



Tennessee Valley Authority, 400 West Summit Hill Drive, Knoxville, Tennessee 37902-1401

July 6, 2020

Mr. J.T. Young
President and Chief Executive Officer
Memphis Light, Gas & Water Division
245 South Main Street
Memphis, Tennessee 38103

Dear Mr. J.T. Young:

Subject: TVA Proposals Related to Continued Relationship With MLGW

Thank you for the opportunity to provide our input on your Draft Integrated Resource Plan (IRP) as provided in our letter dated June 22, 2020. We both agree your customers deserve a reliable source of energy that is reasonably priced, environmentally sensitive, and provides long-term pricing stability. We have expressed our specific concerns related to some of the assumptions and data within the IRP. As you know, an IRP is not a decision-making tool but rather identifies a range of options which must be tested against objectives and risks in selecting a path forward. In choosing a scenario to pursue, such as IRP Preferred Portfolio 9, a clear understanding and recognition of the risks and their costs is critically important. While the IRP identifies a potential future savings of \$122 million for this portfolio, we believe that it significantly underestimates the risks and likely costs. Based on our extensive experience constructing and operating power systems, and that of industry in general, we believe it is much more likely that MLGW rates will ultimately be higher if the non-TVA option is selected. It is important to recognize that leaving TVA, a known system with an eight-decade record of superior performance, to pursue savings that are neither guaranteed nor in our view likely, creates significant risk that the rate payers of MLGW would ultimately bear.

While recognizing the risk to Memphians of leaving TVA is critical, understanding the significant additional value that TVA is committed to provide to Memphis if we remain partners is perhaps even more important. The main purpose of this letter is to provide proposals describing this value if MLGW ultimately decides to maintain TVA as its power provider. We believe that by choosing TVA at this juncture the risk of significant rate increases is eliminated, the value of the proposals that follow is captured, and the lost opportunity created by an extended RFP process is avoided.

Before outlining our proposals, please allow me to share some personal learnings that I have come to understand since joining TVA a little over one year ago. As I spent time in the Memphis community, I asked for input from stakeholders in Memphis and Shelby County, including elected officials, business leaders, the faith-based community, the MLGW team, and others. All were gracious enough to share their observations on our collective history together

and on the current state of our relationship. While TVA continues to deliver tremendous value to Memphis, I also realize that we can and should do better in a number of key areas:

- We have not fully communicated TVA's value to Memphis and adequately engaged MLGW in maximizing that value.
- We need to increase TVA's presence in Memphis and leverage that increased presence to improve the lives of Memphians.
- Although the cost of electricity provided by TVA and MLGW is one of the lowest in the country, the energy burden in Memphis remains high. We must work collaboratively to lessen this burden.
- The economic development programs implemented by TVA have consistently brought jobs and investment to Memphis, but we must work together to target our efforts more effectively toward revitalization of core communities. By doing so we can improve economic opportunity and decrease energy burden.
- We must help to accelerate deployment of renewable resources, especially solar power.

None of us can change the past, but together we can address issues collaboratively as we face the future, and TVA is committed to do just that. Elements of our proposals are designed to help close some of these gaps. Understanding the value of TVA's proposals is important in drawing a valid comparison against the alternatives contained in the IRP. I will outline this value in three parts:

- Benefits currently being delivered through the existing MLGW/TVA 80-year relationship
- Commitments TVA is prepared to make so long as MLGW does not give notice to terminate its current contract¹
- Benefits that MLGW would receive if it entered into the Long-Term Partnership Proposal (LTPP) that over 90% of Local Power Companies (LPC) have already executed

Benefits Currently Delivered Through MLGW and TVA's 80-Year Relationship

- **The Power of Public Power:** TVA, MLGW and the other 152 LPCs we serve were not built for profit – we were built for people. Service is at our collective core. Our focus on energy at the lowest feasible rate, environmental stewardship, and economic development is still the right focus as we face the future. Independent studies have shown that this public power model is the most appropriate for our region given the challenges we face.
- **Financial Strength:** TVA is strong financially and continues to improve its long-term financial health. We have reduced our operating costs by over \$800 million, our fuel costs by over \$1 billion, and our debt to the lowest level in 30 years. In fact, TVA's debt relative to our assets is the lowest among our peers. This ensures that TVA can deliver on its commitments, effectively deal with emergent challenges, and provide rate stability even during the uncertain times in which we live.
- **Competitive and Stable Rates:** Together TVA and MLGW deliver the 6th lowest rates among the top 100 utilities, and the 3rd lowest rates among Memphis's peer cities. TVA's residential rates, which include base rates and fuel costs, have been flat for 7 years and our

¹ TVA considers MLGW an important and valued customer; however, TVA may reconsider the timing and/or structure of these additional opportunities if MLGW issues an RFP.

long-term financial plan projects flat rates for an additional decade. Our fuel costs have continued to decline and are presently at the lowest level in 14 years. Our industrial rates are lower than 90% of suppliers, helping to attract investment to the region. After reviewing our financial plan, the IRP concluded that TVA's rates are likely to decrease, not increase, confirming our own projections.

