182.74	26,054.84	16,837.42	591,075.00	591,075.00		E	591,075.00	0.00	0.00	591,075.00	(42,892.26)	26,054.84	16,837.42	0.00
Planning & System Engineering	510380	606,130.83	50,045.90	39,281.19	695,058.00	695,058.00		E	695,058.00	0.00	0.00	695,058.00	(88,927.17)	50,045.96	39,281.19	0.00
Dept. Total		1,775,378.66	201,858.00	131,436.38	2,118,474.00	2,118,474.00			2,118,474.00	0.00	0.00	2,118,474.00	(343,095.58)	201,858.00	131,404.75	0.00
Info Services - Mgr's Off	410300	73,194.64	34,671.24	20,546.82	128,412.00	128,412.00		A&G	73,194.64	34,671.24	20,546.82	128,412.00	0.00	(0.00)	0.00	0.00
Data Processing	410310	841,540.87	447,377.00	375,140.42	1,664,058.00	1,621,545.00		A&G	924,280.65	437,817.16	259,447.20	1,621,545.00	(82,739.78)	9,360.54	13,480.73	(57,485.01)
Customer Activities System	410320	845,470.42	456,841.00	346,308.60	1,448,321.00	1,448,321.00		CUSTOMER	622,778.00	483,462.72	342,080.25	1,448,321.00	22,692.39	(26,620.74)	(15,871.65)	0.00
Technical Support	410330	1,108,580.10	451,006.84	173,954.30	1,733,583.00	1,733,583.00		A&G	988,142.34	480,087.41	277,373.28	1,733,583.00	129,447.85	(17,080.47)	(103,386.98)	(0.00)
Mainframe	410340	158,933.61 87,835.00	78,446.75 43,840.00	46,905.20 33,825.00	281,285.00 134,500.00	281,285.00 134,500.00	3048	A&G CUSTOMER	180,332.45 57,835.00	76,940.95 47,940.00	15,005.60 33,625.00	281,286.00 134,500.00	(1,399.40)	480.80	898.64	0.00
Area Total		286,798.01	118,486.75	78,980.24	415,785.00	415,785.00			278,167.45	118,886.96	49,830.60	415,785.00	(1,399.44)	400.00	900.64	0.00
Work Mgmt Systems	410350	560,036.85	256,727.47	150,188.00	956,083.00	956,043.00		A&G	444,944.51	254,131.41	152,564.88	856,843.00	4,712.42	(1,404.14)	(2,808.28)	0.00
Gen Ledger/Human Res Sys	410360	464,089.27	206,993.85	120,368.78	771,120.00	771,121.00		A&G	429,540.48	288,203.44	073,379.84	771,124.00	4,570.59	(1,509.57)	(3,019.06)	0.00
Dept. Total		3,878,798.60	1,873,408.08	1,165,838.67	7,917,327.00	7,874,813.00			3,811,848.47	1,889,348.58	1,274,423.07	7,874,813.00	17,743.43	(16,224.84)	(108,480.70)	(57,485.04)
Division Total		8,292,644.06	3,623,149.66	2,583,881.95	15,628,876.27	15,724,732.00	0.00	0.00	9,253,853.00	3,730,843.84	2,740,035.16	15,724,732.00	(117,845.43)	137,443.34	(121,251.64)	(100,853.73)

* Total Before Redistribution less Total After Redistribution

** Excludes Charge Codes 0780, 7777, 8905 and 8999

Mission 2000 Account Redistribution
1996 Budget

	Area	Before Redistribution Electric	Gas	Water	TOTAL**	SYSTEM TOTAL**	CHG CODE EXCEPTS.	PROPOSED SPLIT	After Redistribution Electric	Gas	Water	TOTAL	Difference* Electric	Gas	Water	Total
VP - Operations	520000	92,592.22	43,686.48	25,886.36	162,166.00	162,156.00		A&G	92,429.82	43,392.12	25,544.00	162,158.00	153.30	(83.70)	(48.60)	0.00
		0.00	96,475.00	0.00	96,475.00	96,475.00	1009	G	0.00	96,475.00	0.00	96,475.00	0.00	0.00	0.00	0.00
		0.00	0.00	86,183.00	86,183.00	86,153.00	2049	W	0.00	0.00	86,183.00	86,153.00	0.00	0.00	0.00	0.00
		0.00	31,450.00	0.00	31,450.00	31,450.00	2051	G	0.00	31,450.00	0.00	31,450.00	0.00	0.00	0.00	0.00
Area Total		92,592.22	173,623.42	112,058.36	378,274.00	378,224.00			92,428.82	173,707.12	112,097.00	378,224.00	133.30	(83.70)	(49.60)	0.00
Dept. Total		92,592.22	173,623.42	112,058.36	378,274.00	378,224.00			92,428.82	173,707.12	112,097.00	378,224.00	133.30	(83.70)	(49.60)	0.00
Electric Operations Mgr's Off	520100	256,347.03	2,486.20	1,472.80	260,326.00	260,326.00		E	260,326.00	0.00	0.00	260,326.00	(3,858.15)	2,486.35	1,472.00	(0.00)
Substation Maint & Constr	520110	875,386.38	8,300.76	3,673.84	887,260.00	887,260.00		E	887,260.00	0.00	0.00	887,260.00	(12,023.70)	8,300.76	3,673.94	0.00
Communications & Standards	520130	1,288,869.12	8,068.26	10,433.82	1,332,461.00	1,302,461.00		E	1,302,481.00	0.00	0.00	1,322,481.00	(43,491.68)	9,868.26	14,433.62	0.00
		31.00	0.00	0.00	31.00	31.00	2121	A&G	17.87	8.37	0.00	31.00	13.13	(8.37)	(0.00)	0.00
		55.00	0.00	0.00	55.00	55.00	2124	A&G	31.36	14.81	0.00	55.00	23.65	(14.85)	(0.00)	0.00
		137,274.00	0.00	0.00	137,274.00	137,274.00	2125	A&G	78,248.18	37,043.00	21,983.84	137,274.00	59,027.82	(37,063.98)	(21,983.84)	0.00
		7,882.30	8,121.29	7,882.30	23,886.00	23,886.00	2129	A&G	13,615.62	6,448.22	3,821.76	23,886.00	(5,732.64)	1,672.02	4,300.47	0.00
		12,480.00	0.00	0.00	12,480.00	12,489.00	2130	A&G	7,118.73	3,372.83	1,998.24	12,489.00	5,370.27	(3,372.83)	(1,998.24)	0.00
		1,097.00	0.00	0.00	1,097.00	1,087.00	2131	A&G	997.29	458.18	274.52	1,087.00	729.71	(458.18)	(271.52)	0.00
		63,940.00	0.00	0.00	63,940.00	63,940.00	2133	A&G	38,446.80	17,283.00	10,230.48	63,940.00	27,494.20	(17,283.00)	(10,230.48)	0.00
		0.00	0.00	0.00	0.00	0.00	2215	A&G	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	2220	A&G	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	2222	A&G	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	2223	A&G	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	3046	A&G	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	3052	A&G	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	3800	A&G	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	5902	A&G	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Area Total		1,522,357.48	17,178.50	22,318.60	1,561,830.00	1,561,832.00			1,459,883.04	64,030.44	38,298.92	1,561,833.00	63,434.46	(47,658.94)	(15,983.12)	0.00
Electric Meter Shop	520140	1,293,954.33	869.72	575.85	1,295,417.00	1,295,417.00		E	1,296,417.00	0.00	0.00	1,296,417.00	(1,463.67)	869.72	575.85	0.00
		51,836.37	19,697.41	29,902.02	99,941.00	90,841.00	4840	Customer	38,104.83	28,181.13	22,736.25	98,841.00	12,730.76	(10,003.91)	(2,730.83)	0.00
Area Total		1,345,787.20	20,567.33	30,402.02	1,396,258.00	1,396,258.00			1,334,521.63	28,181.12	22,736.25	1,395,258.00	11,265.57	(8,113.79)	(2,152.28)	0.00
Computers & Control Systems	520150	688,868.54	163,962.08	123,821.46	956,652.00	956,077.00		A&G	594,863.00	268,140.79	152,872.32	958,877.00	123,904.65	(94,178.78)	(28,950.87)	(225.00)
		27,135.00	0.00	0.00	27,135.00	27,156.00	2190	E	27,136.00	0.00	0.00	27,135.00	0.00	0.00	0.00	0.00
		11,097.00	0.00	0.00	11,097.00	11,097.00	2115	E	10,897.00	0.00	0.00	11,097.00	0.00	0.00	0.00	0.00
		5,843.00	0.00	0.00	5,843.00	5,843.00	2116	E	5,843.00	0.00	0.00	5,843.00	0.00	0.00	0.00	0.00
		1,800.00	0.00	0.00	1,800.00	1,800.00	2117	E	1,800.00	0.00	0.00	1,800.00	0.00	0.00	0.00	0.00
		74.00	0.00	0.00	74.00	74.00	2121	E	74.00	0.00	0.00	74.00	0.00	0.00	0.00	0.00
		37,640.00	0.00	0.00	37,640.00	37,640.00	2125	E	37,640.00	0.00	0.00	37,640.00	0.00	0.00	0.00	0.00
		21,519.00	0.00	0.00	21,519.00	21,519.00	2165	E	21,519.00	0.00	0.00	21,519.00	0.00	0.00	0.00	0.00
		24,298.00	0.00	0.00	24,298.00	24,298.00	2217	E	24,298.00	0.00	0.00	24,295.00	0.00	0.00	0.00	0.00
		321.00	0.00	0.00	321.00	321.00	2304	E	321.00	0.00	0.00	321.00	0.00	0.00	0.00	0.00
		28,032.00	0.00	0.00	28,032.00	28,032.00	2302	E	28,412.00	0.00	0.00	28,032.00	0.00	0.00	0.00	0.00
		0.00	3,425.00	0.00	3,425.00	3,425.00	2304	O	0.00	3,425.00	0.00	3,425.00	0.00	0.00	0.00	0.00
		43,533.00	0.00	0.00	43,533.00	43,533.00	2306	E	43,537.00	0.00	0.00	43,537.00	0.00	0.00	0.00	0.00
		87.00	0.00	0.00	87.00	87.00	5433	E	97.00	0.00	0.00	97.00	0.00	0.00	0.00	0.00
Area Total		879,306.54	107,387.01	123,021.45	1,109,714.00	1,161,939.00			747,400.89	261,583.79	152,972.32	1,161,938.00	173,904.65	(94,578.28)	(29,050.87)	(225.00)
Dept. Total		4,471,004.00	213,430.05	173,087.10	5,057,516.00	5,057,736.00			4,406,431.58	265,207.35	214,097.00	5,057,736.00	162,573.33	(138,958.46)	(47,808.97)	(225.00)
Gas Operations - Mgr's Off	520200	4,127.01	263,734.11	1,329.88	269,700.00	269,700.00		G	0.00	269,700.00	0.00	269,700.00	4,727.01	(6,050.89)	1,324.00	0.00
Gas Measurement	520210	18,888.73	5,195,788.63	5,246.26	1,219,724.00	5,219,724.00		G	0.00	1,219,724.00	0.00	1,219,724.00	18,888.73	(23,935.87)	5,246.26	0.00
		0.00	82,732.00	0.00	82,732.00	82,732.00	7303	Customer	35,574.78	28,474.79	20,683.00	82,732.00	(35,574.78)	54,257.76	(20,683.00)	0.00
Area Total		18,888.73	1,278,520.03	5,246.24	1,302,456.00	1,302,456.00			35,574.78	1,248,198.24	20,683.00	1,302,456.00	(16,686.03)	32,321.79	(15,436.78)	0.00
Pressure Regulation	520220	335.18	680,681.70	94.00	681,211.00	681,119.00		G	0.00	681,119.00	0.00	681,119.00	335.18	(537.24)	94.00	(108.00)
Gas Filters	520230	4,155.87	1,428,412.52	1,168.58	1,434,736.00	1,434,725.00		G	0.00	1,434,736.00	0.00	1,434,725.00	4,155.87	(5,327.47)	1,166.58	0.00
LNG Plant	520250	4,975.96	811,084.28	1,958.00	820,018.00	970,018.00		G	0.00	920,018.00	0.00	970,018.00	6,973.66	(8,831.74)	1,958.00	0.00
Gas Serv - Comm & Ind Sect	520260	1,437.54	473,548.94	400.52	475,381.00	475,381.00		G	0.00	475,381.00	0.00	475,381.00	1,437.54	(1,841.06)	403.52	0.00
Corrosion Control	520270	7,448.10	340,440.70	3,611.20	351,500.00	351,500.00		G	0.00	351,500.00	0.00	351,500.00	7,448.10	(11,059.30)	3,611.20	(0.00)
Dept. Total		43,769.07	5,387,623.97	13,806.56	5,436,140.00	5,435,387.00			35,574.78	5,378,049.20	20,683.00	5,435,387.00	8,194.31	(1,425.67)	(6,476.44)	(156.00)

* Total Before Redistribution less Total After Redistribution

** Excludes Charge Codes 9488, 7777, 2929 and 9999

Mission 2000 Account Redistribution
1996 Budget

	Area	Before Redistribution Electric	Gas	Water	TOTAL**	SYSTEM TOTAL**	CHG CODE EXCEPTS.	PROPOSED SPLIT	After Redistribution Electric	Gas	Water	TOTAL	Difference* Electric	Gas	Water	Total
Water Operations - Mgr's Off	520300	7,302.84	3,443.24	200,218.92	210,965.00	210,965.00		W	0.00	0.00	210,965.00	210,965.00	7,302.84	3,443.24	(10,746.08)	0.00
Water Plant O & M	520330	8,275.01	3,396.76	2,068,799.[illegible]	2,080,472.00	2,080,472.00		W	0.00	0.00	2,080,472.00	2,080,472.00	8,275.01	3,396.76	(11,672.17)	0.00
Water Supply	520360	8,736.74	4,612.14	634,609.12	647,958.00	647,958.00		W	0.00	0.00	647,958.00	647,958.00	8,736.74	4,612.14	(14,348.88)	0.00
Water Meter Shop	520380	4,896.82	2,210.22	617,716.76	624,823.00	624,823.00		W	0.00	0.00	624,823.00	624,823.00	4,896.82	2,210.22	(6,906.24)	0.00
Dept. Total		30,911.01	13,662.36	3,500,344.63	3,544,918.00	3,544,918.00				0.00	3,544,918.00	3,544,918.00	30,911.01	13,662.36	(43,673.37)	0.00
Water Quality Assurance	520500	7,613.48	3,606.39	486,696.12	497,916.00	497,916.00		W	0.00	0.00	497,916.00	497,916.00	7,613.48	3,606.39	(11,219.88)	0.00
Dept. Total		7,613.48	3,606.39	486,696.12	497,916.00	497,916.00				0.00	497,916.00	497,916.00	7,613.48	3,606.39	(11,219.88)	0.00
Systems Ops - Manager's Off	570000	184,[illegible]	69,746.[illegible]	89,778.92	344,016.00	344,616.00		Common	147,508.17	110,868.08	86,004.75	344,616.00	36,653.33	(20,337.78)	(16,275.73)	(0.00)
Systems Control - Electric	570010	1,084,487.37	6,264.67	3,030.56	1,092,782.00	1,092,782.00		E	1,092,782.00	0.00	0.00	1,092,782.00	(8,294.63)	6,264.67	3,030.56	0.00
Systems Control - Gas & Water	570020	2,212.30	377,160.34	356,[illegible].40	685,885.00	685,885.00		Special	0.00	384,650.80	301,754.30	685,805.00	2,217.30	(56,290.50)	54,813.20	0.00
Dept. Total		1,271,188.17	452,773.25	430,837.58	2,122,667.00	2,122,816.00			1,240,290.17	494,[illegible]	387,[illegible]	2,122,616.00	30,476.00	(71,383.63)	40,836.63	(0.00)
SPUE - Manager's Office	529700	214,432.80	407,281.12	2,373.28	624,247.00	624,247.00		Special	80,937.85	832,308.85	0.00	626,247.00	122,[illegible]	(125,048.83)	2,373.28	0.00
Dept. Total		214,432.80	407,281.12	2,373.28	624,247.00	624,247.00			80,907.85	832,308.85	0.00	626,247.00	122,005.55	(425,080.83)	2,373.28	0.00
Division Total		6,333,[illegible]	5,515,[illegible]	4,714,[illegible]	17,661,732.00	17,662,074.00			5,861,[illegible]	6,904,509.44	4,778,481.00	17,[illegible],624.00	380,[illegible]	(320,531.66)	(66,307.31)	(362.00)

* Total Before Redistribution less Total After Redistribution

** Excludes Charge Codes [illegible]

Mission 2000 Account Redistribution
1996 Budget

	Area	Electric	Gas	Water	Before Redistribution TOTAL**	SYSTEM TOTAL**	CHG CODE EXCEPTS.	PROPOSED SPLIT	After Redistribution Electric	Gas	Water	TOTAL	Difference* Electric	Gas	Water	Total
VP - Finance	530000	0.00	0.00	0.00	0.00	0.00		A&G	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
General Accounting - Mgr's Off	530100	69,865.00	32,620.50	18,330.72	120,817.00	120,817.00		A&G	69,865.00	32,620.50	18,330.72	120,817.00	0.00	(0.00)	0.00	0.00
Payroll	530110	74,046.00	36,400.00	21,037.64	131,484.00	131,484.00		A&G	74,046.00	36,400.00	21,037.64	131,484.00	0.00	0.00	0.00	0.00
Management Accounting	530120	432,722.34 84,378.73	204,973.74 62,787.52	121,485.92 49,052.75	758,182.00 196,211.00	758,182.00 196,211.00	4150	A&G Customer	432,722.34 84,378.73	204,973.74 62,787.52	121,485.92 49,052.75	758,182.00 196,211.00	0.00 (0.00)	(0.00) 0.00	0.00 0.00	(0.00) 0.00
Area Total		617,093.07	267,761.26	170,518.67	955,373.00	955,373.00			617,093.07	267,761.26	170,518.67	955,373.00	(0.00)	(0.00)	0.00	(0.00)
Dept. Total		[illegible],004.44	336,[illegible]	21[illegible]	1,207,674.00	1,207,674.00			[illegible],004.44	336,[illegible]	210,[illegible]	1,207,674.00	(0.00)	(0.00)	0.00	(0.00)
Budget, Rates & Plant - Mgr	530200	81,129.18 78,226.60	58,774.76 82,817.90	17,922.00 0.00	1[illegible],872.00 132,044.00	1[illegible],872.00 132,044.00	0200	A&B G	80,917.04 0.00	28,955.44 132,044.00	17,000.52 0.00	106,872.00 132,044.00	208.12 78,226.60	(130.88) (79,226.60)	(77.44) 0.00	0.00 0.00
Area Total		159,354.98	81,542.30	17,922.00	238,916.00	238,916.00			80,917.04	160,999.44	17,999.52	238,916.00	78,434.52	(78,357.08)	(77.44)	0.00
Budget & Financial Planning	530210	72,886.87	30,600.42	13,148.71	116,636.00	116,667.00		A&G	67,309.58	30,000.00	14,[illegible]	116,667.00	5,[illegible]	(1,400.87)	(5,153.27)	(49.00)
Property Accounting	530220	76,242.24	33,872.64	10,717.12	120,832.00	123,232.00		C&M	76,403.84	27,111.84	19,717.12	123,232.00	(6,161.60)	4,161.60	0.00	0.00
Rates & Regulatory Affairs	530230	85,764.52	53,301.50	15,886.00	182,872.00	162,672.00		Customer	89,948.06	52,230.94	40,000.00	182,672.00	23,795.37	1,326.54	(25,002.70)	0.00
Dept. Total		378,186.90	186,597.20	46,[illegible]	645,868.00	642,907.00			274,578.43	271,946.01	96,378.68	642,907.00	103,616.57	(73,361.81)	(30,302.70)	(49.00)
Cash Management - Mgr's Off	530300	95,445.62 36,391.00 0.00 3,196.00 0.00 0.00	45,215.82 0.00 0.00 0.00 0.00 0.00	26,784.56 0.00 23,151.00 0.00 1,000.00 0.00	167,486.00 36,391.00 23,151.00 3,196.00 1,000.00 0.00	167,456.00 36,391.00 23,151.00 3,196.00 1,000.00 0.00	 4444 4445 4447 4449 4440	A&G E W E W G	95,465.62 36,391.00 0.00 3,196.00 0.00 0.00	45,215.82 0.00 0.00 0.00 0.00 0.00	26,784.56 0.00 23,151.00 0.00 1,000.00 0.00	167,466.00 36,391.00 23,151.00 3,196.00 1,000.00 0.00	0.00 0.00 0.00 0.00 0.00 0.00	0.00 0.00 0.00 0.00 0.00 0.00	0.00 0.00 0.00 0.00 0.00 0.00	0.00 0.00 0.00 0.00 0.00 0.00
Area Total		135,032.62	45,215.82	50,935.56	231,204.00	231,204.00			135,062.62	45,215.82	50,945.56	231,204.00	0.00	0.00	0.00	0.00
Cash Management	530310	113,878.82	53,847.72	31,909.76	199,436.00	199,436.00		A&G	113,878.52	53,867.72	31,909.76	199,436.00	0.00	0.00	0.00	0.00
Cashiers	530320	267,429.20	189,801.96	145,637.64	602,846.00	602,846.00		Customer	259,224.64	182,917.36	150,112.00	602,846.00	8,204.56	(2,930.20)	(5,274.36)	0.00
Dept. Total		516,180.34	288,844.70	228,262.96	1,033,486.00	1,033,486.00			507,945.78	281,874.04	233,647.32	1,033,486.00	8,204.56	(2,930.20)	(5,274.36)	0.00
Division Total		1,155,248.08	873,524.43	505,715.59	2,884,020.00	2,884,000.00			1,043,429.65	810,001.44	940,632.71	2,884,460.00	111,820.13	(76,282.61)	(35,587.12)	(49.00)

* Total Before Redistribution less Total After Redistribution

** Excludes Charge Codes 0700, 7777, 8899, and 9999

Mission 2000 Account Redistribution
1996 Budget

	Area	Before Redistribution Electric	Gas	Water	TOTAL**	SYSTEM TOTAL**	CHG CODE EXCEPTS.	PROPOSED SPLIT	After Redistribution Electric	Gas	Water	TOTAL	Difference* Electric	Gas	Water	Total
VP - Construction & Maint	550000	98,892.15	48,843.85	27,759.20	173,495.00	173,495.00		A&G	98,892.14	48,843.86	27,759.20	173,495.00	0.00	(0.00)	0.00	0.00
		0.00	0.00	274,506.00	274,506.00	274,506.00		W	0.00	0.00	274,506.00	274,506.00	0.00	0.00	0.00	0.00
Area Total		98,892.15	48,843.85	302,265.20	448,001.00	448,001.00			98,892.15	48,843.85	302,265.20	448,001.00	0.00	(0.00)	0.00	0.00
Dept. Total		98,892.15	48,843.85	302,265.20	448,001.00	448,001.00			98,892.15	48,843.85	302,265.20	448,001.00	0.00	(0.00)	0.00	0.00
Central Shops - Mgr's Office	550100	281,723.73	65,078.98	51,741.00	298,554.00	298,554.00		A&G	170,175.78	88,600.68	47,768.00	298,564.00	33,557.95	(35,531.00)	3,973.05	0.00
		686.00	0.00	0.00	508.00	508.00	3430	E	506.00	0.00	0.00	508.00	0.00	0.00	0.00	0.00
		0.00	18,292.00	0.00	18,292.00	18,292.00	3431	G	0.00	18,292.00	0.00	18,292.00	0.00	0.00	0.00	0.00
		0.00	0.00	12,851.00	12,851.00	12,851.00	3432	W	0.00	0.00	12,851.00	12,851.00	0.00	0.00	0.00	0.00
		42,728.00	0.00	0.00	42,728.00	42,728.00	5015	E	42,728.00	0.00	0.00	42,728.00	0.00	0.00	0.00	0.00
		0.00	0.00	70.00	29.00	30.00	5170	W	0.00	0.00	20.00	20.00	0.00	0.00	0.00	0.00
		14,885.00	0.00	0.00	14,885.00	14,885.00	5179	E	14,885.00	0.00	0.00	14,885.00	0.00	0.00	0.00	0.00
		307.00	0.00	0.00	307.00	307.00	5440	E	307.00	0.00	0.00	307.00	0.00	0.00	0.00	0.00
Area Total		288,130.73	83,370.98	64,812.00	308,123.00	308,123.00			228,500.78	98,801.50	60,639.00	308,123.00	31,557.95	(35,531.00)	3,973.05	0.00
Transformers & Pumping	550110	1,674,483.23	38,641.37	40,804.40	1,753,909.00	1,753,909.00		E	1,753,909.00	0.00	0.00	1,753,909.00	(79,534.77)	38,641.37	40,804.40	(209.00)
		196,464.49	94,057.39	55,348.12	344,857.00	344,687.00	3653	A&G	196,454.48	83,057.38	55,146.12	344,857.00	0.00	0.00	0.00	0.00
Area Total		1,870,947.72	131,698.76	95,148.52	2,098,766.00	2,098,615.00			1,950,448.48	83,057.38	55,145.12	2,098,445.00	(79,534.77)	38,641.37	40,004.40	(209.00)
Building Maint & Elec Motors	550120	793,561.30	374,283.00	285,009.77	1,421,416.00	1,422,130.00		A&G	810,814.10	383,875.18	227,640.80	1,422,130.00	(17,534.17)	30,141.37	18,664.40	(300.00)
Machine Welding & Blacksmith	550130	630,430.42	151,034.29	212,480.32	997,063.00	997,063.00		A&G	561,018.11	242,439.21	443,567.00	997,073.00	70,414.31	(91,007.93)	90,822.00	(371.00)
		0.00	0.00	76,000.00	76,003.00	76,003.00	2720	W	0.00	0.00	76,003.00	76,503.00	0.00	0.00	0.00	0.00
Area Total		533,430.42	151,031.28	288,083.32	875,189.00	874,826.00			511,018.11	242,439.21	320,270.00	974,826.00	21,614.31	(90,037.96)	88,022.04	(371.00)
Construction & Maintenance	550140	601,849.01	158,672.00	137,806.51	799,418.00	799,958.00		A&G	456,876.43	215,008.83	127,903.44	799,958.00	45,972.78	(56,416.83)	9,902.97	(541.00)
		21,921.00	0.00	0.00	21,921.00	21,921.00	5015	E	21,921.00	0.00	0.00	21,921.00	0.00	0.00	0.00	0.00
		23,486.00	0.00	0.00	23,486.00	23,498.00	5440	E	23,494.00	0.00	0.00	23,494.00	0.00	0.00	0.00	0.00
Area Total		647,256.41	188,372.06	137,806.51	844,836.00	845,378.00			501,292.83	215,008.93	127,903.44	845,378.00	45,972.78	(56,416.06)	9,902.97	(541.00)
Dept. Total		3,694,466.67	605,464.00	662,561.77	4,727,494.00	4,728,800.00			4,000,066.11	1,634,582.21	681,589.00	4,728,800.80	(35,443.54)	(153,875.66)	100,002.00	(1,506.00)
Dist Support - Mgr's Office	550200	583,711.30	10,606.30	6,200.32	700,618.00	700,618.00		C&M	434,381.82	154,035.52	112,000.00	700,616.00	249,358.37	(143,504.13)	(105,829.24)	0.00
Recycling	550205	112,022.00	53,807.14	2,309.80	169,039.00	169,039.00		E	169,039.00	0.00	0.00	169,300.00	(56,016.94)	53,807.14	2,309.80	0.00
Dumping & Land Fill	550206	113,520.00	0.00	0.00	113,520.00	113,520.00		C&M	70,382.40	24,974.40	18,163.20	113,520.00	43,137.60	(24,974.40)	(18,163.20)	0.00
Mono Tree Trimming Contract	550210	3,509,957.00	0.00	0.00	3,509,957.00	3,509,957.00		E	3,509,957.00	0.00	0.00	3,509,957.00	0.00	0.00	0.00	0.00
Line Clearance	550729	1,010,620.22	211,785.00	123,272.98	1,345,780.00	1,345,177.00		A&G	768,754.88	363,197.70	215,728.32	1,345,177.00	243,249.30	(154,411.98)	(92,454.34)	(97.00)
Trees Incorporated Contract	550730	3,658,181.00	70.00	0.00	3,658,251.00	3,658,250.00		E	3,658,251.00	0.00	0.00	3,658,251.00	(70.00)	70.00	0.00	0.00
Electric Distribution	550210	703,190.50	3,555.76	431.84	707,178.00	707,178.00		E	707,178.00	0.00	0.00	707,178.00	(3,987.00)	3,555.76	431.84	0.00
General Const & Street Repair	550215	112,320.52	23,800.12	49,409.36	185,610.00	185,610.00		C&M	114,078.20	40,834.20	29,880.00	185,610.00	(1,757.80)	(17,034.08)	19,788.76	0.00
Bureau of Construction	550246	450,085.00	58,325.91	55,335.70	563,357.00	563,357.00		A&G	321,193.49	152,106.30	90,137.92	563,357.00	128,572.81	(93,279.09)	(33,801.42)	0.00
OH Const & Maint Contract	550790	318,640.14	417.94	131.52	319,190.00	319,190.00		E	319,190.00	0.00	0.00	319,190.00	(549.86)	417.94	131.52	0.00
Troubleshooting & Sys Maint	550270	3,570,820.06	35,353.37	22,735.57	3,628,909.00	3,628,909.00		E	3,628,909.00	0.00	0.00	3,628,909.00	(58,088.94)	35,353.37	22,735.57	(0.00)
36" Pipeline Project	550272	0.00	0.00	0.00	0.00	0.00		G	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Asphalt and Concrete	550279	559.50	11,891.40	424.10	12,875.00	12,875.00		C&M	7,882.50	2,932.50	2,060.00	12,875.00	(7,323.00)	8,958.90	(1,635.90)	0.00
Pole & Line Insp Contract	550280	336,600.00	0.00	0.00	334,600.00	334,600.00		E	334,600.00	0.00	0.00	334,600.00	0.00	0.00	0.00	0.00
		18,360.00	0.00	0.00	18,360.00	18,360.00	7. 5406	C&M	11,383.20	4,039.20	2,937.60	18,360.00	6,976.80	(4,039.20)	(2,937.60)	0.00
		45,526.00	0.00	0.00	45,526.00	45,526.00	5466	Special	22,763.00	22,763.00	0.00	45,526.00	22,763.00	(22,763.00)	0.00	0.00
Area Total		400,486.00	0.00	0.00	400,486.00	400,486.00			370,746.20	26,802.20	2,937.60	400,486.00	29,739.80	(26,802.20)	(2,937.60)	0.00
UG Services Contract	558783	1.00	0.00	0.00	1.00	0.00		E	0.00	0.00	0.00	0.00	1.00	0.00	0.00	1.00
ROW Maintenance Contract	550284	404,881.00	0.00	0.00	404,881.00	404,881.00		E	404,881.00	0.00	0.00	404,881.00	0.00	0.00	0.00	0.00

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* Total Before Redistribution less Total After Redistribution

** Excludes Charge Codes 9700, 7777, 4899 and 9[illegible]

Mission 2000 Account Redistribution
1996 Budget

		Before Redistribution							After Redistribution				Difference*			
	Area	Electric	Gas	Water	TOTAL**	SYSTEM TOTAL**	CHG CODE EXCEPT'S	PROPOSED SPLIT	Electric	Gas	Water	TOTAL	Electric	Gas	Water	Total
		118,062.17	56,397.87	33,420.96	208,881.00	208,881.00	3645	A&G	118,062.17	56,397.87	33,420.96	208,881.00	0.00	0.00	0.00	0.00
		12,799.14	6,040.54	3,584.32	22,402.00	22,402.00	3671	A&G	12,799.14	6,040.54	3,584.32	22,402.00	0.00	0.00	0.00	0.00
		8,483.31	4,018.41	2,381.28	14,883.00	14,883.00	3672	A&G	8,483.31	4,018.41	2,381.28	14,883.00	0.00	(0.00)	0.00	0.00
Area Total		544,988.82	66,464.82	39,396.58	650,847.00	650,847.00			544,995.82	66,494.82	39,396.58	650,847.00	0.00	(0.00)	0.00	0.00
Post Top St Light Contract	550285	0.00	0.00	0.00	0.00	0.00		E	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Joint Trench - Gas & Elec	550280	1,432.20	13,273.40	206.34	14,912.00	14,912.00		C&M-Gas Dist	2,226.00	12,475.20	0.00	14,912.00	(804.80)	988.20	206.32	0.00
Street Repair Contracts	550287	6,351.48	8,504.40	4,092.38	19,888.00	19,888.00		C&M	12,330.58	6,375.30	3,182.00	19,888.00	(5,979.10)	6,129.84	850.12	0.00
Bifurd Smith Const Contract	550250	294,872.00	0.00	0.00	294,872.00	298,872.00		E	298,872.00	0.00	0.00	296,872.00	0.00	0.00	0.00	0.00
Pond Funding Area	850299	0.00	40.00	0.00	40.00	40.00		C&M	24.00	8.00	4.40	40.00	(24.00)	31.20	(4.40)	0.00
Const & Maint Support	850291	980,071.86	282,834.00	124,002.00	1,386,908.00	1,386,908.00		C&M	797,883.58	283,119.98	305,905.44	1,386,908.00	182,188.07	(28,285.52)	(181,902.55)	0.00
		0.00	128,858.00	0.00	128,858.00	128,858.00	6540	G	0.00	128,858.00	0.00	128,858.00	0.00	0.00	0.00	0.00
		0.00	71,118.00	0.00	71,118.00	71,118.00	6545	G	0.00	71,118.00	0.00	71,118.00	0.00	0.00	0.00	0.00
		0.00	48,118.00	0.00	48,118.00	48,118.00	5581	G	0.00	48,118.00	0.00	48,118.00	0.00	0.00	0.00	0.00
		0.00	204,988.00	0.00	204,988.00	204,988.00	6584	G	0.00	204,988.00	0.00	204,988.00	0.00	0.00	0.00	0.00
		0.00	0.00	38,119.00	38,111.00	38,119.00	5674	W	0.00	0.00	38,111.00	38,111.00	0.00	0.00	0.00	0.00
		0.00	0.00	67,354.00	67,354.00	67,354.00	5675	W	0.00	0.00	47,354.00	67,354.00	0.00	0.00	0.00	0.00
		0.00	0.00	65,671.00	65,671.00	65,671.00	5677	W	0.00	0.00	65,671.00	65,671.00	0.00	0.00	0.00	0.00
		0.00	0.00	116,029.00	116,029.00	116,029.00	5676	W	0.00	0.00	116,029.00	116,029.00	0.00	0.00	0.00	0.00
Area Total		980,471.86	718,724.86	432,147.88	2,048,964.00	2,048,964.00			797,883.58	737,998.98	514,079.94	2,048,964.00	182,188.07	(20,285.52)	(181,902.55)	0.00
Water & Leak Survey	550791	209.20	412,489.84	272,388.00	685,050.00	685,050.00		Special	0.00	397,334.22	287,724.78	686,050.00	209.20	15,155.62	(15,335.78)	0.00
Facilities Locators	580298	318,812.57	230,273.20	132,922.23	678,008.00	678,008.00		Customer	296,470.44	216,614.58	160,227.00	678,008.00	22,342.13	14,082.64	(37,264.77)	0.10
Dept. Total		16,787,488.11	1,847,103.82	1,140,146.21	18,797,302.00	18,797,468.00			16,110,581.40	2,189,361.84	1,483,898.88	18,797,882.00	692,818.71	(342,188.32)	(340,814.38)	(88.00)
Transportation - Mgr's Office	580580	3,420.73	2,500.87	1,514.40	8,496.00	9,496.00		Transportation	0.00	0.00	0.00	0.00	6,421.23	2,500.87	1,514.40	8,496.00
Cont Area - Elec Transp Equip	650484	0.00	0.00	0.00	0.00	0.00		Transportation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cont Area - Gas Transp Equip	850012	0.00	0.00	0.00	0.00	0.00		Transportation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cont Area - Wtr Transp Equip	500803	0.00	0.00	0.00	0.00	0.00		Transportation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cont Area - Elec Pwr Op Equip	850104	0.00	0.00	0.00	0.00	0.00		Transportation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Gas Common Transp Equip	550808	0.00	0.00	0.00	0.00	0.00		Transportation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Transportation Parts	850610	0.00	0.00	0.00	0.00	0.00		Transportation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operations Facility Garage	550620	0.00	0.00	0.00	0.00	0.00		Transportation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Garage - MSC	550630	458.47	261.17	123.36	843.00	843.00		Transportation	0.00	0.00	0.00	0.00	458.47	261.17	122.98	843.00
Paint & Body Shop	550640	33,438.83	20,972.24	6,001.13	62,112.00	62,112.00		Transportation	0.00	0.00	0.00	0.00	33,438.83	20,972.24	6,001.13	62,112.00
Tire Shop	550645	189.70	56.70	33.00	288.00	280.00		Transportation	0.00	0.00	0.00	0.00	189.70	56.70	33.60	269.00
Heavy Equipment Shop	550650	400.94	146.34	550.72	1,098.00	1,098.00		Transportation	0.00	0.00	0.00	0.00	400.94	146.34	550.72	1,098.00
Garage - SSC	550660	379.00	0.00	0.00	279.00	279.00		Transportation	0.00	0.00	0.00	0.00	279.00	0.00	0.00	279.00
Garage - HHSC	550670	2,647.51	1,172.61	856.00	4,676.00	4,676.00		Transportation	0.00	0.00	0.00	0.00	2,647.51	1,172.61	853.08	4,676.00
Garage - Brunswick	580680	387.43	232.13	87.04	607.00	607.00		Transportation	0.00	0.00	0.00	0.00	387.83	232.33	67.04	607.00
Heavy Equipment Operations	350690	173,772.25	180,328.22	88,710.53	363,761.00	363,761.00		C&M	225,531.82	88,027.42	58,201.78	363,761.00	(151,888.57)	78,380.80	31,608.77	0.00
Dept. Total		214,348.00	125,729.28	109,854.68	443,132.00	443,132.00			225,531.82	88,027.42	58,201.78	363,761.00	(8,986.84)	45,781.86	47,654.90	79,171.00
HHSC - Manager's Office	350860	115,522.00	49,798.58	29,453.44	184,773.00	184,773.00		C&M	114,559.76	40,650.08	29,563.48	184,773.00	(13,036.38)	9,148.62	(112.24)	0.00
HHSC Electric Distribution	550870	879,911.30	11,864.42	7,244.48	1,002,019.00	1,902,918.00		E	1,002,016.00	0.00	0.00	1,002,016.00	(22,108.30)	14,864.42	7,244.48	0.00
HHSC Gas Distribution	550820	94,392.16	262,495.86	2,911.99	321,725.00	321,725.00		C&M Gas Dist	48,258.75	273,468.25	0.00	321,725.00	8,858.40	(10,970.39)	2,911.99	0.00
HHSC Water Distribution	550420	14,088.37	3,251.80	292,679.83	229,000.00	229,000.00		C&M Wtr Dist	5,500.00	12,100.00	292,400.00	220,000.00	8,588.37	(8,848.20)	279.83	0.00

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* Total Before Redistribution less Total After Redistribution