- **High Reliability:** TVA has delivered 100% reliability to Memphis for over 20 consecutive years. Our 16,000-mile transmission system is one of the most reliable in the nation. We are continuing to invest to ensure we can support economic growth in Memphis and Shelby County at this same historic level of reliability. Currently we have \$72 million of reliability projects underway targeted at that objective.
- **World Class Economic Development:** TVA – in partnership with MLGW, the local community, and others – has attracted or retained over 40,000 jobs and \$5.4 billion of investments in Memphis and Shelby County in just the last 8 years.
- **Strong Environmental Stewardship:** TVA produces over 54% of its energy from carbon free sources. In 2020, we will have reduced our greenhouse gas (GHG) emissions by 60% since 2005, and we have concrete plans for further significant reduction over the next decade. These reductions place us in the best 25% nationally. Our estimated carbon emissions are 40% less than MISO and lower than IRP Portfolio 9 across the entire 20-year horizon. We have the most renewable energy capacity in the Southeast, and we expect to extend this with up to 14 GW of solar generation additions through a structured, cost effective strategy. TVA's actions over the last decade were key to Memphis's exit from non-attainment status, a critical economic development issue.
- **Industry Leading Risk Management:** TVA has one of the nation's most diverse and balanced generation fleets, with one of the lowest delivered fuel costs. In addition to our diverse and low fuel cost generating portfolio, TVA is not tied to a single energy market. Rather, we operate a highly integrated transmission system with interconnections to the major markets and generating companies in the eastern United States. This allows us to purchase power at the lowest cost when needed. The scale of our operation ensures that equipment failures, natural disasters or man-made events will not jeopardize safety, reliability, or cost. Our experience and scale in the market allow us to build assets on time and at highly competitive prices. The strength of TVA as a provider and counterparty are key to attracting investment. Adverse events do and will occur. The level of risk mitigation delivered by TVA simply cannot be duplicated by MLGW and has significant value.
- **Committed Community Engagement:** TVA invests more than \$71 million annually in the Memphis community in economic development, energy burden reduction, community support and tax equivalent payments. This investment is being delivered now and will continue if we maintain our relationship.

While not all of these benefits can be characterized solely in terms of price, they are all relevant to any decision MLGW may make. They are not all available in the model MLGW is considering and will be lost with separation from TVA and our system. Supporting information regarding this performance and these benefits is included for reference in Attachment A.

Additional Value Opportunities Under the Current Contract²

- **Economic Development and Energy Burden Reduction:** MLGW has some of the lowest electric rates in the country. However, energy burden remains high due to distribution-level reliability issues, lower than average household incomes and inefficient infrastructure. These problems are common in urban areas and remain largely unsolved. A TVA, MLGW, and Memphis community partnership focused in this area has the potential to produce solutions and to set an example for others to follow. To initiate this relationship, TVA would commit to a number of initiatives:
 - TVA will continue to deliver expanded economic development opportunities. Increased efforts over the last year are already producing results such as the Amazon facility in Raleigh/Frayser and the AutoZone HQ expansion in downtown.
 - TVA will work to disposition the Allen Fossil Site to enable the Port Development Project. We will prioritize the needed environmental assessments and decommissioning scope to help make the new port a reality. Similar port projects have generated over \$5 billion in economic activity over a 10-year period.
 - TVA will commit to assisting MLGW and Memphis in addressing revitalization of core communities by contributing up to \$10 million per year for as many as 10 years. One way to amplify the benefits of these contributions would be to align with the four key goals of the City of Memphis and Shelby County's Opportunity Zones.
 - TVA will double its commitment to the successful Home Energy Uplift Program designed to significantly improve home energy efficient and livability for low income families.
 - TVA will sponsor a forum to identify challenges and opportunities related to energy burden reduction and will provide \$3 million in matching funds toward the identified actions. For example, TVA believes that a project in partnership with Shelby County Schools to perform energy efficiency audits and retrofit schools with LED lighting would reduce cost and improve the student environment.
- **TVA Presence in Memphis:** TVA will commit to establish Memphis as TVA's hub for core community revitalization and energy burden reduction resources. This could result in 100 full-time employees and an expansion of TVA's Memphis headquarters.
- **Renewable Energy Resource Deployment and Sustainability:** TVA will commit to implement a staged approach to meeting Memphis's renewable energy objectives using industry leading TVA programs. For example, we believe that programs such as Green Invest can be leveraged to allow TVA and MLGW to develop a significant amount of solar generation. TVA has an objective to support the electrification of transportation. We propose to collaborate with MLGW and Memphis to study and demonstrate the use of electric transit buses as a means to reduce GHG emissions and to improve local air quality.
- **Financial Support Opportunities:** TVA currently compensates MLGW for the use of its transmission system. TVA is willing to explore alternative financing arrangements for this compensation. For example, TVA could purchase the MLGW transmission system and integrate it into the TVA system. The net present value to TVA of the transmission credits is in the range of \$400 million. Sale of the system would allow MLGW to reduce related

² Some of these proposed additional actions would require TVA Board approval and/or completion of necessary environmental reviews. They would be available under the current contract so long as MLGW does not provide notice to terminate its power contract. TVA may reconsider the timing and/or structure of these additional opportunities if MLGW issues an RFP.

operating and maintenance expenses, avoid future capital investment, and could allow MLGW to reallocate capital into distribution system reliability improvements to reduce near-term rate-payer impacts. TVA would be willing to provide a \$100 million option payment (or alternative arrangement) while we jointly conduct due diligence. In the event the sale is not completed, the advance payment would be repaid to TVA over an agreed upon timeline. Additionally, TVA is willing to explore multiple pre-pay scenarios including gas and electricity, which may help to fund MLGW investments in reliability and Memphis budgetary needs. Prepays are subject to market and other conditions.

These commitments add significant value. Attachment B is a summary related to these items.

Benefits of Adopting the Long-Term Partnership Proposal

In recognition of the opportunity inherent in better aligning the interests of LPCs and TVA, and more effectively engaging LPCs in planning and decision making, we offered an optional LTPP with a 20-year rolling term in August 2019. Principal among the benefits of the LTPP are:

- **Immediate Annual Recurring \$22.5 million Rate Credit to MLGW:** MLGW will receive an immediate and ongoing 3.1% rate credit which can be applied against MLGW's specific priorities. Some LPCs have used the credit to reduce rates, to accelerate renewable energy deployment, or to advance technology that increases reliability. This credit represents \$22.5 million annually for MLGW and could be used to avoid some pending MLGW rate increases. This represents \$450 million over the initial 20-year term of the agreement.
- **Flexibility to Serve 3-5% of MLGW Energy:** MLGW would have the flexibility to deploy a range of technologies to meet changing customer demands. For example, MLGW could install up to 200 MW of solar generation on its system under this program. This installation could save MLGW rate payers up to \$15 million annually, or \$300 million over the initial 20-year term of the agreement and support local renewable solutions for customers. We believe that through the Flexibility Program incorporated in the LTPP and other programs such as Green Invest, TVA and MLGW could develop solar generation to serve 10% of MLGW energy demand by 2026. LPCs such as Nashville and Knoxville, institutions such as Vanderbilt University, and businesses like General Motors have already begun to utilize these programs to help meet their sustainability goals.
- **Enhanced Direct Involvement in TVA Planning and Decision Making:** Long-term partners have expanded engagement in TVA planning, capital allocation and decision-making processes. Because the LTPP aligns asset life, financial plans, and commitment durations, partners are better suited to engage in building the system of the future. The positive impacts of this engagement are already being felt.
- **Access to Future LTPP Enhancements:** 141 of 153 LPCs have executed the LTPP agreement, including Knoxville, Chattanooga, Huntsville, and Nashville. Many of these LPCs conducted extensive due diligence before making their decisions, as Memphis is doing now. As the level of LPC engagement has increased, we have found ways to improve the LTPP for our partners. If the terms of the LTPP are improved in the future, the LTPP contains a provision that enables all signatories to receive the full benefits of these improvements.

Attachment C is a summary term sheet related to the Long-Term Partner Proposal.

Conclusion

In conclusion, the City of Memphis, Shelby County and MLGW face a significant set of challenges today, and for the next decade. COVID-19 has impacted us all and is likely to continue to do so. The already existing challenge of improving the physical condition and reliability of MLGW's power delivery system will require focus, determination, and investment.

The IRP characterized a set of potential savings that may exist if MLGW can successfully execute a complex set of investments, develop the core competencies to operate under a completely new business model, and navigate the many and significant embedded risks. TVA believes that the Draft IRP structurally represents a credible assessment of alternatives – the only credible assessment produced to date. However, we also believe that the potential benefits are overstated and that the risks are understated.

Investment decisions in the power production and delivery business are capital intensive. A decision by MLGW to leave TVA will necessarily include large amounts of debt required to finance the investment of capital in the design and construction of its own generation and transmission assets. MLGW will be exposed to substantial ongoing operational and market risk. It will be required to build the capabilities and staff needed to run an integrated generation, transmission and distribution utility including all the necessary operational capabilities and regulatory interfaces. This would represent a commitment much longer than 20 years. In any case, capturing the hypothetical cost savings will require substantial effort, and if savings are ultimately achieved, it will likely be a decade or more before they are realized.

In contrast, the value already being delivered by TVA, the additional value we will deliver to Memphis if MLGW elects to remain with TVA, and the substantial value that will flow to MLGW if you elect to adopt the LTPP are available today and are delivered with certainty. We understand that MLGW may elect to proceed with an RFP process. Our experience is that executing a comprehensive RFP process is a 24 to 36-month effort. While this is a logical next step if you are convinced significant value could be possible, please recognize the substantial cumulative value of the lost opportunities that MLGW and the citizens of Memphis and Shelby County will miss during that time. We have included a summary of our proposals and a characterization of that lost opportunity in Attachment D.

TVA is prepared to act on these proposals now and to join MLGW, Memphis, and the people of Shelby County in translating these proposals into as much as \$2.0 billion of value that they represent.

TVA stands ready to engage in discussions regarding these proposals at your convenience.

Sincerely,



Jeffrey J. Lyash
President and Chief Executive Officer



Enclosures:

Attachment A: TVA Performance Metrics Supporting Information

Attachment B: MLGW Recommitment Proposal Summary

Attachment C: Long-Term Partnership Proposal Term Sheet

Attachment D: Proposals Benefits

Attachment E: TVA and Memphis History

cc:

The Honorable Jim Strickland, Mayor of Memphis

The Honorable Patrice Robinson, Chair, Memphis City Council

Ms. Carlee McCullough, Chair, Memphis Light, Gas and Water Board of Commissioners



Leadership, Innovation, Service

TVA Financial Performance

TVA's financial position is strong and secure – enabling us to deliver low-cost, clean, reliable public power today and for decades to come.

Facts:

- Since 2012, TVA has:
 - Reduced annual operating & maintenance budgets by \$800M.
 - Invested \$15B in improving our generating and transmission assets.
 - Lowered debt by more than \$5B, reducing debt to the lowest level in 30 years.
 - Lowered debt below the level of debt held by most other utilities in the Southeast U.S.
 - Held effective wholesale rates steady for six years.
 - Held rates below those paid by 70% of the US population.
 - Established a Strategic Financial Plan that helps ensure steady wholesale rates through 2030.
- TVA supplies energy to 153 local power companies at some of the lowest prices in the nation. The TVA Act requires TVA to sell energy at the lowest feasible cost.
- Over 90% of the 153 local power companies are in new 20-year partnerships with TVA and are enjoying immediate 3.1% credits on the rates they pay.
- TVA returns 5% of its annual power revenues to states as tax equivalent payments, totaling \$547.7M in FY19, and \$5.4B over the past 10 years.
- TVA supplies public power to customers and reinvests its revenues back into the region – unlike for-profit utilities that produce a return for their shareholders.
- TVA receives no taxpayer funding; it is entirely self-financing.

What Does This Mean for Memphis?

- Because of TVA's low rates, MLGW's residential rates are lower than those of Entergy-Arkansas – sometimes up to 23% lower during the hottest periods of the summer.
- TVA generates its own power and buys power on the open market only when it is cost effective to do so – only about 0.04% of the time in 2019 – meaning our rates remain steady, even during summer heat and winter cold.
- In 2019 alone, Memphis and Shelby County received more than \$18M in TVA tax equivalent payments.



Leadership, Innovation, Service

TVA Operational Performance

TVA has one of the most reliable power generation and transmission systems in the nation.