** Excludes Charge Codes 9798, 7777, 8888 and 9999

Mission 2000 Account Redistribution
1996 Budget

	Area	Before Redistribution Electric	Gas	Water	TOTAL**	SYSTEM TOTAL**	CMS CODE EXCEPTS	PROPOSED SPLIT	After Redistribution Electric	Gas	Water	TOTAL	Difference* Electric	Gas	Water	Total
MHSC - Customer Engineering	556000	75,005.17	44,882.51	18,548.72	135,037.80	135,037.80		Customer	58,665.91	43,311.84	33,750.29	135,007.00	17,299.08	(2,369.33)	(15,110.53)	0.00
MHSC - Storeroom 87	556000	1,030.54	113.84	67.92	1,229.00	1,229.00		Stores	0.00	0.00	0.00	0.00	1,030.64	113.84	67.92	1,229.00
Dept. Total		1,232,224.81	371,541.26	260,201.30	1,864,173.00	1,864,723.00			1,228,901.57	369,428.15	265,722.93	1,863,553.00	4,322.40	1,919.60	(5,871.96)	1,229.00
MSC - Manager's Office	550000	72,218.32 0.00	34,102.92 0.00	20,383.70 1,847.00	126,705.00 1,847.00	126,765.00 1,847.00	5625	CAM W	78,584.30 0.00	37,888.30 0.00	20,282.40 1,847.00	126,765.00 1,847.00	(8,375.98) 0.00	4,304.62 0.00	71.36 0.00	0.00 0.00
Area Total		72,218.32	34,102.92	22,290.76	128,612.00	128,612.00			78,584.30	27,888.30	22,129.40	128,612.00	(6,375.98)	6,304.02	71.36	0.00
MSC - Electric Distribution	550910	730,002.00	46,862.04	53,723.27	861,678.00	861,678.00		E	841,678.00	0.00	0.00	861,678.00	(102,575.81)	46,852.04	53,729.27	(0.00)
MSC - Gas Distribution	550920	46,795.48	349,886.90	9,322.00	406,174.00	406,174.00		CBM Gas Dist	80,826.10	345,287.90	0.00	406,174.00	(34,130.62)	4,600.03	9,522.58	0.00
MSC - Water Distribution	550930	13,594.40	5,450.85	228,265.65	247,331.00	247,308.04		CAM Wtr Dist	6,183.30	13,603.21	227,544.92	247,331.00	7,411.13	(8,152.20)	761.13	(0.00)
MSC - Customer Engineering	550940	92,618.37	30,058.92	8,030.81	90,536.00	90,536.00		Customer	38,930.46	28,871.52	22,534.00	90,536.00	13,880.85	2,685.30	(16,574.10)	0.00
MSC - Storeroom 55	550960	82.00	36.00	23.00	144.00	144.00		Stores	0.00	0.00	0.00	0.00	82.00	36.68	23.04	144.00
Dept. Total		944,011.24	479,048.04	310,815.92	1,733,875.00	1,733,875.00			1,845,792.16	495,710.90	272,367.92	1,733,731.00	(108,700.42)	54,337.22	47,987.20	144.00
BSC - Manager's Office	551000	442,583.97	67,458.67	40,138.36	250,001.00	250,087.00		CAM	155,666.14	54,821.34	40,615.52	250,097.00	(82,546.17)	12,430.33	115.84	0.00
BSC - Electric Distribution	551010	880,888.00	21,190.22	10,814.19	1,814,782.00	1,814,782.00		E	1,914,802.00	0.00	0.00	1,914,402.00	(39,116.41)	21,102.22	10,914.19	0.00
BSC - Gas Distribution	551020	83,112.56	363,168.00	3,643.30	449,145.00	449,145.00		CAM Gas Dist	46,021.75	374,323.25	0.00	449,145.00	(12,000.00)	9,045.01	3,983.30	0.00
BSC - Water Distribution	551030	12,821.10 0.00	8,521.38 0.00	272,635.07 1,163.00	287,080.00 1,169.00	287,461.00 1,153.00	5626	CAM Wtr Dist W	6,182.03 0.00	13,627.40 0.00	227,666.52 1,165.00	247,681.00 1,363.00	4,322.00 0.00	(41,100.63) 0.00	4,760.51 0.00	(0.00) 0.00
Area Total		12,584.19	8,521.82	231,798.07	248,836.00	248,834.00			6,192.00	13,622.45	229,049.52	248,834.00	6,332.00	(11,090.83)	4,700.56	(0.00)
BSC - Customer Engineering	551040	83,774.64	30,843.30	5,983.16	199,001.00	199,501.00		Customer	48,804.13	34,748.12	27,147.76	108,681.00	17,000.54	1,104.00	(21,304.59)	0.00
BSC - Storeroom 69	551050	148.00	456.00	17.82	422.00	622.00		Stores	0.00	0.00	0.00	0.00	148.00	456.00	17.82	622.00
Dept. Total		1,296,030.83	813,053.98	303,478.00	2,062,071.00	2,063,071.00			1,298,750.05	477,546.17	298,188.79	2,062,449.00	(22,791.12)	34,037.82	(2,304.70)	682.00
SSC - Manager's Office	551200	81,405.00	38,587.00	22,866.04	142,858.00	142,858.00		CAM	88,371.00	31,420.76	22,837.29	142,858.00	(7,136.00)	7,130.12	(2.79)	0.00
SSC - Electric Distribution	551210	809,158.34	8,827.82	19,637.84	838,422.00	838,422.00		E	838,422.00	0.00	0.00	838,422.00	(29,261.60)	8,627.82	19,637.84	(0.00)
SSC - Gas Distribution	551220	68,772.18	276,238.00	17,165.85	362,198.00	362,188.00		CAM Gas Dist	54,321.70	307,868.30	0.00	362,188.00	14,442.49	(32,608.41)	17,165.91	0.00
SSC - Water Distribution	551230	7,838.97	1,716.18	191,958.83	201,514.00	201,514.00		CAM Wtr Dist	5,837.65	11,083.37	185,388.00	201,514.00	2,001.12	(9,366.87)	6,565.75	(0.00)
SSC - Customer Engineering	551240	50,382.77	30,321.16	4,916.32	85,620.00	85,620.00		Customer	36,820.00	27,401.50	21,403.00	85,620.00	13,571.62	2,919.56	(16,481.30)	(0.00)
SSC - Storeroom 48	551250	286.43	124.73	78.84	489.00	489.00		Stores	0.00	0.00	0.00	0.00	286.43	124.73	78.84	489.00
Dept. Total		1,017,879.73	354,427.85	256,813.42	1,631,121.00	1,631,121.00			1,023,182.41	377,781.83	229,657.66	1,630,822.00	(5,302.68)	(21,754.08)	26,865.76	489.00
Division Total		25,527,096.70	4,621,000.39	3,540,228.91	33,798,024.00	33,718,636.00			25,027,980.81	5,081,002.20	2,509,847.08	33,428,788.04	504,096.49	(179,232.00)	(40,620.69)	90,294.00

* Total Before Redistribution less Total After Redistribution

** Excludes Charge Codes 0709 7777 9999 and 0000

Mission 2000 Account Redistribution
1996 Budget

	Area	Before Redistribution: Electric	Gas	Water	TOTAL**	SYSTEM TOTAL**	CHG CODE EXCEPTS.	PROPOSED SPLIT	After Redistribution: Electric	Gas	Water	TOTAL	Difference*: Electric	Gas	Water	Total
Total Before 900000 & 900991		83,329,033.30	29,135,881.21	16,426,278.94	118,890,083.53	111,886,474.00			81,773,791.97	29,898,203.60	19,875,060.13	141,589,896.90	1,481,207.92	(365,304.07)	(1,411,889.52)	(480,052.17)
	900000	876,196,840.00	83,826,612.00	4,462,178.27	427,814,635.27	823,878,220.00			326,295,047.29	83,253,097.90	4,485,878.77	823,943,824.00	(45,890.89)	(14,485.50)	(3,502.48)	(67,180.77)
		0.00	437,000.00	0.00	437,000.00	437,000.00	4322	Special	242,200.00	30,960.00	139,840.00	437,000.00	(242,200.00)	406,040.00	(139,840.00)	0.00
		28,500.00	13,500.00	8,000.00	50,000.00	50,000.00	4311	Payroll $	26,500.00	12,500.00	7,500.00	46,500.00	2,000.00	1,000.00	500.00	3,500.00
		9,365,182.27	4,388,248.87	2,808,380.78	16,260,811.00	16,288,841.00	4313	Payroll $	8,513,589.83	4,072,452.75	2,140,471.85	15,140,824.23	851,592.44	315,796.22	662,908.81	1,340,286.77
		158,752.28	78,251.00	44,800.00	275,004.00	275,004.00	4315	Payroll $	143,752.12	68,750.00	41,250.00	255,752.23	15,000.16	9,500.00	2,750.04	19,250.20
		627,002.20	297,001.00	176,000.84	1,100,004.00	1,100,004.00	4314	Payroll $	583,002.18	275,000.00	165,000.80	1,023,003.72	44,000.16	22,000.00	11,000.04	77,000.20
		116,847.72	56,300.00	32,790.36	204,984.00	204,984.00	4315	Payroll $	108,647.00	51,248.00	30,749.40	190,644.28	8,199.04	4,098.02	2,040.96	14,340.72
		188,899.10	99,100.00	52,000.00	330,000.00	330,000.00	4324	Payroll $	174,900.00	82,500.00	49,500.00	306,900.00	13,200.00	6,600.00	3,300.00	23,100.00
		6,368,237.10	3,070,887.00	1,723,337.00	11,162,511.00	11,730,880.00	4153	Payroll $	4,057,782.21	3,005,411.33	1,995,780.56	11,058,974.00	340,554.79	65,425.67	(272,443.56)	133,536.50
		0.00	0.00	0.00	0.00	0.00	4154	Payroll $	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	4355	Payroll $	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	4356	Payroll $	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	4357	Payroll $	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		0.00	581,170.00	0.00	581,170.00	581,170.00	420438/3000	A&G	301,208.90	156,945.50	92,987.20	581,170.00	(231,208.90)	424,254.50	(92,987.20)	0.00
		0.00	110,365.00	0.00	110,365.00	110,365.00	420432/3000	A&G	62,908.06	29,798.56	17,658.40	110,365.00	(62,908.06)	80,566.45	(17,658.40)	0.00
		0.00	880.00	0.00	880.00	880.00	420440/3000	A&G	490.20	232.20	137.60	860.00	(490.20)	677.80	(137.60)	0.00
		0.00	390,502.00	0.00	390,502.00	390,502.00	420441/3000	Special	78,000.40	78,000.40	78,100.40	234,301.20	(78,100.40)	312,401.80	(78,100.40)	156,200.80
		140,095.00	0.00	0.00	140,995.00	140,995.00	420442/3000	Transportation	0.00	0.00	0.00	0.00	146,095.00	0.00	0.00	140,995.00
		0.00	78,207.00	0.00	78,207.00	78,207.00	420443/3000	Special	15,057.40	15,057.80	15,657.40	46,072.20	(15,057.40)	42,020.60	(15,057.40)	97,110.80
		0.00	180,000.00	0.00	180,000.00	190,908.00	420444/3000	Special	38,197.60	38,197.60	38,197.60	114,592.80	(38,197.60)	152,790.60	(30,187.60)	78,796.79
		0.00	71,106.00	0.00	77,106.00	71,106.00	420445/3000	Special	14,221.20	14,221.20	14,221.20	42,663.60	(14,221.20)	56,884.80	(14,221.20)	20,442.40
		0.00	60,318.00	0.00	60,318.00	60,318.00	420448/3000	A&G	30,841.20	10,645.40	10,830.00	60,318.00	(30,841.20)	40,872.14	(10,830.00)	0.00
		6,964.00	0.00	0.00	6,964.00	6,964.00	420449/3000	Stores	0.00	0.00	0.00	0.00	6,964.00	0.00	0.00	4,944.00
		0.00	8,777.00	0.00	8,777.00	8,777.00	420457/3000	Customer	3,774.11	2,808.64	8,194.25	8,777.00	(3,774.11)	5,968.76	(2,988.23)	0.00
		0.00	5,078.00	0.00	5,078.00	5,078.00	420458/3000	Customer	2,180.64	1,620.58	1,708.00	5,078.00	(2,183.54)	3,450.66	(1,288.56)	0.00
		0.00	280,798.00	0.00	280,798.00	280,798.00	420460/3600	A&G	158,815.43	77,875.72	46,207.84	280,790.00	(104,815.43)	202,923.27	(46,207.84)	0.00
		0.00	9,205.00	0.00	9,205.00	9,205.00	420407/3600	Customer	3,958.15	2,945.60	2,301.23	9,205.00	(3,958.15)	6,250.40	(2,301.23)	0.00
		1,725.50	1,518.44	207.00	3,451.00	3,451.00	520130/3600	E	3,451.00	0.00	0.00	3,451.00	(1,725.50)	1,518.44	707.06	0.00
		0.00	10,523.00	0.00	10,523.00	10,523.00	550305/3600	E	10,523.00	0.00	0.00	10,523.00	(10,523.00)	10,523.00	0.00	0.00
		0.00	2,474.00	0.00	2,474.00	2,474.00	420430/3601	A&G	1,418.58	487.98	305.84	2,474.00	(1,418.18)	1,986.02	(305.84)	0.00
		200.00	0.00	0.00	200.00	200.00	420440/3601	A&G	118.13	10.43	35.44	209.00	89.87	(58.43)	(35.44)	0.00
		800.00	0.00	0.00	800.00	800.00	420442/3601	Transportation	0.00	0.00	0.00	0.00	800.00	0.00	0.00	800.00
		190.00	0.00	0.00	190.00	190.00	420448/3601	Stores	0.00	0.00	0.00	0.00	190.00	0.00	0.00	190.00
		0.00	209.00	0.00	209.00	209.00	550205/3601	E	209.00	0.00	0.00	209.00	(209.00)	209.00	0.00	0.00
		1,526.41	779.04	170.44	2,470.00	2,470.00	420411/3675	Special	535.00	535.00	835.00	1,606.00	990.86	167.40	(407.12)	1,478.70
		2,138.64	1,813.04	400.32	5,752.00	5,752.00	420418/3675	Transportation	0.00	0.00	0.00	0.00	2,138.64	1,813.44	800.32	3,752.40
		394.02	158.22	93.78	686.00	686.00	420443/3675	Special	117.20	117.20	107.20	354.00	216.82	41.07	(73.44)	234.40
		15.96	7.56	4.48	28.00	28.00	420448/3675	E	28.00	0.00	0.00	28.00	(12.04)	7.56	4.48	0.00
		2,930.22	1,380.42	879.36	5,146.00	5,146.00	420486/3675	E	5,146.00	0.00	0.00	5,146.00	(2,212.78)	1,380.42	821.38	0.00
		194.37	82.07	64.56	361.00	361.00	420487/3675	Customer	148.83	109.13	86.28	344.00	47.24	(17.05)	(30.69)	0.00
		151.82	71.00	42.00	288.00	288.00	420487/3675	W	0.00	0.00	288.00	288.00	151.82	71.00	(222.48)	0.00
		180.17	75.07	41.00	291.00	291.00	420488/3675	Customer	129.10	86.90	70.75	281.00	39.34	(14.05)	(25.21)	0.00
		297.54	140.84	83.52	522.00	522.00	520250/3675	G	0.00	522.00	0.00	522.00	297.54	(281.06)	83.52	0.00
Area Total		643,128,221.85	103,085,730.00	8,127,086.73	853,713,839.27	456,292,920.00			542,973,562.25	101,286,949.36	8,000,139.04	453,848,836.85	118,768.39	2,208,805.54	(552,271.31)	3,795,302.82
	900991	3,811,575.43	1,161,306.73	800,025.64	5,943,187.00	5,909,524.00		Special	3,617,479.92	1,250,073.82	1,123,244.50	5,909,788.24	184,104.71	(97,879.99)	(130,019.00)	(36,990.24)
Dept. Total		546,931,882.28	104,851,846.82	10,118,092.37	661,307,136.27	862,202,444.00			546,591,022.16	102,354,618.17	10,000,383.54	839,946,425.88	340,874.10	2,182,127.43	(981,791.47)	1,758,716.96
Sub Total		816,289,830.86	135,790,837.80	20,548,378.31	772,880,379.80	773,830,820.00			660,984,815.85	132,490,222.77	30,870,443.97	771,533,481.80	1,828,077.02	1,307,764.38	(2,097,488.90)	1,066,651.91
Add Back Stores & Transp Loading		0.00	0.00	0.00	0.00	414,929.83		A&G	236,510.06	112,821.00	66,380.79	414,929.90	(236,514.84)	(112,821.09)	(66,380.79)	(414,929.93)
MLGW Totals		810,280,830.16	133,782,837.63	20,544,371.31	772,880,130.80	774,345,845.90			880,691,325.21	137,602,253.85	30,744,832.76	771,940,411.87	1,589,564.96	1,215,739.39	(2,183,308.76)	651,727.98

* Total Before Redistribution less Total After Redistribution

** Excludes Charge Codes [illegible]

Mission 2000 Account Redistribution
1996 Budget

Before Redistribution

CONCILIATION OF O&M BUDGET PER SCREEN TO SYSTEM TOTAL	Area	Electric	Gas	Water
1996 Budget Per Screen		790,818,840.10		
Less Charges to 8888		(15,282,835.00)		
Less Charges to 7777		(3,022,384.00)		
Less Charges to 9799		0.00		
Less Charges to 8888		734,229.00		
Plus Purchasing Costs Now Charged to O&M		679,818.00		
Data Processing Costs Now Chgd to O&M		57,485.01		
Telecommunications Engineering Now Chgd to O&M		40,988.72		
FIS Mgr Office Charges Now Chgd to O&M		2,400.00		
Stores & Transportation Recapture		414,829.83		
Misc adjustments		(859.73)		
Adjusted 1996 Budget per Screen		774,345,840.60		

RECONCILIATION OF BEFORE REDISTRIBUTION TO SYSTEM TOTAL	TOTAL**	SYSTEM TOTAL**	CHG CODE EXCEPTS.	PROPOSED SPLIT
Total Before Redistribution			772,609,130.00	
Plus Purchasing Costs Now Charged to O&M			679,818.00	
Data Processing Costs Now Chgd to O&M			57,486.01	
Telecommunications Engineering Now Chgd to O&M			40,988.72	
FIS Mgr Office Charges Now Chgd to O&M			2,400.00	
Stores & Transportation Recapture			414,829.83	
Pension & Combined in Charge Code 4363			547,377.00	
Misc.			11,431.47	
TOTAL			774,345,849.10	

After Redistribution

RECONCILIATION OF AFTER REDISTRIBUTION TO SYSTEM TOTAL	Electric	Gas	Water	TOTAL
Total After Redistribution			771,949,411.82	
Pension, Medical Costs, and tax charged to Stores and Transportation Loading Pools			1,758,710.30	
Pension & Combined in Charge Code 4363			547,377.40	
Transportation and Stores Charged to Loading Pools			80,244.00	
Misc			11,106.73	
TOTAL			774,345,850.83	

Difference*

PROOF OF TRANSFERS TO CAPITAL AS A RESULT OF REDISTRIBUTION	Electric	Gas	Water	Total
Purchasing Costs Now Charged to O&M				(679,818.00)
Data Processing Costs Now Chgd to O&M				(57,485.01)
Telecommunications Engineering Now Chgd to O&M				(40,988.72)
FIS Mgr Office Charges Now Chgd to O&M				(2,400.00)
Stores & Transportation Recapture				(414,829.83)
Pension, Medical Costs, and tax charged to Stores and Transportation Loading Pools				1,758,710.30
Transportation and Stores Charged to Loading Pools				80,244.00
Misc				(324.74)
TOTAL				451,777.80

* Total Before Redistribution less Total After Redistribution

** Excludes Charge Codes 8788, 7777, 9899 and 9779

06-01-?? 04:48 PM

RESPONSE TO:

TCTA – Appendix 6 Confidential (filed under seal)

RESPONSE TO:

TCTA – Appendix 7 Confidential (filed under seal)

RESPONSE TO:

TCTA - Appendix 8 -----------

MEMORANDUM OF UNDERSTANDING

THIS AGREEMENT made this 22 day of November, 1999, by and between City of Burlington, Vermont, a Vermont municipal corporation acting through its Burlington Electric Department ("BED"), and A&L Networks, LLC, a limited liability company incorporated under the laws of the State of Kansas, with a principal place of business in Olathe, Kansas ("A & L").

WITNESSETH:

WHEREAS, pursuant to its mission and charter, BED is interested in providing telecommunications services for the benefit of BED, the City of Burlington, its residents and businesses, and these benefits are expected to include a combination of new and enhanced services, better service quality, and lower rates;

WHEREAS, A&L is interested in evaluating and developing a strategy for entering into a telecommunications business and subsequently forming and jointly owning such a business in equity partnership with BED, consistent with A & L's business goals and expertise; and

WHEREAS, based upon proposals made by A&L to BED dated April 26, 1999 and May 27, 1999, and subsequent discussions between the parties, BED and A&L have agreed jointly to retain Arthur D. Little, Inc. ("ADL") to create a business plan for the development of a strategic telecommunications partnership between BED and A & L for providing facilities-based and resale based services as appropriate between BED and A & L, the purpose of which plan is to provide the parties with the specific knowledge required for them to make their respective "go/no-go" decisions on such a venture.

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements contained herein, the parties agree as follows:

1. <u>Retention of ADL.</u>

BED and A&L agree jointly to retain ADL to create a complete business plan for the development of a strategic telecommunications partnership consistent with the proposal by ADL to A&L dated October 15, 1999 (hereinafter "ADL study"). The parties understand that their agreement with ADL shall contain a "not-to-exceed" figure of Three Hundred Seventy-five Thousand ($375,000.00) Dollars, including all ADL professional expenses, and shall be upon such other terms and conditions as agreed by the parties.

2. **Funding of Study.**

BED and A&L shall share equally in the costs of the ADL study, with the understanding that each party's share of the expenses outlined above shall not exceed One Hundred Eighty-seven Thousand, Five Hundred ($187,500.00) Dollars. Each party shall be individually responsible for its own professional service fees (counsel fees and all other fees not agreed to by both parties) incurred by each in connection with the ADL study.

3. **"Go/No-Go" Decisions.**

Within thirty (30) days of receipt of the final deliverables from ADL, each party shall determine within its sole discretion whether to pursue a jointly owned telecommunications business within the City of Burlington, Vermont. If both parties agree to develop such a telecommunications business, the parties intend on entering into a detailed agreement setting forth the terms and conditions under which the parties will move forward to create a limited liability company or other appropriate business form to design, construct, operate and market a jointly-owned telecommunications network business. The intent to reach such agreement will not bind either party to reach agreement.

4. **Non-Disclosure.**

Except as provided in this Section 4, and in Sections 5 and 6 below, each party shall have an unlimited right to possess, own and use the ADL study. Each party shall hold the ADL study in confidence, and neither party shall disclose the ADL study to third parties, except that (i) either party may disclose the ADL study as reasonably necessary for such party or an affiliate of such party to provide, or to decide whether and how to provide, telecom services, either by itself, or in combination with third parties, and (ii) this Section 4 shall not limit the right of a party to disclose portions of the ADL study which become publicly available, or which were known to the party prior to the date the ADL study was commenced. Notwithstanding the foregoing, disclosure of the ADL study by a party in response to a subpoena or other judicial process after notice to the other party shall not be a violation of this Section 4. For purposes of this Agreement, "affiliate" means, with respect to a party, an entity under the Control of such party, or an entity that Controls, or is under common Control over such party. "Control" means direct or indirect ownership of at least 20% of the voting or economic interests of an entity. In determining Control, an individual shall be deemed to own any voting and economic interest owned by such individual's spouse, ancestors and lineal descendants, or by trust for the benefit of such individual or such individual's spouse, ancestors and lineal descendants.

5. <u>Non-Compete.</u>

If BED and A&L do not participate together through a contractual, co-ownership or other arrangement to provide telecommunication services in or near Burlington, Vermont, then for a period of eighteen (18) months from the date of this Agreement, neither party nor its affiliate, by itself, or in combination with third parties, shall provide telecommunication services in or near Burlington, Vermont unless (i) the other party gives its written consent, or (ii) the party providing telecommunications services does not rely in material respects upon the ADL study, and the telecommunications services are of a scope and type, and are provided in a manner, which differs in material respects from the recommendations in the ADL study. Notwithstanding the foregoing, nothing herein shall prevent a party from providing non-facilities-based telecommunication services.

6. <u>Reimbursement of Costs.</u>

Each party (the "Reimbursing Party") shall reimburse the other party (the "Reimbursed Party") for its share of the costs of the ADL study if, within two (2) years from the date of this Agreement, (i) the Reimbursing Party or its affiliate has obtained regulatory approval to provide facilities-based telecommunication services in or near Burlington, Vermont, and (ii) on or before the date such approval is granted, the Reimbursed Party has not applied for or obtained approval to provide facilities-based telecommunication services in or near Burlington, Vermont. The Reimbursing Party shall reimburse the Reimbursed Party in cash within thirty (30) days after the Reimbursing Party obtains such regulatory approval, and, concurrently, the Reimbursed Party shall transfer and assign to the Reimbursing party all rights of the Reimbursed Party to use the

ADL study in connection with providing, or deciding whether and how to provide, telecommunications services in or near Burlington, Vermont

7. **Project Management.**

Both parties expect to play an active role in connection with the development of the ADL study. Both BED and A&L shall designate one (1) person and one (1) alternate to serve as a steering team. The steering team will deal directly with the project manager designated by ADL for this project.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement the day and year first above written.

In the presence of:

Witness

Witness

CITY OF BURLINGTON, VERMONT

Barbara Grimes

Duly Authorized Agent

A & L NETWORKS, LLC

Duly Authorized Agent

RESPONSE TO:

TCTA – Appendix 11

EXCERPT
from
MINUTES OF MEETING
of
BOARD OF LIGHT, GAS AND WATER COMMISSIONERS
CITY OF MEMPHIS
held
December 18, 1997
****

The Corporate Communications Officer presented for consideration of the Board the attached policy covering bill mailers and postage and recommends adoption of same.

It was moved by Commissioner Graves, seconded by Commissioner Jalenak, and unanimously carried:

THAT, The attached policy covering bill mailers and postage is adopted.

I hereby certify that the foregoing is a true copy of [illegible] adopted by the Board of Light, Gas and [illegible] regular [illegible] meeting
18th December 19 97 at
[illegible] 18th day
December 19 97
Paul R. Harris
Secretary—Treasurer

Memphis Light, Gas and Water Division
Policy Statement

SUBJECT: BILL MAILERS AND POSTAGE

I. PURPOSE

To provide written guidelines for evaluating requests for inserts in utility bill mailers, to assure fairness and uniformity in handling such requests, and to maintain economical postage rates.

II. SCOPE

This policy applies to all requests for inserts in MLGW utility bill mailers.

III. POLICY STATEMENT

It is the policy of MLGW to handle all requests for inserts in its bill mailers fairly using the following uniform standards:

1. It is the policy of MLGW to encourage those who wish to include information in its bill mailers to use the "Plus Coupon" program to benefit MIFA. Bill inserts may not be used to solicit funds or donations of any kind, or to promote the sale of any product or service other than through the "Plus Coupon" program.

2. No separate bill inserts will be accepted which are political or partisan in nature.

3. No bill inserts will be accepted which result in an increase in postage.

IV. PROCEDURE

All requests to have information inserted in MLGW's bill mailer must be submitted in writing to MLGW 90 days prior to the distribution date, and submitted for approval to: Manager, Communication Services, 220 South Main, Memphis, TN 38103.

RESPONSE TO:

TCTA – Appendix 12

7-6-92

CONTRACT #9956

4-18-90

TAKEN FROM TVPPA / BELL STANDARD CONTRACT

EXPIRES 12-31-99 THEN RUNS YEAR-TO-YEAR

THIS AGREEMENT, made as of the first day of January, 1990 by and between Memphis Light, Gas & Water Division a(n) Tennessee corporation, hereinafter referred to as the "Power Distributor," and SOUTH CENTRAL BELL TELEPHONE COMPANY, a Georgia corporation, hereinafter referred to as the "Telephone Company."

WITNESSETH:

WHEREAS, in the areas in the State of Tennessee served by both parties certain utility poles are presently used jointly by the Power Distributor and the Telephone Company, such joint use being maintained under the terms of an Urban Joint Use Agreement dated June 15, 1967 between the Power Distributor and Southern Bell Telephone and Telegraph Company, predecessor of the Telephone Company, and a Rural Joint Use Agreement dated None, between the Power Distributor and Telephone Company; and

WHEREAS, the parties desire to continue such joint use and to use other poles jointly in the future, when and where such joint use will be of mutual advantage in meeting their respective service requirements; and

WHEREAS, when the parties are making arrangements for the joint use of new poles and the party proposing to erect the new poles already owns a majority of the poles, the parties shall take into consideration the desirability of having the new poles owned by the party owning the lesser number of joint use poles so as to progress toward a division of ownership of poles so that neither party shall be required to pay annual rental payments, giving due regard to the avoidance of mixed ownership in lines; and

WHEREAS, because of changed conditions and experience gained, and to facilitate administration of joint use, the parties desire to terminate the aforementioned Joint Use Agreements dated June 15, 1967, and enter into a new Joint Use Agreement giving due recognition to the fact that the comparative numbers of joint use poles owned by the parties, the respective space allocated to or used by the parties, the concern for the ability to provide reliable service, the relative positions of the parties on the poles all have a bearing on the contribution to be made by the parties both as to ownership and maintenance of joint use poles.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the parties hereto for themselves, their successors and assigns do hereby terminate the existing Urban Joint Use Agreement dated June 15, 1967, and the existing Rural

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Joint Use Ageement dated None, and do hereby covenant and agree as follows:

ARTICLE I
DEFINITIONS

For the purpose of this agreement, the following terms when used herein shall have the following meanings:

A. ATTACHMENTS is any wires, cables, strands, materials or apparatii affixed to a joint use pole now or hereafter used by either party in the construction, operation or maintenance of its plant.

B. CHANGE IN CHARACTER OF CIRCUITS shall mean any change in either party's facilities which affects either loading on the pole or clearance between the facilities of the parties hereto.

C. CODE means the National Electrical Safety Code, as it may be amended from time to time.

D. DAYS as used herein shall mean calendar days.

E. INJURIES include death, personal injury and property damage or destruction.

F. JOINT USE is maintaining or specifically reserving space for the attachments of both parties on the same pole at the same time.

G. JOINT USE POLE is a pole upon which space is provided under this agreement for the attachments of both parties, whether such space is actually occupied by attachments or reserved therefore upon specific request.

H. LICENSEE is the party having the right under this agreement to make attachments to a joint use pole that the other party owns.

I. OWNER is the party owning the joint use pole.

J. POLE OR POLES includes the singular and plural.

K. REARRANGING OF ATTACHMENTS is the moving of attachments from one position to another on a joint use pole.

L. RESERVED, as applied to space on a pole, means unoccupied space provided and maintained by Owner, either for its own use or expressly for Licensee's exclusive use at Licensee's request.

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M. **RIGHT OF WAY** is the legal right to use the property of another.

N. **STANDARD JOINT USE POLE** means a 40-foot, Class 4 treated wood pole which meets the requirements of the Code. The parties may agree to use a smaller than Class Four pole; but under no condition shall the standard joint use pole be less than the minimum requirements of the Code.

O. **STANDARD SPACE ALLOCATION** means an allocation of sufficient space on a joint use pole for the use of each party taking into consideration requirements of the Code, and is more particularly defined as follows.

(1) For Power Distributor, the use of 8 feet of space on 40-foot poles, and 6 1/2 feet on 35-foot poles, measured downward from the top of the pole; and

(2) For Telephone Company, the use of 2 feet of space on joint use poles, below the space of the Power Distributor starting at the point that gives adequate Code separation on the pole. If under the terms of this Agreement the Telephone Company uses a portion of the Power Distributor's allocated space as measured from the top of the pole, the Telephone Company agrees that its use is permissive and that the Power Distributor shall have the undisputed use of its allocated space measured from the top. Telephone Company agrees to move any such attachments within this allocated space at its own cost upon demand of the Power Distributor. Similarly, if the Power Distributor uses a portion of the Telephone Company's 2-foot space, the Power Distributor agrees that such use shall be permissive. Power Distributor agrees to move any such attachment within the 2-foot space.

(3) The foregoing definition of a "normal joint use pole" is not intended to preclude the use of joint poles shorter or taller or of different strength than the normal joint use pole in locations where it is mutually agreed such poles will meet the requirements of the parties hereto.

P. **TRANSFERRING OF ATTACHMENTS** is the removing of attachments from one pole and placing the attachments upon another pole.

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ARTICLE II
TERRITORY AND SCOPE OF AGREEMENT

SEE ARTICLE XI

A. This agreement shall cover all poles of each of the parties now existing in joint use and those hereafter erected or acquired within the common operating areas served by the parties excepting poles which in the Owner's judgment are necessary for its own sole use.

B. The Urban-Rural boundaries in existence at the time of the execution of this agreement shall remain in effect until removed in accordance with Article X (B) of this agreement, or otherwise modified by mutual agreement of the parties.

ARTICLE III
PERMISSION FOR JOINT USE

Subject to the terms and conditions of this agreement, each party hereby permits joint use by the other party of any of its poles in accordance with the standard space allocation defined in Article I and the following:

(1) Allocated pole space may, without additional charge, be used by the party to which it is not allocated for the purpose of installing and maintaining street lighting, traffic signal systems, and vertical attachments (such as but not limited to ground wires, gang operated switch control rods and underground risers) if by the terms of the Code the proposed use is authorized and such use does not unreasonably interfere with the use being made by the party to which such space is allocated (such determination will be made solely by the party to which the space is allocated).

If Code provisions cannot subsequently be met then billing for the required modifications will be as set forth in Appendix A.

(2) As long as the provisions of the Code are met, unallocated space may be used without additional charge by the Power Distributor and/or Telephone Company. If Code provisions cannot subsequently be met then billing for required modifications will be as set forth in Appendix A.

(3) As long as the provisions of the Code in effect at the time the attachments were installed, have been met, any joint use pole now in place shall be deemed satisfactory to both parties and

adequate for its requirements whether or not the space allocations made herein have been observed.

(4) As long as the provisions of the Code are met, any pole hereafter made joint use shall thereupon be deemed satisfactory to Licensee and adequate for its requirements whether or not the space allocations made herein have been observed.

ARTICLE IV
SPECIFICATIONS

The joint use of poles covered by this Agreement shall at all times be in conformity with all applicable provisions of law and with the minimum requirements of the Code in effect at the time the respective attachments are made, and with such additional requirements as may be mutually approved in writing by the PRESIDENT of the Power Distributor and General Manager-Network Provisioning of the Telephone Company.

ARTICLE V
RIGHT-OF-WAY-AND LINE CLEARING

A. The Owner and Licensee will cooperate as far as may be practicable in obtaining right-of-way for both parties. When a written easement is secured it shall be in sufficient detail for identification and recording, and shall be subject to inspection by the other party upon request. However, no guarantee is given by the Owner of permission from property owners, municipalities or others for the use of poles by the Licensee, and if objection is made thereto and the Licensee is unable to satisfactorily adjust the matter within a reasonable time, the Owner may at any time, upon notice in writing to the Licensee, require the Licensee to remove its attachments from the poles involved, and the Licensee shall, within ninety (90) days after receipt of said notice, remove its attachments from such poles at its sole expense. Should the Licensee fail to remove its attachments as herein provided, the Owner may remove them at the Licensee's expense, without any liability whatever for such removal or the manner of making it, for which expense the Licensee shall reimburse the Owner on demand. Owner shall provide a 20' right-of-way whenever possible.

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Nothing stated herein shall preclude the parties from mutually sharing the cost of right-of-way acquisition.

B. Line clearing and trimming will be performed as follows:

(1) When constructing a new joint use pole line the Owner shall cut, clear and trim a 20' right-of-way, if possible.

(2) In all other instances each party shall be responsible for its own initial and recurring trimming, clearing and cutting.

ARTICLE VI
PLACING, TRANSFERRING OR REARRANGING ATTACHMENTS

A. Either party desiring to reserve space on any pole of the other not then designated as a joint use pole shall make written application therefore, specifying the pole involved, the number and kind of its attachments to be placed thereon and the character of the circuits to be used. Within ten (10) days after the receipt of such application, Owner shall notify the applicant in writing whether it is excluding said pole from joint use under the provisions of Article II. Upon receipt of notice from Owner that said pole is not excluded, and after completion of any required transferring or rearranging of attachments on said pole or any pole replacement as provided in Article VII the applicant shall have the right to use said pole as Licensee in accordance with the terms and conditions of this Agreement. Notwithstanding the foregoing, attachments placed by either party on the other's pole without such application and approval shall subject said pole to the terms of this Agreement. In such case, Owner shall have the right to require Licensee to remove within ninety (90) days at its sole expense any such attachments on poles coming within the exceptions described in Article V. Should Licensee fail to remove such attachments, such failure shall constitute default according to Article XIV.

B. Except as herein otherwise expressly provided, each party at its own expense shall place, maintain, rearrange, transfer and remove its own attachments, and shall at all times perform such work promptly and in such a manner as not to interfere with work or service being performed by the other party. Upon completion of work by the Owner which will necessitate transfer of the Licensee's attachments, the Owner shall provide written notice to the Licensee that such transfer must be completed within sixty (60) days. If such transfer of attachments is not completed within sixty (60) days the old pole shall become the property of the Licensee, and the Licensee shall save harmless the former Owner of such pole from all obligations, liabilities, damages, costs, expenses, or charges incurred thereafter because of or arising out of the presence, location or condition of such pole or any attachment thereon, whether or not it is alleged that the former Owner was negligent or otherwise. Licensee shall pay the former Owner the present in-place value, as set forth in Appendix A, for said pole.

C. When the Power Distributor desires to change the primary voltage system to an amount above 34.5 kv phase to phase on joint use lines, it shall give the Telephone Company sixty (60) days written notice of such contemplated change. If the Telephone Company agrees to joint use with such change, joint use of such poles shall be continued with such changes in construction as may be required to meet the terms of the Code at the expense of the Power Distributor. If the Telephone Company does not agree within thirty (30) days from receipt of said notice to such change, then:

(1) the parties hereto shall determine what circuits shall be removed from existing points on the joint use poles involved, and the net cost of establishing a new position on said poles or in a location elsewhere, those circuits or lines as may be necessary to allow the other party to continue to furnish the same service that existed at the time the change was decided upon; and

(2) the responsibility of the cost of establishing such circuits in the new position or new location shall be mutually agreed upon between the parties hereto.

ARTICLE VII
ERECTING, REPLACING OR RELOCATING POLES

A. Whenever any jointly used pole, or any pole about to be so used under the provisions of this agreement, is insufficient in size or strength for the existing attachments and for the proposed immediate additional attachments thereon, the Owner shall within sixty (60) days replace such pole with a new pole of the necessary size and strength, and make such other changes in the existing pole line in which such pole is included, as may be made necessary by the replacement of such pole and the placing of the Licensee's circuits as proposed. By mutual agreement, the time period may be shortened or extended.

B. The parties recognize and agree that there are inherent dangers involved in the transmission and distribution of electricity. The parties agree that unforeseeable emergency conditions will exist from time to time. When due to accidents, storm damage, etc., it is necessary for the Licensee to replace the Owner's pole immediately to restore service to its customers or to eliminate a hazardous condition and the Owner cannot perform the work in time to meet the Licensee's requirements, Licensee may replace the Owner's pole. Licensee will make all of its required facility changes or transfers and will secure the old pole to the new pole so the Owner may make its transfers when feasible. Licensee shall bill the Owner the total cost of the new pole in accordance with Appendix B. Owner shall continue to own the old pole and shall be responsible for its removal, and the new pole will become the property of the original owner.

C. Whenever it is necessary to change the location of a jointly used pole, by reason of any state, municipal or other governmental requirement, or the requirements of a property owner, the Owner shall, before making such change in location, give notice thereof in writing (except in cases of emergency) to the Licensee, specifying in such notice the time of such proposed relocation, and the Licensee shall, within sixty (60) days, transfer its attachment to the pole at the new location.

D. In any case where the parties hereto shall conclude arrangements for the joint use of any new poles to be erected, the ownership of such poles shall be determined by mutual agreement. In the event of disagreement as to ownership, the party then owning the lesser number of joint poles under this Agreement shall promptly erect the new joint poles and be the owner thereof or if the party owning the lesser number of poles cannot install the poles in time to meet the service requirements of the party owning the greater number of poles, the party owning the greater number of poles may set the poles and bill the other party the total cost of setting said poles in accordance with Appendix A. The party owning the lesser number of poles shall be the owner thereof.

E. Whenever either party hereto is about to erect new poles, either as an additional pole line, as an extension of an existing pole line, or as the reconstruction of an existing pole line, it shall notify the other in writing at least thirty (30) days before beginning the work (short notice, including verbal notice subsequently confirmed in writing, may be given in cases of emergency) and shall submit with such notice its plan showing the proposed location and size of the new poles, and circuits it will use thereon. The other party shall, within fifteen (15) days after the receipt of such notice, reply in writing to the party erecting the new poles, stating whether such other party does, or does not, desire space on the said poles, and if it does desire space thereon, the character of the circuits it desires to use and the amount of space it wishes to reserve. This notice of desire to establish joint use should include detail plans of any changes in the plans of the other party which are desired in order to permit the establishment of joint use. If such other party requests space on the new poles and if the character and number of circuits and attachments are such that the Owner does not wish to exclude the poles from joint use under the provision of Article II, then poles suitable for the said joint use shall be erected in accordance with the provisions and the payment of costs as provided in this agreement.

F. The costs of erecting joint poles coming under this agreement, either as new pole lines, as extensions of existing pole lines, or to replace existing poles, either existing jointly used poles or poles not previously involved in joint use, shall be borne by the parties as follows:

(1) Whenever operating and safety conditions prohibit Owner from replacing an existing pole which needs to be replaced, Licensee shall replace the pole and bill Owner in accordance with Appendix A times 1.25.

(2) A normal joint pole, or a joint pole shorter and/or smaller than the normal pole, shall be erected at the sole expense of the Owner, except as provided in Section G of this Article.

(3) In the case of a pole taller and/or stronger than the normal pole, the extra height and/or strength of which is due wholly to the Owner's requirements, shall be erected at the sole expense of the Owner.

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(4) In the case of a new pole taller and/or stronger than the normal pole, the extra height and/or strength of which is due wholly to the Licensee's requirements, the Licensee shall pay to the Owner the extra costs for the additional height and/or strength as set forth in Appendix A.

(5) Where an existing jointly used pole is prematurely replaced by a new one solely for the benefit of the Licensee, the Licensee shall pay the Owner the present in-place value of the existing pole and costs of replacing or transferring all attachments in accordance with Appendix A and Appendix C, and the replaced pole shall be removed and retained by the Owner.

(6) In the case of a new pole taller and/or stronger than the normal pole, the extra height and/or strength of which is due, to the requirements of both parties, the Licensee shall pay to the Owner a sum equal to one-half the excess height and/or strength as set forth in Appendix A, the rest of the cost of erecting such pole to be borne by the Owner.

(7) In the case of a new pole taller and/or stronger than the normal pole, where height and/or strength in addition to that needed for the purpose of either or both of the parties hereto is necessary in order to meet the requirements of the code, public authority or of property owners, the excess cost of such pole due to such requirements shall be borne by the Owner.

(8) If Licensee only requires the addition of a pole in an existing line because of span length or terrain, the Owner will furnish and erect said pole at the sole expense of the Licensee, and pole shall remain property of Owner. The charges shall be as set forth in Appendix A.

(9) Where the Power Distributor has a line that crosses a Telephone Company line and the provisions of the code are met and the Telephone Company desires to set a pole in the Telephone Company line and requests the Power Distributor to attach to said pole, the Telephone Company shall bear all initial and recurring costs of placing and maintaining said pole, except the cost of making and transferring the Power Distributor attachments.

G. In any case where a pole is erected hereunder to replace another pole solely because such other pole is not tall enough, or of the required strength, to provide adequately for the Licensee's requirements, or where such pole, whether it has space reserved for the Licensee's use or not, had at the time of its erection been pronounced by the Licensee as satisfactory and adequate for its requirements, the Licensee shall, upon erection of the new pole, pay to the Owner, in addition to any amounts payable by the Licensee under paragraphs 3, 4, or 5 of Section F of this Article, a sum equal to the present in-place value as set forth in Appendix A, for the pole which is replaced and the pole removed shall remain the property of the Owner.

H. In any case where by mutual consent it is desirable to change the ownership of a pole and Licensee erects and owns a joint pole to replace an existing pole of the Owner (instead of the Owner doing so as it is contemplated by Section A of this Article) such Licensee shall pay to the Owner of the replaced pole a sum equal to the present in-place value, as set forth in Appendix A, for the pole which is replaced and the pole removed shall remain the property of the Owner and shall be removed by the Owner.

ARTICLE VIII
MAINTENANCE OF FACILITIES

A. Owner shall, at its own expense, maintain its joint use poles in a safe and serviceable condition and shall undertake any appropriate safety measures, including without limitation reasonable pole inspections. The Owner's responsibility for maintaining a safe and serviceable condition of its poles shall be in accordance with the requirements of the Code, and shall replace poles that become defective, in accordance with the provisions of Article VII.

B. The parties recognize and agree that there are inherent dangers involved in the transmission and distribution of electricity. The parties agree that unforeseeable emergency conditions will exist from time to time. When due to accidents, storm damage, etc., it is necessary for the Licensee to replace the Owner's pole immediately to restore service to its customers or to eliminate a hazardous condition and the Owner cannot perform the work in time to meet the Licensee's requirements, Licensee may replace the Owner's pole. Licensee will make all of its required

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facility changes or transfers and will secure the old pole to the new pole so the Owner may make its transfers when feasible. Licensee shall bill the Owner the total cost of the new pole in accordance with Appendix B. Owner shall continue to own the old pole and shall be responsible for its removal.

C. Each party shall, at its own expense, at all times maintain all of its attachments in safe condition, thorough repair, and in accordance with the requirements of the Code.

D. The parties hereby agree that a cooperative approach will be taken in solving noise or inductance problems that may occur.

ARTICLE IX
ABANDONMENT OF JOINT USE POLES

A. Anytime Owner desires to abandon any joint use pole, it shall give Licensee at least sixty (60) days written notice. If, at the expiration of such period, Owner shall have no attachments on such pole but Licensee shall not have removed all of its attachments therefrom, such pole shall thereupon become the property of Licensee, Licensee shall save harmless the former Owner from all obligations, liabilities, damages, costs, expenses, or charges incurred thereafter because of or arising out of the presence, location or condition of such pole or any attachment thereon, whether or not it is alleged that the former Owner was negligent or otherwise.

B. Licensee may at any time abandon a joint use pole by removing therefrom all of its attachments, and giving due notice thereof in writing to Owner.

ARTICLE X
ADJUSTMENT PAYMENTS

A. It is understood and agreed that all existing urban agreements are reciprocal and mutual and shall remain the same under the terms of this Agreement. For those agreements which shall remain reciprocal and mutual, the payments per pole due from the Licensee to the Owner shall be $13.25 as of the inception date of the Agreement. For those poles in the "Rural" areas, the Telephone Company as Licensee shall pay $10.30 to the Power Distributor and the Power Distributor as Licensee shall pay $13.00 to the Telephone Company.

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B. Any time within five years from the execution date of this agreement, Power Distributor shall have a one timeoption, but not the requirement, to count all poles on its system and classify those poles by height. After a written request from the Power Distributor for a pole count, the parties to this Agreement agree to undertake a joint pole count, which shall be completed within six months. The Power Distributor shall have the option, at any time within six months after completion of the pole count, to set the rates that each party pays at $13.25 for poles 40 feet and over and, to pay the Telephone Company $13.00 to attach to poles 35 feet and under and have the Telephone Company pay $10.30 to attach to Power Distributor poles 35 feet and under.

C. Adjustment payments hereunder shall cover rentals accruing during the calendar year and shall be based on the number of poles on which space is occupied or reserved on the first day of December of the year inwhich the rentals accrue. Within thirty (30) days following such date, or as soon as practical thereafter, each party shall submit a written statement to the other party giving the number of poles on which space was occupied by or reserved for the other party as of such date.

D. The total adjustment payment due each party shall be determined by multiplying the poles owned and licensed by each party, by the adjustment payment.

(1) The smaller total amount covered above shall be deducted from the larger amount and the Power Distributor or the Telephone Company, which ever shall owe the larger amount, shall pay to the other the difference between said two amounts as the net adjustment payment due for the year involved. Within thirty (30) days after the first day of January next, or as soon as practical thereafter, ensuing after the date of this Agreement, and within thirty (30) days after the first day of each January, or as soon as practical thereafter, during the time this Agreement shall be in effect, the party to which said adjustment payment is owed as of said first day of January, shall submit a written statement (the "Schedule of Pole Rentals") to the other party giving the correct amount owed by the other party.

(2) The adjustment payment herein provided for shall be paid within thirty (30) days after the bill ha been submitted, unless said party disputes the

amount of such bill within ten (10) days from receipt thereof. In case of such dispute, payment shall be made within thirty (30) days after the bill has been submitted of the amount that is admitted to be due; an agreement concerning the disputed amount shall be attempted with all reasonable dispatch by negotiation. Failing to reach any such agreement by negotiation, either party may make formal written demand on the other for the amount claimed to be due; and if payment thereof is not made within thirty (30) days, suit may be brought for the amount claimed.

E. The rates set forth in Paragraph A above shall be effective as of January 1, 1990, and shall remain in effect through December 31, 1990 (the "Base Rate"). The Base Rate shall be escalated, effective January 1, 1991, and annually thereafter, based upon the previous annual Telephone Plant Index ("TPI") for poles for the Bell South region. The Telephone Company shall provide the Power Distributor with the documentation supporting the index at the time of submitting the Schedule of Pole Rentals referred to in Paragraph D (1) above.

ARTICLE XI
INVENTORY OF ATTACHMENTS

A. At intervals not exceeding five (5) years an actual inventory of attachments shall be made by representatives of the parties. If there is any difference in the number of attachments found by the inventory and the number arrived at by tabulating those reported, correction will be made by retroactive billing for any attachments identified as being responsible for the difference, and any remaining difference will be spread evenly over the years since the last inventory and billing adjusted accordingly.

B. Each party shall share equally the cost of making such inventory of attachments.

ARTICLE XII
JOINT ANCHORS

The Owner where practicable shall, upon request from Licensee, place anchors suitable for joint use upon consideration of the joint load and guy lead requirements. The cost of the anchor shall be shared, and will be billed, as set forth in Appendix A. Each party shall install its own guy wires.

4-18-90

ARTICLE XIII
GROUNDING AND BONDING

Grounding and bonding will at all times meet the requirements of the Code.

ARTICLE XIV
DEFAULTS

A. If either party shall fail to discharge any of its obligations under this Agreement and such failure shall continue for thirty (30) days after notice thereof in writing from the other party, all rights of the party in default hereunder, pertaining to making attachments to additional poles of the other, shall be suspended. If such default shall continue for a period of ninety (90) days after such suspension, the other party may forthwith terminate the right of the defaulting party to attach to additional poles of the other party. Any such termination of the right to attach to such additional poles of the other by reason of any such default shall not abrogate or terminate the right of either party to attach to existing joint use poles or to maintain existing attachments, and all such attachments shall continue thereafter to be maintained pursuant to and in accordance with the terms of this Agreement, which Agreement shall, so long as such attachments are continued, remain in full force and effect solely and only for the purpose of governing and controlling the rights and obligations of the parties with respect to such attachments.

B. In the event either party should fail to perform its obligations either during the term of this Agreement or after termination made in accordance with the terms of this Article or Article XIX or fail to properly maintain or promptly replace joint use poles thereto after sixty (60) days written notice from the other, the other party shall have the right, but not the obligation, to maintain such poles or to replace the same at the expense of the party so failing, and shall be fully indemnified for all expenses, costs and damages whatever in taking such action or the manner of taking it.

4-18-90

ARTICLE XV
LIABILITY AND DAMAGES

Either party hereto, to the fullest extent permitted by law, agrees to and shall indemnify and hold harmless the other Party from and against any and all claims, damages, losses and expenses, including but not limited to attorneys' fees, arising out of or resulting from the joint use of the poles, and or any acts or omissions under this agreement. Any interpretations regarding this Agreement or any activities arising hereunder shall be governed by the laws of the state of Tennessee.

ARTICLE XVI
RIGHTS OF OTHER PARTIES

A. If either party has, prior to the execution of this Agreement, conferred upon others not parties to this Agreement (outside parties), by contract or otherwise, rights or privileges to attach to any of its poles covered by this Agreement, nothing herein contained shall be construed as affecting said rights or privileges with respect to existing attachments of such outside parties, which attachments shall continue in accordance with the present practice; all future attachments of such outside parties shall be in accordance with the requirements of Paragraph B below, except where such outside parties have by agreements entered into prior to the execution of this Agreement acquired enforceable rights or privileges to make attachments which do not meet such space allocations. Owner shall derive all of the revenue accruing from such outside parties. Any contractual rights or privileges of outside parties recognized in this paragraph shall include renewals of or extensions of the term (period) of such contracts.

B. If either party hereto desires to confer upon others not parties to this Agreement (outside parties), by contract or otherwise, rights or privileges to attach to any of its poles covered by this Agreement, it shall have the right to do so, provided all such attachments of such outside parties are made in accordance with the following: (a) such attachments shall be maintained in conformity with the requirements of the code, and (b) such attachments shall not be located within the space allocation of Licensee, unless Licensee concurs in such occupancy. Such concurrence shall in no way waive Licensee's right to occupy its allocated space in the future. Owner shall derive all of the revenue accruing from such outside parties.

ARTICLE XVII
NOTIFICATION PROCEDURES

Wherever in this Agreement notice is required to be given by either party hereto to the other, such notice shall be in writing mailed or delivered to the Vice President of Engineering of the Power Distributor at its office at 220 S. Main St., Memphis, TN or to the General Manager-Network Provisioning of the Telephone Company at its office at Room 286, Green Hills Office Bldg., Nashville, TN 37215, as the case may be, or to such other addressee as either party may from time to time designate in writing for that purpose.

ARTICLE XVIII
TERM OF AGREEMENT

A. This Agreement shall continue in full force and effect until the 31st day of December, 1999. This Agreement shall continue from year to year thereafter until terminated by either party, giving to the other six months notice in writing of intention to terminate this Agreement. At any time thereafter, the adjustment payment rates applicable under this Agreement shall be subject to joint review and revision upon the written request of either party. In case of revision of the adjustment payment rates as herein provided, the new adjustment payment rates agreed upon shall apply, starting with the annual bill next rendered and continue until again adjusted.

B. Revisions of the adjustment payments shall be based on experience resulting from previous administration of this Agreement. Any changes shall take into account the original cost factors pertinent to the establishment of the pole facilities involved in all joint use existing under this Agreement at the time of the review. If, within 90 days after the receipt of the request set forth in Article XVIII A above, by either party from the other, the parties hereto fail to agree upon a revision of such rate, then the adjustment payment per pole shall be established at the then existing Base Rate, as escalated by the TPI for a period of two years. The adjustment payment per pole for those systems on the reciprocal rate shall be an amount equal to one-half of the then average annual total cost per pole of the party owning the greater number of poles, based on average in-plant cost factors of providing and maintaining the joint poles covered by this Agreement. For those systems not on the reciprocal rate, the adjustment payment per pole shall be an amount equal to 56 percent (for the power distributor) of the then average annual total cost per pole based on the average in-plant cost factors of providng and maintaining the joint poles covered by this Agreement, and the adjustment payment per pole shall be an amount equal to 44 percent (for the telephone company) of the then average annual total cost per pole based on the average in-plant cost factors of providing and maintaining the joint poles covered by this Agreement.

ARTICLE XIX
ASSIGNMENT OF RIGHTS

A. Except as otherwise provided in this Agreement, neither party hereto shall assign or otherwise transfer this Agreement, in whole or in part, without the written consent of the other party; provided that either party shall have the right without such consent to mortgage any or all of its property, rights, privileges and franchises, or to lease or transfer any of them to another corporation organized for the purpose of conducting a business of the same general character as that of such party, or to enter into any merger or consolidation; and, in case of the foreclosure of such mortgage, or in case of such lease, transfer, merger or consolidate its rights and obligations hereunder shall pass to such successors and assigns; and provided, further, that subject to all of the terms and conditions of this Agreement, either party may without such consent permit any corporation conducting a business of the same general character as that of such party, with which it is affiliated by corporate structure, to exercise the rights and privileges of this agreement in the conduct of its said business.

B. For the purposes of this Agreement, all attachments maintained on any joint use pole by the permission of either party hereto, as provided in Paragraph A above, shall be considered the attachments of the party granting such permission, and the rights, obligations and liabilities of such party under this Agreement, in respect to such attachments, shall be the same as if it were the actual owner thereof.

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C. The attachments of each party hereto or of others permitted by this Agreement shall at all times be and remain its or their property, with the full right of removal, and shall not become subject to any liens against the other party.

ARTICLE XX
WAIVER OF TERMS OF CONDITIONS

The failure of either party to enforce or insist upon compliance with any of the terms or conditions of this Agreement shall not constitute a general waiver or relinquishment of any such terms or conditions, but the same shall be and remain at all times in full force and effect.

ARTICLE XXI
EXISTING AGREEMENTS

Any existing agreement between the parties hereto for the joint use of wood poles upon a rental basis within the territory covered by this agreement is, by mutual consent, hereby abrogated and annulled. The urban-rural boundaries established under the Agreements shall remain in effect and shall be mutually agreed upon by the parties upon execution of this Agreement.

ARTICLE XXII
NO EFFECT ON FRANCHISE RIGHTS

Notwithstanding anything elsewhere herein provided, nothing contained in this agreement shall abrogate, limit or affect any obligation of either party under any franchise granted to either party by the City(ies) of

Memphis, County of Shelby

State of Tennessee

or by any of its predecessor municipal corporations.

4-18-90

ARTICLE XXIII
SOURCE OF PAYMENTS

The obligations of the Power Distributor hereunder shall be payable solely from the funds of the PowerDistributor of Memphis, Tennessee - Memphis Light, Gas and Water Division

ARTICLE XXIV
SUPPLEMENTAL ROUTINES AND PRACTICES

Nothing in the foregoing shall preclude the parties to this agreement from preparing such supplemental operating routines or working practices as they mutually agree to be necessary or desirable to effectively administer the provisions of this Agreement. Any such supplemental operating routines or working practice must be authorized and approved by the management level officer or employee executing or authorized to execute this contract.

ARTICLE XXV
NO JOINT OWNERSHIP

The Licensee of a joint use pole shall acquire no ownership of or interest in such a pole, the Licensee's rights therein being limited to the right to compliance with the terms and conditions contained in this Agreement.

ARTICLE XXVI
AGREEMENT AFFECTS ONLY PARTIES HERETO

Except only insofar as the express terms of this agreement make the rights hereunder available to the successors or assigns of the parties hereto, the provisions of this agreement shall not be interpreted to confer any right of action at law or in equity upon any parties except the parties hereto.

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IN WITNESS WHEREOF, the parties here to have caused these presents to be executed in duplicate, and their corporate seals to be affixed thereto by the respective officers thereunto duly authorized, on the day and year first above written.

Memphis Light, Gas & Water Divisio
Power Distributor Name

By: Larry W. Papasan

Title: President

Witness: Jackie Lester

South Central Bell
Telephone Company

By: M. L. Patterson

Title: General Manager-Network Provisioning

Witness: D H Malcolm

4-18-90

APPENDICES A, B & C

These Appendices, effective as of OCT. 30, 1990 consisting of four pages, will be used to determine the cost responsibility and amounts to be billed for modifications in accordance with this joint use agreement. Notification forms required to carry out the provisions of this Agreement will be furnished as needed. Annually after the execution of this Agreement, all Appendices shall be escalated in accordance with Article X, Subparagraph E set forth above.

Approved:

Memphis Light, Gas and Water Division
Name of Power Distributor

By: Larry W. Papasan

Title: President

Date: 10-26-90

South Central Bell Telephone Company

By: M. L. Patterson

Title: General Manager-Network Provisioning

Date: 10-30-90

jointuse.cnt
pap

4-18-90

APPENDIX A
PRESENT IN-PLACE VALUES OF POLES

Pole Height and Class	New	1-3	4-6	7-9	10-12	13-15	16-18	19-21	22-24	25-27	28-30
	Age of Pole in Years — In Place Value of Poles (Dollars)										
25'-9	163	142	121	99	74	60	42	24	18	11	5
-7	174	151	129	106	86	64	45	27	19	12	5
-6	181	157	134	110	87	67	47	27	20	13	5
-5	189	164	140	115	91	70	49	28	21	13	6
-4	193	170	144	119	94	72	51	29	21	14	6
-3	204	177	151	124	98	75	53	31	22	14	6
-2	213	183	156	130	102	79	55	32	23	15	6
-1	224	193	166	137	108	83	58	34	25	16	7
30'-9	186	162	132	113	89	69	45	29	20	13	6
-7	202	174	149	123	97	75	53	30	22	14	6
-6	214	186	158	131	103	79	56	32	24	15	6
-5	226	197	167	138	109	84	59	34	25	16	7
35'-7	214	186	159	131	103	77	55	32	24	15	6
-6	232	202	172	142	111	84	63	35	26	16	7
-5	247	215	183	151	119	91	64	37	27	17	7
-4	260	224	192	159	125	96	68	39	29	18	8
40'-6	256	223	189	154	125	95	67	38	28	18	8
-5	284	247	210	173	136	105	74	43	31	20	9
-4	312	271	231	193	150	115	82	47	34	22	9
-3	332	289	246	203	159	123	86	50	37	23	10
45'-6	309	259	229	183	148	116	80	46	34	22	9
-5	329	286	243	201	158	122	86	49	36	23	10
-4	350	303	259	214	165	130	91	53	39	25	11
-3	373	325	276	223	179	138	97	56	41	26	11
50'-5	353	309	263	217	170	131	92	53	39	25	11
-4	383	333	283	236	184	142	100	57	42	27	11
-3	419	365	310	256	201	155	109	63	44	29	13
-2	437	390	323	267	210	162	114	66	48	31	13
-1	466	405	345	284	224	172	121	70	51	33	14
55'-5	429	373	317	242	204	159	112	64	47	30	13
-4	454	394	339	279	220	169	117	69	50	32	14
-3	501	434	371	306	240	185	133	75	55	35	15
-2	531	462	411	324	255	196	138	80	58	37	16
-1	573	503	423	353	277	214	153	87	64	40	17
60'-4	614	534	454	373	295	227	160	92	68	43	18
-3	664	573	491	405	319	246	173	100	73	46	20
-2	734	639	543	444	352	272	191	110	81	51	22
-1	780	679	577	474	374	289	205	117	86	55	23
65'-3	736	640	545	449	353	248	191	110	81	52	22
-2	823	703	595	493	388	272	210	121	89	57	27
-1	869	754	643	533	417	322	235	130	96	61	26
70'-2	930	809	688	567	446	344	242	140	102	65	25
-1	1058	920	783	645	508	391	275	159	116	74	32

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Payment for one half cost of anchor and rod shall be as follows:

3/4" ROD - $38.00 Double Eye, 8" Single Helix Anchor

1" or larger ROD - or Larger $54.00 Triple Eye, 8" Double Helix Anchor

Payment under Article VII, Section F, Paragraph 8, shall be the present in-place value plus an attachment cost of $25.00 for each cable, conductor, or neutral wire.

4-18-90

APPENDIX B

The current cost of treated poles for emergency conditions as discussed in Article VII, paragraph B is as follows:

Height of Poles	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Class 7	Class 9
25'	336	320	305	293	283	271	261	244
30'					342	322	303	279
35'				390	370	349	322	
40'			498	468	425	385		
45'			560	525	494	464		
50'	699	655	629	575	533			
55'	866	797	752	688	644			
60'	1170	1101	996	921				
65'	1304	1212	1104					
70'	1587	1395						

E X C E R P T
from
MINUTES OF MEETING
of
BOARD OF LIGHT, GAS AND WATER COMMISSIONERS, CITY OF MEMPHIS
held
November 8, 1973

* *

The Internal Auditor submitted for consideration of the Board an Agreement for the Joint Use of Wood Poles between the Memphis Light, Gas and Water Division and the Millington Telephone Company, Inc.

This agreement will replace an outdated Joint Use Agreement between the Memphis Light, Gas and Water Division and the Millington Telephone Company, Inc. dated August 1, 1963.

The principal difference in the agreements is the annual adjustment payment rate per pole. The adjustment payment rate in the existing agreement is $1.00 in comparison to $3.00 for the proposed agreement. The new rate is to be retroactive to January 1, 1973. The proposed agreement also provides for review of the adjustment payment rate every three (3) years rather than the present five (5) year period.

It was moved by Vice President Winkelman, seconded by Commissioner Whittington and unanimously carried:

> THAT, The Agreement for the Joint Use of Wood Poles between the Memphis Light, Gas and Water Division and the Millington Telephone Company, Inc. be and the same is hereby approved; and
>
> THAT, The President or General Manager be and is hereby authorized to execute this agreement as outlined above.

I hereby certify that the [illegible] copy of [illegible] held on 8th [illegible] November 73, at which [illegible] This 9th day of November 1973.

[Signature]
Secretary—Treasurer

THIS AGREEMENT, made this _____ day of _______________, 19___, by and between Memphis Light, Gas and Water Division, created under Chapter 381 of the Private Acts of the State of Tennessee for the year 1939, hereinafter called the "Electric Company", and Millington Telephone Company, a corporation organized and existing under and by virtue of the laws of the State of Tennessee, hereinafter called "Telephone Company".

W I T N E S S E T H:

WHEREAS, the Electric Company and the Telephone Company desire to cooperate in accordance with the "Principles and Practices for the Joint Use of Wood Poles by Supply and Communication Companies" as contained in the report of the Joint General Committee of the Edison Electric Institute and the Bell Telephone System dated July 1945, and amendments thereto, and to establish joint use of their respective poles when and where joint use shall be of mutual advantage; and

WHEREAS, the conditions determining necessity or desirability of joint use depend upon service requirements to be met by both parties, including considerations of safety and economy, and each of them should be the judge of what the character of its circuits should be to meet its service requirements and as to whether or not these service requirements can be properly met by joint use of poles;

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the parties hereto, for themselves, their successors and assigns, do hereby covenant and agree as follows:

ARTICLE I

DEFINITIONS

For the purpose of this agreement, the following terms when used herein, shall have the following meanings:

A. NORMAL SPACE--means sufficient space on a joint use pole for the use of each party, taking into consideration requirements of the National Electrical Safety Code. Except only as to the portion of its said space which, by the terms of the National Electrical Safety Code, may be occupied by certain attachments therein described of the other party, this space is specifically defined as follows:

(1) for the Electric Company, the uppermost six (6) feet;

(2) for the Telephone Company, a space of four (4) feet at sufficient distance below the space of the Electric Company to provide at all times the minimum clearance required by the specifications referred to in Article IV, and at sufficient height above the ground to provide proper vertical clearance for the lowest horizontally run line wires or cables attached in such space.

B. NORMAL JOINT USE POLE--means a pole which meets the requirement of the National Electrical Safety Code for support and clearance of supply and communication conductors under conditions existing at the time joint use is established, or is to be created under known plans of either party. Specifica a normal joint pole under this agreement shall be a 40 foot class 4 wood pole

The foregoing definition of "a normal joint pole" is not intended to preclude the use of joint poles shorter or of less strength than the normal joint pole in locations where such poles will meet the known or anticipated requirements of the parties hereto.

C. ATTACHMENTS--mean materials or apparatus now or hereafter used by either party in the construction, operation or maintenance of its plant carried on poles.

D. CLEARANCE ATTACHMENTS--mean any attachment made to a pole of the owner for the purpose of obtaining clearance between plant of the Licensee and that of the Owner, where, in general, a pole for the purpose of supporting the Licensee's attachments would not be required if it were not for the presence of the other (Owner's) route. Guy Poles are considered as part of the anchor and guy structure, and, as such, guy attachments are not considered as units to be counted but are given the same treatment as clearance attachments.

E. SUPPORTING ATTACHMENTS--mean attachments made on poles which, in general, relieve the Licensee of the necessity of providing a pole at or near the same location for the purpose of supporting its wires or cables.

F. OWNER--means the party owning the pole to which attachments are made.

G. LICENSEE--means the party having the right under this agreement to make attachments to a pole of which the other party is the Owner.

ARTICLE II

TERRITORY AND SCOPE OF AGREEMENT

This agreement shall be in effect and shall cover all wooden poles of each of the parties now existing, hereinafter erected or acquired, within the common operating areas served by the parties hereto, when said poles are brought hereunder, excepting:

A. Poles which, in the Owner's judgment, are necessary for its own sole use; and

B. Poles which carry, or are intended to carry, circuits of a character that in the Owner's judgment proper rendering of its service now or in the future makes joint use of such poles undersirable.

C. Poles located in rural areas which are covered by a separate agreement dated ______________________________. The dividing points between the areas covered by this agreement and the above referred to separate agreement are described as follows: None

It is understood and agreed that the division points may be changed at any time during the life of this agreement, when such changes are mutually agreed to by designated representatives of both parties, and thereupon, the division points will be changed accordingly, and will be made a part of this contract by an exchange of letter or appropriate addendum.

ARTICLE III

PERMISSION FOR JOINT USE

Each party hereto hereby permits joint use by the other party of any of its poles when brought under this agreement as herein provided, subject to the terms and conditions herein stated.

ARTICLE IV

SPECIFICATIONS

Joint use of poles covered by this agreement shall at all times be in conformity with terms and provisions of the current issue of the National Electrical Safety Code as to minimum requirements, and such revisions and amendments thereto from time to time as may be necessary by reason of developments and improvements in the art as may be mutually agreed upon and approved in writing by the Director of the Electric Division of the Electric Company and the Chief Engineer of the Telephone Company.

Edison Electric Institute Publication M-12, a report of the Joint Committee on Plant Coordination of the Edison Electric Institute and the Bell Telephone System, based on the National Electrical Safety Code, and such revisions and amendments thereto as may be made from time to time is to be used as a guide in the administration of this agreement.

ARTICLE V

RIGHT OF WAY FOR LICENSEE'S ATTACHMENTS

A. The Owner and Licensee will cooperate as far as may be practicable in obtaining rights of way for both parties. When a written easement is secured it shall be in sufficient detail for identification and recording, where required, and shall be subject to inspection by the other party upon request. However, no guarantee is given by the Owner of permission from property owners, municipalities or others for the use of poles by the Licensee, and if objection is made thereto and the Licensee is unable to satisfactorily adjust the matter within a reasonable time, the Owner may at any time, upon thirty (30) days notice in writing to the Licensee, require the Licensee to remove its attachments from the poles involved, and the Licensee shall, within thirty (30) days after receipt of said notice, remove its attachments from such poles at its sole expense. Should the Licensee fail to remove its attachments as herein provided, the Owner may remove them at the Licensee's expense, without any liability whatever for such removal or the manner of making it, for which expense the Licensee shall reimburse the Owner on demand.

B. Where the property owners will allow it, the owner of the line shall obtain a right of way swath extending up to 7 1/2 feet on each side of the center line of the line. Where property owners object to this swath each party will be responsible for obtaining permission for a swath satisfactory for its own requirements. After permission of property owners is obtained, the owner of the line will provide the initial clearance of the swath to meet the requirements of both parties, up to a maximum of 7 1/2 feet on each side of the centerline of the line. However, in cases where the right of way clearance, including tree trimming, is more than indicated above, due to the requirements of the Licensee, the extra clearance costs shall be borne by the Licensee.

C. It is agreed that the cost of maintenance of right of way and recurring trimming should be borne jointly to the extent that each of the parties will benefit by the joint endeavor. Due to varying conditions expected to be encountered, the division of cost of maintaining right of way and tree trimming shall be agreed upon after a joint inspection by representatives of both parties of the work operations required to provide necessary clearances. The division of cost as provided in this section shall be based on mutually agreeable predetermined divisions of cost and shall be subject to revision at the request of either party upon ninety (90) days written notice. The Division of Cost, as agreed to, shall then be evidenced by an exchange of letters as provided under Article XXII. As between the parties to this contract, the company performing the work shall assume all responsibility of claims and suits which may arise from this work.

ARTICLE VI

PLACING, TRANSFERRING OR REARRANGING ATTACHMENTS

A. Whenever either party desires to reserve space on any pole of the other, for any attachments requiring space thereon, not then specifically reserved hereunder for its use, it shall make written application therefor, specifying in such notice the location of the pole in question, the number and kind of attachments which it desires to place thereon, and the character of the circuits to be used. Within ten (10) days after the receipt of such notice, the Owner shall notify the Applicant in writing whether or not said pole is of those excluded from joint use under the provisions of Article II. Upon receipt of notice from the Owner that said pole is not of those excluded, and after completion of any transferring or rearranging which is then required in respect to attachments on said poles, including any necessary pole replacements as provided in Article VII "A", the Applicant shall have the right as Licensee hereunder to use said space for attachments and circuits of the character specified in said application in accordance with the terms of this agreement. Service wire attachments or emergency construction can be placed in accordance with the specifications, upon verbal approval, subsequently approved in writing.

B. Except as herein otherwise expressly provided, each party shall place, maintain, rearrange, transfer and remove its own attachments, and shall at all times perform such work promptly and in such a manner as not to interfere with work being done by the other party.

C. In any case where one party provides at the request of the other party double thimble guy rods for the use of both parties, the party requesting the double thimble guy rod shall pay to the party placing the guy rod a sum equal to half of the cost of the anchor and guy rod in place. In cases where existing anchors are adequate for the needs of either party, the party desiring additional guys will, where necessary, install double thimble guy rods at no expense to the other party, and the other party will, at its own expense, transfer its guys to the new rod. The ownership of the double thimble rod will be vested in the owner of the pole.

ARTICLE VII

ERECTING, REPLACING OR RELOCATING POLES

A. Whenever any jointly used pole, or any pole about to be so used under the provisions of this agreement, is insufficient in size or strength for the existing attachments and for the proposed immediate additional attachments thereon, the Owner shall promptly replace such pole with a new pole of the necessary size and strength, and make such other changes in the existing pole line, in which such pole is included, as may be made necessary by the replacement of such pole and the placing of the Licensee's circuits as proposed.

B. Whenever it is necessary to change the location of a jointly used pole, by reason of any state, municipal or other governmental requirement, or the requirements of a property owner, the Owner shall, before making such change in location, give notice thereof in writing (except in cases of emergency when verbal notice will be given, and subsequently confirmed in writing) to the Licensee, specifying in such notice the time of such proposed relocation, and the Licensee shall, at the time so specified, transfer its attachment to the pole at the new location. In the case of a pole along subdivided property which is not set opposite a lot line, the owner of such pole will, if conditions require, move same at the request of the Licensee, each party bearing the cost of moving its facilities.

-5-

C. Whenever either party hereto is about to erect new poles within the territory covered by this agreement, either as an additional pole line, as an extension of an existing pole line, or as the reconstruction of an existing pole line, it shall notify the other in writing at least thirty (30) days before beginning the work (shorter notice, including verbal notice subsequently confirmed in writing, may be given in cases of emergency), and shall submit with such notice its plans showing the proposed location and size of the new poles and the character of circuits it will use thereon. The other party shall, within twenty (20) days after the receipt of such notice, reply in writing to the party erecting the new poles, stating whether such other party does, or does not, desire space on the said poles, and if it does desire space thereon, the character of the circuits it desires to use and the amount of space it wishes to reserve. This notice of desire to establish joint use should include detail plans of any changes in the plans of the other party which are desired in order to permit the establishment of joint use. If such other party requests space on the new poles, and if the character and number of circuits and attachments are such that the Owner does not wish to exclude the poles from joint use under the provision of Article II, then poles suitable for the said joint use shall be erected in accordance with the provisions and the payment of costs as provided in paragraphs "D", "E" and "F" of this Article.

D. In any case where the parties hereto shall conclude arrangements for the joint use of any new poles to be erected, the ownership of such poles shall be determined by mutual agreement, to the end that each party hereto shall at all times own approximately one-half of the total number of poles jointly used under this agreement, due regard being given to the desirability of avoiding mixed ownership in any given line. In the event of disagreement as to ownership, the party then owning the smaller number of joint poles under this agreement shall promptly erect the new joint poles and be the owner thereof.

E. The costs of erecting joint poles coming under this agreement, either as new pole lines, as extensions of existing pole lines, or to replace existing poles, either existing jointly used poles or poles not previously involved in joint use, shall be borne by the parties as follows:

1. A normal joint pole, or a joint pole shorter or smaller than the normal pole, shall be erected at the sole expense of the Owner, except as provided in Section "F" of this Article.

2. A pole taller or stronger than the normal pole, the extra height and strength of which is due wholly to the Owner's requirements, shall be erected at the sole expense of the Owner.

3. In the case of a pole taller or stronger than the normal pole, the extra height and strength of which is due wholly to the Licensee's requirements, the Licensee shall pay to the Owner a sum equal to the difference between the cost in place of such pole and the cost in place of a normal joint pole, the rest of the cost of erecting such pole to be borne by the Owner, except as provided in Section "F" of this Article.

DIFF IN PLACE COST FOR TALLER POLE

4. In the case of a pole taller or stronger than the normal pole, the extra height and strength of which is due to the requirements of both parties, the Licensee shall pay to the Owner a sum equal to one-half the difference between the cost in place of such pole and the cost in place of a normal joint pole, the rest of the cost of erecting such pole to be borne by the Owner.

5. In the case of a pole taller or stronger than the normal pole, where height and strength in addition to that needed for the purpose of either or both of the parties hereto is necessary in order to meet the requirements of public authority or of property owners, one-half of the excess cost of such pole due to such requirements shall be borne by the Licensee; the rest of the cost of such pole to be borne as provided in that one of the preceding paragraphs 1, 2, 3 or 4, within which it would otherwise properly fall.

F. In any case where a pole is erected hereunder to replace another pole solely because such other pole is not tall enough, or of the required strength, to provide adequately for the Licensee's requirements, or where such pole, whether it carry space reserved for the Licensee's use or not, had at the time of its erection, been pronounced by the Licensee as satisfactory and adequate for its requirements, the Licensee shall, upon erection of the new pole, pay to the Owner, in addition to any amounts payable by the Licensee under paragraphs 3, 4 or 5, of Section "E" of this Article, a sum equal to the sacrificed life of the pole which is replaced (then value in place of the pole replaced plus cost of removal less salvage), and the pole removed shall remain the property of the Owner. In any case where the other party by mutual consent erects and owns a joint pole to replace an existing pole of the Owner (instead of the Owner doing so as it is contemplated by Section "A" of this Article that the Owner will do), such other party shall pay to the Owner of the replaced pole a sum equal to the then value in place of the pole which is replaced, and the pole removed shall thereupon become the property of such other party which has erected the replacing pole.

G. When replacing a jointly used pole carrying aerial cable terminals, underground connections or transformer equipment, the new pole shall be set in the same hole which the replaced pole occupied, unless special conditions make it necessary or mutually desirable to set it in a different location.

H. Any payments made by the Licensee under the foregoing provisions of this Article for poles taller than normal shall not in any way affect the ownership of said poles.

I. Any payments as provided in the foregoing provisions of this Article may be based on mutually agreeable predetermined amounts. The amounts agreed to shall be subject to revision at the request of either party at the end of each three year period, or at other times as may be mutually agreed to, and may be cancelled at any time by either party by a written notice. The amounts agreed to shall be evidenced by an exchange of letters, as provided under Article XXII.

ARTICLE VIII

MAINTENANCE OF POLES AND ATTACHMENTS

A. The Owner shall, at its own expense, maintain its joint poles in a safe and serviceable condition, and in accordance with Article IV of this agreement and the requirements of the National Electrical Safety Code, and shall replace, subject to the provisions of Article VII, such of said poles that become defective.

B. Each party shall, at its own expense, at all times maintain all of its attachments in accordance with Article IV of this agreement and the National Electrical Safety Code and keep them in safe condition and in thorough repair.

ARTICLE IX

PROCEDURE WHEN CHARACTER OF CIRCUITS IS CHANGED

When either party desires to change the character of its circuits on jointly used poles, such party shall give sixty (60) days notice to the other party of such contemplated change, and in the event that the party agrees to joint use with such changed circuits, then the joint use of such poles shall be continued with such changes in construction as may be necessary to meet the requirements of the National Electrical Safety Code, being made at the expense of the party desiring to make the change. In the event, however, that the other party fails within thirty (30) days from receipt of such notice to agree in writing to such change, then both parties shall cooperate in accordance with the following plan:

A. The parties hereto shall determine the most practical and economical method of effectively providing for separate lines, and the party whose circuits are to be moved shall promptly carry out the necessary work.

B. The cost of re-establishing such circuits in the new location as are necessary to furnish the same business facilities that existed in the joint use at the time such change was decided upon, shall be equitably apportioned between the parties hereto.