Facts:

- The TVA power system uses a combination of nuclear, gas, hydro, coal, solar and wind to provide reliable energy at the lowest feasible cost.
- For fiscal year 2019, almost 55% of TVA's power supply came from carbon-free sources. Nuclear energy accounted for 39% of that power supply.
- In just the past seven years, TVA has invested about \$15B to make our plants and transmission lines more efficient and cleaner.
- With improved efficiency, our fuel costs have dropped, and that savings is passed on to every single customer every month.
- TVA's fuel cost in April 2019, for example, was the lowest in the past 12 years.
- TVA delivers energy to customers over 16,000 miles of transmission line that we continually maintain and upgrade.
- This ensures that TVA energy comes on when you flip the switch – we've achieved 99.999% transmission reliability to customers for 20 consecutive years.
- TVA manages the power system to be reliable even under extreme conditions, including, for example, unseasonably warm weather in September 2019 that produced a record nine days of power demands above 28,000 megawatts.
- In recent years, TVA has added several gas units and has retired several coal units to increase the fleet's effectiveness, lower costs, and maintain reliability.

What Does This Mean for Memphis?

- Rates are made up of two parts: the base rate and the fuel cost. Memphis residents benefit from TVA's more efficient generation, which is creating record-low fuel costs.
- MLGW receives power from TVA from multiple connection points – that redundancy has helped TVA supply Memphis with 100% reliable power for 20 years straight.
- TVA continues to invest large sums of money – \$72 million – in the infrastructure in the Memphis area to ensure that we sustain the reliability Memphians can count on.



Leadership, Innovation, Service

TVA Environmental Performance

TVA is the “greenest” power producer in the southeast United States, with the highest percentage of clean generation among regional peers.

Facts:

- TVA is a leader in renewable energy – 54% of the energy TVA produces comes from carbon-free sources today – not tomorrow or “someday,” but now.
- TVA is a national leader in carbon reduction – we’ve reduced our carbon emissions by nearly 60% since 2005, and we are on target for even more.
- We currently have more than 8,000 megawatts of renewable generation available, including solar, wind and hydroelectric.
- We have increased our contracted solar capacity by 60% in eight months.
- TVA’s Green Invest program helps local power companies and businesses meet their sustainability goals by building new large-scale solar facilities.
- One local power company, Knoxville Utilities Board, is using the TVA Green Invest program to produce the equivalent of 8% of its annual electric load.
- Also, through Green Invest, the General Motors plant in Spring Hill, Tenn., is expected to be powered by 100% solar energy beginning in late 2022.
- The first Green Invest project was an agreement among TVA, Nashville Electric Service, Vanderbilt University and Silicon Ranch, for 35 megawatts of solar.
- TVA’s Integrated Resource Plan calls for adding up to 14 gigawatts of new solar capacity by 2038.
- In addition, local power companies who are long-term partners with TVA have the flexibility to provide some of their own, locally sourced generation.

What Does This Mean for Memphis?

- Memphis’s power is already cleaner than any other city in the southeastern US, and it’s getting even cleaner all of the time at no additional cost.
- TVA already has more ways to add renewables to Memphis:
 - We are currently evaluating land in Alabama to build one of the largest solar farms in the south, plus continuing to partner with solar developers for additional locations.
 - Our Green Invest program can link MLGW with solar investors and industries to add more new renewables (and jobs).



Leadership, Innovation, Service

TVA Economic Development Performance

TVA brings new business, capital investments and good jobs to the communities it serves.

Facts:

- Economic development is one of the core responsibilities of TVA and is mandated in the TVA Act.
- In the first six months of 2020, TVA helped bring 51,500 jobs and more than \$6.1B in capital investment to the area, working with local, state, and regional partners.
- TVA industrial power rates – a key selling point for new businesses – are lower than 90% of the industrial rates in the rest of the U.S.
- TVA economic development specialists train and work with local communities to actively promote unique business opportunities. This includes a full suite of economic development programs and services at no cost to communities.
- TVA has been nationally recognized as a Top 10 Utility for Economic Development by *Site Selection* magazine for 14 consecutive years.
- TVA has increased its annual spend with diverse suppliers by 65% – from \$269M to \$445M – in the past five years.
- During the COVID-19 pandemic, TVA is taking special steps to support communities and reinforce the strength of public power:
 - TVA is offering a credit support program of up to \$1B in support to local power companies to help them meet consumers' needs at this time.
 - The COVID-19 Community Care Fund provides a total of \$2M in matching funds for local nonprofit organizations, identified by local power companies.
 - For large industrial customers, TVA's "Back to Business" credit program provides relief to large industries to help get employees back to work.

What Does This Mean for Memphis?

- TVA brings jobs and investments to the Memphis community.
- Over the past eight years, TVA has partnered with MLGW and the local community to attract or retain more than 40,300 jobs and \$5.4B in capital investments in the Memphis area, including Amazon's 1,000 new jobs and \$200M investment.
- TVA is also supportive of future port development at the site of the former Allen Fossil Plant.

Attachment B: MLGW Recommitment Proposal Summary

Tennessee Valley Authority (TVA)

Current Version 06-29-2020

PROPRIETARY AND CONFIDENTIAL MATERIAL



THIS SUMMARY PROPOSAL SHEET DOES NOT CONSTITUTE A BINDING OFFER AND SHALL NOT FORM THE BASIS FOR AN AGREEMENT UNDER ANY LEGAL OR EQUITABLE THEORY.

GENERAL TERMS - SUPPLEMENT	
Parties:	Tennessee Valley Authority (“ TVA ”), Memphis Light, Gas and Water Division (“ MLGW ”), and the City of Memphis (“ City ”)
Objective:	<p>Memphis is important to TVA. MLGW is nearing the end of its Integrated Resources Plan process, and like cities all across the United States, Memphis is challenged with the current COVID-19 situation. To ease the burden on the people of Memphis and to strengthen our long and mutually beneficial relationship, TVA would like to further its public power mission by maximizing this opportunity to provide broad and immediate relief aligned to the identified needs of the Memphis community.</p> <p>TVA can commit to the elements of this proposal so long as MLGW does not issue an RFP or provide notice to terminate its Wholesale Power Contract and subject to any necessary environmental reviews or TVA Board approval.</p>
Additional Financial Commitments:	<p>TVA currently compensates MLGW for the use of its transmission system. TVA is willing to explore alternative financing arrangements for this system. Because some of these options may take months to fully explore, TVA would be willing to pay an amount in advance while the necessary due diligence is conducted.</p> <p>For example, the book value of the transmission system is \$208 million. The NPV of the transmission credits from TVA to MLGW is in the range of \$400 million. We believe there is sufficient value in the system that proceeds from a sale could benefit Memphis. Therefore, TVA is willing to work with MLGW to provide a \$100 million option payment (or alternative financial arrangement) available immediately while we conduct our due diligence. In the event the sale is not completed, the advance payment would be repaid to TVA over an agreed upon timeline.</p> <p>In addition, we could explore multiple pre-pay scenarios including gas and electricity. Prepays are subject to market and other conditions.</p>
Additional Economic Development and Energy Burden Commitments:	<p>TVA will continue its current work and will increase its local commitment in the Memphis community. TVA will continue to promote economic development in Memphis.</p> <p>TVA will work to disposition the Allen Fossil Site to enable the Port Development Project. We will prioritize the needed environmental assessments and decommissioning scope to help make the new port a</p>