Unless otherwise agreed by the parties, ownership of any new line constructed under the foregoing provision in a new location shall vest in the party for whose use it is constructed. The net cost of establishing service in the new location shall be exclusive of any increased cost due to the substitution for existing facilities of other facilities of a substantially new or improved type or of increased capacity, but shall include, among other items, the cost of the new pole line, including rights of way, the cost of removing attachments from the old poles to the new location, and the cost of placing the attachments on the poles in the new location.

ARTICLE X

BILLS AND PAYMENTS FOR WORK

Upon the completion of work performed hereunder by either party, the expense of which is to be borne wholly or in part by the other, the party performing the work shall present to the other party, within thirty (30) days after the completion of such work, a statement showing the amount due, and such other party shall, within thirty (30) days after such statement is presented, pay to the party doing the work the amount due.

ARTICLE XI

ABANDONMENT OF JOINTLY USED POLES

A. If the Owner desires at any time to abandon any jointly used pole, it shall give the Licensee notice in writing to that effect at least thirty (30) days prior to the date on which it intends to abandon such pole. If, at the expiration of said period, the Owner shall have no attachments on such pole but the Licensee shall not have removed all of its attachments therefrom, such pole shall thereupon become the property of the Licensee, and the Licensee shall save harmless the former Owner of such pole from all obligation, liability, damages, cost, expenses or charges incurred thereafter, because of, or arising out of, the presence or condition of such pole or any attachments thereon; and shall pay the Owner a sum equal to the then value in place of such abandoned pole, or poles, or such other equitable sum as may be agreed upon between the parties. Credit shall be allowed for any payments which the Licensee may have made under the provisions of Article VII, Sections "E" and "F", when the pole was originally set, provided the Licensee furnishes proof of such payment.

B. The Licensee may at any time abandon the use of a joint pole by giving due notice thereof in writing to the Owner and by removing therefrom any and all attachments it may have thereon.

ARTICLE XII

ADJUSTMENT PAYMENTS

The parties contemplate that the use or reservation of space on poles by each party, as Licensee of the other under this agreement, shall be reciprocal and mutual insofar as this may be practicable.

A. Adjustment payments per pole due from either party as Licensee to the other party as Owner shall, subject to the provision of Article XIII, be $3.00 per annum.

B. On or about December 1st of each year, each party, acting in cooperation with the other, subject to the provisions of the following paragraph of this Section, shall have ascertained and tabulated the total number of poles in use by each party as Licensee for which an adjustment payment shall be made to the other party as Owner. For the purpose of such tabulation, poles shall not be included where the use by the other party consists only of attaching thereto guys, customer service leads crossing routes of either party, span wires supporting street lights, messenger not supporting cables or conductors, and the attaching thereto of wires or cables of the Licensee for the purpose of clearance between the poles and said wires or cables and not for the primary purpose of supporting said wires or cables.

C. The total adjustment payment due each party shall be determined by multiplying the poles owned by each party, tabulated as indicated in the first paragraph of Section "B" of this Article, by the adjustment payment in Section "A" of this Article. The smaller total amount covered above shall be deducted from the larger amount and the Electric Company or the Telephone Company, whichever shall owe the larger amount, shall pay to the other the difference between said two amounts as the net adjustment payment due for the year involved. Within ten (10) days after the first day of December next ensuing after the date of this agreement, and within ten (10) days after the first day of December each year thereafter during the time this agreement shall be in effect, the party to which said adjustment payment is owed, as of said first day of December, shall submit a written statement to the other party giving the correct amount owed by the other party. The adjustment payment herein provided for shall be paid within ten (10) days after the bill has been submitted, unless said party disputes the amount of such bill within five (5) days from receipt thereof. Any recurring cost incurred by the Owner, beyond the control of the Owner, solely because of the use of the Owner's poles by the Licensee, shall be paid by the Licensee.

D. At intervals not exceeding five (5) years an actual inventory of attachments shall be made by representatives of the parties. If there is any difference in the number of attachments found by the inventory and the number arrived at by tabulating those reported, correction will be made by retroactive billing for any attachments identified as being responsible for the difference, and any remaining difference will be spread evenly over the years since the last inventory, and billing adjusted accordingly.

ARTICLE XIII

PERIODICAL REVISION OF ADJUSTMENT PAYMENT RATE

A. At any time after January 1, 1974, and at intervals of not less than three (3) years thereafter, the adjustment payment rates applicable under this agreement shall be subject to joint review and revision, as provided for under Section "B" of this Article, upon the written request of either party. In case of revision of the adjustment payment rates as herein provided, the new adjustment payment rates agreed upon shall apply, starting with the annual bill next rendered and continuing until again adjusted.

B. Revisions of the adjustment payments shall be based on experience resulting from previous administration of this agreement. Any changes shall take into account the original cost factors pertinent to the establishing of the pole facilities involved in all joint use existing under this agreement at the time of the said review. If, within ninety (90) days after the receipt of such request, by either party from the other, the parties hereto fail to agree upon a revision of such rate, then the adjustment payment per pole so to be paid shall be an amount equal to one-half of the then average annual total cost per pole, based on average in-plant cost factors, of providing and maintaining the joint poles covered by this agreement. In case of a revision of the adjustment payment as herein provided, the new rate shall be applicable until again revised.

ARTICLE XIV

DEFAULTS

A. If either party shall make default in any of its obligations under this agreement, and such default shall continue thirty (30) days after notice thereof in writing from the other party, all rights of the party in default hereunder pertaining to the establishment of future joint use shall be suspended, and if such default shall continue for a period of ninety (90) days after such suspension, the other party may forthwith terminate the right of both parties to make additional attachments. Any such termination of the right to make additional attachments by reason of any such default shall not, however, abrogate or terminate the right of either party to maintain the attachments theretofore made on the poles of the other, and all such prior attachments shall continue thereafter to be maintained pursuant to and in accordance with the terms of this agreement, which agreement shall, so long as the attachments are continued, remain in full force and effect solely and only for the purpose of governing and controlling the rights and obligations of the parties with respect to said attachments.

B. If either party shall make default in the performance of any work which it is obligated to do under this contract, at its sole expense, the other party may elect to do such work, and the party in default shall reimburse the other party for the cost thereof. Failure on the part of the defaulting party to make such payment within thirty (30) days upon presentation of bills therefor shall, at the election of the other party, constitute a default under Section "A" of this Article.

ARTICLE XV

LIABILITY AND DAMAGES

Whenever any liability for damages is incurred by either or both of the parties hereto for injuries to the employees, or for injury to the property of either party, or for injuries to other persons or their property, arising out of the joint use of poles under this agreement, or due to the proximity of the wires and fixtures of the parties hereto attached to the jointly used poles covered by this agreement, the liability for such damages, as between the parties hereto, shall be as follows:

A. Each party shall be liable for all damages for such injuries to persons or property caused solely by its negligence or solely by its failure to comply at any time with the specifications as provided herein.

B. Each party shall be liable for all damages for such injuries to its own employees or its own property that are caused by the concurrent negligence of both parties hereto, or that are due to causes which cannot be traced to the sole negligence of the other party.

C. Each party shall be liable for one-half (1/2) of all damages for such injuries to persons other than employees of either party, and for one-half (1/2) of all damages for such injuries to property not belonging to either party, that are caused by the concurrent negligence of both parties hereto, or that are due to causes which cannot be traced to the sole negligence of the other party.

D. Where, on account of injuries of the character described in the preceding paragraphs of this Article, either party hereto shall make any payments to injured employees or to their relatives or representatives in conformity with: (1) the provision of any workmen's compensation act or any act creating a liability in the employer to pay compensation for personal injury to an employee by accident arising out of and in the course of the employment, whether based on negligence on the part of the employer or not, or (2) any plan for employees' disability benefits or death benefits now established or hereafter adopted by the parties hereto, or either of them, such payments shall be construed to be damages within the terms of the preceding paragraphs numbered "A" and "B" and shall be paid by the parties hereto accordingly.

E. All claims for damages arising hereunder that are asserted against or affect both parties hereto shall be dealt with by the parties hereto jointly; provided, however, that in any case where the Claimant desires to settle any such claim upon terms acceptable to one of the parties hereto but not to be other, the party to which said terms are acceptable may, at its election, pay to the other party one-half (1/2) of the expense which such settlement would involve, and thereupon said other party shall be bound to protect the party making such payment from all further liability and expense on account of such claim.

F. In the adjustment between the parties hereto of any claim for damages arising hereunder, the liability assumed hereunder, by the parties, shall include, in addition to the amounts paid to the Claimant, all expenses incurred by the parties in connection therewith, which shall comprise costs, attorneys' fees, disbursements and other proper charges and expenditures.

ARTICLE XVI

EXISTING RIGHTS OF OTHER PARTIES

If either of the parties hereto has, prior to the execution of this agreement, conferred upon others, not parties to this agreement, by contract or otherwise, rights or privileges to use any poles covered by this agreement, nothing herein contained shall be construed as affecting said rights or privileges, and either party hereto shall have the right, by contract or otherwise, to continue and extend such existing rights or privileges; it being expressly understood, however, that for the purpose of this agreement, the attachments of any such outside party shall be treated as attachments belonging to the Grantor, and the rights, obligations, and liabilities hereunder of the Grantor in respect to such attachments shall be the same as if it were the actual Owner thereof. Where municipal regulations require either party to allow the use of its poles for fire alarm, police or other like signal systems, such use shall be permitted under the terms of this Article.

ARTICLE XVII

SERVICE OF NOTICES

Wherever in this agreement notice is provided to be given by either party hereto to the other, such notice shall be in writing and given by letter mailed, or by personal delivery, to the Electric Company at its office at 220 S. Main Street, Memphis, Tennessee 38145 or to the Telephone Company at its office at 4870 Navy Road, Millington, Tennessee 38053 as the case may be, or to such other address as either party may, from time to time, designate in writing for that purpose.

ARTICLE XVIII

TERMINATION OF AGREEMENT

This agreement shall continue in full force and effect until the 31st day of December, 1977 , and shall continue thereafter until terminated, insofar as the making of additional attachments is concerned,

ARTICLE XVIII
(continued)

by either party, giving to the other one (1) years notice in writing of intention to terminate the right of making additional attachments. Any such termination of the right to make additional attachments shall not, however, abrogate or terminate the right of either party to maintain the attachments theretofore made on the poles of the other, and all such prior attachments shall continue thereafter to be maintained, pursuant to and in accordance with the terms of this agreement, which agreement shall, so long as said attachments are continued, remain in full force and effect solely and only for the purpose of governing and controlling the rights and obligations of the parties with respect to said attachments.

ARTICLE XIX

ASSIGNMENT OF RIGHTS

Except as otherwise provided in this agreement, neither party hereto shall assign or otherwise dispose of this agreement, in whole or in part, without the written consent of the other party; except that either party shall have the right to mortgage any or all of its property, rights, privileges and franchises, or lease or transfer any of them to another corporation organized for the purpose of conducting a business of the same general character as that of such party, or to enter into any merger or consolidation; and, in case of the foreclosure of such mortgage, or in case of such lease, transfer, merger, or consolidation, its rights and obligations hereunder shall pass to such successors and assigns; and provided, further, that subject to all of the terms and conditions of this agreement, either party may permit any corporation conducting a business of the same general character as that of such party, with which it is affiliated, or connecting with it, the rights and privileges of this agreement, in the conduct of its said business; and for the purpose of this agreement, all such attachments maintained on any such pole by the permission as aforesaid of either party hereto shall be considered as the attachments of the party granting such permission, and the rights, obligations and liabilities of such party under this agreement, in respect to such attachments, shall be the same as if it were the actual owner thereof.

ARTICLE XX

WAIVER OF TERMS OR CONDITIONS

The failure of either party to enforce or insist upon compliance with any of the terms or conditions of this agreement shall not constitute a general waiver or relinquishment of any such terms or conditions, but the same shall be and remain at all times in full force and effect.

ARTICLE XXI

EXISTING CONTRACTS

All existing agreements between the parties hereto for the joint use of wood poles upon a rental basis within the territory covered by this agreement, except the one dated ____________ day of ____________ which covers attachments in None ____________

areas as described in Article II, Section "C" are, by mutual consent, hereby abrogated and annulled.

ARTICLE XXII

SUPPLEMENTAL ROUTINES AND PRACTICES

Nothing in the foregoing shall preclude the parties to this agreement from preparing such supplemental operating routines or working

ARTICLE XXII
(continued)

practices as they mutually agree to be necessary or desirable to effectively administer the provisions of this agreement.

IN WITNESS WHEREOF, the parties hereto have caused these presents to be executed in duplicate, and their corporate seals to be affixed thereto by their respective officers thereunto duly authorized, on the day and year first above written.

ATTEST:

Secretary

MEMPHIS LIGHT, GAS AND WATER DIVISION

By

Approved by Board of Light, Gas & Water Commissioners 11-8-73

ATTEST:

Secretary

MILLINGTON TELEPHONE COMPANY

By

RESPONSE TO:

TCTA – Appendix 14

MLGW Wire Transfers to Memphis Networx

11/10/1999		$20,000.00
11/14/1999		$36,300.00
Nov. Total		**$56,300.00**
12/13/1999		$113,000.00
12/29/1999		$ 27,000.00
Dec. Total		**$140,000.00**
1/13/2000		$26,000.00
1/27/2000		$186,000.00
Jan. Total		**$212,000.00**
2/16/2000		$42,000.00
2/24/2000		$202,000.00
Feb. Total		**$244,000.00**
3/9/2000		$119,000.00
	Total	**$771,300.00**

RESPONSE TO:

TCTA - Appendix 17 -----------

Memphis Networx hiring practice:

- Develop Job Descriptions or Contract Requirements

Advertise vacancies in recruitment sources appropriate to the position noting that Memphis Networx is an Equal Opportunity Employer.
Utilize Diversity Program being developed by Fitch Williamson and Cartwright and the Uniform Certification Agency Directory produced by the Mid-South Minority Business Council
Appoint committees to review and evaluate applicants bidders
Call candidates in for interview
Candidate completes an employment application
Conduct fair and impartial interviews of candidates
Interview committee reviews, discuss, analyzes candidates skill level
Interview committee identifies best-qualified candidate
References are checked
Offer is made
Non- Disclosure contract is signed by future employee

RESPONSE TO:

TCTA – Appendix 21

STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DIVISION OF LOCAL FINANCE
SUITE 500 JAMES K. POLK STATE OFFICE BUILDING
505 DEADERICK STREET
NASHVILLE, TENNESSEE 37243-0274
PHONE (615) 741-4276
FAX (615) 532-9237

February 4, 2000

Mr. John McCullough
Vice-President, Finance and
Chief Financial Officer
Memphis Light, Gas and Water Division
PO Box 430
Memphis, Tennessee 38101-0430

Dear Mr. McCullough:

On November 24, 1999 we issued our letter pursuant to the provisions of TCA 7-52-402(2) authorizing the execution of an inter-division loan in an amount not to exceed $5,300,000 from the Electric Division to the Telecommunications Division of the Memphis Light, Gas and Water Division. We are now in receipt of a letter dated February 3, 2000, from Mr. Mark W. Smith, of the legal firm of Flange, Fletcher, Carriger, Walker, Hodge & Smith, requesting on behalf of the Memphis Light, Gas and Water Division that we revise our approval letter to authorize this inter-division loan to be approximately $5,500,000. This request, according to Mr. Smith, is based on more recent studies of this project by the Memphis Light, Gas and Water Division.

In accordance with Mr. Smith's request, this constitutes a revision of our November 24, 1999, letter to approve this inter-division loan to be in the amount of approximately $5,500,000. The loan should be retired within the time period indicated in the information previously submitted to this office.

Sincerely,

David H. Bowling

David H. Bowling
Acting Director

Cc: Mark Smith

LAW OFFICES
STRANG, FLETCHER, CARRIGER, WALKER, HODGE & SMITH, PLLC

400 KRYSTAL BUILDING
ONE UNION SQUARE
CHATTANOOGA, TENNESSEE 37402-2514
TELEPHONE 423-265-2000
FACSIMILE 423-756-5861

CARLOS C. SMITH
WILLIAM C. CARRIGER
RICHARD T. HUDSON
FREDERICK L. HITCHCOCK
EWING STRANG
LARRY L. CASH *
CHRISTINE MASE SCOTT *
J. ROBIN ROGERS # *
D. MICHAEL LUHOWIAK
JAMES L. CATANZARO, JR. +
GREGORY D. WILLETT
MARK W. SMITH *
TIMOTHY H. NICHOLS *
STEPHEN D. BARHAM

OF COUNSEL
ROBERT KIRK WALKER

S. BARTOW STRANG
1862-1934

JOHN B. FLETCHER
1879-1961

JOHN S. CARRIGER
1902-1988

JOHN B. FLETCHER, JR.
1911-1974

ALBERT L. HODGE
1910-1967

F. THORNTON STRANG
1920-1988

* ALSO LICENSED IN GEORGIA
# ALSO LICENSED IN ALABAMA
+ ALSO LICENSED IN ARIZONA

February 3, 2000

The Honorable David H. Bowling
Acting Director
State of Tennessee
Comptroller of the Treasury
Division of Local Finance
500 James K. Polk State Office Building
505 Deaderick Street
Nashville, Tennessee 37243-0274

Re: Memphis Light, Gas & Water Division / Telecommunications
Inter-division Loan

Dear Mr. Bowling:

By letter dated November 24, 1999, to Mr. John McCullough of Memphis Light, Gas & Water Division, a copy of which is enclosed, your office approved an inter-division loan in an amount not to exceed $5,300,000.

In reviewing our file materials, it appears that the requested approval amount should have been approximately $5,332,800, rather than the amount stated in the request to your office. We apologize for this oversight, and respectfully request that your office revise its approval to permit an inter-division loan in an approximate amount of $5,500,000.

Should you have any further questions or require further information, please feel free to contact me or John McCullough in Memphis [(901) 528-4311]. As always, thank you for your assistance in this and other matters.

Sincerely,

Mark W. Smith
For the Firm

Enclosure
cc : Mr. John McCullough
J. Maxwell Williams, General Counsel

STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DIVISION OF LOCAL FINANCE
SUITE 500 JAMES K. POLK STATE OFFICE BUILDING
505 DEADERICK STREET
NASHVILLE, TENNESSEE 37243-0274
PHONE (615) 741-4276
FAX (615) 532-9237

November 24, 1999

Mr. John McCullough
Vice-President, Finance and
Chief Financial Officer
Memphis Light, Gas and Water Division
PO Box 430
Memphis, Tennessee 38101-0430

Dear Mr. McCullough:

You have submitted letters dated September 30, 1999, and November 19, 1999, together with supporting documentation, concerning a plan which has been approved by the Board of Commissioners of the Memphis Light, Gas and Water Division to develop, construct and operate a telecommunications system pursuant to the authority of Tennessee Code Annotated, Title 7, Chapter 52, Part 401. Title 7, Chapter 52, Part 402(2) provides that inter-division loans may be executed to provide funds for such projects, and requires that such loans be approved in advance by this office. Pursuant to this requirement, you have requested approval for the execution of an inter-division loan in the amount of $5,300,000 from the Electric Division to the Telecommunications Division of the Memphis Light, Gas and Water Division. The information you have submitted provides that the loan will be completely repaid in approximately six (6) years, and that the rate of interest on the loan will not be less than the highest rate earned on invested electric system funds, as required by Title 7, Chapter 52, Part 402(2).

Title 7, Chapter 52, Part 103(d) provides that a municipality, acting through the supervisory board of its municipal electric system, may enter into a joint venture with a third party for this type of project, provided that any contracts or agreements with such third parties are first approved by the Tennessee Regulatory Authority (TRA). You have advised us that since this project involves such a joint venture, this plan will be submitted to the TRA for their review and approval in accordance with this statute.

Subject to your receipt of approval for this project by the Tennessee Regulatory Authority, as required by Title 7, Chapter 52, Part 103(d), this constitutes approval by this office, pursuant to Title 7, Chapter 52, Part (402)(2), for an inter-division loan in an amount not to exceed $5,300,000 from the Electric Division to the Telecommunications Division of the Memphis Light, Gas and Water Division. We are hereby requesting that you provide this office with a copy of the report issued by the Tennessee Regulatory Authority.

Sincerely,

David H. Bowling

David H. Bowling
Acting Director

STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DIVISION OF LOCAL FINANCE
SUITE 500 JAMES K. POLK STATE OFFICE BUILDING
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November 24, 1999

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Vice-President, Finance and
Chief Financial Officer
Memphis Light, Gas and Water Division
PO Box 430
Memphis, Tennessee 38101-0430

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You have submitted letters dated September 30, 1999, and November 19, 1999, together with supporting documentation, concerning a plan which has been approved by the Board of Commissioners of the Memphis Light, Gas and Water Division to develop, construct and operate a telecommunications system pursuant to the authority of Tennessee Code Annotated, Title 7, Chapter 52, Part 401. Title 7, Chapter 52, Part 402(2) provides that inter-division loans may be executed to provide funds for such projects, and requires that such loans be approved in advance by this office. Pursuant to this requirement, you have requested approval for the execution of an inter-division loan in the amount of $5,300,000 from the Electric Division to the Telecommunications Division of the Memphis Light, Gas and Water Division. The information you have submitted provides that the loan will be completely repaid in approximately six (6) years, and that the rate of interest on the loan will not be less than the highest rate earned on invested electric system funds, as required by Title 7, Chapter 52, Part 402(2).

Title 7, Chapter 52, Part 103(d) provides that a municipality, acting through the supervisory board of its municipal electric system, may enter into a joint venture with a third party for this type of project, provided that any contracts or agreements with such third parties are first approved by the Tennessee Regulatory Authority (TRA). You have advised us that since this project involves such a joint venture, this plan will be submitted to the TRA for their review and approval in accordance with this statute.

Subject to your receipt of approval for this project by the Tennessee Regulatory Authority, as required by Title 7, Chapter 52, Part 103(d), this constitutes approval by this office, pursuant to Title 7, Chapter 52, Part (402)(2), for an inter-division loan in an amount not to exceed $5,300,000 from the Electric Division to the Telecommunications Division of the Memphis Light, Gas and Water Division. We are hereby requesting that you provide this office with a copy of the report issued by the Tennessee Regulatory Authority.

Sincerely,

David H. Bowling

David H. Bowling
Acting Director

JM 0002

MEMPHIS LIGHT, GAS AND WATER DIVISION

JOHN W. McCULLOUGH, P.E.
Vice President, Finance
and Secretary-Treasurer

November 19, 1999

The Honorable David H. Bowling, Acting Director
State of Tennessee
Comptroller of the Treasury
Division of Local Finance
James K. Polk State Office Building, Suite 500
505 Deaderick Street
Nashville, Tennessee 37243-0274

Dear Mr. Bowling:

It was my pleasure to meet with you on October 19, 1999 to discuss the inter-division loan. This letter responds to the issues raised in your October 11, 1999 letter and follows our subsequent discussion in your office. Please note that the business plan has changed and the equity investment has been reduced to $5,300,000 and can be repaid within six years. We are seeking TRA approval in the near future and it would be helpful to have your approval of this loan to attach to our application.

1. <u>Minimum Interest Rate</u>. Enclosed is a revised revolving line of credit note that references the applicable statutory minimum rate of interest. MLGW utilizes several money managers to manage its investment accounts, and each account is comparable in size to the face amount of the inter-division loan. These accounts traditionally earn higher returns than the cash that the Division itself invests in shorter term, lower yielding investments. On a monthly basis we will compare the returns on each of these accounts with the prime rate minus 3 percent. In the event that the returns on any of the accounts is higher than the prime rate minus 3 percent for any calendar month, the highest account rate will apply for that month.

2. <u>Amortization Schedule</u>. In accordance with your request, enclosed are the amortization schedule and a narrative of our discussion which outlines the benefit to MLGW ratepayers in having a back loaded prepayment amortization.

JM 0005

The Honorable David H. Bowling
November 19, 1999
Page 2

3. Approval Conditioned Upon Regulatory Approval. In accordance with your request, MLGW hereby requests that your approval of this inter-division loan be conditioned upon MLGW obtaining the Tennessee Regulatory Authority's approval under Chapter 481 of the Public Acts of 1999 of the underlying joint venture transaction.

Thank you for your consideration of these additional materials. Should you have questions or require further information, please feel free to contact me at 901/528-4311.

Sincerely,

John McCullough

jl

Encs.

REVOLVING LINE OF CREDIT NOTE

$20,000,000.00

Memphis, Tennessee
September 30, 1999

FOR VALUE RECEIVED, the undersigned, TELECOMMUNICATIONS DIVISION OF THE ELECTRIC DIVISION OF THE MEMPHIS LIGHT, GAS AND WATER DIVISION, OF THE CITY OF MEMPHIS (hereinafter referred to as "Maker"), promises to pay to the order of THE ELECTRIC DIVISION OF THE MEMPHIS LIGHT, GAS AND WATER DIVISION, OF THE CITY OF MEMPHIS (hereinafter referred to as "Payee"), the sum of Twenty Million and No/100 Dollars ($20,000,000.00), or so much thereof as shall be advanced from time to time by the Payee to the Maker, together with interest as follows: The interest rate for each calendar month shall be the monthly average of the prime lending rate posted by a majority of the nation's largest banks that appear daily in The Wall Street Journal less three (3) percentage points (the "Index Rate"), but in no event shall the interest rate for any calendar month be less than the highest rate of interest then earned by the Payee on its invested electric plant funds, in accordance with the requirements of Tennessee Code Annotated Section 7-52-402(2) (the "Minimum Rate"). In the event the Index Rate in any calendar month is less than the Minimum Rate, the interest rate for that month shall be the Minimum Rate.

Interest on all advances outstanding shall be paid semi-annually with such payments being due and payable on January 1 and July 1 each year.

On the maturity date, January 1, 2010 (the "Maturity Date") the entire outstanding principal balance, together with all accrued and unpaid interest, shall be immediately due and payable in full.

Prior to the Maturity Date, Maker may borrow up to the principal amount of this Note and repay (without premium or penalty) and re-borrow funds so long as the principal amount of the funds disbursed hereunder at no time exceeds Twenty Million and No/100 Dollars ($20,000,000.00).

Time is of the essence of this Note. It is hereby expressly agreed that in the event that any default be made in the payment of any part of interest or principal in accordance with the terms hereof, or upon failure of Maker to keep and perform all the covenants, promises, agreements, conditions and provisions of this Note, or any other instrument or document now or hereafter evidencing, securing or otherwise relating to the indebtedness evidenced hereby; then, in any such case, the entire unpaid principal sum evidenced by this Note, together with all accrued interest, shall, at the option of the Payee, without notice, become due and payable forthwith, regardless of the stipulated Maturity Date. Upon the occurrence of any default as set forth herein, at the option of Payee and without notice to Maker, all accrued and unpaid interest, if any, shall be added to the outstanding principal balance hereof, and the entire outstanding principal balance, as so adjusted, shall bear interest thereafter until paid, regardless of whether or not there has been an acceleration of the payment of principal as set forth herein. All such interest shall be paid at the time of and as a condition precedent to the curing of any such default. Failure of Payee to exercise this right of accelerating the maturity of the debt, or indulgence granted from time to time, shall in no event be considered as a waiver of said right of acceleration or stop Payee from exercising said right.

IN WITNESS WHEREOF, this Note has been duly executed by Maker the day and year first above written.

TELECOMMUNICATIONS DIVISION OF THE ELECTRIC DIVISION OF THE MEMPHIS LIGHT, GAS AND WATER DIVISION, OF THE CITY OF MEMPHIS

By: ______________________
Herman Morris, Jr., President
and Chief Executive Officer

102621.03

ESTIMATED INTEREST ADVANCE
AND PRINCIPAL REPAYMENT SCHEDULE

	Principal Advance	Interest Accrued 6%	Principal and Interest Repayment
January 17, 2000	$5,300,000		
March 1, 2005		$1,012,000	$1,900,000
March 1, 2006		$ 265,000	$4,677,000

In addition to the above investment, it is expected that MLGW will incur expenses less than $100,000 per year that will be allocated to the Telecommunications Division.

MLGW Telecommunications Division
Financing for Memphis Networx

MLGW Telecommunications Division will be 53% owner of Memphis Networx, LLC (MNet)–a competitive local exchange carrier (CLEC) serving the Memphis and Shelby County areas–along with A&L Networks, LLC which holds 47% of the CLEC. Both partners will contribute a total of $10 million in capital to the venture. MLGW's share of capital contribution will be approximately $5.3 million and A&L $4.7 million. The remaining $105 million in project financing needed for this capital intensive business will be secured as private debt. This debt will cost approximately 11% and be non-recourse in nature. Memphis Networx plans to service this debt with the most aggressive payback schedule it can afford as to not constrain the business in latter years. Dividend payments from MNet will be available to the owners beginning in year five.

The loan from the MLGW Telecom Division (Electric Division) to Memphis Networx will be in the amount of approximately $5.3 million dollars of paid in capital. In addition to the 53% ownership, MLGW's equity in MNet is senior to that of A&L in that A&L will absorb any losses first. MLGW's request for the $5.3 million loan approval also includes charges and fees of approximately $1.5 million for the year of pre-work and business planning that have preceded this request. The loan request is for a 12-year term at an interest rate that represents the highest rate earned in MLGW's portfolio (approximately 6.0%). Graduated cash repayments will begin in year five and conclude in year six.

Because of the capital intensive nature of the business, the plan defers distribution to members until positive cash flow is achieved to avoid additional debt expense.

7

EXCERPT
from
MINUTES OF MEETING
of
BOARD OF LIGHT, GAS AND WATER COMMISSIONERS
CITY OF MEMPHIS
held
AUGUST 19, 1999

****

The President submitted for approval of the Board authorization for a loan in an amount not to exceed $20 million from the electric system to the Telecommunications Division, a subdivision of the Electric Division.

WHEREAS, the Memphis Light, Gas and Water Division of the City of Memphis (MLGW) has completed its preliminary investigations into the feasibility of developing a telecommunications network through a telecommunications division of the electric division of MLGW (the "Telecommunications Division") as authorized by the Board on March 4, 1999; and

WHEREAS, certain capital investments and certain expenditures will be required by the Telecommunications Division; and

NOW, THEREFORE, BE IT RESOLVED, by the Board of Light, Gas and Water Commissioners, THAT:

1. The President and Chief Executive Officer is authorized, but not required, to execute such documents and to take such further action as may be necessary to consummate a loan in an amount not to exceed $20 million from the Division's electric system funds to the Telecommunications Division for the initial development, construction and operation of a telecommunications system and to provide the working capital necessary to provide such services, upon receipt of all regulatory approval.

2. The inter-division loan authorized under <u>Section 1</u> of this resolution shall be made in accordance with the requirements of T.C.A. § 7-52-402 and the requirements of the TVA Wholesale Power Contract, and this authorization shall not create any further obligations or liabilities of the Division in favor of the Telecommunications Division.

3. Any increase in the monetary authorization above the amount specified in Section I hereof is reserved to the Board.

4. Pending the receipt of all regulatory approvals, the President and Chief Executive Officer shall be authorized, but not required, to make such expenditures as are prudent and necessary in furtherance of the powers granted in Section 3 of this resolution. Upon the receipt of all necessary regulatory approvals, such expenses shall be reimbursed from the inter-division loan authorized under Section 1 of this resolution.

It was moved by Vice Chairman Guinn, seconded by Commissioner Graves and unanimously carried:

THAT, Authority to loan an amount not to exceed $20 million from the electric system to the Telecommunications Division, a subdivision of the Electric Division is granted.

I hereby certify that the foregoing is a true copy of a resolution adopted by the Board of Light, Gas and Water Commissioners at a regular ~~special~~ meeting held on 19th day of August 1999, at which a quorum was present. This 19th day of August 1999

Secretary—Treasurer

STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DIVISION OF LOCAL FINANCE
SUITE 500 JAMES K. POLK STATE OFFICE BUILDING
505 DEADERICK STREET
NASHVILLE, TENNESSEE 37243-0274
PHONE (615) 741-4276
FAX (615) 532-9237

October 11, 1999

Mr. John McCullough
Secretary-Treasurer & Chief Financial Officer
Memphis Light, Gas and Water Division
PO Box 430
Memphis, Tennessee 38101-0430

Dear Mr. McCullough:

We have reviewed the information you submitted with your letter of September 30 concerning an interdivisional loan in the amount of $20,000,000 from the Electric Division to the Telecommunications Division, pursuant to Title 7, Chapter 52, Part 402. This statute provides for such loans to be made for purposes authorized in Title 7, Chapter 52, Part 401, subject to the advance approval by our office. Before we can consider approving this loan, however, there are several items in this proposal that must be addressed.

First, the revolving line-of-credit document specifies that the applicable interest rate shall be three (3) percentage points less than the prime-lending rate posted in the Wall Street Journal. The statutes require the interest rate must be at least equal to the highest rate earned on invested municipal electric plant funds. Documentation must be submitted to us which clearly indicates compliance with the statutory provisions.

Second, for similar proposals submitted to our office, our policy has been to require that the amortization provisions in these interdivisional loans correspond to the provisions of Title 9, Chapter 21, Part 604, under which local governments may finance traditional capital projects through interfund borrowing. This statute requires that the loan may not be outstanding for a period of greater than nine (9) years and repayment must be pursuant to a level debt service plan or a level principal repayment plan. If construction is involved, amortization may begin after construction is final, but complete repayment must be made within the remainder of the nine (9) year period after initiation of the loan. The amortization schedule included with this current proposal does not correspond with our policy. This proposal indicates that periodic loans will be made up to the $20,000,000 limit through the 2002 calendar year; however, principal repayments will not commence until the year 2008, with the loan being completely repaid in 2010. Some explanation must be provided to us which supports the necessity for the proposed amortization plan and our deviation from the policy we have applied to other similar loans.

Finally, Chapter 481 of the Public Acts of 1999 requires involvement by the Tennessee Regulatory Authority prior to the execution of contracts or agreements with third parties for an authorized project. Has approval been granted by the Authority? If not, we must require a statement from your legal staff indicating that the project for which this interdivisional loan is being requested is authorized by Chapter 481, Public Acts of 1999.

We look forward to hearing from you regarding these matters.

Sincerely,

David H. Bowling

David H. Bowling
Acting Director

STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DIVISION OF LOCAL FINANCE
SUITE 500 JAMES K. POLK STATE OFFICE BUILDING
505 DEADERICK STREET
NASHVILLE, TENNESSEE 37243-0274
PHONE (615) 741-4276
FAX (615) 532-9237

October 11, 1999

Mr. John McCullough
Secretary-Treasurer & Chief Financial Officer
Memphis Light, Gas and Water Division
PO Box 430
Memphis, Tennessee 38101-0430

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First, the revolving line-of-credit document specifies that the applicable interest rate shall be three (3) percentage points less than the prime-lending rate posted in the Wall Street Journal. The statutes require the interest rate must be at least equal to the highest rate earned on invested municipal electric plant funds. Documentation must be submitted to us which clearly indicates compliance with the statutory provisions.

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JM 0013

John McCullough
October 8, 1999
Page 2

explanation must be provided to us which supports the necessity for the proposed amortization plan and our deviation from the policy we have applied to other similar loans.

Finally, Chapter 481 of the Public Acts of 1999 requires involvement by the Tennessee Regulatory Authority prior to the execution of contracts or agreements with third parties for an authorized project. Has approval been granted by the Authority? If not, we must require a statement from your legal staff indicating that the project for which this interdivisional loan is being requested is authorized by Chapter 481, Public Acts of 1999.

We look forward to hearing from you regarding these matters.

Sincerely,

David H. Bowling
Acting Director

JM 0014

STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DIVISION OF LOCAL FINANCE
SUITE 500 JAMES K. POLK STATE OFFICE BUILDING
505 DEADERICK STREET
NASHVILLE, TENNESSEE 37243-0274
PHONE (615) 741-4276 FAX (615) 532-9237

FAX TRANSMISSION

TO: John McCullough - MLGW

FAX: 901-528-4321

FROM: David Bowling

DATE: 10/11/99

 # OF PAGES INCLUDING THIS PAGE: 3

SUBJECT:
Interdivision loan

JM 0015

MEMPHIS LIGHT, GAS AND WATER DIVISION

JOHN W. McCULLOUGH, P.E.
Vice President, Finance
and Secretary-Treasurer

September 30, 1999

VIA FEDERAL EXPRESS

The Honorable David H. Bowling
Acting Director
State of Tennessee
Comptroller of the Treasury
Division of Local Finance
Suite 500 James K. Polk State Office Bldg.
505 Deadrick Street
Nashville TN 37243-0274

Dear Mr. Bowling:

On August 19, 1999 the Board of Commissioners of the Memphis Light, Gas and Water Division of the City of Memphis adopted a Resolution authorizing a loan in an amount not to exceed Twenty Million Dollars ($20,000,000) from its Electric Division to its Telecommunications Division, subject to the approval of your office in accordance with the requirements of T.C.A. §7-52-402.

Under the authority of Section 3 of Chapter 481 of the Public Acts of 1999 and Title 7, Chapter 52, Part 4 of the Tennessee Code, these funds will be used (i) to acquire a fifty percent (50%) or greater interest in a Tennessee limited liability company that will develop, construct, and operate a telecommunications system, and (ii) to cover operating expenses that the Telecommunications Division may incur in connection with this venture.

On behalf of the Memphis Light, Gas and Water Division, we request your approval of this inter-division loan. In support of this request, we have enclosed for your review:

1. Resolution authorizing an InterDivision Loan not to exceed $20,000,000 to the Telecommunications Division;

2. The proposed form of the REVOLVING LINE OF CREDIT NOTE;

3. A table reflecting the anticipated principal advance and principal repayment schedule;

4. Memphis Light, Gas and Water Division 1998 Annual Report;

5. Unaudited Memphis Light, Gas and Water Division Balance Sheet dated June 30, 1999.

JM 0100

P.O. BOX 430 MEMPHIS, TENNESSEE 38101-0430 TELEPHONE (901) 528-4311 FAX (901) 528-4321

Should you have any further questions or require further information, please feel free to contact me at (901) 528-4311.

Sincerely,

John McCullough
Secretary-Treasurer & Chief Financial Officer

JM:cw

Encls.

bowling1.jmw

dEx. USA Airbill FedEx Tracking Number 802716049081 Form I.D. No. 0200

5NA13

Sender's Copy

m (please print and press hard)
1/30/99 Sender's FedEx Account Number 0380-1441-2

John McCullough Phone (901) 528-4311

MEMPHIS LIGHT GAS & WATER

220 S MAIN ST
Dept/Floor/Suite/Room

MEMPHIS State TN ZIP 38103

Internal Billing Reference Information

please print and press hard)
Hon. David H. Bowling Phone (615) 741-4276

ate of TN Comptroller of Treasury
ivision of Local Finance

Suite 500 James K. Polk State Off. Bldg. Check here if residence
505 Deadrick Street
(We Cannot Deliver to P.O. Boxes or P.O. ZIP Codes) Dept/Floor/Suite/Room

Nashville State TN ZIP 37243-0274

HOLD at FedEx Location check here
Hold Weekday
Hold Saturday

For Saturday Delivery check here

4a Express Package Service Packages under 150 lbs.
[x] FedEx Priority Overnight
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4b Express Freight Service Packages over 150 lbs.
[ ] FedEx Overnight Freight
[ ] FedEx 2Day Freight
[ ] FedEx Express Saver Freight
(Call for delivery schedule. See back for detailed descriptions of freight services.)

5 Packaging [ ] FedEx Letter [ ] FedEx Pak [ ] FedEx Box [ ] FedEx Tube [ ] Other Pkg.

6 Special Handling
Does this shipment contain dangerous goods? [ ] No [ ] Yes [ ] Yes
[ ] Dry Ice
CA [ ] Cargo Aircraft Only

7 Payment
Bill to: [x] Sender (Account no. in section 1 will be billed) [ ] Recipient [ ] Third Party [ ] Credit Card [ ] Cash/Check

FedEx Account No.
Credit Card No. Exp. Date

Total Packages	Total Weight	Total Declared Value	Total Charges
		$ .00	$

8 Release Signature Sign to authorize delivery without obtaining signature

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288

The World On Time

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JM 0102

03/08/2000 16:31 9015284991 MLGW PAGE 21

7

EXCERPT
from
MINUTES OF MEETING
of
BOARD OF LIGHT, GAS AND WATER COMMISSIONERS
CITY OF MEMPHIS
held
AUGUST 19, 1999

****

The President submitted for approval of the Board authorization for a loan in an amount not to exceed $20 million from the electric system to the Telecommunications Division, a subdivision of the Electric Division.

WHEREAS, the Memphis Light, Gas and Water Division of the City of Memphis (MLGW) has completed its preliminary investigations into the feasibility of developing a telecommunications network through a telecommunications division of the electric division of MLGW (the "Telecommunications Division") as authorized by the Board on March 4, 1999; and

WHEREAS, certain capital investments and certain expenditures will be required by the Telecommunications Division; and

NOW, THEREFORE, BE IT RESOLVED, by the Board of Light, Gas and Water Commissioners, THAT:

1. The President and Chief Executive Officer is authorized, but not required, to execute such documents and to take such further action as may be necessary to consummate a loan in an amount not to exceed $20 million from the Division's electric system funds to the Telecommunications Division for the initial development, construction and operation of a telecommunications system and to provide the working capital necessary to provide such services, upon receipt of all regulatory approval.

2. The inter-division loan authorized under <u>Section 1</u> of this resolution shall be made in accordance with the requirements of T.C.A. § 7-52-402 and the requirements of the TVA Wholesale Power Contract, and this authorization shall not create any further obligations or liabilities of the Division in favor of the Telecommunications Division.

JM 0103

3. Any increase in the monetary authorization above the amount specified in <u>Section 1</u> hereof is reserved to the Board.

4. Pending the receipt of all regulatory approvals, the President and Chief Executive Officer shall be authorized, but not required, to make such expenditures as are prudent and necessary in furtherance of the powers granted in Section 3 of this resolution. Upon the receipt of all necessary regulatory approvals, such expenses shall be reimbursed from the inter-division loan authorized under Section 1 of this resolution.

It was moved by Vice Chairman Guinn, seconded by Commissioner Graves and unanimously carried:

THAT, Authority to loan an amount not to exceed $20 million from the electric system to the Telecommunications Division, a subdivision of the Electric Division is granted.

I hereby certify that the foregoing is a true copy of a resolution adopted by the Board of Light, Gas and Water Commissioners at a regular ~~special~~ meeting held on 19th day of August 1999, at which a quorum was present. This 19th day of August 1999

Secretary-Treasurer

JM 0104

REVOLVING LINE OF CREDIT NOTE

$20,000,000.00

Memphis, Tennessee
September 30, 1999

FOR VALUE RECEIVED, the undersigned, TELECOMMUNICATIONS DIVISION OF THE ELECTRIC DIVISION OF THE MEMPHIS LIGHT, GAS AND WATER DIVISION, OF THE CITY OF MEMPHIS (hereinafter referred to as "Maker"), promises to pay to the order of THE ELECTRIC DIVISION OF THE MEMPHIS LIGHT, GAS AND WATER DIVISION, OF THE CITY OF MEMPHIS (hereinafter referred to as "Payee"), the sum of Twenty Million and No/100 Dollars ($20,000,000.00), or so much thereof as shall be advanced from time to time by the Payee to the Maker, together with interest as follows: The interest rate for each calendar month shall be the monthly average of the prime lending rate posted by a majority of the nation's largest banks that appear daily in *The Wall Street Journal* less three (3) percentage points.

Interest on all advances outstanding shall be paid semi-annually with such payments being due and payable on January 1 and July 1 each year.

On the maturity date, January 1, 2010 (the "Maturity Date") the entire outstanding principal balance, together with all accrued and unpaid interest, shall be immediately due and payable in full.

Prior to the Maturity Date, Maker may borrow up to the principal amount of this Note and repay (without premium or penalty) and re-borrow funds so long as the principal amount of the funds disbursed hereunder at no time exceeds Twenty Million and No/100 Dollars ($20,000,000.00).

Time is of the essence of this Note. It is hereby expressly agreed that in the event that any default be made in the payment of any part of interest or principal in accordance with the terms hereof, or upon failure of Maker to keep and perform all the covenants, promises, agreements, conditions and provisions of this Note, or any other instrument or document now or hereafter evidencing, securing or otherwise relating to the indebtedness evidenced hereby; then, in any such case, the entire unpaid principal sum evidenced by this Note, together with all accrued interest, shall, at the option of the Payee, without notice, become due and payable forthwith, regardless of the stipulated Maturity Date. Upon the occurrence of any default as set forth herein, at the option of Payee and without notice to Maker, all accrued and unpaid interest, if any, shall be added to the outstanding principal balance hereof, and the entire outstanding principal balance, as so adjusted, shall bear interest thereafter until paid, regardless of whether or not there has been an acceleration of the payment of principal as set forth herein. All such interest shall be paid at the time of and as a condition precedent to the curing of any such default. Failure of Payee to exercise this right of accelerating the maturity of the debt, or indulgence granted from time to time, shall in no event be considered as a waiver of said right of acceleration or stop Payee from exercising said right.

IN WITNESS WHEREOF, this Note has been duly executed by Maker the day and year first above written.

TELECOMMUNICATIONS DIVISION OF THE ELECTRIC DIVISION OF THE MEMPHIS LIGHT, GAS AND WATER DIVISION, OF THE CITY OF MEMPHIS

By:______________________________
Herman Morris, Jr.
President and Chief Executive Officer

Memphis Light, Gas and Water Division
Electric Division
Balance Sheet

June 30, 1999

ASSETS

	June 1999	December 1998
UTILITY PLANT		
Electric Plant in Service	$911,236,573.86	$896,777,073.62
Less Depreciation	320,575,245.73	311,891,427.15
Total Plant Net	590,661,328.13	584,885,646.47
FUNDS AND INVESTMENTS (See Page 24)	73,940,735.79	37,637,552.22
NOTES RECEIVABLE-LONG TERM (Note A)	1,298,110.75	1,298,110.75
CURRENT AND ACCRUED ASSETS		
Cash and Investments-Construction Funds	0.00	0.00
Cash and Investments	53,051,438.17	62,103,598.10
Cash and Securities-Interest Funds	247,722.04	266,902.80
Accrued Interest Receivable	414,783.00	90,783.00
Accts. Rec. (less allowance for doubtful accts.)	65,929,784.08	60,564,521.75
Materials and Supplies	10,645,430.34	10,886,108.22
Prepayments-Taxes	0.00	0.00
Other Current and Accrued Assets	10,158,329.55	344,134.03
Other Current and Accrued Assets-TVA Purchased Power	27,846,199.00	24,511,690.00
Total Current and Accrued Assets	168,293,686.18	158,767,737.90
DEFERRED DEBITS		
Unamortized Debt Discount, Premium & Expenses	1,236,255.06	1,400,362.38
Extension Notes Receivable	0.00	0.00
TVA Loans	292,974.89	339,130.85
Other Deferred Debits	774,887.34	(25,822.44)
Total Deferred Debits	2,304,117.29	1,713,670.79
TOTAL ASSETS	$836,497,978.14	$784,302,718.13

JM 0107

Memphis Light, Gas and Water Division
Electric Division
Balance Sheet

June 30, 1999

LIABILITIES

CAPITALIZATION	June 1999	December 1998
Electric Refunding Bonds, Series 1989	0.00	0.00
Electric Rev. Bonds, Series 1991	2,945,000.00	2,945,000.00
Electric Rev. Refunding Bds., Series 1992	90,435,000.00	90,435,000.00
Electric Rev. Refunding Bds., Series 1992A	10,635,000.00	10,635,000.00
Electric Rev. Refunding Bds., Series 1993	54,955,000.00	54,955,000.00
Total Long-Term Debt	158,970,000.00	158,970,000.00
Advance from TVA-Solar Loan Program	114,290.33	119,696.51
Advance from TVA-Insulation Loan Program	1,077,370.85	1,092,602.64
RETAINED EARNINGS		
Retained Earnings	563,543,284.28	536,484,330.13
Appropriated Retained Earnings - Casualties	10,473,299.94	10,243,979.94
Total Retained Earnings	574,016,584.22	546,728,310.07
Total Capitalization	734,178,245.40	706,910,609.22
CURRENT AND ACCRUED LIABILITIES		
Accounts Payable	71,280,807.32	58,352,722.95
Accrued Taxes	11,510,208.80	0.00
Accrued Interest	0.00	0.00
Accrued Vacation	5,773,224.09	5,658,707.53
Total Current and Accrued Liabilities	88,564,240.21	64,011,430.48
DEFERRED CREDITS		
Customer Advances for Construction	4,805,091.59	4,074,408.33
TVA Solar Loans	98,616.99	126,300.42
Other Deferred Credits	114,664.00	120,664.00
Total Deferred Credits	5,018,372.58	4,321,372.75
RESERVES		
Insurance Reserve-Injuries and Damages	3,899,389.55	3,842,450.76
Insurance Conversion Reserve	225,163.37	225,163.37
Reserve for Unused Sick Leave	4,612,567.03	5,011,691.55
Total Reserves	8,737,119.95	9,079,305.68
TOTAL LIABILITIES	$836,497,978.14	$784,322,718.13

JM 0108

MLGW Network Services (MNet)
Joint Ownership Interest
For the Years 1999 Through 2008

	Units	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
MLGW Equity Contribution	51%										
MLGW Ownership Interest =Cash Flow Split	53%										
Cost of Debt	11%										
MLGW Hurdle Rate	15%										
MLGW Dividend to City of Memphis	1.00%										
MLGW											
Dividends	$000's	0	0	0	0	0	8,012	11,388	14,754	18,648	22,944
Equity Contribution	$000's	(5,300)	(5,300)	(5,300)	0	0	0	0	0	0	0
Payments to the City (dividends above asset tax)	$000's	0	0	0	0	0	(311)	(454)	(590)	(746)	(918)
Cash Flow	$000's	(5,300)	(5,300)	(5,300)	0	0	7,701	10,933	14,164	17,902	22,026
Cash Flow Perspective											
NPV of Cash Flows @ MLGW Hurdle Rate	$000's	39,616									
Internal Rate of Return (based on cash flows)		38.3%									
A&L Networks											
Dividends	$000's	0	0	0	0	0	7,116	10,099	15,084	16,537	20,346
Equity Contribution	$000's	(4,700)	(4,700)	(4,700)	0	0	0	0	0	0	0
Cash Flow	$000's	(4,700)	(4,700)	(4,700)	0	0	7,116	10,099	15,084	16,537	20,346
Cash Flow Perspective											
NPV of Cash Flows @ 15%		55,171									
NPV of Cash Flows @ 20%		33,623									
NPV of Cash Flows @ 25%		20,027									
Internal Rate of Return (based on cash flows)		43.5%									
City											
Ad Valorem Taxes for City of Memphis @2.77%	$000's	178	475	1,100	1,355	1,374	1,360	1,330	1,266	1,177	1,059
City of Memphis Franchise Fee	$000's	-	357	500	1,651	2,369	2,956	3,488	4,004	4,525	5,070
Dividend to City of Memphis	$000's	-	-	-	-	-	311	456	590	746	918
Total Cash Flow	$000's	178	832	2,100	3,006	3,743	4,636	5,274	5,860	6,448	7,047
Cash Flow Perspective											
FV of Cash Flows over 30 Years	$000's	213,771									
FV of Cash Flows in Perpetuity	$000's	642,990									
County											
Ad Valorem Taxes @ 3.55% of Physical Assets	$000's	124	590	1,510	1,703	1,732	1,711	1,674	1,593	1,480	1,335
Other Municipalities											
City of Bartlett @ 1.29% of Net Plant Assets	$000's	83	221	559	631	641	633	626	590	548	493
City of Germantown @ 1.49% of Net Plant Assets	$000's	95	252	637	719	730	722	706	672	634	562
City of Collierville @ 1.49% of Net Plant Assets	$000's	95	252	637	719	730	722	706	672	624	562
MNet Long-term Debt	$000's	5,000	30,000	65,000	80,000	70,000	65,000	55,000	45,000	30,000	10,000

JM 0109

MLGW Network Services (MNet)
Statement of Cash Flow
For the Years 1999 Through 2008

	Units	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Cash flow from operating activities											
Net income	$000's	(908)	(4,315)	(6,753)	397	11,775	20,186	28,649	37,118	46,913	57,720
Depreciation	$000's	358	1,591	4,100	6,566	7,853	8,684	9,426	10,081	10,597	11,062
Cash flow from operations	$000's	(550)	(2,723)	(2,653)	6,962	19,628	28,869	38,075	47,198	57,510	68,783
Cash flow from investing activities											
Capital expenditures	$000's	(12,057)	(21,063)	(51,695)	(16,751)	(9,240)	(7,605)	(7,497)	(5,836)	(4,738)	(3,356)
Decr. (incr.) in working capital	$000's	(1,234)	(545)	(1,672)	(1,697)	(1,708)	(1,500)	(1,357)	(1,301)	(1,311)	(1,352)
Decr. (incr.) in marketable securities	$000's	(1,159)	(669)	1,020	(3,514)	1,320	375	2,266	(2,224)	(1,276)	(785)
Cash flow from investing	$000's	(14,450)	(22,277)	(52,347)	(21,962)	(9,628)	(8,730)	(6,589)	(9,360)	(7,325)	(5,492)
Total cash flow from operating and investing	$000's	(15,000)	(25,000)	(55,000)	(15,000)	10,000	20,139	31,487	37,838	50,185	63,290
Cash flow from financing activities											
Increase (decrease) in debt	$000's	5,000	15,000	45,000	15,000	(10,000)	(5,000)	(10,000)	(10,000)	(15,000)	(20,000)
Cash flow from non-equity financing	$000's	5,000	15,000	45,000	15,000	(10,000)	(5,000)	(10,000)	(10,000)	(15,000)	(20,000)
Common equity financing	$000's	10,000	10,000	10,000	-	-	-	-	-	-	-
Dividend payout	$000's	0	0	0	0	0	(15,139)	(21,487)	(27,838)	(35,185)	(43,290)
(assumes all excess cash paid out as dividend)											
Total cash flow from financing	$000's	15,000	25,000	55,000	15,000	(10,000)	(20,139)	(31,487)	(37,838)	(50,185)	(63,290)

ABOUT MEMPHIS LIGHT, GAS AND WATER DIVISION

Founded in 1939, MLGW serves Memphis and Shelby County, Tenn. and is the largest three-service municipal utility system in the nation. Our president and five-member board of commissioners are appointed by the city mayor. The Tennessee Valley Authority supplies electricity to MLGW. Natural gas is transported through two open access pipeline companies: Texas Gas Transmission Corporation and Trunkline Gas Company. MLGW owns and operates one of the largest artesian water systems in the world.

rd of Commissioners as of December 31, 1998
. James Netters, Chairman
R. Jalenak, Vice Chairman
Bishop William Graves
Franketta Guinn
Olin Morris

Executive Officers as of December 31, 1998

Herman Morris Jr.
President and CEO

Kenneth O. Cole
Vice President, Customer Service and Marketing

Curtis Dillihunt
Vice President, Human Resources

John McCullough
Vice President, Finance and Secretary/Treasurer

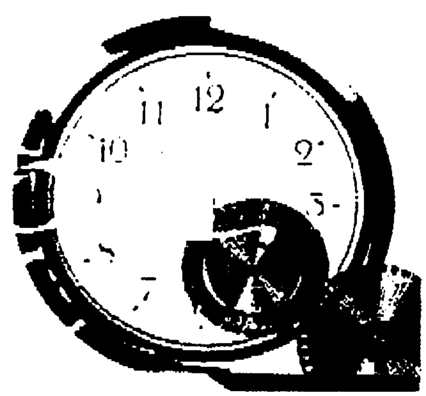
Keneth J. Olds
Vice President, Engineering

Wade Stinson
Vice President, Construction and Maintenance

Larry Thompson
Senior Vice President, Operations

Alonzo Weaver
Vice President, Operations

J. Maxwell Williams
General Counsel



Operational Excellence

Throughout the company, in all three divisions, the challenge of achieving operational excellence is put to the test every day at MLGW. Whether it's in response to the extremes of weather or proactively seeking innovative improvements, our employees are committed to providing outstanding customer service in all that they do. This service is provided in such a way that it leaves no room for doubt or debate regarding MLGW's unequalled dedication to its customers.

Records were shattered during the 1998 heat wave when electric and water demands peaked on July 7. With a high temperature of 101 degrees, MLGW's all-time high electric demand reached 3,160 megawatts, and water demand reached an all-time daily pumpage high of 231 million gallons, with a system demand of 325 million gallons a day.

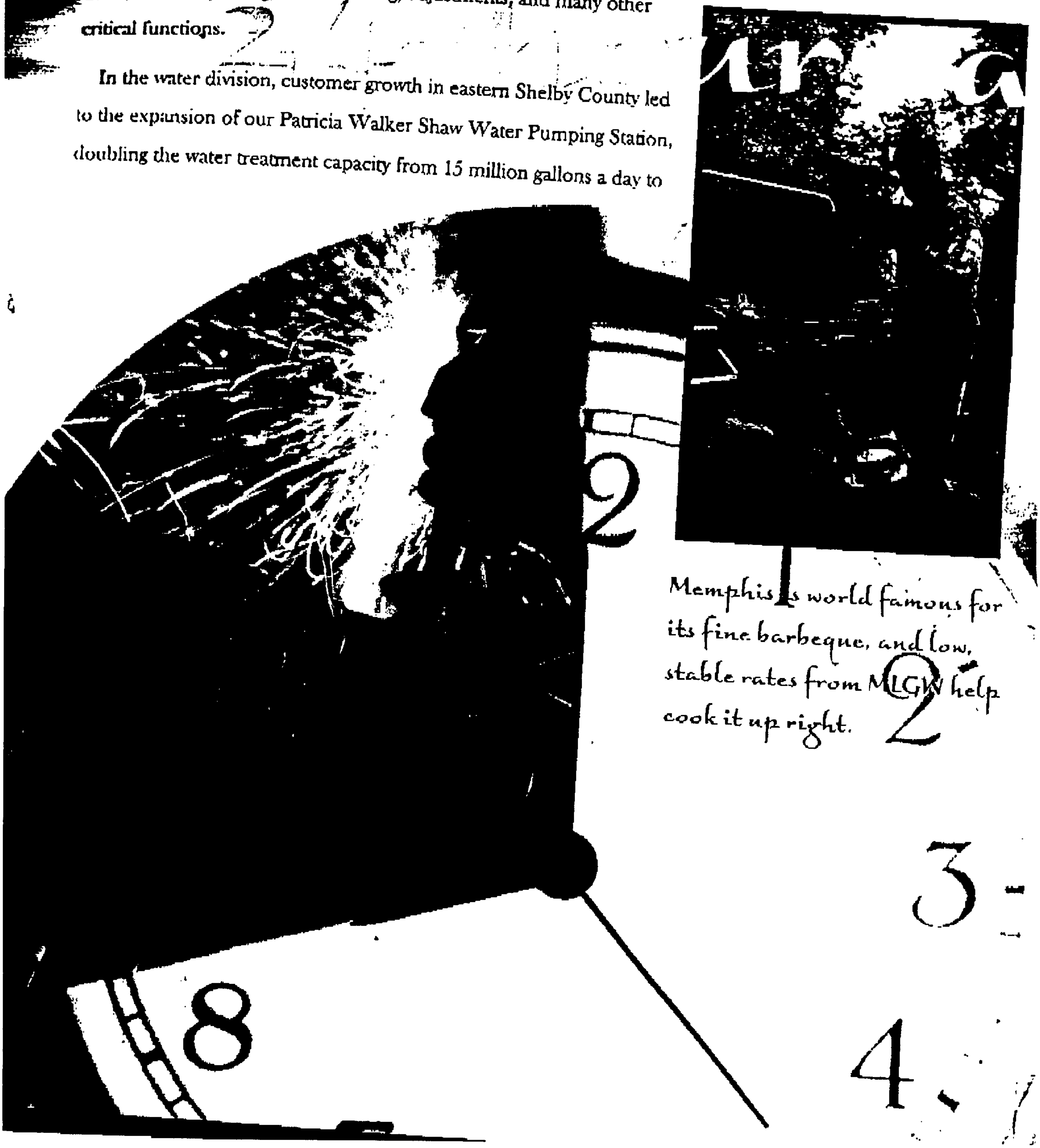
As the relentless heat drove consumption to record highs, MLGW responded by strengthening its reliability. A temporary substation was built in just two short weeks, increasing capacity to the Bartlett area. And a new $4.1 million substation came on-line in Collierville, the fastest growing city in Tennessee. Work was also completed in late 1998 on a third substation, set to serve the Pidgeon Industrial Park.

Managing the company's electric, gas and water systems is a new, $1.76 million Supervisory Control Data Acquisition (SCADA) system which was installed in 1998. In an unprecedented move, MLGW joined four other utilities in purchasing the system, saving $1 million on equipment and an additional $250,000 in software updates.

The summer's heat was as hot as Memphis' music. With a high temperature of 101 degrees, MLGW's all-time high electric demand reached 3,160 megawatts and we didn't miss a lick.

...o the SCADA upgrade, a massive three-year computer ... was completed this year on the Customer Information ... the unit which manages the heart of the utility's daily opera... including billing, meter reading, adjustments, and many other critical functions.

In the water division, customer growth in eastern Shelby County led to the expansion of our Patricia Walker Shaw Water Pumping Station, doubling the water treatment capacity from 15 million gallons a day to



Memphis is world famous for its fine barbeque, and low, stable rates from MLGW help cook it up right.

30 million gallons a day. And as part of an ongoing seismic mitigation project funded in part through a grant from the Federal Emergency Management Agency, an emergency generator was installed at the Davis Water Pumping Station, ensuring electricity in the event of power loss.

However, the electric and water divisions weren't alone in demonstrating forward-thinking, customer friendly services. The gas division's use of new directional drilling technology allows employees to access underground facilities while minimizing cost as well as inconvenience to daily business operations and street traffic. MLGW's skillful and resourceful use of this technology led the Gas Research Institute to present the utility with its Pacesetter Award.

Such continuous improvement is the philosophy behind the Best Practices Program, a joint management-union initiative that encourages employee input on how to do their jobs better. Through employee-driven programs such as this, we are further developing a culture that is sensitive to the changing needs of our customers and the challenges which are before us.

And in late 1998, we took yet another step to ensure that our organization and its operations are positioned for maximum performance by redefining and realigning the customer service and marketing functions of the company. One exciting result of this strategy will be seen in 1999 when *MLGW energy solutions*, a new energy services venture, begins assisting customers in making innovative, cost-effective decisions about their energy and water needs. In entering this $200 billion industry, MLGW will provide a valuable helping hand to customers – at first, to government operations, institutions, manufacturers and large businesses facing mandatory requirements for energy improvements, but later to small commercial and residential customers.

Financial Performance

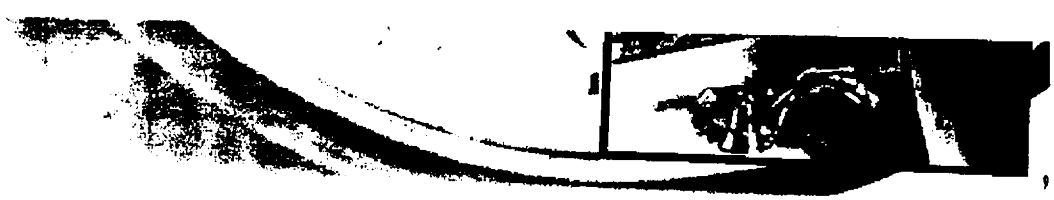
As a testament to MLGW's long-term strategic and financial planning efforts, the utility earned two of the business world's most coveted financial ratings this year, becoming the only utility in the nation to hold a AAA rating from Standard and Poor's. And on the heels of this announcement came an Aa1 rating from Moody's Investors Service.

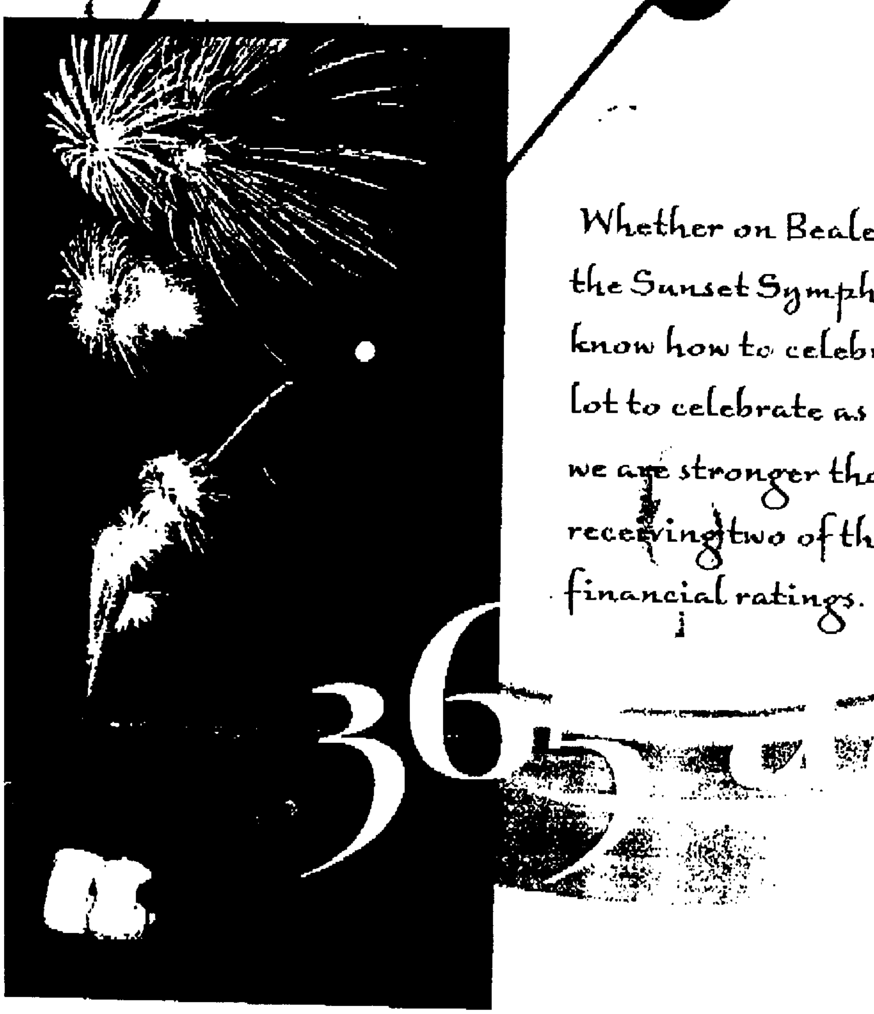
These upgraded ratings were applied to MLGW's water revenue bonds, which allowed the company to refinance some $12 million in bonds at a much lower rate, generating more than $1 million in savings. As of year-end 1998, MLGW's water division has reduced its long-term debt by nearly $24 million in the past five years, and reduced its Moody's debt ratio from 37.3 percent to 20.2 percent.

With the news of these ratings, MLGW President and CEO Herman Morris Jr. pledged to continue efforts with renewed vigor in the utility's other two divisions, and added that the ratings are especially noteworthy since they were earned while offering customers some of the lowest rates in the nation.

However, the utility's excellent financial performance was not limited to the water division. Thanks to a strategy of prudent management and aggressive cost-containment measures, MLGW announced to customers in October 1998 that we will extend our rate freeze for another five years, pledging stable costs in all three services. In fact, many large commercial and industrial customers will receive a gas rate decrease beginning in January 1999, ranging from 8.7 percent to 28 percent for certain classifications. The rate reduction will save area businesses more than $4.8 million annually.

For years, MLGW customers have enjoyed some of the lowest combined utility costs in the nation, and a 1998 survey of electric, gas, water





Whether on Beale Street or during the Sunset Symphony, Memphians know how to celebrate. MLGW has a lot to celebrate as well. Financially, we are stronger than ever, this year receiving two of the world's highest financial ratings.

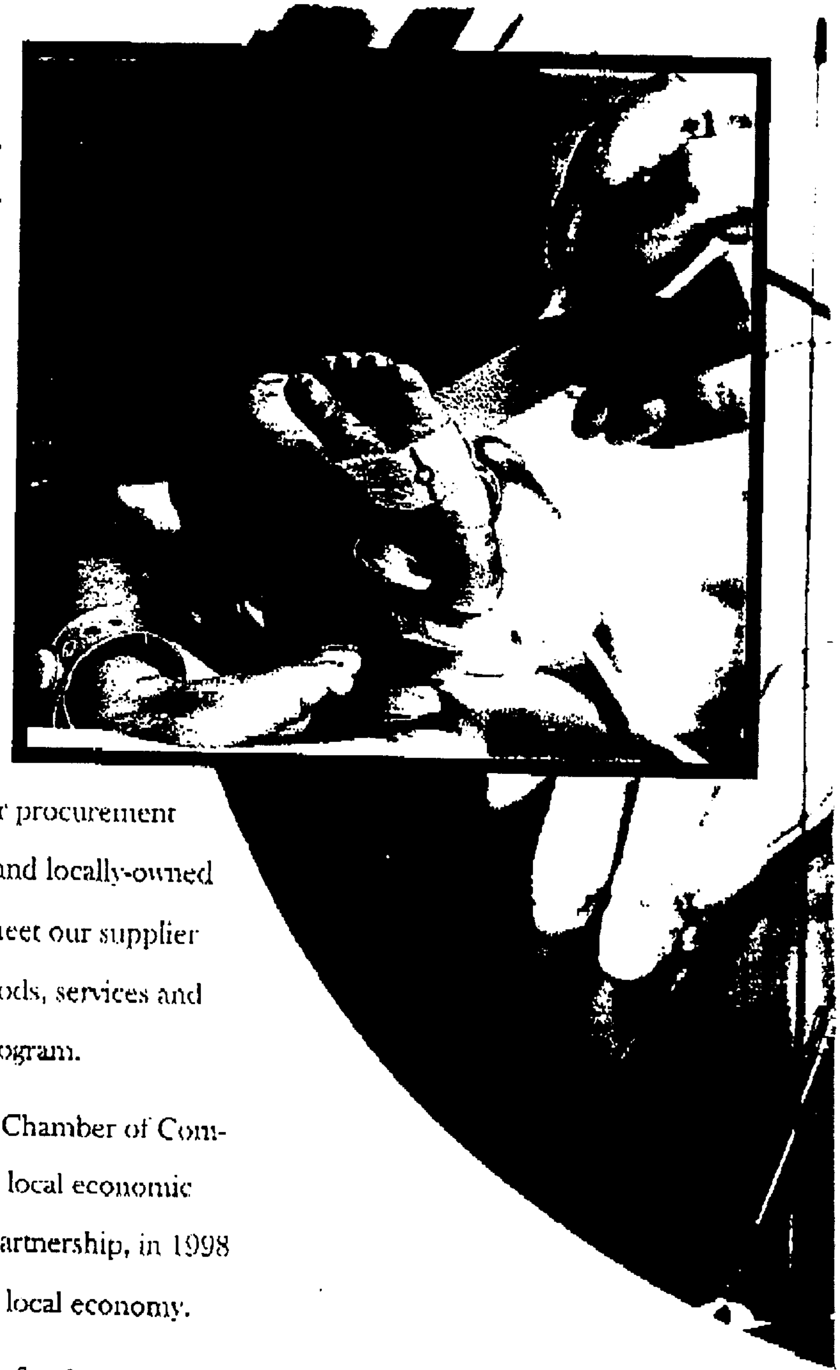
and wastewater rates in America's largest cities proved this to be true once again. This distinction received national attention this summer, when *Money Magazine* acknowledged Memphis as having the lowest utility costs of 18 comparable Southern cities.

In addition to passing cost savings along to our customers through low rates, MLGW presented a 1999 operations and maintenance budget which was $1.8 million less than 1998's spending plan. What's more, ideas and input from employees have helped strengthen this across-the-board cost-containment strategy. Truly, MLGW employees are leading the way in finding more innovative and efficient ways of putting their hometown energy to work for our customers.

For instance, through the manager-level Innovator Club program, projects representing more than $3.02 million in quantifiable savings were proposed and accepted this year. And projects recommended by Quality Circles, teams of front-line management and bargaining unit employees, will generate more than $1.4 million in savings. Since this program was implemented at MLGW some 20 years ago, employee-generated ideas have saved the company and our customers more than $24 million.

Managing costs and finding more efficient ways of doing business are fundamental components of our financial strategy. But we're not stopping here. We're also engaging in opportunities to increase non-traditional revenue – income generated from sources other than the delivery of electric, gas and water services. For instance, in 1998, more than $1.6 million was earned by leasing space on our transmission towers to cellular telephone and fiber optic service providers.

Community Investments



The means by which we invest in our community are as diverse as those we serve. It begins with our employee base, as it is essential that we be the people we serve. We want to look like the customers we serve, so that we can think like the community we serve, and know the people we serve. And how better to know their needs than when they are our needs? It just makes good business sense.

In keeping with this, our Supplier Diversity Program is a bottom-line business strategy integrated throughout the organization. We examine our procurement needs, explore the availability of minority-, women- and locally-owned suppliers and work on a project-by-project basis to meet our supplier diversity goals. In 1998, more than $20 million in goods, services and contracts were purchased or retained through this program.

Through our relationship with the Memphis Area Chamber of Commerce, MLGW contributes some $500,000 a year to local economic development efforts. And as a result of this 30-year partnership, in 1998 we saw nearly $1.4 billion in economic growth in our local economy.

In addition to these business strategies, our support for the community is demonstrated through contributions in numerous other areas, as well. For instance, MLGW employees lead the Mid-South region in per person gifts to the United Way, and in 1998, their generous support totaled more than $578,000.

Whether it be rehabilitating the homes of elderly, disabled, and low-income customers, organizing food drives for the hungry, or cultivating a lifelong interest in learning among inner-city school children – or any one of the many other projects supported by MLGW volunteers –

Employees of MLGW take giving back to their community to heart - like Tom McCauley, the first person to donate 156 units of platelets to St. Jude Children's Research Hospital.

our employees lend their hands to improve lives in our community.

Other initiatives include hosting innovative seminars for neighborhood and religious leaders to help them sharpen their leadership skills and better equip them to serve their constituents.

Our relationship with those we serve was strengthened in 1998 with the formation of the 24-member Community Advisory Council. Representing educational, business, ethnic, community, financial and military organizations, this coalition helps facilitate communication between MLGW and the community, and provides on-going guidance as we address the growing needs of our very diverse customer base.

Future Expectations

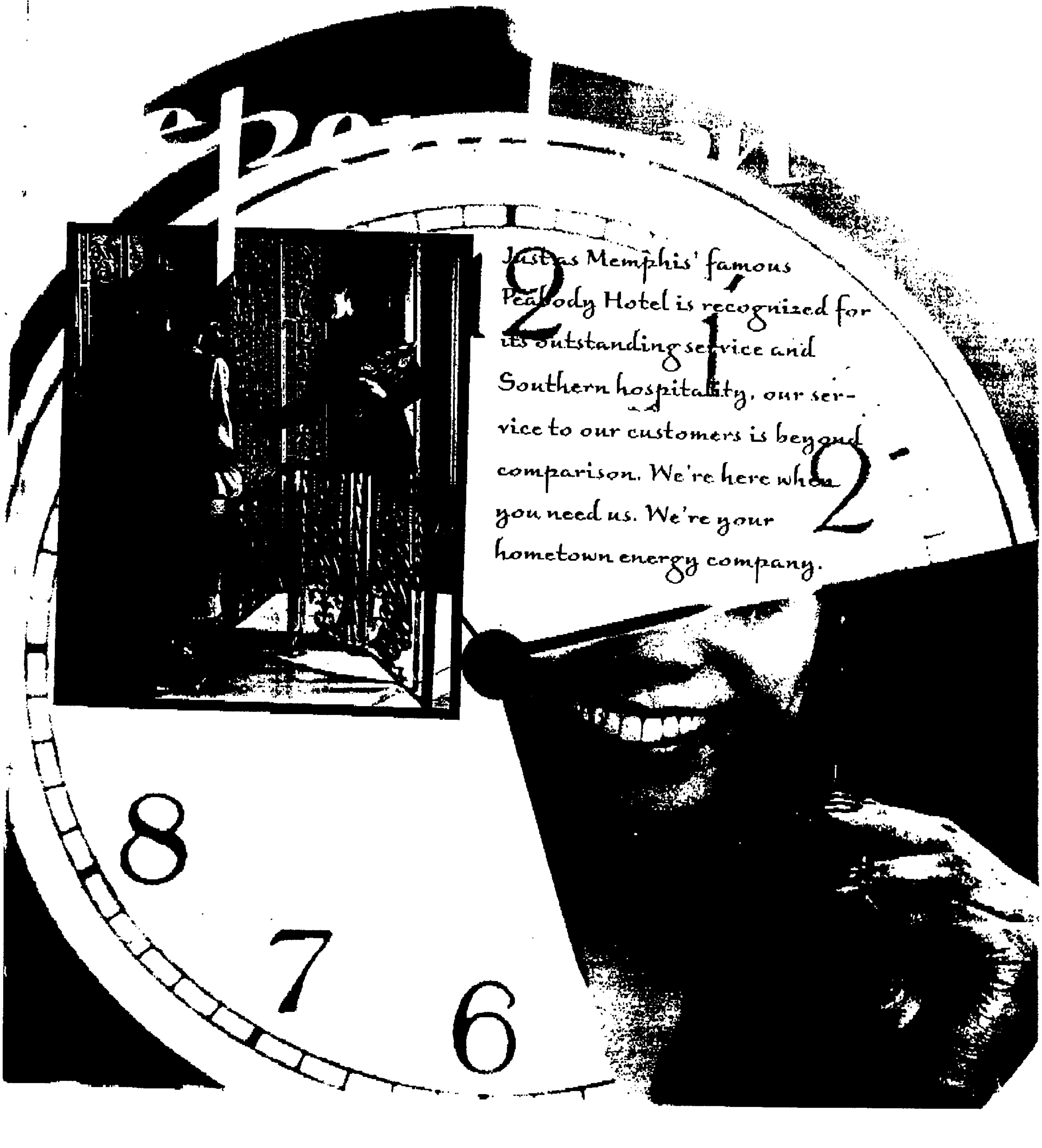
The next few years will bring drastic changes within our industry, and at MLGW, we're working to influence the course of this change for the benefit of our customers. For instance, we're actively involved in deregulation legislation on the state and national levels. And in our ongoing contract negotiations with the Tennessee Valley Authority, we're seeking greater flexibility so that we can purchase a portion of our electric power from others if we choose.

We're also expanding both within and beyond our traditional territory. In 1998, we entered an agreement to provide construction and maintenance services for the water system of Piperton, Tenn., located in Fayette County, and continued negotiations to purchase the Shelby County Board of Public Utilities.

Internally, we continue our work to ensure that all of MLGW's processes truly demonstrate our philosophy of hometown energy and world class excellence. We've examined our call center operations, for instance, and have added new technology, improved techniques and adjusted staffing to better serve our customers. When complete, these improvements will increase our call-handling ability by more than 200 percent.

In short, MLGW is firmly committed to being the utility that sets the standard by which all others are compared. Through our mature strategic planning process and our daily commitment to customer satisfaction, we constantly explore opportunities to improve our services, offer new products, and ways to better serve the community.

By remaining steadfast to this mission, we are confident of a smooth transition into the new millennium and our ability to be a strong competitor in a deregulated electric utility market. Taking full advantage of all of the resources and capitalizing on our assets is how we will continue providing "Hometown Energy . . . World Class Service."