Attachment B: MLGW Recommitment Proposal Summary

Tennessee Valley Authority (TVA)

Current Version 06-29-2020

PROPRIETARY AND CONFIDENTIAL MATERIAL



	<p>reality. Similar port projects have generated over \$5 billion in economic activity over a 10-year period.</p> <p>TVA will commit to assisting MLGW and Memphis in addressing revitalization of core communities by contributing up to \$10 million per year for as many as 10 years.</p> <p>TVA will double its commitment to the Home Uplift program in Memphis and Shelby County.</p> <p>TVA will commit to sponsoring and leading a forum to identify specific actions to address the distinct challenges of the energy burden in Memphis and provide \$3 million in matching funds toward those actions. For example, TVA could propose to fund a pilot project, in partnership with Shelby County Schools, to evaluate the impact of performing energy efficiency audits and retrofitting LED lighting at approximately 200 Memphis area schools, an estimated \$17 million investment over 10 years.</p>
Additional Personnel Commitments:	<p>Currently, there are approximately 15 employees in TVA's downtown Memphis office and approximately 100 additional employees working in greater Shelby County.</p> <p>TVA is interested in increasing the total number of TVA employees in the Memphis area and discussing options for expanding and strengthening TVA's future presence in Memphis.</p> <p>Also, TVA will commit to establishing Memphis as TVA's hub for core community revitalization and energy reduction resources. This could result in 100 full-time employees in downtown Memphis.</p>
Additional Renewables Commitments:	<p>In addition to the 200 MW of solar separately available through the partnership flexibility program (worth up to \$15 million savings annually), TVA will commit to implementing a staged approach to meet Memphis's renewable objectives using existing TVA programs.</p> <p>For example, up to 200 MW available through the partnership flexibility program coupled with TVA's Green Invest program can help MLGW develop renewable energy resources to serve 10% or more of their energy demand by 2026.</p>

ANY ACTIONS TAKEN BY A PARTY IN RELIANCE ON THE TERMS SET FORTH IN THIS SUMMARY SHEET OR ON STATEMENTS MADE DURING NEGOTIATIONS PURSUANT TO THIS SUMMARY SHEET SHALL BE AT SUCH PARTY'S OWN RISK. UNTIL DEFINITIVE AGREEMENT(S) HAVE BEEN EXECUTED BETWEEN OR AMONG THE PARTIES, NO PARTY SHALL HAVE ANY LEGAL OBLIGATIONS, EXPRESS OR IMPLIED, OR ARISING IN ANY OTHER MANNER UNDER THIS SUMMARY SHEET OR IN THE COURSE OF NEGOTIATIONS. SUCH DEFINITIVE AGREEMENT(S) ARE THE ONLY DOCUMENT(S) THAT WOULD CREATE A BINDING LEGAL OBLIGATION BETWEEN OR AMONG THE PARTIES WITH RESPECT TO THE SUBJECT MATTER OF THIS SUMMARY SHEET.

Attachment C: LONG-TERM PARTNERSHIP PROPOSAL TERM SHEET

Tennessee Valley Authority (TVA)

Current Version 06-22-2020

PROPRIETARY AND CONFIDENTIAL MATERIAL



THIS TERM SHEET DOES NOT CONSTITUTE A BINDING OFFER AND SHALL NOT FORM THE BASIS FOR AN AGREEMENT UNDER ANY LEGAL OR EQUITABLE THEORY.

GENERAL TERMS	
Parties:	Tennessee Valley Authority (" TVA ") and Memphis Light, Gas and Water Division (" Distributor ")
Objective:	The Valley Public Power Model is unique and has an enduring legacy of improving life in the Tennessee Valley region. At present, there is an opportunity to secure the long-term success of the Valley Public Power Model by lengthening and strengthening the contractual relationship between Local Power Companies and TVA. These enhanced relationships will safeguard long-term access to the key elements of the model and can materially change the financial profile for the Valley, the benefits of which can be shared with participating Local Power Companies and consumers.
Documentation:	The transaction to be documented as an amendment (" Amendment ") under the existing Wholesale Power Contract (" WPC ") between Distributor and TVA.
Partnership Credit:	Long-term partnerships benefit TVA's financial risk profile. Benefits will be shared with Distributor in the form of a bill credit of 3.1% of wholesale standard service demand, non-fuel energy, and grid access charges. The bill credit will start the first full billing month after signature. If notice is given, the credit will be phased out over the next 10 years in equal annual percentages.
Full Requirements Commitment:	TVA commits to provide all the power supplied in the Distributor's service area and Distributor commits to ensuring that all power supplied in Distributor's service area is TVA power, unless otherwise agreed to by the Parties.
Termination Notice:	The Termination Notice under the WPC will be changed to 20 years.
Enhanced Power Supply Flexibility Option:	Under this Option, Distributor may deploy solar, wind, natural gas, and other carbon-free/neutral resources up to 5% of Distributor's energy, where Distributor's energy is the average hourly capacity usage FY15-19. Further, solar-based power generating resources will discounted by 60% when counted against the cap.
Additional Partnership Benefits:	During the term of this Amendment, TVA may provide additional benefits to long-term partners. Distributor would be eligible to receive any such additional benefits that are applicable to it. TVA will establish a practice of strong engagement with long-term partners for strategic resource and financial planning decisions.

Attachment C: LONG-TERM PARTNERSHIP PROPOSAL TERM SHEET

Tennessee Valley Authority (TVA)

Current Version 06-22-2020

PROPRIETARY AND CONFIDENTIAL MATERIAL



Rate Adjustment Protection:	In the event that TVA implements rate adjustments that increase wholesale base rates by more than 5% within the next 5 years (ending FY2024) or 10% over any 5-year period, the Parties will endeavor to negotiate new terms for 180 days after which Distributor may reduce WPC notice provision to 10 years, which will immediately terminate this Amendment.
Events of Default:	<p><u>TVA Defaults</u> A sale or transfer of all, or substantially all, of TVA's power properties, including generation or transmission properties, to a non-public entity that results in Distributor paying higher rates that are not based on the current TVA Act.</p> <p>TVA assigns the WPC without the consent of the Distributor.</p> <p><u>Distributor Defaults</u> A sale or transfer of all, or substantially all, of Distributor's assets to any entity that results in a reduction in load served by TVA.</p> <p>Distributor sells or supplies non-TVA power.</p> <p>Distributor assigns the WPC without the consent of TVA.</p>
Remedies:	<p><u>TVA Default</u> In the event of a TVA default, TVA would pay Distributor actual and potential losses over the remaining term of the WPC due to the increased rates charged by a new power provider or as required by TVA under any new law that would be higher than those otherwise charged by TVA in accordance with the current TVA Act.</p> <p><u>Distributor Default</u> In the event of a Distributor default, Distributor would pay TVA actual and potential losses over remaining term of the WPC due to loss of TVA revenue and load due to either sale of non-TVA power to end-use customer(s) in Distributor's service area or sale or transfer of all or substantially all of Distributor's assets.</p>

ANY ACTIONS TAKEN BY A PARTY IN RELIANCE ON THE TERMS SET FORTH IN THIS TERM SHEET OR ON STATEMENTS MADE DURING NEGOTIATIONS PURSUANT TO THIS TERM SHEET SHALL BE AT SUCH PARTY'S OWN RISK. UNTIL DEFINITIVE AGREEMENT(S) HAVE BEEN EXECUTED BETWEEN OR AMONG THE PARTIES, NO PARTY SHALL HAVE ANY LEGAL OBLIGATIONS, EXPRESS OR IMPLIED, OR ARISING IN ANY OTHER MANNER UNDER THIS TERM SHEET OR IN THE COURSE OF NEGOTIATIONS. SUCH DEFINITIVE AGREEMENT(S) ARE THE ONLY DOCUMENT(S) THAT WOULD CREATE A BINDING LEGAL OBLIGATION BETWEEN OR AMONG THE PARTIES WITH RESPECT TO THE SUBJECT MATTER OF THIS TERM SHEET.

Proposals Deliver \$2 Billion in Value to Memphis



Memphis is important to TVA. We are prepared to act on TVA's proposals and partner with MLGW and the City to deliver up to \$2 billion of value over the next 20 years to the people and businesses of Memphis.

Available to MLGW Through TVA's Proposals*

**CURRENT
BENEFITS:**

**\$712
MILLION**

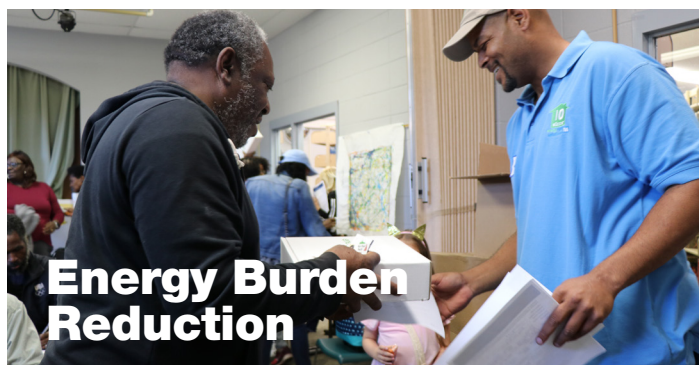
**ADDITIONAL VALUE
OPPORTUNITIES:**

**\$535
MILLION**

**LONG-TERM
PARTNERSHIP PROPOSAL:**

**\$750
MILLION**

**TVA IS PREPARED TO ACT AND TRANSLATE THESE PROPOSALS INTO
\$2 BILLION IN VALUE**



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[@TVA](https://instagram.com/TVA)

*For discussion purposes only. Nothing in these documents constitutes a binding offer or form the basis for an agreement under any legal or equitable theory. Values and some proposals are expressed in millions of dollars (\$) and are subject to market and other conditions. Full details are in the proposal summary and term sheet.



Components of \$2 Billion Proposals

Below is a summary of the potential value of the benefits currently delivered by TVA, additional value opportunities, and the value of the Long-Term Partnership Proposal over 20 years.

Benefits Currently Delivered Through MLGW and TVA's 80-Year Relationship

PILOT Payments

\$366M

- Payments in lieu of taxes distributed via the State of Tennessee

Economic Development Benefits

\$276M

- TVA's Investment Credit program rewards companies for new/expanded operations

Memphis Community Support and Partnerships to Reduce Energy Burden

\$70M

- Includes grants to Mid-South Food Bank, Memphis in May, Library, Museums, NAACP Awards, Urban League, School Programs / STEM, etc.; Provides incentives to homes, businesses, and local industries; includes weatherization programs like Share the Pennies and Home Uplift

Potential Value Over 20 Years

\$712M

Additional Value Opportunities by Staying with TVA*

Core Communities Revitalization, Energy Burden Reduction, Economic Development

\$135M

- A TVA, MLGW, and Memphis community partnership focused on revitalization and community development over the next 10 years; Increased commitment to TVA's Home Uplift program and sponsorship of a forum to identify opportunities for energy burden reduction, along with matching funds to implement those opportunities; includes Allen Fossil Plant land value for the Memphis Port Project