Just as Memphis' famous
Peabody Hotel is recognized for
its outstanding service and
Southern hospitality, our ser-
vice to our customers is beyond
comparison. We're here when
you need us. We're your
hometown energy company.
8
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6

MEMPHI[illegible] WATER DIVISION

1998 financial

Financial Highlights

ELECTRIC DIVISION

	1998	1997
Operations		
Sales (thousand kilowatt hours)	13,837,627	12,791,260
Maximum system demand (kilowatt hourly use)	3,120,415	2,996,249
Number of customers	398,270	395,807
Average annual usage per residential customer (thousand kilowatt hours)	15.86	14.25
Financials		
Total revenues	$ 849,124,651	$ 747,167,990
Purchased power	$ 645,486,688	$ 554,660,074
Net revenues	$ 51,907,629	$ 45,616,476
Plant in service (at cost)	$ 896,777,074	$ 860,836,619
Long-term debt	$ 158,970,000	$ 179,095,000

GAS DIVISION

	1998	1997
Operations		
Sales (thousand cubic feet)	37,493,925	39,984,080
Maximum system demand (thousand cubic feet daily)	495,010	548,377
Number of customers	298,454	292,752
Average annual usage per residential customer (thousand cubic feet)	69.27	77.56
Financials		
Total revenues	$ 203,352,169	$ 232,658,677
Purchased gas	$ 116,958,347	$ 145,562,708
Net revenues	$ 27,805,072	$ 35,438,624
Plant in service (at cost)	$ 388,363,790	$ 366,295,814
Long-term debt	$ —	$ —

WATER DIVISION

	1998	1997
Operations		
Sales (hundred cubic feet)	62,650,707	59,097,748
Maximum system demand (million gallons daily hourly rate)	322.2	227.3
Number of customers	222,794	219,269
Average annual usage per residential customer (hundred cubic feet)	138.64	129.62
Financials		
Total revenues	$ 62,813,378	$ 58,397,735
Net revenues	$ 16,102,301	$ 14,636,512
Plant in service (at cost)	$ 280,278,255	$ 269,484,304
Long-term debt	$ 59,448,374	$ 64,685,000

CREDIT RATING

	Moody's Investors Services 1998	Moody's Investors Services 1997	Standard & Poor's Corporation 1998	Standard & Poor's Corporation 1997
Electric Revenue Bonds	Aa	Aa	AA	[illegible]
Water Revenue Bonds	Aa1	Aa	AAA	[illegible]

Division

Power costs in 199[illegible] percent from 1997. This accounte[illegible] expenses which totaled $744.2 [illegible] $822.1 million, up 13.9 percent from 1997[illegible]

After providing for operating [illegible], renewals and replacements, dividends, in lieu of tax payments and other interest expenses, the balance of net revenues [illegible] 9 million.

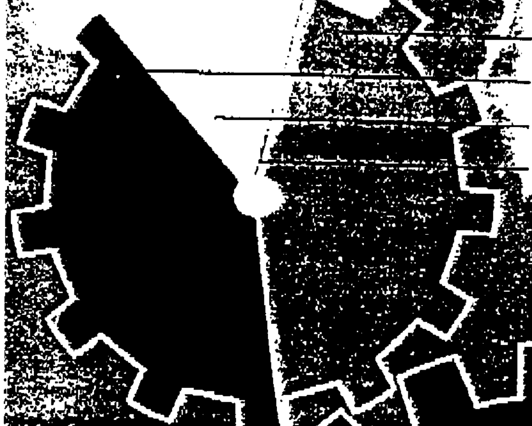
Capital construction for 1998 totaled $42.4 million and was financed with $16 million from the renewal [illegible] ement fund and $26.4 million from the current year's net re[illegible]

The Electric Division paid $20.2 milli[illegible] to the City of Memphis General Fund.

There were no changes in electric rates [illegible]

Where the Money Comes from

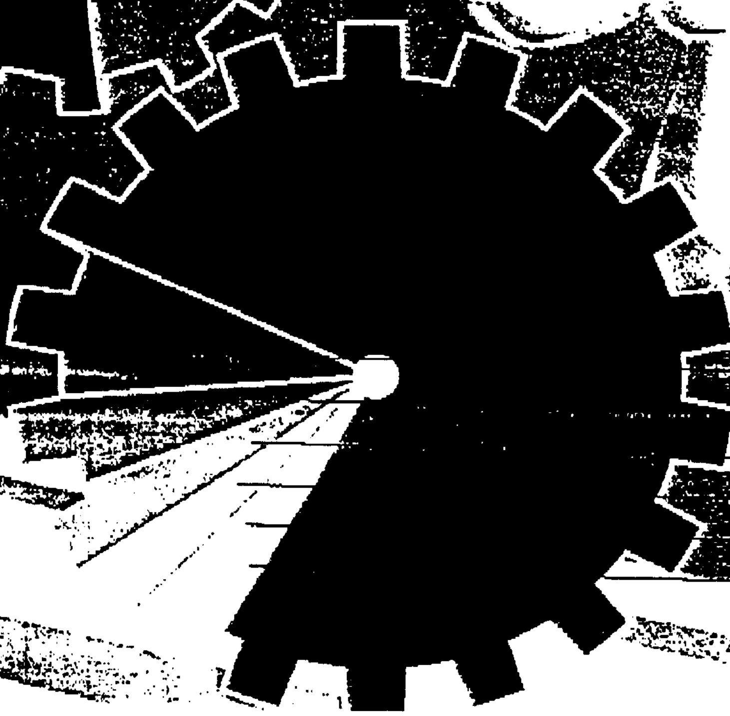
Percentage of each utility dollar



Commercial 44.3
Residential 40.6
Industrial 8.4
Other 6.7

Where the Money Goes

Percentage of each utility dollar



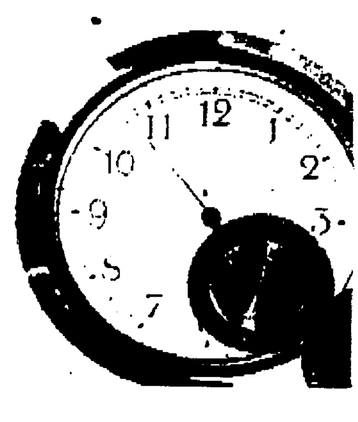
Purchased Power 76.0
Operations 8.3
Capital Additions 5.0
Debt Service & Related Expenses 3.5
Maintenance 3.3
In Lieu of Tax 2.4
Available for Additions and Replacements to System 1.5

Electric Division

FINANCIAL AND STATISTICAL INFORMATION

	1998	1997	1996	1993	1988
Power Use-mwh (1)					
Residential	**5,380,910**	4,726,455	4,864,617	4,589,927	4,155,643
Commercial-General Service	**6,406,677**	5,948,588	5,676,291	5,280,007	4,508,282
Industrial	**1,775,599**	1,839,864	1,734,028	1,647,841	1,620,485
Other customers	**274,441**	276,353	265,506	249,428	244,429
Total	**13,837,627**	12,791,260	12,540,442	11,767,203	10,528,839
System demand-kw maximum hourly use	**3,120,415**	2,996,249	2,942,731	2,798,636	2,488,252
Number of Customers					
Residential	**340,618**	334,124	328,973	320,630	302,053
Commercial-General Service	**40,820**	40,017	39,250	36,412	33,209
Industrial	**154**	171	173	187	202
Other	**16,678**	16,495	16,202	15,240	13,788
Total	**398,270**	390,807	384,598	372,469	349,252
Revenues					
Residential	**$344,621,240**	$291,112,649	$295,855,033	$277,289,466	$242,247,939
Commercial-General Service	**376,263,549**	334,181,053	325,895,678	299,842,662	257,144,881
Industrial	**71,154,540**	66,313,386	64,400,604	67,955,108	74,046,237
Other	**57,085,322**	55,560,902	56,898,232	46,309,360	30,648,049
Total	**849,124,651**	747,167,990	743,049,547	691,396,596	604,087,106
Expenses					
Electric power cost	**645,486,688**	554,660,074	556,292,811	520,227,483	477,156,842
Other operating expenses	**98,721,807**	94,081,537	94,914,276	92,280,758	67,798,022
Total operating expenses	**744,208,495**	648,741,611	651,207,087	612,508,241	544,954,864
Payments in lieu of taxes	**20,184,361**	19,550,968	21,614,999	20,015,508	14,531,410
Depreciation and amortization	**22,891,501**	22,200,865	21,750,886	19,425,884	14,701,156
Interest	**9,932,665**	11,058,070	12,139,569	15,780,245	14,692,134
Total	**797,217,022**	701,551,514	706,712,541	667,729,878	588,879,564
Net Revenues					
Net revenues before extraordinary item	**51,907,629**	45,616,476	36,337,006	23,666,718	15,207,542
Extraordinary (loss) (2)	—	—	—	(7,962,892)	—
Reinvested in system, bond retirement or to working capital during year	**$ 51,907,629**	$ 45,616,476	$ 36,337,006	$ 15,703,826	$ 15,207,542
Other Financial Statistics					
Plant in service (at cost)	**$896,777,074**	$860,836,619	$832,679,714	$750,587,368	$590,746,562
Bonds outstanding	**$158,970,000**	$179,095,000	$198,145,000	$248,150,000	$209,880,000
Bond anticipation notes	—	—	—	—	—
Credit Rating					
Moody's Investors Services	**Aa**	Aa	Aa	Aa	Aa
Standard and Poor's Corporation	**AA**	AA	AA	AA	AA
Construction During 1998					
From renewal and replacement fund	**$ 16,040,017**				
From current year net revenues	**26,372,484**				
Total construction	**$ 42,412,501**				

1. Mwh equals thousand kilowatt hours.
2. In 1993 the Division issued bonds to refund portions of existing bonds. The refunding resulted in an extraordinary loss recognized in 1993; however, this loss will be offset by reduced future interest cost.



Gas Division

[illegible] in 1998 amounted to $117 million, down 19.7 percent from 1997. This amounted to about 71 percent of operating expenses which totaled $164.7 million. Operating revenues were $195 million, down 13.4 percent from 1997.

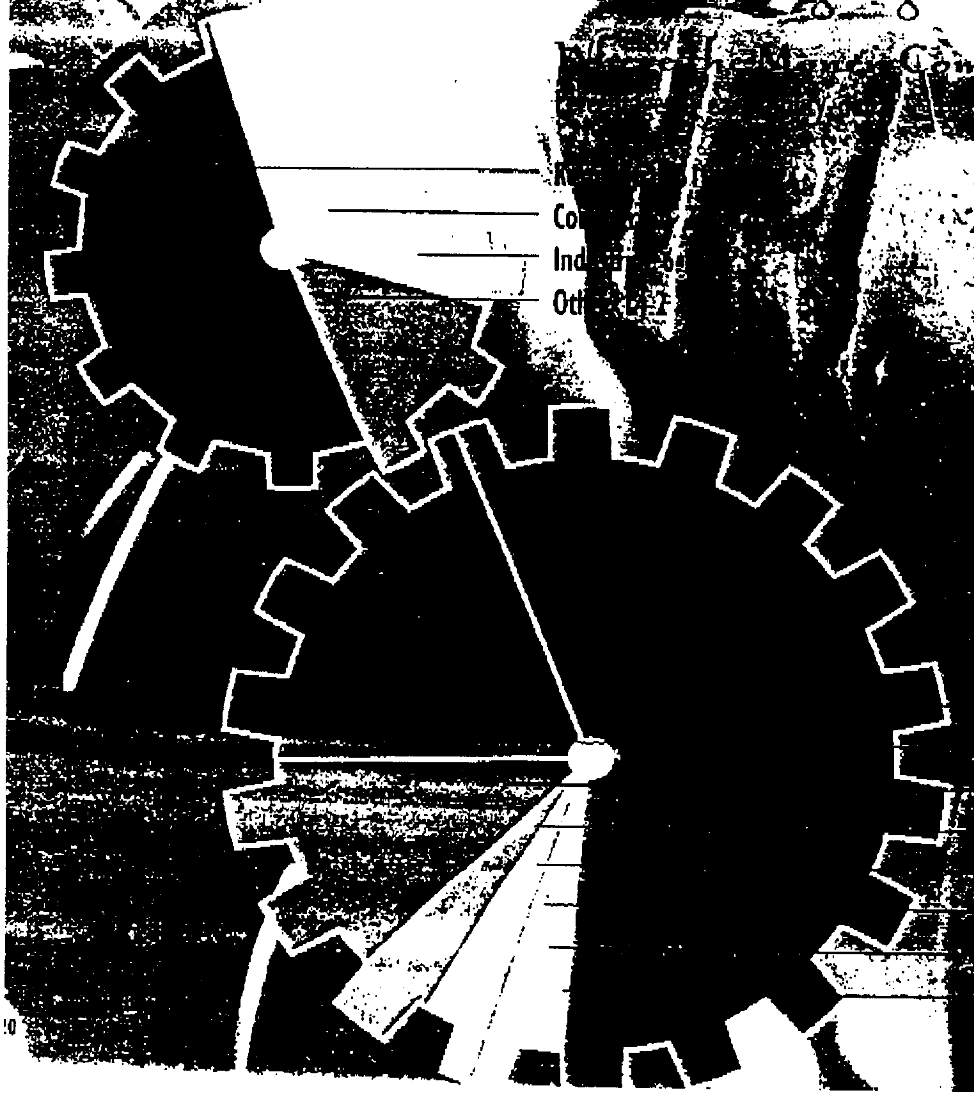
After providing for operating expenses, debt service, renewals and replacements, dividends, in lieu of tax payments and other interest expenses, the balance of net revenues amounted to $17.1 million.

[illegible] Gas Division spent $24.3 million for capital construction in 1998, which was financed with $22.8 million from the renewal and replacement fund and $1.5 million from current gas net revenues.

The Gas Division paid $10.4 million in dividends and payments in lieu of taxes to the City of Memph[illegible]

There [illegible] no changes in gas rates [illegible]

Where the Money Comes From



Where the Money Goes

Percentage of [illegible] utility dollar

- [illegible] 57.5
- [illegible] 19.1
- [illegible]itions 11.9
- [illegible] to City of Memphis 4.1
- [illegible] 3.5
- In L[illegible] Tax 1.0
- [illegible] & System Replacements 1.9
- [illegible] 1.0

Gas Division

FINANCIAL AND STATISTICAL INFORMATION

	1998	1997	1996	1993	1988
Gas Use-mcf (1)					
Residential	19,044,125	20,654,795	22,975,071	21,499,438	19,902,866
Commercial-General Service	11,798,008	13,314,126	14,385,114	10,692,442	10,868,099
Industrial	3,375,317	3,514,948	4,081,727	1,795,745	4,625,853
Other customers (2)	3,276,475	2,500,211	3,642,568	8,022,280	8,098,433
Total	37,493,925	39,984,080	45,084,480	42,009,905	43,495,251
System demand-mcf maximum daily use	495,010	548,377	521,930	454,070	456,956
Number of Customers					
Residential	277,074	271,851	267,138	255,191	237,355
Commercial-General Service	21,230	20,765	20,346	19,464	17,770
Industrial	69	74	81	106	71
Other	81	62	51	69	41
Total	298,454	292,752	287,616	274,830	255,237
Revenues					
Residential	$105,542,706	$122,073,224	$130,494,159	$100,482,045	$ 85,848,300
Commercial-General Service	56,578,430	67,709,942	72,499,231	46,624,141	44,132,293
Industrial	31,385,977	29,758,612	34,336,252	38,233,618	38,814,602
Other	9,845,056	13,116,899	13,703,085	8,684,436	11,800,460
Total	203,352,169	232,658,677	251,032,727	194,024,240	180,595,655
Expenses					
Natural gas cost	116,958,347	145,562,708	151,453,868	120,989,891	123,768,661
Other operating expenses	47,780,466	42,658,100	43,245,158	39,785,227	33,627,209
Total operating expenses	164,738,813	188,220,808	194,699,026	160,775,118	157,395,870
Payments in lieu of taxes	2,001,238	2,001,238	2,001,238	2,001,237	2,010,235
Depreciation, depletion and amortization	8,792,414	6,959,168	6,459,785	5,888,393	6,181,452
Interest	14,632	38,839	74,677	365,930	1,077,330
Total	175,547,097	197,220,053	203,234,726	169,030,678	166,664,887
Net Revenues					
Net revenues	27,805,072	35,438,624	47,798,001	24,993,562	13,930,768
Used to pay dividends to City of Memphis or reinvested in system and working capital	$ 27,805,072	$ 35,438,624	$ 47,798,001	$ 24,993,562	$ 13,930,768
Other Financial Statistics					
Plant in service (at cost) (3)	$388,363,790	$366,295,814	$343,703,829	$ 264,677,854	$ 184,473,049
Bonds outstanding	—	—	—	—	$ 8,875,000
Credit Rating					
Moody's Investors Service					
Standard and Poor's Corporation					
Construction During 1998					
From renewal and replacement fund	$ 22,739,717				
From current year net revenues	1,529,759				
Total construction	$ 24,269,476				

1. Thousand cubic feet @ 14.73 psia.
2. Includes varied off-peak sales to electric generating station.
3. Does not include plant held for future use.

Water Division

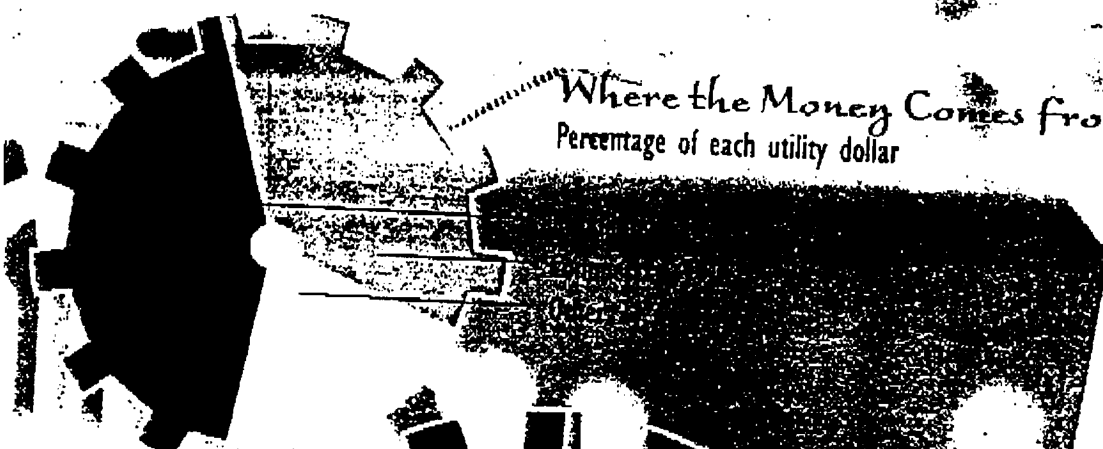
Operating Revenues in the Water Division amounted to $57.7 million in 1998, an increase of 6.5 percent over 1997, and operating expenses [illegible] totaled $36.6 million, up 7.4 percent from 1997.

After providing for operating expenses, debt service, bond reserves, renewals and replacements, and other interest expenses, the balance of net revenues amounted to $10.3 million.

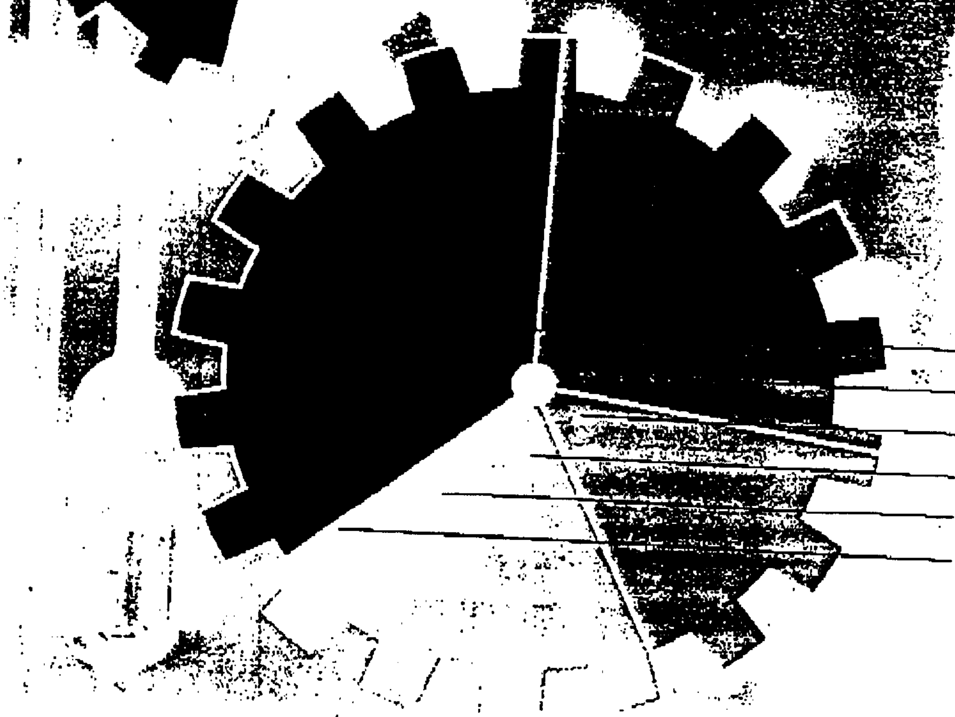
Construction costs of $16.7 million were financed from the renewal and replacement fund.

The Water Division supplied $1.9 million in free services to the City of Memphis, including free water for parks and firefighting, as well as the purchase, installation and maintenance of fire hydrants.

There were no changes in water rates during 1998.



Where the Money Comes from
Percentage of each utility dollar



Where the Money Goes
Percentage of each utility dollar

Operations 36.8
Capital Additions 26.5
Production 15.9
Debt Service & Related Expenses 14.3
Maintenance 5.7
Available for Additions & Replacements .8

Water Division

FINANCIAL AND STATISTICAL INFORMATION

	1998	1997	1996	1993	
Water Use-ccf (1)					
Residential	27,515,795	25,341,003	26,253,321	25,254,407	
Commercial-General Service	29,965,102	28,942,059	29,884,498	29,054,556	
Free water, metered (2)	1,553,892	1,984,318	1,558,661	1,649,032	
Other customers	3,615,918	2,830,368	2,375,387	4,651,173	
Total	62,650,707	59,097,748	60,071,867	60,609,168	5
Pumpage to City-mgd (3) maximum hourly rate	322.2	227.3	257.1	295.0	
Number of Customers					
Residential	199,201	196,124	193,852	191,546	
Commercial-General Service	19,311	18,871	18,607	18,230	
Other	4,282	4,274	4,102	3,798	
Total	222,794	219,269	216,561	213,574	
Revenues					
Residential	$ 27,370,127	$ 24,993,711	$ 25,917,391	$ 21,442,845	$ 16,
Commercial-General Service	22,043,484	21,069,350	21,459,668	17,983,899	12,
Other	13,399,767	12,334,674	11,846,485	8,537,360	6,
Total	62,813,378	58,397,735	59,223,544	47,964,104	35,
Expenses					
Production	9,978,846	8,857,833	9,178,539	8,119,059	8,2
Other operating expenses	26,725,580	25,131,935	23,032,045	19,756,432	13,9
Total operating expenses	36,704,426	33,989,768	32,210,584	27,875,491	22,1
Depreciation and amortization	6,404,917	5,826,238	5,346,001	5,066,960	3,6
Interest	3,601,734	3,945,217	4,217,838	5,544,968	3,7
Total	46,711,077	43,761,223	41,774,423	38,487,419	29,4
Net Revenues					
Net revenues before extraordinary item	16,102,301	14,636,512	17,449,121	9,476,685	5,9
Extraordinary (loss) (4)	—	—	—	(3,166,283)	
Reinvested in system, bond retirement or to working capital during year	$ 16,102,301	$ 14,636,512	$ 17,449,121	$ 6,310,402	$ 5,9
Other Financial Statistics					
Plant in service (at cost)	$280,278,255	$269,484,304	$256,413,756	$232,778,721	$180,3
Bonds outstanding	$ 59,448,374	$ 64,685,000	$ 69,925,000	$ 83,140,000	$ 71,0
Bond anticipation notes	—	—	—	—	$ 20,00
Credit Rating					
Moody's Investors Service	Aa1	Aa	Aa	Aa	
Standard and Poor's Corporation	AAA	AA	AA	AA	
Construction During 1998					
From renewal and replacement fund	$ 16,657,670				
Total construction	$ 16,657,670				

1. Hundred cubic feet.
2. Does not include unmetered free water provided for firefighting, street sprinkling, etc.
3. Mgd equals million gallons daily.
4. In 1993 the Division issued bonds to refund portions of the existing bonds. The refunding resulted in an extraordinary loss recognized in the current year; however, this loss will be offset by reduced future interest costs.

Balance Sheets

DECEMBER 31, 1998 AND 1997 (IN THOUSANDS)

Assets

	Electric Division		Gas Division		Water Division	
	1998	1997	1998	1997	1998	1997
Utility Plant, at cost (Notes 1 and 2)	$896,777	$860,836	$391,534	$369,466	$280,278	$269,484
Less accumulated depreciation and amortization	311,891	294,847	126,998	118,139	90,224	89,345
Utility plant - net	584,886	565,989	264,536	251,327	190,054	180,139
Restricted Funds (Notes 1, 3, 5, 6, 7 and 11)						
Construction	1,001	1,086	3,040	15,306	14,131	21,086
Insurance reserves - injuries and damages	3,842	4,261	1,508	1,114	1,203	634
Insurance reserves - casualties and general	10,244	9,785	6,796	8,233	4,272	4,071
Medical benefit	—	—	10,567	7,525	—	—
Customer common deposits	—	—	14,566	15,227	—	—
Bond reserve and debt service	22,550	23,555	—	—	9,019	9,622
Total restricted funds	37,637	38,687	36,477	47,405	28,625	35,413
Current Assets						
Cash and cash equivalents (Notes 1 and 3)	62,368	48,436	78,008	51,036	34,808	28,135
Accounts receivable, less allowance for doubtful accounts	60,584	55,407	24,388	31,880	13,119	11,476
Deferred purchased power and gas cost (Note 1)	24,512	25,738	8,208	13,896	—	—
Materials and supplies - at average cost	10,886	11,080	6,588	6,807	1,364	1,536
Miscellaneous	435	956	283	271	—	54
Total current assets	158,785	141,617	117,475	103,890	49,291	41,201
Other Assets						
Deferred charges	—	—	2,329	2,495	—	—
Unamortized debt expense (Notes 1 and 6)	1,400	1,785	—	—	1,137	1,069
Notes receivable	1,298	1,298	—	1,964	2,015	2,018
Notes receivable from customers - energy conservation loans (see contra-TVA)	339	533	—	—	—	—
Miscellaneous	(25)	149	—	—	—	—
Total other assets	3,012	3,765	2,329	4,459	3,152	3,087
TOTAL ASSETS	$784,320	$750,058	$420,817	$407,081	$271,122	$259,840

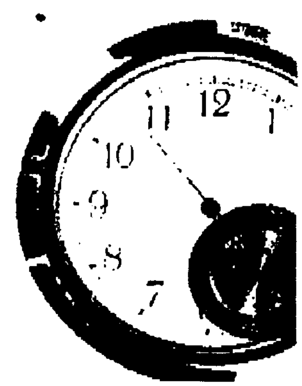
See notes to financial statements.

Balance Sheets

DECEMBER 31, 1998 AND 1997 (IN THOUSANDS)

Capitalization and Liabilities

	Electric Division 1998	Electric Division 1997	Gas Division 1998	Gas Division 1997	Water Divisi[on] 1998	19[97]
Capitalization						
Long-term debt (Note 6)	$158,970	$179,095	$ —	$ —	$ 59,448	$ 64
Accumulated net revenues (Note 10)	546,725	494,821	357,330	337,925	199,693	183
Total capitalization	705,695	673,916	357,330	337,925	259,141	248.
Current Liabilities						
Accounts payable - purchased power and gas	43,866	44,066	15,701	23,205	—	
Other accounts payable, accrued expenses, and deferrals	20,212	20,000	18,587	20,511	9,424	10.
Total current liabilities	64,078	64,066	34,288	43,716	9,424	10,
Other Liabilities						
Customer advances for construction	4,075	3,297	302	316	9	
Customer common deposits	—	—	14,566	15,227	—	-
Insurance reserves - injuries and damages (Notes 1, 7 and 11)	3,842	4,261	1,508	1,114	1,203	6.
Medical benefit accrual	—	—	10,567	7,525	—	-
Payable to TVA - energy conservation loans (see contra-customer notes)	1,272	1,510	—	—	—	-
Miscellaneous	5,358	3,008	2,256	1,258	1,345	7
Total other liabilities	14,547	12,076	29,199	25,440	2,557	1,3
TOTAL CAPITALIZATION AND LIABILITIES	$784,320	$750,058	$420,187	$407,081	$271,122	$259,84



See notes to financial statements.

Statements of Cash Flows

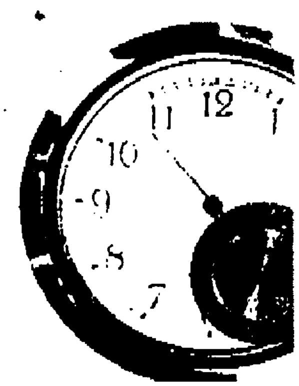
YEARS ENDED DECEMBER 31, 1998 AND 1997 (IN THOUSANDS)

	Electric Division		Gas Division		Water Division	
	1998	1997	1998	1997	1998	1997
Cash Flows from Operating Activities						
Net operating revenues	$ 34,857	$ 31,247	$ 19,437	$ 27,887	$ 14,568	$ 14,084
Adjustments to reconcile net operating revenues to net cash provided by operating activities						
Depreciation of utility plant	22,891	22,201	8,793	6,959	6,405	5,825
Transmission credits	19,121	18,544	—	—	—	—
Other income	1,149	998	1,961	1,534	650	168
(Increase) decrease in assets						
Deferred compensation	—	16,546	—	—	—	—
Accounts receivable	(5,177)	(1,814)	7,492	635	(1,643)	565
Deferred purchased power and gas cost	1,226	(8,448)	5,688	456	—	—
Materials and supplies	194	587	219	(600)	172	317
Miscellaneous assets	695	11	154	247	54	85
Increase (decrease) in liabilities						
Accounts payable - purchased power and gas	(200)	(6,692)	(7,504)	(3,426)	—	—
Other accounts payable and accrued expenses	212	200	(1,924)	(398)	(738)	26
Customer advances for construction	778	1,012	(14)	38	—	—
Customer deposits	—	—	(661)	(170)	—	—
Insurance reserves	(419)	255	394	71	569	(154)
Deferred compensation	—	(16,546)	—	—	—	—
Medical benefit accrual	—	—	3,042	1,599	—	—
Payable to TVA net of notes receivable - energy conservation loans	(44)	(8)	—	—	—	—
Miscellaneous liabilities	2,350	(96)	998	(12)	589	(35)
Total adjustments	42,776	26,750	18,638	6,933	6,058	6,797
Net cash provided by operating activities	77,633	57,997	38,075	34,820	20,626	20,881
Cash Flows from Investing Activities						
Payments received on notes receivable	$ —	$ 494	$ 1,964	$ 1,470	$ 3	$ —
Purchase and construction of utility plant	(41,788)	(38,366)	(22,002)	(25,261)	(16,320)	(14,333)
Interest earned on investments	6,488	5,886	6,419	6,056	4,484	4,330
Purchase of restricted investments	—	(19,983)	—	(71,493)	—	(4,999)
Proceeds from sales and maturities of restricted investments	10,051	15,924	23,658	68,857	4,999	5,118
Increase in notes receivable	—	—	—	—	—	(2,018)
Net cash used in (provided by) investing activities	(25,249)	(36,045)	10,039	(20,371)	(6,834)	(11,902)

Statements of Cash Flows

YEARS ENDED DECEMBER 31, 1998 AND 1997 (IN THOUSANDS)

	Electric Division 1998	Electric Division 1997	Gas Division 1998	Gas Division 1997	Water Divis 1998	1
Cash Flows from Capital and Related Financing Activities						
Proceeds for issuance of bonds	$ —	$ —	$ —	$ —	$ 12,575	$
Increase in unamortized debt expense	—	—	—	—	(230)	
Principal payments on long-term debt	(20,125)	(19,050)	—	—	(17,813)	(
Dividends paid to City of Memphis	—	—	(8,397)	(8,397)	—	
Interest expense on other debt	(31)	(82)	(15)	(38)	(9)	
Interest expense on bonds	(9,517)	(10,536)	—	—	(3,431)	(3
Net cash used in financing activities	(29,673)	(29,668)	(8,412)	(8,435)	(8,908)	(9
Increase (Decrease) in Cash and Cash Equivalents	22,711	(7,716)	39,702	6,014	4,884	
Cash and Cash Equivalents, Beginning of Year	67,140	74,856	74,783	68,769	58,549	58,
Cash and Cash Equivalents, End of Year	$ 89,851	$ 67,140	$114,485	$ 74,783	$ 63,433	$ 58,
Reconciliation of Cash and Cash Equivalents Per Statements of Cash Flows to the Balance Sheets						
Restricted funds	$ 37,637	$ 38,687	$ 36,477	$ 47,405	$ 28,625	$ 35,4
Less noncash equivalents included in restricted funds	10,154	19,983	—	23,658	—	4,9
Total	27,483	18,704	36,477	23,747	28,625	30,4
Current Assets - Cash and Cash Equivalents	62,368	48,436	78,008	51,036	34,808	28,1
TOTAL CASH AND CASH EQUIVALENTS	$ 89,851	$ 67,140	$114,485	$ 74,783	$ 63,433	$ 58,5



See notes to financial statements.

Statements of Net Revenues and Accumulated Net Revenues

YEARS ENDED DECEMBER 31, 1998 AND 1997 (IN THOUSANDS)

	Electric Division		Gas Division		Water Division	
	1998	1997	1998	1997	1998	1997
Operating Revenues (Notes 1 and 9)	$822,141	$721,741	$194,969	$225,069	$ 57,677	$ 53,899
Operating Expenses						
Purchased power and gas for resale (Notes 1 and 8)	645,487	554,660	116,958	145,564	—	—
Production	—	—	2,047	1,365	8,554	7,495
Operation	70,532	65,475	38,273	34,587	23,144	20,653
Maintenance	28,190	28,606	7,460	6,705	5,006	5,841
Depreciation (Note 1)	22,891	22,201	8,793	6,959	6,405	5,826
Payments in lieu of taxes (Note 10)	20,184	19,552	2,001	2,002	—	—
Total operating expenses	787,284	690,494	175,532	197,182	43,109	39,815
Net Operating Revenues	34,857	31,247	19,437	27,887	14,568	14,084
Other Income						
Transmission credits	19,121	18,544				
Interest	6,488	5,886	—	—	—	—
Miscellaneous	1,371	998	6,419	6,056	4,484	4,330
			1,961	1,534	650	168
Total other income	26,980	25,428	8,380	7,590	5,134	4,498
Net Revenues before Debt Expense	61,837	56,675	27,817	35,477	19,702	18,582
Debt Expenses (Note 1)						
Interest on long-term debt	9,517	10,536	—	—	3,431	3,752
Interest on other debt	31	82	15	38	9	23
Amortization of debt expense	385	439	—	—	162	170
Total debt expense	9,933	11,057	15	38	3,602	3,945
Net Revenues	51,904	45,618	27,802	35,439	16,100	14,637
Accumulated Net Revenues, Beginning of Year	494,821	449,203	337,925	310,883	183,593	168,956
Dividends to City of Memphis (Note 10)	—	—	(8,397)	(8,397)	—	—
Accumulated Net Revenues, End of Year	$546,725	$494,821	$357,330	$337,925	$199,693	$183,593

See notes to financial statements.

Notes to Financial Statements

YEARS ENDED DECEMBER 31, 1998 AND 1997

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Memphis Light, Gas and Water Division ("MLGW"), a division of the City of Memphis, Tennessee (the "City"), was created by an amendment to the City Charter by Chapter 381 of the Private Acts of the General Assembly of Tennessee, adopted March 9, 1939, as amended. MLGW is managed by its President and a five member Board of Commissioners which are nominated by the City Mayor and approved by the Memphis City Council (the "Council"). MLGW, through its three distinct and financially separate divisions, provides electricity, gas and water to customers in Shelby County, Tennessee which includes the City. MLGW's annual budget and electric, gas and water rates require the approval of the Council. MLGW must also obtain the approval of the Council before incurring certain obligations.

Basis of Accounting - MLGW is required by state statute and the Charter of the City of Memphis, Tennessee to maintain separate accounting for each division and to allocate among the divisions, on an equitable basis, joint expenses, including those related to common facilities. Each division is separately financed, and its indebtedness is repayable from its net revenues.

MLGW's accounting policies are in conformity with generally accepted accounting principles. Where applicable, the Federal Energy Regulatory Commission's (Electric and Gas divisions) and the National Association of Regulatory Utility Commissioners' (Water division) Uniform System of Accounts are used. MLGW is not subject to the jurisdiction of federal or state regulatory commissions.

Under Governmental Accounting Standards Board ("GASB") Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," the Division has elected to apply all Financial Accounting Standards Board ("FASB") Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements, to MLGW's accounting and financial reporting.

MLGW adopted GASB No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans" during the year ended December 31, 1997.

MLGW adopted GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and External Investment Pools," in 1998. This statement provided guidance for the valuation of investments. In accordance with this statement, investments at December 31, 1998, are reflected at their fair value. Restating balances for investments was not necessary because of the recorded value of the investments approximated their fair value in prior years. Investment income for the Electric, Gas and Water Divisions increased $177,000 decreased $45,000 and decreased $45,000 respectively, for the year ended December 31, 1998, as a result of adopting GASB Statement No. 31.

MLGW will adopt GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans" in fiscal 1999. Management has not yet determined the effects, if any, that the adoption of the statement will have on MLGW's financial statements.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments - In accordance with the requirements of FASB No. 107, "Disclosures About Fair Value of Financial Instruments", the estimated fair val[illegible] instruments has been determined by MLGW using available market information. H[illegible]ver, considerable judgment is necessarily required in interpreting market data to develop the es[illegible]ates of fair value. Accordingly, the fair values are not necessarily indicative of the amounts [illegible] MLGW could realize in a current market exchange. The use of different market assumptions may [illegible] a material effect on the estimated fair value amounts. The carrying amounts of cash and cash [illegible]alents, restricted [illegible] investments, accounts receivable, and accounts payable are a reasonable [illegible]ate of their fair [illegible] Management was not able to practicably estimate the fair value of MLGW[illegible]ng-term debt.

Notes to Financial Statements, cont.

YEARS ENDED DECEMBER 31, 1998 AND 1997

Property - The costs of additions and replacements of units of property are capitalized. Costs include contracted work, direct labor and materials, allocable overhead and, where applicable, an allowance for borrowed funds used during construction and are reduced by contributions in aid of construction. When property units are retired, original cost, plus removal cost, less salvage is charged to accumulated depreciation.

An allowance for borrowed funds used during construction is computed at actual interest rates to the extent major projects are financed by specific long-term debt. In 1998 and 1997, no construction projects were financed with specific long-term debt. Interest on other debt is not capitalized as it is recovered through current revenues.

Depreciation is computed by the straight-line method based on estimated service lives of various classes of property at rates equivalent to annual composite rates of approximately 3 percent for the Electric and Gas Divisions and 2 percent for the Water Division.

Unamortized Debt Expense - Unamortized debt expense is amortized by the interest method over the lives of the applicable bond issues.

Reserves and Related Restricted Funds - The insurance reserves for injuries and damages are maintained for estimated liabilities incurred and risks assumed on claims for injuries and damages and on recurring property losses. Costs and expenses for such claims and losses are paid from the related restricted funds and charged to the reserves as incurred. Increases in the reserves are charged to operations.

Insurance reserve funds for casualties are self insurance reserves maintained at discretionary amounts to partially cover losses of a catastrophic nature which are not ordinarily insurable or which are not insurable on an economically feasible basis. These amounts are included as a restriction of accumulated net revenues.

Futures Contracts and Swap Agreements - The Gas Division enters into futures contracts for the purchase of gas to manage the risk of increases in the market price of gas on anticipated purchase transactions. Futures contracts are contracts for delayed delivery of gas in which the seller agrees to make delivery at a specified future date of a specified quantity at a specified price. Open futures contracts for the purchase of gas are reported at cost, based on the contract price, in the balance sheet. Gains or losses on futures contracts are deferred until the month the gas is delivered. At that time, any gains or losses are recognized in gas costs or in the case of futures contracts entered into on behalf of specific customers, charged to that specific customer.

The Gas Division enters into swap agreements as a means for managing the Division's exposure to changes in gas prices, fixing the cost of storage refill, recovering fixed costs, and having the ability to offer prime customers prices which are competitive with gas marketers and producers. A swap is a financial agreement with characteristics similar to futures and options that is custom tailored to meet the needs of the counterparties. The counterparties typically exchange a floating and a fixed price of a commodity such as gas. No amounts related to swap agreements are recorded in the financial statements until the transactions are closed out. Once the underlying purchase transaction is closed out, the obligation to purchase the gas is recorded and the related gain or loss is recognized as a charge to gas costs and is passed through to the customer.

Revenues - Revenues are recognized on monthly cycle billings to customers. Revenues are not accrued for power, gas and water delivered but unbilled at the end of a fiscal period.

Deferred Purchased Power and Gas Cost - The purchased power and gas cost applicable to power and gas delivered to customers but not yet billed is deferred until the associated revenues are recognized.

Statements of Cash Flows - For purposes of the statements of cash flows, MLGW considers all highly liquid investments including restricted assets with a maturity of three months or less when purchased to be cash equivalents.

Notes to Financial Statements, cont.

YEARS ENDED DECEMBER 31, 1998 AND 1997

NOTE 2 – UTILITY PLANT

Utility plant at December 31 includes construction work in progress of the following amounts:

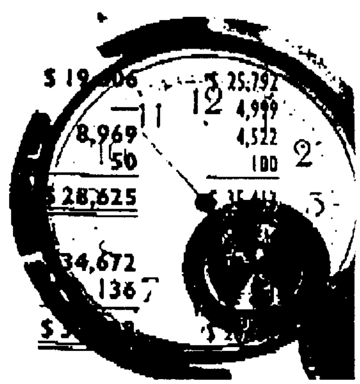
($000)	1998	1997
Electric Division	$ 37,124	$33,918
Gas Division	15,100	14,946
Water Division	18,256	9,960

MLGW's construction program expenditures for 1999 are estimated as follows: Electric Division - $52,902,000; Gas Division - $32,821,000; and Water Division - $28,355,000.

NOTE 3 – DEPOSITS AND INVESTMENTS

MLGW has a cash management program which provides for the investment of excess cash balances in short-term investments and the investment of debt service funds in instruments maturing as the related debt matures. The policy is authorized by the Charter of the City of Memphis, Tennessee, the Board of Commissioners of MLGW, and as set forth in the bond resolutions of each division. Accordingly, MLGW's investments are classified as held-to-maturity. Restricted funds and cash and cash equivalents consist of the following as of December 31:

($000)	1998	1997
ELECTRIC DIVISION		
Restricted funds		
Common account	$ 15,087	$ 15,132
Mutual funds	12,396	3,572
U.S. Government agencies	10,154	19,983
Total restricted funds	$ 37,637	$ 38,687
Cash and cash equivalents		
Common account	$ 62,004	$ 48,195
Mutual funds	267	132
Cash	97	109
Total cash and cash equivalents	$ 62,368	$ 48,436
GAS DIVISION		
Restricted funds		
Common account	$ 11,344	$ 23,747
Commercial paper	23,406	11,662
U.S. Treasury notes	—	11,996
Cash	1,727	—
Total restricted funds	$ 36,477	$ 47,405
Cash and cash equivalents		
Common account	$ 75,775	$ 48,906
Mutual funds	2,233	2,130
Total cash and cash equivalents	$ 78,008	$ 51,036
WATER DIVISION		
Restricted funds		
Common account	$ 19,[illegible]06	$ 25,792
U.S. Government agencies	—	4,999
Mutual funds	8,969	4,522
Cash	50	100
Total restricted funds	$ 28,625	$ [illegible]
Cash and cash equivalents		
Common account	[illegible]34,672	[illegible]
Mutual funds	136	[illegible]
Total cash and cash equivalents	$ [illegible]	$ [illegible]



Notes to Financial Statements, cont.

YEARS ENDED DECEMBER 31, 1998 AND 1997

	Interest Rates	($000) December 31 1998	1997
Water Division			
Southeast Memphis Suburban Utility District Waterworks Revenue Bonds, Series 1964, due serially 1997-1999	5.25%	$ 50	$ 100
Water Division Revenue - Bonds:			
Series 1989, due serially 1997-1998	6.60-6.80%	—	1,045
Series 1992, due serially 1997-2005	4.90-6.00%	17,335	19,325
Series 1992-A, due serially 1997-2011	4.60-6.00%	3,710	16,600
Series 1993, due serially 1997-2008	3.95-5.20%	26,005	27,616
Series 1998, due serially 2000-2012	3.30-5.25%	12,575	—
		59,675	64,686
Unamortized deferred amount on bond refunding		(227)	—
Total Water Division		$ 59,448	$ 64,686

Current maturities of long-term debt are not shown as a current liability because sufficient funds are accumulated in escrow accounts or in the bond reserve and debt service funds to meet current maturities. Principal maturities are as follows:

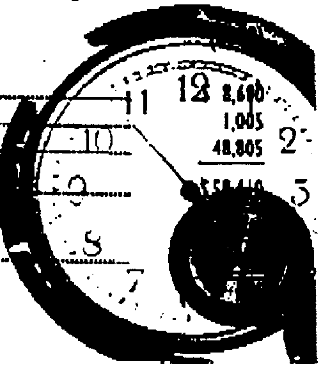
	($000) Electric Division	Water Division
1999	$ 21,195	$ 5,800
2000	22,345	6,095
2001	23,720	6,420
2002	24,790	6,750
2003	14,500	6,055
Thereafter	52,420	28,555
Total	$158,970	$59,675

MLGW, at its option, may redeem bonds prior to maturity at premiums and prices specified in the indentures.

In December 1998, MLGW issued $12,575,000 in Refunding Bonds, Series 1998, to refund $12,075,000 of the Water Division Revenue Bonds, Series 1992-A. The net proceeds of $12,820,000 (after an original premium of $404,000 and payment of $159,000 in underwriter's fees and other issue costs) plus $341,000 of existing funds were used to currently refund Series 1992-A. As a result, the Series 1992-A bonds are considered defeased and the liability for those bonds has been removed from the accounts of the Water Division. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $227,000. This difference, reported in the accompanying financial statements as a decrease to bonds payable, is being charged to operations through the year 2012 using the effective-interest method. The Water Division refunded these bonds to reduce its total debt service over the next 14 years by $1,232,000 and to obtain an economic gain of $692,000.

At December 31, 1998, the amounts of bonds and notes which are not recorded as liabilities of MLGW but remain outstanding with escrow agents are as follows:

Electric Division	
Revenue Bonds, Series 1976	$ 8,600
Special Obligation Refunding Bonds, Series 1976	1,005
Revenue Bonds, Series 1991	48,805
Total	$58,410
Water Division	
Revenue Bonds, Series 1992-A	[illegible]



Notes to Financial Statements, cont.

YEARS ENDED DECEMBER 31, 1998 AND 1997

The MLGW Pension Plan provides retirement, disability and death benefits to participants and their beneficiaries. The MLGW Pension Plan also provides for a cost of living adjustment beginning at age 56 for retired, disabled and surviving spouses on a graded scale up to 5 percent per annum based on the Department of Labor consumer prices index.

Basis of Accounting - The financial statements of the MLGW Pension Plan are prepared using the accrual basis of accounting. Contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the MLGW Pension Plan.

Method Used to Value Investments - All investments of the MLGW Pension Plan are reported at fair value. Short term investments are reported at cost, which approximates fair value. All other investments are valued based upon by quoted market prices except for real estate investments, which are valued at estimated fair value based on independent appraisals. The MLGW Pension Plan has no investment in any one organization which represent more than 5 percent of plan assets.

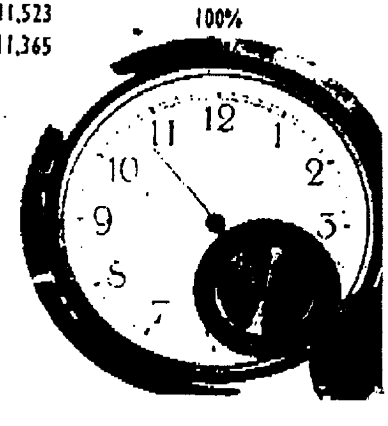
Contributions - All members under the MLGW Pension Plan are required to contribute 8 percent of the benefit compensation to the MLGW Pension Plan. During 1998 and 1997, MLGW was required to contribute 10.5 percent and 11 percent, respectively, of the benefit compensation of all active participants. Investment costs of the MLGW Pension Plan are financed through investment earnings. Other administrative costs are included in the annual required contribution amount.

Actuarial Methods and Assumptions - The asset valuation method used is the 5-year weighted index method. The aggregate actuarial cost method is used in determining the funding requirements. Significant actuarial assumptions include (a) a rate of return on the investment of present and future assets of 8.0 percent per year compounded annually, (b) projected salary increases of 4.5 percent per year compounded annually, and (c) pensioner cost of living adjustments of 2.55 percent compounded annually.

Schedule of Funding Progress - The aggregate cost method does not identify or separately amortize unfunded actuarial liabilities. These liabilities are amortized through the normal cost. Under the aggregate cost method, the actuarial accrued liability equals the actuarial value of assets. At December 31, 1998 and 1997, the actuarial value of assets was $859,684,000 and $806,193,000, respectively.

Schedule of Contributions From All Sources - Employee and employer contributions for the past six years are shown below:

Plan Year	Annual Required Employee Contribution ($000)	Percentage Contributed	Annual Required Employer Contribution ($000)	Percentage Contributed
1998	$ 8,016	100%	$ 10,631	100%
1997	7,722	100%	10,763	100%
1996	7,654	100%	10,711	100%
1995	7,620	100%	11,610	100%
1994	7,547	100%	11,523	100%
1993	7,461	100%	11,365	



Notes to Financial Statements, cont.

YEARS ENDED DECEMBER 31, 1998 AND 1997

NOTE 5 – DEFERRED COMPENSATION AND OTHER POST-RETIREMENT BENEFITS

MLGW offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all MLGW employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

During 1997, the plan was amended to meet the recently enacted requirements of Internal Revenue Code Section 457. The Amended Plan provides that assets or income of the Plan shall be used for the exclusive purpose of providing benefits for Participants and their beneficiaries or defraying reasonable expenses of administration of the Plan. Since the assets of the Amended Plan are held in custodial and annuity accounts for the exclusive benefit of Plan participants, the related assets of the Plan are not reflected on the Electric Division balance sheets.

MLGW has post-retirement major medical and life insurance benefits available to all employee groups as a continuation of those benefits that were available prior to retirement. Currently, 2,314 retirees and beneficiaries are eligible for post-retirement benefits. Life insurance premiums are paid monthly and medical coverage is paid as claims are filed through the medical benefit fund (a restricted fund). The costs of future post-retirement benefits are provided for through the insurance reserves for employee benefits to the extent recovered through current revenues. MLGW has established a grantor trust to accumulate funds which will be used to pay future post retirement medical benefits. The value of assets in the fund at December 31, 1998 is $78,570,000.

Post-retirement benefit costs for the years ended December 31, 1998 and 1997 are as follows:

	($000) 1998	1997
Electric Division		
Benefit payments	$ 5,545	$ 5,472
Contribution to grantor trust	—	619
Total	$ 5,545	$ 6,091
Gas Division		
Benefit payments	$ 2,627	$ 2,592
Contribution to grantor trust	—	293
Total	$ 2,627	$ 2,885
Water Division		
Benefit payments	$ 1,556	$ 1,536
Contribution to grantor trust	—	174
Total	$ 1,556	$ 1,710

NOTE 6 – DEBT

Long-term debt consists of:

	Interest Rates	($000) December 31 1998	1997
Electric Division			
Electric System Revenue Bonds:			
Series 1991, due serially 1997-1999	6.10-6.40%	$ 2,945	$ 5,715
Series 1992, due serially 1997-2006	4.90-6.00%	90,435	102,125
Series 1992-A, due serially 1997-2000	4.60-5.25%	10,635	15,570
Series 1993, due serially 1997-2010	3.60-5.00%	54,955	55,685
Total Electric Division		$158,970	$179,095

Notes to Financial Statements, cont.

YEARS ENDED DECEMBER 31, 1998 AND 1997

	Interest Rates	($000) December 31 1998	1997
Water Division			
Southeast Memphis Suburban Utility District Waterworks Revenue Bonds, Series 1964, due serially 1997-1999	5.25%	$ 50	$ 100
Water Division Revenue - Bonds:			
Series 1989, due serially 1997-1998	6.60-6.80%	—	1,045
Series 1992, due serially 1997-2005	4.90-6.00%	17,335	19,325
Series 1992-A, due serially 1997-2011	4.60-6.00%	3,710	16,600
Series 1993, due serially 1997-2008	3.95-5.20%	26,005	27,616
Series 1998, due serially 2000-2012	3.30-5.25%	12,575	—
		59,675	64,686
Unamortized deferred amount on bond refunding		(227)	—
Total Water Division		$ 59,448	$ 64,686

Current maturities of long-term debt are not shown as a current liability because sufficient funds are accumulated in escrow accounts or in the bond reserve and debt service funds to meet current maturities. Principal maturities are as follows:

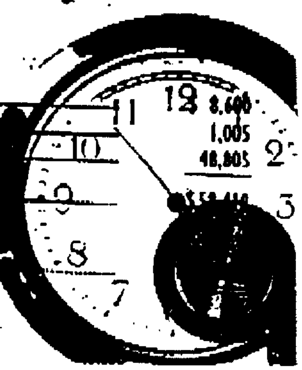
	($000) Electric Division	Water Division
1999	$ 21,195	$ 5,800
2000	22,345	6,095
2001	23,720	6,420
2002	24,790	6,750
2003	14,500	6,055
Thereafter	52,420	28,555
Total	$158,970	$59,675

MLGW, at its option, may redeem bonds prior to maturity at premiums and prices specified in the indentures.

In December 1998, MLGW issued $12,575,000 in Refunding Bonds, Series 1998, to refund $12,075,000 of the Water Division Revenue Bonds, Series 1992-A. The net proceeds of $12,820,000 (after an original premium of $404,000 and payment of $159,000 in underwriter's fees and other issue costs) plus $341,000 of existing funds were used to currently refund Series 1992-A. As a result, the Series 1992-A bonds are considered defeased and the liability for those bonds has been removed from the accounts of the Water Division. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $227,000. This difference, reported in the accompanying financial statements as a decrease to bonds payable, is being charged to operations through the year 2012 using the effective-interest method. The Water Division refunded these bonds to reduce its total debt service over the next 14 years by $1,232,000 and to obtain an economic gain of $692,000.

At December 31, 1998, the amounts of bonds and notes which are not recorded as liabilities of MLGW but remain outstanding with escrow agents are as follows:

Electric Division	
Revenue Bonds, Series 1976	8,600
Special Obligation Refunding Bonds, Series 1976	1,005
Revenue Bonds, Series 1991	48,805
Total	$58,410
Water Division	
Revenue Bonds, Series 1992-A	[illegible]



Notes to Financial Statements, cont.

YEARS ENDED DECEMBER 31, 1998 AND 1997

NOTE 7 – INSURANCE RESERVES FOR MEDICAL BENEFITS AND INJURIES AND DAMAGES

MLGW is self-insured for health and medical benefits, workers compensation and general liability claims. MLGW has established insurance reserves for the estimated liabilities, including an accrual for incurred but not reported claims, resulting from medical benefits, workers compensation and general liability claims. The medical benefits reserves are recorded on the Gas Division and the costs and charges to the reserve are allocated to each Division.

The changes in the insurance reserves for medical benefits and injuries and damages for the years ended December 31, 1998 and 1997 are as follows:

	($000) Medical Benefits	($000) Injuries and Damages		
	Gas Division	Electric Division	Gas Division	Water Division
Balance - December 31, 1996	$ 5,926	$ 4,006	$ 1,043	$ 788
Payments	(18,906)	(1,400)	(558)	(522)
Incurred claims	20,505	1,655	629	368
Balance - December 31, 1997	7,525	4,261	1,114	634
Payments	(20,299)	(1,239)	(475)	(584)
Incurred claims	23,341	820	869	1,153
Balance - December 31, 1998	$ 10,567	$ 3,842	$ 1,508	$ 1,203

NOTE 8 – ENERGY SUPPLIES

MLGW is committed to purchase all of its power from TVA under a contract, subject to termination by either MLGW or TVA, on not less than ten years' prior written notice. MLGW purchases gas supplies directly from producers and marketers. In addition, MLGW has transportation agreements with Texas Gas Transmission Corporation and Trunkline Gas Company.

NOTE 9 – RATES

Electric, gas and water rates are established by MLGW and approved by the City Council of Memphis, Tennessee, except for pass through increases in electric rates from TVA and gas cost increases from suppliers. Electric rates are established in coordination with TVA.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

As related to futures contracts and swap agreements, risks arise from the possible inability of counterparties to meet the terms of their contracts and from movements in gas prices. The Gas Division's exposure to credit loss in the event of nonperformance by the other party is represented by the contractual notional amount of the financial instrument. There were no open futures contracts or swap agreements at December 31, 1998.

Under the Charter of the City of Memphis, the City is entitled to dividends (6 percent annual rate for the Electric Division and the Gas Division and 3 percent for the Water Division) based upon accumulated net revenues, but not to exceed one-half of the annual net revenues for the Electric Division and the Gas Division, unless approved by the MLGW's Board of Commissioners. Under the power contract signed with TVA and under the 1958 Basic Bond Resolution of the Water Division, the City of Memphis has waived its rights to dividends from the Electric Division and the Water Division. Payments in lieu of taxes and dividends to the City of Memphis are also limited by laws established by the State of Tennessee.

In the normal course of operations, the Division is subject to claims and litigation. Management is of the opinion that, based on information presently available, such matters will not have a material adverse effect on the financial position or results of operations of the Division.

NOTE 11 – SELF-INSURANCE

MLGW is self-insured under the Tennessee Governmental Tort Liability Act. This coverage applies to all tort liability coverage and holds harmless commissioners, officers, and general counsel making decisions as authorized by the Board of Commissioner's policies. Various liability limits are in force as established by the acts except as increased by resolution of the Board of Commissioners. The more significant coverage relates to gas leaks, gas explosions and electrical shocks with maximum limits of $130,000 per person and $350,000 for two or more persons per accident.

Supplementary Information Required By GASB - Year 2000 Disclosures

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that could adversely affect the Division's operations as early as fiscal year 1999.

MLGW has completed an inventory of their computer systems that may be affected by the Year 2000 issue and that are necessary to conduct their operations. The following systems requiring Year 2000 remediation or validation and testing have been identified:

Service Delivery Systems - The mission critical systems for delivering electricity, gas and water were assessed by December 31, 1998. MLGW has analyzed the service delivery processes end to end, identified embedded components, and has begun testing them for compliance. In most cases, MLGW has performed in-house testing to verify vendor certification and upgrades. Using the existing Emergency Response Plan as a guide, MLGW is developing a Year 2000 contingency plan by June 30, 1999. MLGW has evaluated their supply chain and critical suppliers, such as TVA, gas companies (producers and transporters), and component vendors to state their Year 2000 readiness.

Customer Delivery Systems - MLGW's critical customer delivery systems have been identified, corrected, unit tested and integrated with the production systems. Testing and validation began in the first quarter of 1999 and is scheduled for completion by September 30, 1999. These systems are used to respond to MLGW's customer inquiries and requests and do not directly affect or control the delivery of electricity, gas and water.

Support Systems (internal operations) - MLGW's critical internal systems have been identified, converted, unit tested and integrated with the production systems. Testing and validation began in the first quarter of calendar year 1999 and are scheduled for completion by September 30, 1999.

In addition to the above critical systems, MLGW has completed the assignment of embedded-chip applications throughout the Division, and has begun correction and testing of these applications. MLGW has related commitments of approximately $2.5 million as of March 29, 1999.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success or related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that MLGW is or will be Year 2000 ready, that the remediation efforts will be successful in whole or part, or that parties with whom MLGW conducts business will be Year 2000 ready.

Independent Auditors' Report

Board of Commissioners
Memphis Light, Gas and Water Division
Memphis, Tennessee

We have audited the accompanying balance sheets of the Electric, Gas and Water divisions (the "Divisions") of Memphis Light, Gas and Water Division, a division of the City of Memphis, Tennessee, as of December 31, 1998 and 1997, and the related statements of net revenues and accumulated net revenues and cash flows for the years then ended. These financial statements are the responsibility of the management of Memphis Light, Gas and Water Division. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Electric, Gas and Water divisions of Memphis Light, Gas and Water Division as of December 31, 1998 and 1997, and the results of operations and cash flows for the years then ended for each of the Electric, Gas and Water divisions of Memphis Light, Gas and Water Division in conformity with generally accepted accounting principles.

The year 2000 supplementary information above is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on such information. Further, [illegible] unable to apply to the information certain procedures prescribed by professional standards because of the unprecedented nature of the year [illegible] issue and [illegible] effects, and the fact that authoritative measurement criteria regarding the status of remediation efforts have not been established. In addition, we do not provide assurance that the Divisions are or will become year 2000 compliant, that the Divisions' year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Divisions do business are or will become year 2000 compliant.

As more fully discussed in Note 1 to the financial statements, the Divisions adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 31, "Accounting and Financial Reporting for Certain Investments and External Investment Pools" during 1998.

Deloitte + Touche LLP

March 29, 1999
Memphis, Tennessee

RESPONSE TO:

TCTA – Appendix 24

MLGW Telecommunications Capital Budget

1995

1. Add two channels to the Mobile Radio System
2. Mobile Radio System spare parts
3. Backup power for Operations Center Radio Tower
4. Replace VHF paging transmitter
5. Optical ground wire between Substations 69 and 34
6. Fiber optic multiplex equipment
7. Backup power for fiber optic equipment
8. Replace lead jacketed telephone cable with polyethylene jacketed telephone cable - various locations
9. Gas remote telemetry equipment - various locations
10. Redundant communications for Supervisory Control And Data Acquisition (SCADA) remote terminal units - various locations
11. SCADA data concentrators
12. 6 GHz microwave system spare parts
13. Replace North Community Office telephone system
14. Replace Millington Community Office telephone system
15. Spare parts for Information center Automatic Call Distribution (ACD) unit
16. Cable TV installation at South Service Center
17. Replace BARCO display unit at System Operations

1996

1. Fiber optic cable between Water Lab and Sheahan main building
2. Replace lead jacketed telephone cable with polyethylene jacketed telephone cable - various locations
3. Gas remote telemetry equipment - various locations
4. 900 MHz master radio at Substation 66 radio tower
5. Telephone headsets - various locations
6. Redundant communications for SCADA remote terminal units - various locations
7. Upgrade Information Center ACD
8. Upgrade Information Center Interactive Voice Response (IVR) unit
9. Optical ground wire between Substations 39 and 21
10. Fiber optic cable between Substation 21 and Administration Building
11. Fiber optic cable from Highway 64 & Germantown Pkwy. to Brunswick Service Center

1997

1. Upgrade mobile radio system software
2. Fiber multiplex equipment at Substations 6, 21, 32, 33 and 39
3. Fiber optic connection between Substation 34 and Hickory Hill Service Center
4. Replace lead jacketed telephone cable with polyethylene jacketed telephone cable - various locations
5. Surge suppressors for Operations Center
6. Telephone cable protector blocks - various locations
7. 900 MHz master radio at Allen Pumping Station radio tower
8. Telephone headsets - various locations
9. Upgrade Administration Building telephone switch (PBX)
10. Expand Call Accounting system in Administration Building
11. Optical ground wire between Substations 39 and 79
12. Optical ground wire between Substations 35 and 82

1998

1. Upgrade mobile radio system software
2. Fiber optic multiplex equipment at Substations 32 and 33
3. Fiber optic ring multiplex equipment - various locations
4. Replace lead jacketed telephone cable with polyethylene jacketed telephone cable - various locations
5. Convert leased telephone lines to fiber ring - various locations
6. Telephone headsets - various locations
7. Miscellaneous telecom software

1999

1. Replace 2 GHz microwave between Substations 31 and 34 with optical ground wire
2. Replace 2 GHz microwave between Substations 35 and 32 with 6 GHz microwave
3. Upgrade mobile radio system software
4. Replace lead jacketed telephone cable with polyethylene jacketed telephone cable - various locations
5. Telephone headsets - various locations
6. Miscellaneous telecom software
7. Replace Information Center ACD
8. Replace Information Center IVR

RESPONSE TO:

TCTA - Appendix 28 -----------

03/02/00

NOTICE TO CONTRACTORS
PRE-BID MEETING

Memphis Networxs is a telecommunications provider that is building a fiber optic network in the city of Memphis.* We will need to employ contractors to assist in the placement of fiber. The majority of this project is aerial with a small amount of underground construction. The route will be from the Bell South Germantown Central Office located at the intersection of Germantown and Poplar Ave. continuing North along Germantown Road to the intersection of Highway 64. West on Highway 64 to Memphis Networx Central Office. Memphis Networx is hosting a pre-bid meeting to discuss the specifics and hand out bid packages for Ring Number One/ Phase One.

Contractors are urged to bring a statement of qualification to the pre-bid conference. Listing five previous fiber projects along with references.

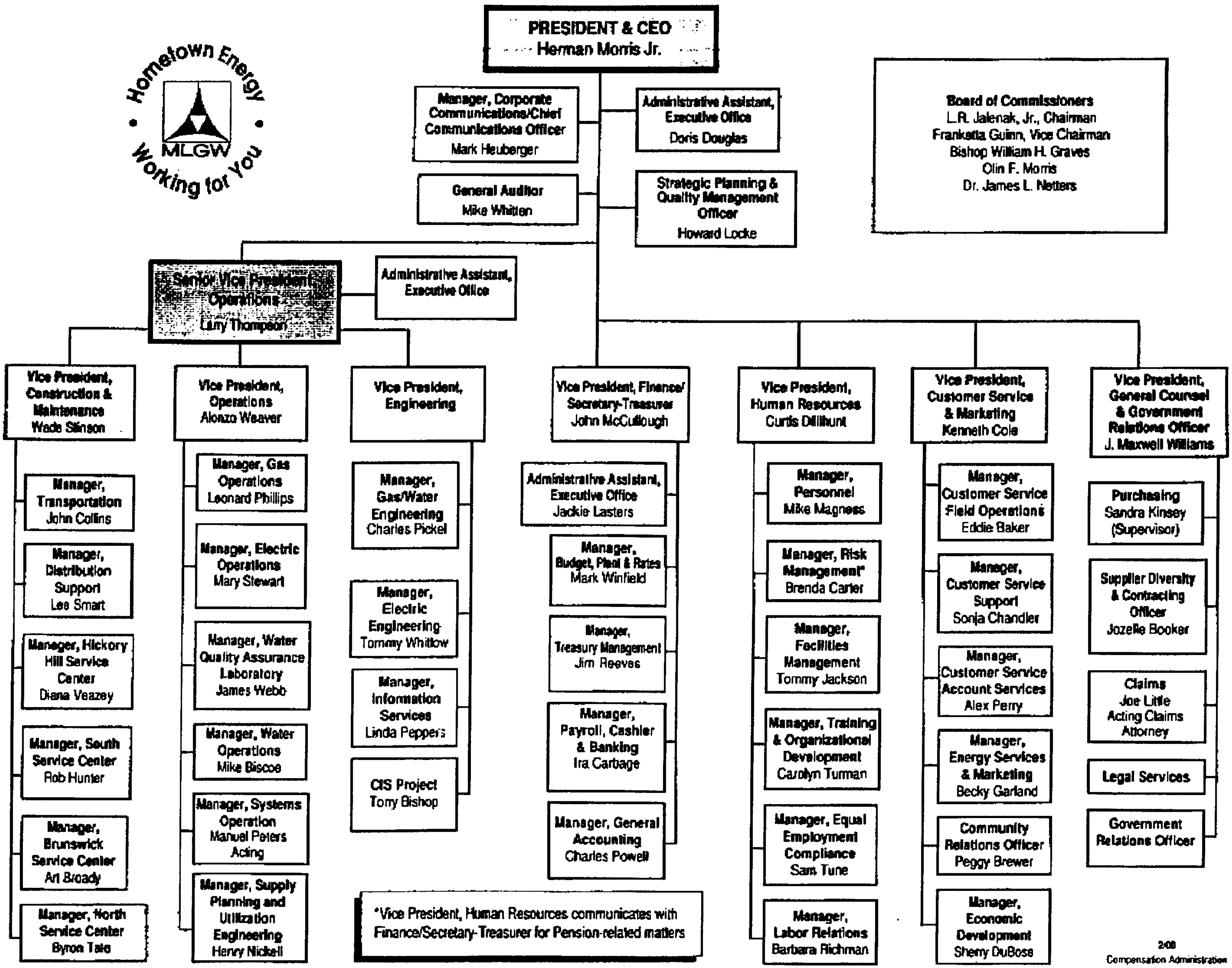
The pre-bid hearing for **Ring Number One**
Date: 03/09/00
Time: 9:00 AM
Location: Memphis Networx
7555 Appling Center Drive
Memphis, TN 38133-5069

* Memphis Networx is currently seeking approval from the Tennessee Regulatory Authority to commence construction and operations. The hearing is scheduled for March 29 & 30. Construction is expected to commence soon thereafter.

RESPONSE TO:

TCTA – Appendix 29

MEMPHIS LIGHT, GAS AND WATER DIVISION ORGANIZATIONAL CHART



RESPONSE TO:

TCTA – Appendix 33 Confidential (filed under seal)

RESPONSE TO:

TCTA – Appendix 41 Confidential (filed under seal)

RESPONSE TO:

TCTA – Appendix 42 Confidential (filed under seal)

RESPONSE TO:

TCTA – Appendix 44 Confidential (filed under seal)

RESPONSE TO:

TCTA – Appendix 45 Confidential (filed under seal)

RESPONSE TO:

TCTA – Appendix 48 Confidential (filed under seal)

RESPONSE TO:

TCTA – Appendix 49 Confidential (filed under seal)

RESPONSE TO:

TCTA – Appendix 52

DRAFT 2-23-00

IRU AGREEMENT

DATED _______________, 2000

MEMPHIS LIGHT, GAS AND WATER DIVISION

AND

ENTERGY TECHNOLOGY COMPANY

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EXHIBITS

IRU AGREEMENT

THIS INDEFEASIBLE RIGHT OF USE AGREEMENT (this "Agreement") is made and entered into as of the Effective Date, as defined in Section 1.1 below, by and between MEMPHIS LIGHT, GAS AND WATER DIVISION, a Tennessee municipal corporation, hereinafter "MLGW", and ENTERGY TECHNOLOGY COMPANY, a Delaware corporation, hereinafter "ETC".

RECITALS

WHEREAS, ETC and MLGW have proposed to design, construct and install approximately twenty-five miles of fiber optic cable (the "Fiber Cable") in Memphis, Tennessee, along the Route as defined in Section 1.1;

WHEREAS, ETC and MLGW, through a primary contractor mutually agreeable to ETC and MLGW, plan to design, construct and install Fiber Cable along the Route to be utilized by ETC and MLGW as part of their respective telecommunications Fiber Networks as hereafter provided;

WHEREAS, the Fiber Cable will be installed and attached to existing MLGW facilities and plant, and ownership of the Fiber Cable will reside with MLGW;

WHEREAS, as part of the consideration for this Agreement, ETC desires to be granted the exclusive, indefeasible right to use certain optical fibers in the Fiber Cable; and MLGW desires to grant ETC an exclusive indefeasible right to use those certain optical fibers in the Fiber Cable, all upon the terms and conditions set forth below;

NOW THEREFORE, in consideration of the mutual promises set forth below, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

ARTICLE I.
DEFINITIONS

1.1 The following terms shall have the stated definitions in this Agreement.

(a) "Acceptance Date" shall mean the date MLGW accepts the Fiber Project, as set forth in Section 7.3.

(b) "Dark Fiber" means fiber provided without electronics or optronics, and which is not "lit" or activated; provided that such fiber may be used in any manner and for any purpose permitted under this Agreement.

(c) "Effective Date" means the date on which both parties have executed this Agreement or if the parties execute this Agreement on different dates, the date on which the last party has signed the Agreement.

(d) "ETC Fibers" shall mean the twenty-four (24) Dark Fibers contained in the Fiber Cable which are specifically designated and tagged as ETC Fibers.

(e) "Fiber Acceptance Testing" shall mean the testing of the Fiber Cable and each individual fiber contained therein in accordance with the Testing Requirements and Standards for Pigtail Termination and Field Splicing, attached hereto as Exhibit D.

(f) "Fiber Cable" shall mean the fiber optic cable and the Fibers contained therein to be installed by ETC along the Route. The Fiber Cable shall be deemed to include forty-eight (48) Dark Fibers and any additional MLGW Fibers, the associated cable splicing connections and the associated mounting hardware.

(g) "Fiber Cable Associated Property" means the tangible and intangible property needed for the operation of the Fiber Cable, including, but not limited to, any associated Transmission Sites, Rights-of-Way, easements and conduit, but excluding any electronic or optronic equipment.

(h) "Fiber Project" shall mean the design, engineering, installation, construction and testing of the Fiber Cable in accordance with the construction specifications and plans set forth in Exhibits B, B-1, B-2, B-3 and C, and the testing specifications set forth in Exhibit E.

(i) "Impositions" means all taxes, fees, tolls, levies, imposts, duties, charges or withholdings of any nature (including, without limitation, franchise, license and permit fees and fees for the use of public Rights-of-way), together with any penalties, fines or interest thereon arising out of the transactions contemplated by this Agreement and imposed upon the Fiber Project or Fiber Cable by any federal, state or local government or other public taxing authority.

(j) "Indefeasible Right of Use" or "IRU" means (i) an exclusive, indefeasible right of use in the ETC Fibers, and (ii) an associated non-exclusive right of use, to the extent that MLGW can grant such a right of use, in the Fiber Cable Associated Property; and (iii) an associated non-exclusive right of use and access to MLGW transmission towers and related facilities along the Route as is reasonably necessary to complete the Fiber Project and afford ETC's rights of use under this Agreement, to the extent that MLGW can grant such rights of use and access.

Notwithstanding any other provision in this Agreement to the contrary, the use of the word "indefeasible," whether as part of the terms "Indefeasible Right of Use" or "IRU" or as otherwise used in this Agreement, shall not alter, minimize, diminish or in any other way impair MLGW's rights of termination under this Agreement and under otherwise applicable law.

(k) "MLGW Fibers" shall mean the twenty-four (24) Dark Fibers contained in the Fiber Cable which are specifically designated and tagged as MLGW Fibers, plus the additional Dark Fibers and Cable specifically identified by MLGW pursuant to Section 6.1.

(l) "Rights of Use" shall mean, to the extent of MLGW's rights along the Route, the IRU and quiet enjoyment in and to the ETC Fibers being granted to ETC by MLGW along the Route.

(m) "Rights-of-way" shall mean the rights to access, use and occupy the real property along the Route upon which the transmission line structures are located pursuant to subsisting grants, easements, leases, licenses, or other agreement.

(n) "Route" shall mean the proposed area depicted and described on Exhibit A, generally from the vicinity of Florida Street and E.H. Crump Blvd. in Memphis, Tennessee, through MLGW's distribution conduit system and along MLGW's transmission route to the Allen Generating Plant, and terminating at the Freeport Substation in Memphis, Tennessee.

(o) "Scheduled Delivery Date" for the completion of the Fiber Project shall mean the applicable date shown in Section 4.6, as extended to the extent permitted hereunder.

(p) "Splice" shall mean a point where two independent sections of the Fiber Cable are physically joined.

ARTICLE II.
GRANT OF IRU IN FIBER CABLE

2.1 MLGW hereby grants to ETC an Indefeasible Right of Use. Upon completion of construction and installation as herein described, the ETC Fibers shall extend along the Route generally from the vicinity of Florida Street and E.H. Crump Blvd. in Memphis, TN, through MLGW's distribution conduit system and along MLGW's transmission route to the Allen Generating plant, and terminating at the Freeport substation in Memphis, TN, as more particularly described in Exhibit "A.".

2.2 MGLW further grants to ETC the non-exclusive rights to occupy its underground conduit bank along the Route as is reasonably necessary to complete the Fiber Project and afford

ETC's rights of use under this Agreement. MLGW does not suggest, imply or guarantee that ETC will have sole occupancy of an underground conduit bank.

ARTICLE III.
CONSIDERATION FOR GRANT

3.1 In consideration of the grant for the ETC IRU in the ETC Fibers, ETC agrees to coordinate, administer and pay for the actual costs associated with the Fiber Project (hereinafter, "Construction Costs"). Said Construction Costs include only the cost of materials, labor, design, engineering, installation, construction and any other miscellaneous items, such as construction permits and licenses, as might be required to install the Fiber Cable and complete the Fiber Project according to generally accepted industry practices. Construction Costs will also include the time of one full time MLGW employee who might be assigned as a project manager to support the project in an engineering or consulting role or to coordinate with ETC and the Contractor the efforts of MLGW's internal support personnel. Additionally, ETC acknowledges that MLGW's employees and or contractors will be required to undertake certain actions in order for ETC to install the Fiber Cable. Thus, as Additional Construction Costs, ETC shall reimburse MLGW for the reasonable expenses of having MLGW's personnel or contractors perform these tasks and when necessary to observe the installation of the Equipment. Such expenses shall include all direct labor, material, equipment and transportation used to observe ETC's work, to be inclusive of all loading, interest and administrative charges and shall be at MLGW's prevailing wage rate. Payment for such work shall be made within thirty (30) days after receipt of invoice.

3.2 Construction Costs specifically exclude pole attachment or related fees for the use of MLGW transmission towers and poles, distribution conduit and riser poles along the route described in Section 1.1 and any and all costs not specifically designated as a Construction Cost in this Agreement.

ARTICLE IV.
CONSTRUCTION OF THE FIBER CABLE

4.1 ETC, or its contractors, shall design, engineer, transport, deliver, install and construct the Fiber Cable on the terms and subject to the conditions set forth herein. However, solely with regard to the underground portion of the Fiber Project, MLGW shall install the Fiber Cable in the underground conduit and/or inner duct along the Route, in accordance with Section 4.2.

4.2 Subject to the limitations set forth below, with regard to the underground portion of the Fiber Project, ETC shall bear the expense of preparing the conduit, installing any additional conduit, installing the pull rope and any other make ready cost necessary to prepare said conduit for installation of the Cable. The parties acknowledge that all costs of the make ready work necessary for the installation of innerduct and cable cannot be known prior to the actual performance of the work. ETC shall obtain all Cable and splice enclosures at its own expense, and will reimburse MLGW for all direct, out-of-pocket expenses (including loading) incurred by MLGW for providing access to the underground conduit system. Loading shall not exceed 123% of MLGW's direct labor cost. Splice enclosures and slack Cable shall be located in MLGW manholes, as space permits. Splicing shall be performed by ETC or its contractors outside MLGW manholes. ETC shall procure all materials to be incorporated in and to become a permanent part of the Cable, and an ETC representative shall be present during all MLGW installation of underground fiber cable, splice enclosures and accessories. The ETC representative shall be knowledgeable and experienced in underground fiber cable, splice enclosures and accessory installation and shall be authorized by ETC to answer questions and make decisions on ETC's behalf regarding problems and questions that occur during MLGW installation of underground cable, splice enclosures and accessories. The ETC representative shall be furnished at ETC's expense.

4.3 ETC, or its contractors, shall engineer and design the Fiber Cable consistent with the construction plans and specifications set forth in Exhibits B and C, including preparation of construction drawings, bills of materials, materials specifications and materials requisition. ETC, with prior notice to MLGW, may alter the construction plans and specifications in order to facilitate actual construction needs. Any such alteration shall be consistent with standard telecommunications practices.

4.4 ETC, or its contractors, shall perform, in accordance with standard commercial practices, all supervisory and inspection services relating to construction of the Fiber Project including, without limitation, performing construction inspection prior to completion of the Fiber Project to assure that all construction shall be in accordance with the specifications, drawings, provisions of this Agreement, and applicable construction codes. MLGW shall have the right, but not the obligation, to inspect the installation, splicing and testing of the Fiber Cable during the course and at the time of the relevant design, construction and installation periods for each portion of the Fiber Project. MLGW will inspect all phases of construction and obtain and release all orders from MLGW's electric dispatcher.