Sale and Purchase of MLGW's Transmission System

\$400M

- TVA currently leases MLGW's transmission system for approximately \$35M per year. TVA could purchase the MLGW transmission system and integrate it into the TVA system

\$5 Billion Port of Memphis Development Project

- Similar port projects have generated more than \$5 billion in economic activity in surrounding communities over 10 years; TVA plans to expedite its ongoing Allen Fossil Site to prepare the land for the Port of Memphis development project

TVA Presence in Memphis

- TVA will commit to establish Memphis as TVA's hub for core community revitalization and energy burden reduction resources, which could result in 100 full-time employees and an expansion of TVA's Memphis headquarters

Additional Solar Development

- TVA will commit to implement a staged approach to meeting Memphis's renewable energy objectives using industry-leading TVA programs

Prepays

- TVA is willing to explore multiple prepay scenarios, including gas and electricity. Prepays are subject to market and other conditions

Potential Value Over 20 Years

\$535M

Benefits of Adopting the Long-Term Partnership Proposal

3.1% Rate Credit

\$450M

- MLGW will receive an immediate and ongoing 3.1% rate credit, or approximately \$22.5 million annually

200 MW Solar Savings Through the Flexibility Program

\$300M

- Could save rate payers up to \$15 million annually

Enhanced Direct Involvement in TVA Planning and Decision Making

- Long-term partners have expanded engagement in TVA planning, capital allocation, and decision-making processes

Potential Value Over 20 Years

\$750M

Further Delays Could Reduce Savings

The RFP process could delay a deal with TVA by 24 to 36 months. In addition to the financial losses, a lengthy RFP process would delay TVA's plan to increase its presence in Memphis, sponsorship of the energy burden forum, and partnership involvement in TVA's asset planning and decision-making process.

	24 Months	36 Months
Additional Value Opportunities*		
• Revitalization and Community Development	\$20M	\$30M
• Energy Burden Forum and Home Uplift	\$4M	\$6M
Long-Term Partnership Proposal		
• 3.1% Rate Credit	\$45M	\$68M
• 200MW Solar Flexibility Savings	\$30M	\$45M
Total Potential Opportunity Cost	\$100M	\$150M



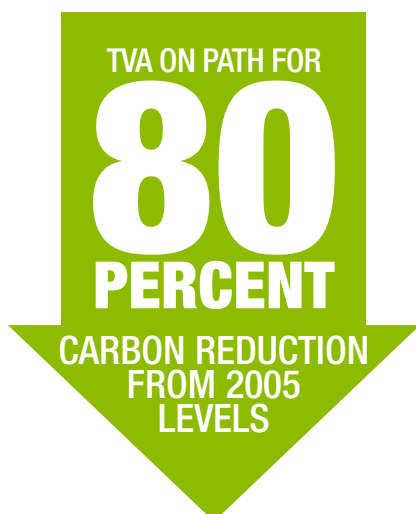
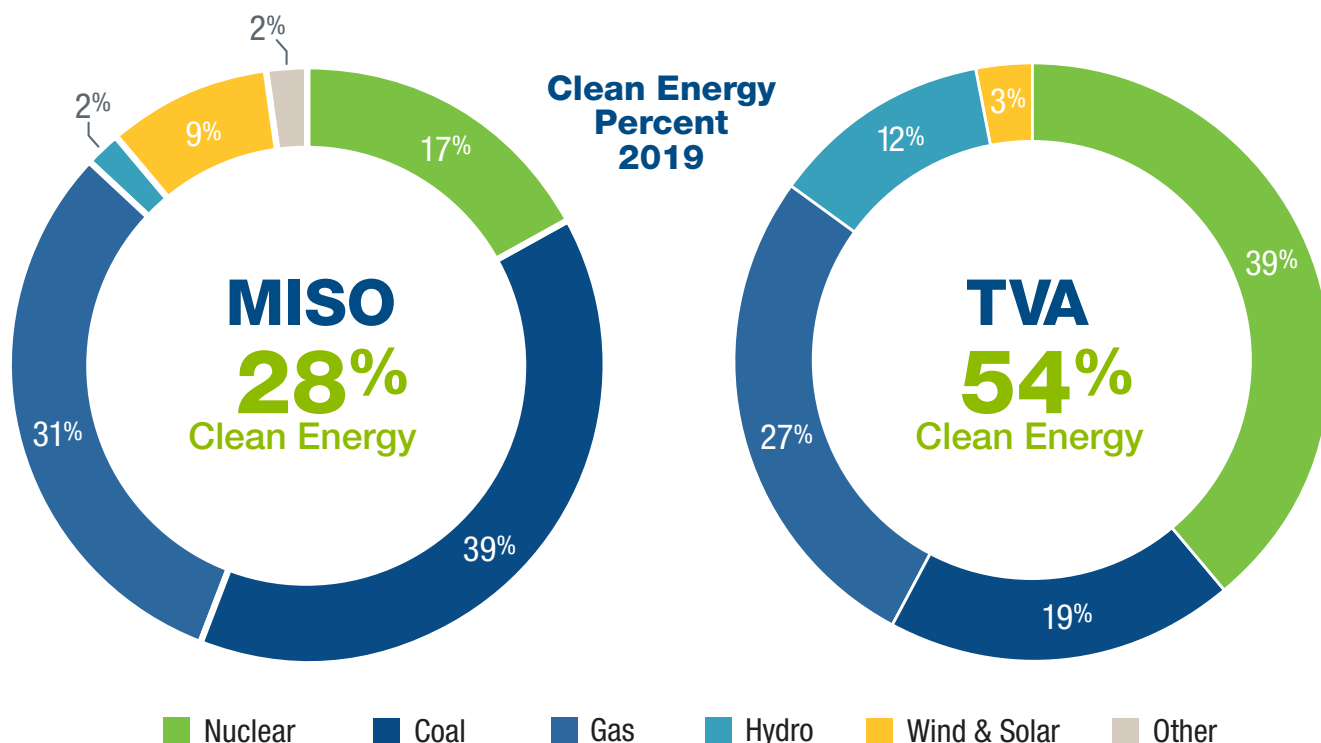
TVA's Proposals come with the Cleanest Energy in the Region



TVA represents a significantly cleaner option for Memphis.