4.5 Upon written request by MLGW, ETC shall make available for inspection by MLGW, copies of all information, documents, reports, construction permits, drawings and specifications generated, obtained or acquired by ETC in performing its duties pursuant to this Article IV (to the extent that the terms of each such document or the legal restrictions applicable to such information or document permits disclosure to MLGW).

4.6 Subject to reasonable extension for delays permitted hereunder, the Scheduled Delivery Date for completion of the Fiber Project shall be March 15, 2000. As of the Scheduled Delivery Date, the ETC Fiber shall be available for use by ETC, and the remaining fibers contained in the Fiber Cable shall be available for use by MLGW. In the event that the construction, installation, Fiber Acceptance Testing and other work is not completed by the Scheduled Delivery Date, said Scheduled Delivery Date shall be extended without penalty for such reasonable time as may be required by ETC to complete the Fiber Project.

4.7 (a) Subject to reasonable extension for delays permitted in this Agreement, ETC shall use commercially reasonable efforts to complete all construction and testing obligations by the Scheduled Delivery Date. Upon written approval of MLGW, which approval shall not be unreasonably withheld, ETC may move up or extend the Scheduled Delivery Date.

(b) If the Scheduled Delivery Date has been extended as a result of some delay as provided herein, for ninety (90) consecutive days, and at the end of such period, there is in the judgment of MLGW and/or ETC no reasonably apparent probability of the cessation, termination or resolution of the event or occurrence causing the delay within thirty (30) days after the end of the delay period, then MLGW and/or ETC shall have the right to terminate this Agreement with respect to the affected portion of the Fiber Project. In the event that MLGW elects to terminate this Agreement or the action or inaction of MLGW results in the termination of this Agreement pursuant to this section 4.7(b), ETC and MLGW shall share equally all costs expended to date by either party on the Fiber Project or the affected portion of the Fiber Project, as the case may be. In the event that ETC elects to terminate this Agreement or the action or inaction of ETC results in the termination of the Agreement pursuant to this section 4.7(b), ETC shall remain responsible for all costs expended to date on the Fiber Project or the affected portion of the Fiber Project, as the case may be.

4.8 In order to facilitate the timely completion of the Fiber Project, MLGW will timely provide to ETC or its representative contractor Plan and Profile Drawings of all Rights-of-Way, Load Tree Drawings and Specifications of the MLGW structures along the Route and all other structural or other data required to calculate design tensions and conduct vibration and/or structural analyses required as part of the Fiber Project. Any structure modifications, such as "V", Knee and/or Cross Braces, Anchors and Guys, member additions and/or structure changeouts requested by ETC or its contractor and designated as necessary to the Fiber Project, shall be undertaken by MLGW and/or ETC and shall be included as part of ETC's Construction Costs. Further, all engineering, installation and installation materials within MLGW substations and terminals shall be provided by MLGW at its cost. Any stress analysis shall be done by ETC or its contractor using the "Tower" analysis program by Powerline Systems, Inc. Electronic data files shall be provided to MLGW at no cost.

4.9 In order to facilitate the timely completion of the Fiber Project, MLGW will use reasonable efforts to coordinate with ETC and ETC's contractor on a weekly basis to obtain electrical outage windows necessary and appropriate for the timely completion of the Fiber Project. Should MLGW fail to provide electrical outage windows in a reasonable and timely manner, and thereby cause ETC or its contractor or subcontractors downtime, whether due to timing or adequacy, charges will be assessed equally to ETC and MLGW in accordance with the downtime charge determined and assessed by contractor. Any construction delays caused or resulting from incomplete or inadequate plans provided to ETC or ETC's contractor by MLGW, or which are directly attributable to existing MLGW plant and facilities, will be the sole responsibility of ETC's contractor.

ARTICLE V.
RIGHT-OF-WAY EASEMENT AND LAND ACQUISITION

5.1 Notwithstanding any provision in this Agreement to the contrary, MLGW does not make any warranties or representations with respect to the sufficiency of its Rights-of-way or other property rights to allow ETC's contemplated uses under this Agreement. In the event a dispute arises with respect to the ability of ETC to use the Rights-of-way or other property of MLGW, MLGW shall perform, at its sole cost and expense, in accordance with standard practices, all necessary right-of-way, easement and land acquisition activities necessary to install, construct, test, deliver and use the Fiber Cable in accordance with the provisions hereof, free from interference by, or infringement of the rights of third parties. MLGW shall obtain and provide to ETC all permits, licenses, grants, leases or other authorizations or clearances relating to said right-of-way, easement and/or acquisition activities, including but not limited to those for ingress and egress along rights-of-way, easements, and railroad, state and interstate roadway crossings. ETC shall have the right but not the obligation, to inspect all right-of-way, easement, land acquisition and other documents pertinent to the Fiber Project and/or Fiber Cable. Nothing in this Agreement shall operate to relieve ETC of the obligation to obtain all necessary franchises and other state and local regulatory approvals to use the Fiber Cable in accordance with the provisions hereof.

5.2 Subject to the limitations of liability for MLGW set forth in Section 15.3, damage to property caused by the negligence of MLGW, ETC or ETC's Contractor shall be assessed to each according to its fault. The parties acknowledge and understand that work on interstate roadway crossing is typically allowed for a limited number of hours on a Sunday by the State of Tennessee. The parties acknowledge and understand that obtaining permits for railroad crossings can involve lengthy time delays.

ARTICLE VI.
ADDITIONAL MLGW FIBERS

6.1 MLGW has requested that ETC include as part of the Fiber Project certain additional fibers, and to install as part of the Fiber Project additional Fiber Cable, all as specifically identified and described in Exhibit D hereto. Notwithstanding anything to the contrary herein, MLGW shall pay to ETC over and above any other consideration set forth as part of this Agreement, all incremental costs associated with the design, engineering, installation, construction, splicing, testing and delivery of said additional MLGW fibers and/or additional MLGW Fiber Cable. Said incremental costs shall include the additional costs of labor and materials.

ARTICLE VII.
ACCEPTANCE AND TESTING OF FIBER CABLE

7.1 ETC, or its contractor, shall test all fibers in the Fiber Cable, including any additional MLGW Fibers, in accordance with the procedures specified in Exhibit E ("Fiber Acceptance Testing") to verify that the Fiber Cable is installed and operating in accordance with the specifications described in Exhibit E. Fiber Acceptance Testing shall progress span by span along the Route as Cable splicing progresses, so that test results may be reviewed in a timely manner. ETC shall provide reasonable advance notice of the date and time of each Fiber Acceptance Testing such that MLGW shall have the right, but not the obligation, to have a person or persons present to observe the Fiber Acceptance Testing. ETC shall promptly provide MLGW with a copy of the test results.

7.2 In the event the results of the Fiber Acceptance Testing show any fibers not to be operating within the parameters of the applicable specifications, ETC will expeditiously take such action as shall be reasonably necessary to bring the operating standards of the subject fibers to acceptable condition.

7.3 If and when ETC notifies MLGW that the test results of the Fiber Acceptance Testing are within the parameters of the specifications in Exhibit E, MLGW shall provide ETC with a written notice accepting the Fiber Cable. If MLGW fails to notify ETC of its acceptance of the final test results with respect to the Fiber Cable within ten (10) days after MLGW's receipt of notice of such test results, MLGW shall be deemed to have accepted the Fiber Cable. The date of such notice of acceptance (or deemed acceptance) of the Fiber Cable shall be the "Acceptance Date". Ownership of the Fiber Cable shall thereafter vest and reside with MLGW.

ARTICLE VIII.
DOCUMENTATION

8.1 Not later than ninety (90) days after the Acceptance Date, ETC shall provide MLGW with the following documentation:

(a) As-built drawings in accordance with standard telecommunications practices ("As Builts").

(b) Technical specifications of the Cable and associated splices and other equipment placed in the Fiber Cable.

(c) Stress analyses as described in Section 4.8

ARTICLE IX.
TERM

9.1 Except as otherwise provided herein, this Agreement shall become effective as of the Effective Date and shall continue in effect through the Expiration Date (the "Initial Term") (the Initial Term and Renewal Term, as hereafter defined, may be collectively referred to as the "Term").

9.2 Unless extended pursuant to Section 9.3 below, the "Expiration Date" of this Agreement shall be the earlier of: (a) the date which is five (5) years after the Acceptance Date; (b) the date this Agreement is terminated pursuant to the terms hereof or by mutual agreement of the parties; or (c) the date the Fiber Cable is abandoned by ETC in accordance with Section 9.4.

9.3 Subject to the provisions of clause (b) of Section 9.2, ETC and its successors and permitted assigns shall have the absolute right and option to renew the Term of this Agreement from the date upon which it would otherwise expire for four (4) additional and consecutive five (5) year periods (the "Renewal Terms"). Unless ETC is in default under this Agreement at the expiration of the Term, ETC's option to renew the Agreement shall be deemed to have been exercised by ETC automatically and without the need for written notice to MLGW prior to the expiration of the Initial Term or any Renewal Term, as the case may be. In the event ETC has been placed in default at the expiration of the term, ETC may exercise its option to renew the Agreement by providing written notice of its intention to renew to MLGW, pending resolution of the default, but subject always to MLGW's right to terminate in accordance with Articles XXI and XXII.

9.4 In the event that ETC determines in its sole discretion that its respective portion of the Fiber Cable has reached the end of its economically useful life within the Term of this Agreement and desires to not retain its Indefeasible Right of Use, ETC shall have the right to abandon the Indefeasible Right of Use by assigning its rights and interest in and to the Indefeasible Right of Use to MLGW. Upon ETC's notice of abandonment, the Term shall expire and all rights to the Indefeasible Right of Use shall revert to MLGW, after which ETC shall have no further rights or obligations with respect to the Indefeasible Right of Use.

ARTICLE X.
FIBER CONNECTION

10.1 Subject to the provisions herein, ETC shall be responsible for all costs to construct and pull the Fiber Cable to the end points and intermediate point locations designated in Exhibit A, at which points and intermediate points MLGW and ETC may access the Fiber Cable.

10.2 ETC may thereafter, at its sole option, connect its telecommunications system with its respective fibers at its sole cost, at any point along the Route. In order to schedule a connection of this type, ETC shall notify MLGW not less than fifteen (15) days in advance of the date ETC desires the connection to be performed. MLGW shall use commercially reasonable efforts to meet ETC's desired date subject to MLGW's operational requirements. Neither party shall have any limitations on the types of electronics or technologies employed to utilize its fibers, subject to mutually agreeable safety procedures and so long as such electronics or technologies do not interfere with or limit the use of or present a risk of damage to any portion of the Fiber Cable.

ARTICLE XI.
OPERATIONS

11.1 Each party shall have full and complete control and responsibility for determining any network and service configuration or designs, routing configurations, regrooming, rearrangement or consolidation of channels or circuits and all related functions with regard to the use of that party's fiber, so long as such does not interfere with or limit the use of or present a risk of damage to any portion of the Fiber Cable.

11.2 Except as provided in Section 14.2 below, neither party hereto is supplying or is obligated to supply to the other party any optronics or electronics or optical or electrical equipment or other facilities, including without limitation, generators, batteries, and monitoring and testing equipment, nor is either party responsible for performing any work other than as specified in this Agreement.

ARTICLE XII.
MAINTENANCE AND REPAIR OF THE FIBER CABLE

12.1 Upon execution of this Agreement, MLGW and ETC shall enter into and execute the Maintenance Agreement in the form of Exhibit F hereto, providing for the maintenance of the Fiber Cable as set forth therein.

12.2 Except as provided in Section 10.2, maintenance of, and ETC's access to the Fiber Cable shall be on the terms and subject to the conditions set forth in the Maintenance Agreement to be entered into by the parties pursuant to Section 12.1; provided that if the Maintenance Agreement expires or terminates prior to the end of the Term, those provisions of the Maintenance Agreement relating to access by ETC to the Fiber Cable, for purposes of maintenance, shall survive the termination or expiration thereof and continue to apply for the remaining Term of this Agreement.

12.3 MLGW reserves to itself, its successors and assigns, the right to maintain its manholes and underground conduit and to operate its facilities thereon in such manner as will best enable it to fulfill its own service requirements. MLGW shall exercise reasonable precaution to prevent damage to, or interference with the operation of the ETC Fibers, but MLGW shall not be liable for any such damage or interference which may arise out of the use of MLGW's manholes or conduit thereunder. ETC shall exercise special precautions to avoid damage to facilities of MLGW or of other authorized users of said underground conduit.

ARTICLE XIII. PERMITS; PHYSICAL PLANT, REQUIRED RIGHTS AND RELOCATION

13.1 MLGW shall at its sole cost and expense obtain all rights, licenses, permits, authorizations, rights-of-ways and other agreements necessary for the construction, installation and continued use of conduit, Fiber Cable or other physical plant facilities, as well as any other such rights licenses, authorizations, (including any necessary local, state, tribal or federal authorizations such as environmental permits), rights-of-ways and other agreements necessary for the continued use and operation of the Fiber Cable and completion of the Fiber Project (all of which are referred to as the "Required Rights") which Required Rights shall include the use of the ETC Fibers by ETC. In the event continuing payments, or any payments subsequent to the Acceptance Date, are necessary to maintain any of the Required Rights, MLGW shall maintain said Required Rights at its sole cost and expense through the termination of this Agreement.

13.2 If, for any reason, MLGW determines in its reasonable business judgment, or is required by a third party with legal authority to so require, to relocate any portion of the Fiber Cable, MLGW shall proceed with such relocation, including but not limited to the right to negotiate with third parties with respect to such relocation on behalf of itself and ETC, determine the extent of, the timing of, and methods to be used for such relocation; provided that any such relocation shall be constructed and tested in accordance with the specifications and drawings set forth in Exhibits B, C and E, and shall not result in an adverse change to the operations, performance, connection points with the network of ETC, or end points of the Fiber Cable. MLGW shall give ETC twelve (12) months prior notice of any such relocation, if possible. MLGW shall relocate only the affected portion of the Fiber Cable and, so long as such relocation is not necessitated by a breach of MLGW's obligations under this Agreement, including, without limitation, under Section 13.1, and except as expressly provided in this Section 13.2, ETC shall reimburse MLGW for its proportionate share of all costs of cable and fiber acquisition, splicing and testing and other costs associated with said relocation, prorated based on the number of fibers each party operates in the affected portion of the Fiber Cable. MLGW shall deliver to ETC updated As-Builts with respect to any relocated portion of the Fiber Cable not later than sixty (60) days following the completion of such relocation.

13.3 In the event title to the Fiber Cable or Required Rights is contested, or if any third party or government authority contests the property rights or the rights of the parties to use the Fiber Cable for any reason, MLGW shall proceed to take all necessary steps to perfect title including, but not limited to, contesting the claims of any such third party or government authority.

ARTICLE XIV.
USE OF FIBER CABLE

14.1 The parties warrant that their use of the Fiber Cable shall comply with all applicable governments codes, ordinances, laws, rules, regulations and/or restrictions.

14.2 The ETC IRU shall include, without limitation, the right to install additional equipment, or replace existing equipment at any regenerator station or junction along the Route. At ETC's request, MLGW shall provide ETC with sufficient space and access to afford placement of the equipment, if sufficient space is available.

14.3 In addition to the other rights provided hereunder, but subject to the provisions of Article X, ETC shall have the right to install additional equipment, or replace existing equipment, at any point where ETC is permitted to access its fibers under the provisions of this Agreement.

14.4 The parties may use their respective fibers for any lawful purpose. Each party agrees and acknowledges that it has no right to use the other party's fiber, and that it shall keep such other party's fibers free from any liens, rights or claims of any third party attributable to such party that adversely affects or impairs the other party's exclusive use of its fibers hereunder.

14.5 ETC and MLGW shall promptly notify each other of any matters pertaining to any damage or impending damage to or loss of the Fiber Cable that are known to such party.

14.6 Each party shall take all reasonable precautions against, and shall assume liability, subject to the terms herein (including, without limitation, Section 15.3), for any damage negligently or intentionally caused by such party to the other's fibers within the Cable.

14.7 ETC and MLGW each agree to cooperate with and support the other in complying with any requirements applicable to their respective rights and obligations hereunder by any governmental or regulatory agency or authority.

14.8 Except as otherwise explicitly set forth in this Agreement or in the Maintenance Agreement between the parties, neither party shall charge the other party any maintenance, pole attachment, right-of-way, or other charges for the Fiber Cable installed along the route as defined in Section 1.1

ARTICLE XV.
<u>HOLD HARMLESS</u>

15.1 Subject to the provisions of Article XVI, MLGW hereby releases and agrees to defend, protect and hold harmless ETC and ETC's affiliates other than MLGW, and the employees, officers, directors, agents, and shareholders of ETC and such affiliates, from and against, liability for:

(a) Any injury, loss or damage to any person, tangible property or facilities of any person or entity (including reasonable attorneys' fees and costs) to the extent arising out of or resulting from the negligent acts or omissions of MLGW, its officers, employees, servants, agents or representatives in connection with its performance under this Agreement, or its use of the Fiber Cable

(b) Any claims, liabilities or damages arising out of any violation by MLGW of regulations, rules, statutes or court orders of any local, state or federal governmental agency, court or body in connection with its performance or failure to perform under this Agreement, or its use of the Fiber Cable.

15.2 Subject to the provisions of Article XVI, ETC hereby releases and agrees to defend, protect and hold harmless MLGW and MLGW's affiliates other than ETC, and the employees, officers, directors, agents, shareholders of MLGW and such affiliates, from and against, and assumes liability for:

(a) Any injury, loss or damage to any person, tangible property or facilities of any person or entity (including reasonable attorneys' fees and costs) to the extent arising out of or resulting from the negligent acts or omissions of ETC, its officers, employees, servants, agents or representatives in connection with its performance under this Agreement, or its use of the Fiber Cable.

(b) Any claims, liabilities or damages arising out of any violation by ETC of regulations, rules, statutes or court orders of any local, state or federal governmental agency, court or body in connection with its performance or failure to perform under this Agreement, or its use of the Fiber Cable.

15.3 The hold harmless and indemnity obligations of MLGW under this agreement, including without limitation those set forth in Sections 15.1, are expressly limited to the coverages, amounts, procedural requirements and other limitations of the Tennessee Governmental Tort Liability Act, T.C.A. § 29-20-101 et seq., or any other local, state, or federal law or regulation limiting the liability of MLGW or its Directors, officers, employees, or agents, and these hold harmless and indemnity obligations are expressly subject to the provisions of such laws, as such now exist or hereafter may be amended, revised or interpreted from time to time.

ARTICLE XVI. LIMITATION OF LIABILITY

16.1 Notwithstanding any provision of this Agreement to the contrary, in no event shall either party be liable to the other party for any special, incidental, indirect, punitive or consequential damages, whether foreseeable or not, arising out of, or in connection with, transmission interruptions or problems, or any interruption or degradation of service, including, but not limited to, damage or loss of property or equipment, loss of profits or revenue, cost of capital, cost of replacement services, or claims of customers, whether occasioned by any construction, reconstruction, relocation, repair or maintenance performed by, or failed to be performed by, the other party or any other cause whatsoever, including, without limitation, breach of contract, breach of warranty, negligence, or strict liability, all claims for which damages are hereby specifically waived.

ARTICLE XVII. INSURANCE

17.1 Without limiting any obligations or liabilities under this Agreement, ETC may, at its option and at its own expense, secure and maintain in force, throughout the term of this agreement, insurance coverage on an occurrence basis and from companies reasonably acceptable to ETC in form and amounts which ETC reasonably believes will adequately protect it. ETC and/or its contractor anticipates obtaining insurance in amounts no less than the following:

(a) Commercial general liability insurance including contractual liability coverage covering liability assumed under this Agreement, products/completed operations coverage, broad form property liability coverage and personal injury coverage in the amount of Two Million and No/100 Dollars ($2,000,000.00) per occurrence for bodily injury, personal injury and property damage.

(b) Commercial automobile liability insurance including all owned, hired, leased, assigned and non-owned vehicles, with a combined single limit of Two Million and No/100 Dollars ($2,000,000.00) per occurrence.

(c) "All risk" property insurance in an amount equal to the replacement cost of the property of such party.

17.2 The general and automobile liability policies referenced by this Article XVII shall be endorsed to show ETC and its affiliated and associated companies as additional insureds. Each party hereby waives all rights of recourse, including any right to which another may be subrogated, against the other party and its affiliated and associated companies for bodily injury (including death), personal injury and property damage and each party shall obtain the permission of all insurers providing the coverages under this Article XVII to allow such party to waive such rights.

17.3 MLGW is self-insured under the Tennessee Workers Compensation Law, T.C.A. § 50-6-101 et seq. Without limiting any obligations or liabilities under the Agreement, it is agreed that MLGW shall at all times provide workers compensation benefits and coverage pursuant to said law. Further, MLGW is a self-insured governmental entity within the meaning of the Tennessee Governmental Tort Liability Act, T.C.A. § 29-20-101 et seq., and as such is subject to the limits of liability prescribed by the Act. MLGW shall provide self-insured coverage and respond in damages to any claims within the amounts prescribed therein, if legally liable.

17.4 Unless agreed otherwise in writing by the other party, any subcontractor providing services under this Agreement shall be required to carry coverages in a form agreeable to ETC and MLGW, and certificates of insurance evidencing such coverage shall be presented to the Parties to the Agreement prior to commencement of services by the subcontractor.

ARTICLE XVIII.
TAXES, FEES AND OTHER GOVERNMENTAL IMPOSITIONS

18.1 The parties acknowledge and agree that it is their mutual objective and intent to minimize, to the extent feasible, the taxes, fees and other governmental Impositions payable with respect to the Fiber Cable. The parties further agree that they will cooperate with each other and coordinate their mutual efforts to achieve such objectives in accordance with the provisions of this Article, and to facilitate the preparation of any returns or reports relating to Impositions.

18.2 It is understood and agreed by the parties that MLGW shall maintain legal title to the Fiber Cable subject to the ETC IRU. Thus, following the Acceptance Date, MLGW shall be responsible for and shall timely pay any and all Impositions with respect to the Fiber Cable. MLGW shall have the right at its own cost and expense to challenge any such Impositions so long as such challenge does not adversely affect the title, rights or property to be delivered pursuant hereto.

18.3 ETC shall be separately responsible for and shall pay any and all Impositions (i) expressly or implicitly imposed upon, based upon, or otherwise measured by the gross receipts, gross income, net receipts or net income received by or accrued to ETC due to its use of the Fiber Cable or the ETC Fibers. ETC shall have the right at its own cost and expense to challenge any such Impositions, so long as such challenge does not adversely affect the title, rights or property to be delivered pursuant hereto.

ARTICLE XIX.
NOTICE

19.1 Unless otherwise provided herein, all notices and communications concerning this Agreement shall be addressed to the other party as follows:

If to MLGW:

Memphis Light, Gas and Water Division
220 South Main Street
Memphis, TN 38103
Attention: Contracts Management
Telephone: (901) 528-4020
Facsimile: (901) 528-

and, if claiming an event of default, with a copy to:

____
____
____
Attention:______________
Telephone: (__) ________
Facsimile: (__) ________

If to ETC:

Entergy Technology Company
639 Loyola Avenue
L-MOB-7B
New Orleans, LA 70113
Attention: General Manager
Telephone: (504) 576-2807
Facsimile: (504) 576-6633

and to:

Entergy Technology Company
639 Loyola Avenue
New Orleans, LA 70113
Attention: Leo Denault
Vice President-Corporate Development
Telephone: (504) 576-4549

and if claiming an event of default, with copy to:

Entergy Technology Company
639 Loyola Avenue
New Orleans, LA 70113
Attention: Lynda Friedman
Telephone: (504) 576-4548

Or at such other address as may be designated in writing to the other party.

19.2 Unless otherwise provided herein, notices shall be hand delivered, sent by registered or certified U.S. Mail, postage prepaid, or by commercial overnight delivery service, or transmitted by facsimile, and shall be deemed served or delivered to the addressee or its office when received at the address for notice specified above when hand delivered, upon confirmation of sending when sent by facsimile, on the day after being sent when sent by overnight delivery service, or three (3) days after deposit in the mail when sent by U.S. mail.

ARTICLE XX.
CONFIDENTIALITY

20.1 The parties agree that they will not use or disclose any Confidential Information that they receive except as is reasonably necessary for the purposes of this Agreement or as required to be disclosed under the Tennessee Public Records Act. Each party agrees that in the event of a breach the other party may seek injunctive relief in addition to its other remedies. In the event of a request made of MLGW to disclose Confidential Information, MLGW shall first notify ETC who shall have the right to seek a protective order limiting such disclosure in a court of competent jurisdiction within 14 days from such request. If no application for relief is made within that time, MLGW shall have the right to disclose such Confidential Information as it deems appropriate.

20.2 Confidential Information shall be identified as such in writing by the disclosing party. Confidential Information shall not include information which (i) becomes publicly available other than through the recipient; (ii) is required to be disclosed by a governmental or judicial order, rule or regulation; (iii) is independently developed by the disclosing party; or (iv) becomes available to the disclosing party without restriction from a third party.

ARTICLE XXI.
DEFAULT

21.1 ETC shall be in default under this Agreement if it fails to use commercially reasonable efforts to complete the Fiber Project in accordance with the terms of the Agreement. With respect to all other obligations, ETC shall be in default under this Agreement thirty (30) days after MLGW shall have given ETC written notice of such default unless ETC shall have cured such default or such default is otherwise waived within such thirty (30) day period. Any event of default by ETC may be waived in writing at MLGW's option. Upon the failure by ETC to cure such default within thirty (30) days after notice thereof from MLGW (provided, however, that where such default cannot be reasonably cured within such thirty (30) day period, if ETC shall proceed promptly to cure the same and prosecute such curing with due diligence, the time for curing such default shall be extended for such period of time as may be necessary to complete such curing), MLGW may (i) take such action as it determines, in its sole discretion, to be necessary to correct the default; (ii) pursue any legal remedies it may have under applicable law or principles of equity relating such breach; and (iii) terminate this Agreement and the IRU upon thirty (30) days' written notice to ETC.

21.2 MLGW shall be in default under this Agreement if it fails to reasonably and timely provide unrestricted access to its transmission network, rights-of-way, easements and other property and facilities required by ETC to complete the Fiber Project or to otherwise comply with its (ETC's) rights and obligations under this Agreement. With respect to all other obligations, MLGW shall be in default under this Agreement thirty (30) days after ETC shall have given MLGW written notice of such default unless MLGW shall have cured such default or such default is otherwise waived within such thirty (30) day period. Any event of default by MLGW may be waived under the terms of the Agreement at ETC's option. Upon the failure by MLGW to timely cure such default after notice thereof from ETC, ETC may (i) take such action as it determines, in its sole discretion, to be necessary to correct the default, and (ii) pursue any legal remedies it may have under applicable law or principles of equity relating such breach.

ARTICLE XXII.
TERMINATION

22.1 This Agreement may be terminated by the mutual written consent of the Parties. Upon termination of this Agreement by mutual consent of the parties, the ETC IRU shall immediately terminate and all rights of ETC to use the Fiber Cable, or any part thereof and all obligations of ETC, shall cease and MLGW shall owe ETC no additional duties or consideration with respect to the Fiber Cable.

22.2 At any time subsequent to the Acceptance Date, ETC shall have the option, in its sole discretion, to abandon the ETC IRU. In the event ETC desires to abandon, or does abandon, the ETC IRU, all rights to the ETC Fibers and to the use thereof shall revert to MLGW upon abandonment and the Agreement shall terminate.

22.3 Notwithstanding the foregoing, no termination or expiration of the Agreement shall affect the rights or obligations of any party hereto (i) with respect to any then existing defaults or (ii) pursuant to Article XV (Indemnification), Article XVI (Limitations of Liability), Article XVIII (Impositions) or Article XX (Confidentiality) herein, which shall survive the expiration or termination hereof.

22.4 Upon termination of this Agreement, whether by agreement of the parties, by abandonment of ETC, by MLGW for an uncured default in accordance with Section 21.1, or by expiration of the Term, all rights of ETC in the Indefeasible Right of Use shall revert to MLGW, after which ETC shall have no further rights or obligations with respect to the Indefeasible Right of Use, except as provided in Section 22.3.

ARTICLE XXIII.
FORCE MAJEURE

23.1 Neither party shall be in default under this Agreement to the extent that any delay in such party's performance is caused by any of the following conditions, and such party's performance shall be excused and extended during the period of such delay: Act of God; fire; flood; fiber, cable or other material shortages or unavailability or other delay in delivery not resulting from the responsible party's failure to timely place orders therefor; lack of or delay in transportation; government codes, ordinances, laws, rules, regulations or restrictions (collectively, "Regulations"); law or civil disorder; failure of a third party to grant a required permit, easement or other required authorization for use of the intended right-of-way (provided that such required authorization was sought and pursued on a timely and commercially reasonable basis), or any other cause beyond the commercially reasonable control of such party, provided that the party claiming relief under this article shall promptly notify the other in writing of the existence of the event relied on and the cessation or termination of said event. The party claiming the relief under this article shall exercise reasonable efforts to minimize the time for any such delay.

ARTICLE XXIV.
MEDIATION/ARBITRATION

24.1 Any dispute or disagreement arising between MLGW and ETC in connection with this Agreement which is not settled to the mutual satisfaction of MLGW and ETC within thirty (30) days from the date that either party informs the other in writing that such dispute or disagreement exists, shall be submitted to mediation or non-binding arbitration in Memphis, Tennessee, in accordance with the commercial Arbitration Rules of the American Arbitration Association in effect on the date that such notice is given. In the event the parties select non-binding arbitration, and the parties are unable to agree on a single arbitrator within fifteen (15) days of the notice of Arbitration, each party shall select an arbitrator and the two arbitrators shall mutually select a third arbitrator, the three of whom shall serve as an arbitration panel. The decision of the arbitrator(s) shall include written findings of law and fact, and a recommended judgment. Each party shall bear the cost of preparing and presenting its own case. The cost of the arbitration, including the fees and expenses of the arbitrator(s), shall be shared equally by the parties hereto.

24.2 The obligation herein to mediate or arbitrate shall not be binding upon any party with respect to requests for preliminary injunctions, temporary restraining orders or other similar temporary procedures in a court of competent jurisdiction to obtain interim relief when deemed necessary by such court to preserve the status quo or prevent irreparable injury ending resolution by arbitration of the actual dispute. It is not the intention of the parties that such injunctive procedures shall be in lieu of, or cause substantial delay to, any mediation or arbitration proceeding commenced under Section 24.1 above.

ARTICLE XXV.
WAIVER

25.1 The failure of either party hereto to enforce any of the provisions of this Agreement, or the waiver thereof in any instance, shall not be construed as a general waiver or relinquishment on its part of any such provision, but the same shall nevertheless be and remain in full force and effect. To be effective, any waiver must be in writing and signed by the party making the waiver.

ARTICLE XXVI.
GOVERNING LAW

26.1 This Agreement shall be governed by and construed in accordance with the domestic laws of the State of Tennessee, without reference to its choice of law principles.

ARTICLE XXVII.
RULES OF CONSTRUCTION

27.1 The captions or headings in the Agreement are strictly for convenience and shall not be considered in interpreting this Agreement or as amplifying or limiting any of its content. Words in this Agreement which import the singular connotation shall be interpreted as plural, and words which import the plural connotation shall be interpreted as singular, as the identity of the parties or objects referred to may require.

27.2 Unless expressly defined herein, words having well known technical or trade meanings shall be so construed. All listing of items shall not be taken to be exclusive, but shall include other items, whether similar or dissimilar to those listed, as the context reasonably requires.

27.3 Except as set forth to the contrary herein, any right or remedy of ETC or MLGW shall be cumulative and without prejudice to any other right or remedy, whether contained herein or not.

27.4 Nothing in this Agreement provides nor is intended to provide any legal rights or benefits to anyone not an executing party of this Agreement.

27.5 This Agreement has been fully negotiated between and jointly drafted by the parties.

27.6 In the event of a conflict between the provisions of this Agreement and those of any Exhibit, the provisions of this Agreement shall prevail and such Exhibits shall be corrected accordingly.

27.7 All actions, activities, consents, approvals and other undertakings of the parties in this Agreement shall be performed in a reasonable and timely manner, it being expressly acknowledged and understood that time is of the essence in the performance of obligations. Except as specifically set forth herein, for the purpose of this Article the normal standards of performance within the electric utility industry in the relevant market shall be the measure of whether a party's performance is reasonable and timely.

ARTICLE XXVIII.
ASSIGNMENT

28.1 Except as provided below, MLGW shall not assign, encumber or otherwise transfer this Agreement or its rights or obligations hereunder to any other party without the prior written consent of ETC, which consent will not be unreasonably withheld or delayed. MLGW shall have the right, without ETC's consent, to assign or otherwise transfer this Agreement (i) as collateral to any institutional lender to MLGW subject to the prior rights and obligations of the parties hereunder, (ii) to any parent, subsidiary or affiliate of MLGW, (iii) to any person, firm or corporation which shall control, be under the control of or be under common control with MLGW or (iv) any corporation or other entity into which MLGW may be merged or consolidated or which purchases all or substantially all of the assets of MLGW; provided that the assignee or transferee in any such circumstance shall continue to be subject to all of the provisions of this Agreement, including without limitation, this Section 28.1 (except that any lender referred to in clause (i) above shall not incur any obligations under this Agreement nor shall it be restricted from exercising any right of enforcement of foreclosure with respect to any related security interest or lien, so long as the purchaser in foreclosure is subject to the provision of this Agreement, including, without limitation, this Section 28.1). Promptly following any such assignment or transfer MLGW shall give ETC written notice identifying the assignee or transferee. Any such assignment or transfer shall be conditioned upon the corresponding assignment or transfer of MLGW's right and obligations under the Maintenance Agreement. In the event of any permitted partial assignment of any rights hereunder, MLGW shall remain the sole point of contact with ETC.

28.2 ETC shall not assign, encumber or otherwise transfer this Agreement or its rights or obligations hereunder to any other party without the prior written consent of MLGW, which consent will not be unreasonably withheld or delayed. Any such assignment or transfer shall be further conditioned upon the corresponding assignment or transfer of ETC's rights and obligations under the Maintenance Agreement. In the event of any partial assignment of any rights hereunder, ETC shall remain the sole point of contact with MLGW.

28.3 This Agreement and each of the parties' respective rights and obligations under this Agreement, shall be binding upon and shall inure to the benefit of the parties hereto and each of their respective permitted successors and assigns.

ARTICLE XXIX.
REPRESENTATIONS AND WARRANTIES

29.1 Each party represents and warrants that:

(a) It has the full right and authority to enter into, execute, deliver and perform its obligations under this Agreement;

(b) It has taken all requisite corporate action to approve the execution, delivery and performance of this Agreement;

(c) This Agreement constitutes a legal, valid and binding obligation enforceable against such party in accordance with its terms, subject to bankruptcy, insolvency, creditors' rights and general equitable principles; and

(d) Its execution of and performance under this Agreement shall not violate any applicable existing regulations, rules, statutes, or court orders of any local, state or federal government agency, court or body.

29.2 ETC represents and warrants that the Fiber Cable shall be constructed in all material respects in accordance with the specifications set forth in Exhibit B hereto; provided that with respect to any failure to so construct, (i) MLGW shall have the right to inspect the construction, installation and splicing, and participate in the Fiber Acceptance Testing during the course and at the time of the relevant construction, installation and testing periods for the Fiber Cable, as provided in this Agreement, (ii) if, during the course of such construction, installation and testing of the Fiber

Cable any material deviation from the specifications set forth in Exhibit B is discovered, the construction or installation of the affected portion of the Fiber Cable shall be repaired to such specification by ETC, and (iii) if, at any time prior to the date that is thirty (30) days after the Acceptance Date, MLGW shall notify ETC in writing of its discovery of a material deviation from the specifications set forth in Exhibit B (which notice shall be given promptly following the date of such discovery, but in any event not later than the last day of such 30-day period) the construction or installation of the affected portion of the Fiber Cable shall be repaired to such specification by ETC. For purposes hereof, "material deviation" means a deviation which is reasonably likely to have material adverse affect on the operation of performance of Fiber Cable and/or Fibers affected thereby.

29.3 NEITHER PARTY MAKES ANY WARRANTIES OTHER THAN THOSE WHICH ARE EXPRESSLY SET FORTH HEREIN.

ARTICLE XXX.
ENTIRE AGREEMENT; AMENDMENT

30.1 This Agreement, together with the attached Exhibits, Maintenance Agreement and any Confidentiality Agreement entered into in connection herewith, constitutes the entire and final agreement and understanding between the parties with respect to the subject matter hereof and supersedes all prior agreements relating to the subject matter hereof, which are of no further force or effect. The Exhibits referred to herein are integral parts hereof and are hereby made a part of this Agreement. This Agreement may only be modified or supplemented by an instrument in writing executed by a duly authorized representative of each party.

ARTICLE XXXI.
NO PERSONAL LIABILITY

31.1 Each action or claim against any party arising under or relating to this Agreement shall be made only against such party as a corporation, and any liability relating thereto shall be enforceable only against the corporate assets of such party. No party shall seek to pierce the corporate veil or otherwise seek to impose any liability relating to, or arising from, this Agreement against any shareholder, employee, officer or director of the other party. Each of such person is an intended beneficiary of the mutual promises set forth in this Article and shall be entitled to enforce the obligations of this Article.

ARTICLE XXXII.
CONFLICTS OF INTEREST

32.1 Neither party shall use any funds received under this Agreement for illegal purposes. Neither party shall pay any commission, fees or rebates to any employee of the other party, or favor any employee of such other party with gifts or entertainment of significant cost or value intended to influence the actions of such employee in a manner inconsistent with that employee's duty of loyalty to its employer. If either party has reasonable cause to believe that one of the provisions in this Article has been violated, it, or its representative, may audit the relevant books and records of the other party for the sole purpose of establishing compliance with such provisions.

ARTICLE XXXIII.
RELATIONSHIP OF THE PARTIES

33.1 The relationship between ETC and MLGW shall not be that of partners, agents, or joint venturers for one another, and nothing contained in this Agreement shall be deemed to constitute a partnership or agency agreement between them for any purposes, including but not limited to federal and state income tax purposes. ETC and MLGW, in performing any of their obligations hereunder, shall be independent contractors or independent parties and shall discharge their contractual obligations at their own risk

ARTICLE XXXIV.
SEVERABILITY

34.1 If any term, covenant or condition contained herein shall, to any extent, be invalid or unenforceable in any respect under the laws governing this Agreement, the remainder of this Agreement shall not be affected thereby, and each term, covenant or condition of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

ARTICLE XXXV.
COUNTERPARTS

35.1 This Agreement may be executed in one or more counterparts, all of which taken together shall constitute one and the same instrument.

ARTICLE XXXVI.
THIRD PARTY WARRANTIES

36.1 In the event any maintenance or repairs to the Fiber Cable are required as a result of a breach of any warranty made by any manufactures, contractors or vendors, both parties shall pursue any remedies either may have against such manufactures, contractors or vendors, and shall reimburse the other party's costs for any maintenance or repair costs such other party has incurred as a result of any such breach of warranty to the extent the manufacturer, contractor or vendor has paid such costs to the reimbursing party.

ARTICLE XXXVII.
RESERVATION OF EXISTING RIGHTS

37.1 Nothing herein contained shall be construed as affecting the rights or privileges previously conferred by MLGW, by contract or otherwise, to others not parties to this Agreement, to use any conduit covered by this Agreement; and MLGW shall have the right to continue and extend such rights or privileges to subsequent licenses. The attachment privileges herein granted shall at all times be subject to such existing contracts and arrangements.

IN WITNESS WHEREOF, and confirmation of their consent and agreement to the terms and conditions contained in this Agreement and intending to be legally bound hereby, the parties have executed this Agreement as of the date set forth opposite the signature of each party's authorized representative below.

MEMPHIS LIGHT, GAS AND WATER DIVISION

Dated: ____________, 2000__

By:______________________
Herman Morris, Jr.
President

ATTEST:

By:______________________
John McCullough
Secretary

APPROVED:

By:______________________
J. Maxwell Williams
General Counsel
Memphis Light, Gas and Water Division

ENTERGY TECHNOLOGY COMPANY

Dated: ____________, 2000__

By:______________________
Earl Frederic
General Manager