TVA's energy supply almost twice as clean as MISO

In addition to TVA's clean energy percentage being almost twice that of MISO, TVA's renewable generation was 15% compared to only 11% for MISO in 2019.



- TVA has **more utility-scale renewable generation than anyone else in the region**, and the release of the 2020 Renewable RFP is expected to enhance this position
- Working together – TVA and MLGW have been cleaning the air in Memphis for years
- We have already rolled out solar solutions at Sharp Manufacturing, Nike and Millington NSA and a long-term TVA and MLGW partnership will empower MLGW (and Memphis) with the ability to **address local needs**
- Above what we have already accomplished, **we can do more together**, and MLGW does not need to leave TVA to further cut greenhouse gas emissions attributed to Memphis.
- TVA and MLGW can chart a path to get Memphis an **additional 10%** renewable energy as early as 2026

Dates in History: TVA AND MEMPHIS

1930 ▶

Nov. 6, 1934

Memphians vote to authorize a bond issue to acquire or construct an electric-distribution system. Bond issue passes 32,623 to 1,858.



◀ 1940

December 1941

TVA, alongside International Harvester and other corporations, exhibits our work in energy, environmental stewardship, and economic development at an industrial fair in Memphis.



January 1937

To commemorate the vote, Memphis names a street in north Memphis near the intersection of Thomas and White as "November 6th Street."

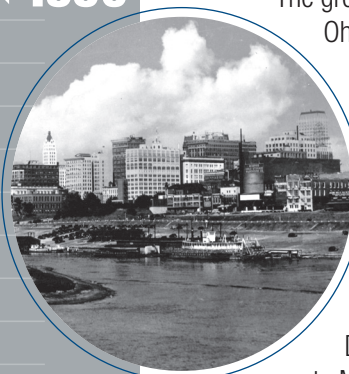
January 28, 1937

The greatest flood in U.S. history strikes the Ohio and Mississippi River Valleys in January 1937. TVA sets up a 10-acre Memphis base for flood relief and provides supplies and equipment, such as cranes, boats, and portable electric lights to be used in cooperation with the Red Cross.

◀ 1950

August 6, 1956

To provide its own power, the City of Memphis begins construction of the 750 megawatt Allen Steam Plant.



June 1, 1958

Memphis leaves the TVA power system.

June 1, 1938

Date of Initial TVA service to Memphis.

May 22, 1959

Allen's first unit begins commercial operation, providing about half of the city's power requirements. Memphis buys the remainder of its needs from TVA.

◀ 1960

Fiscal Year 1962

(July 1, 1961 – June 30, 1962)

During the fiscal year, TVA and Memphis discuss the resumption by the city of the distribution of TVA power.

January 1, 1965

The Memphis municipal electric system returns to the TVA system, becoming the largest distributor of TVA power and saving MLGW customers \$10 million a year through lower rates. The city leases Allen Steam Plant to TVA.



May 10, 1939

TVA and the City of Memphis jointly purchase Memphis Power & Light Company properties in and around the City of Memphis—TVA paid \$2.1 million of the \$17.3-million price.



June 28, 1939

TVA acquires and begins operation of over 63 miles of transmission lines and 37,500 kilovolt-ampere of substation capacity in the Memphis area. These facilities include the North and South Memphis Substations as well as transmission lines connecting with facilities acquired from the West Tennessee Power and Light Company.



1980 ▶

April 3, 1965

Installation begins of the first of four giant 500-kilovolt transformers that will dispatch electricity over TVA's new \$30 million, 150-mile transmission line from Johnsonville to Cordova. The line is pressed into service immediately to supply power to Memphis.

1965

TVA retires the 4th Street steam plant it leased from Memphis in 1939 and acquired in 1950

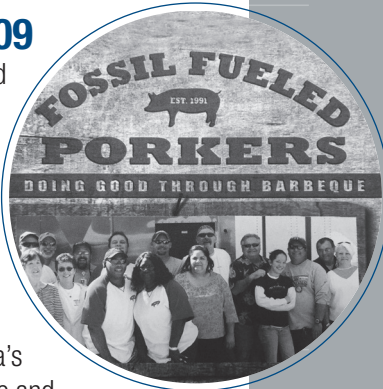
◀ 2000

Nov. 5, 2003

The Tennessee Valley Authority approves a \$1.5 billion contract to pre-sell electricity to Memphis Light, Gas & Water for the next 15 years at a discounted rate. The agreement allows TVA to raise cash, and saves MLGW customers about \$15 million a year.

May 2009

The Allen Plant's Fossil Fueled Porkers BBQ Team competes in the Memphis in May World Championship Barbeque Cooking Contest. The Porkers have finished in the top 10 numerous times. The team also cooks for many organizations around Memphis, such as Martha's Manor, Ronald McDonald House and Habitat for Humanity.



◀ 2020

May 2020

TVA begins weatherization program to assist Shelby County Schools

October 12 – 23, 1983

The Valley Adventure barge—TVA's 50th anniversary exhibit—travels through four states and on four rivers to bring the celebration to 23 communities with the final stop, lasting 12 days, at Memphis.



1984

TVA purchases Allen Fossil Plant.

June 1989

TVA helps MLGW celebrate its 50th anniversary by providing a page of best wishes in a special section of the *Commercial Appeal*.

2010 ▶

May 2013

TVA pilots the energy conservation program eScore in Memphis, leveraging \$19.8 million in investment and providing some 3,700 homeowners with \$900,000 in incentive rebates.

August 21, 2014

The TVA Board of Directors decides to replace Allen Fossil Plant with a combined-cycle natural gas facility.

June 2017

TVA completes a 1 megawatt solar facility adjacent to the Allen Natural Gas Plant, bringing clean renewable energy to Memphis.



April 2018

Allen Combined Cycle Plant begins supplying power to the grid. The plant has two of the world's largest and most efficient turbines that run on natural gas, with a generating capacity of about 330 megawatts each. The site also has a combustion steam turbine with about 420 megawatts of capacity, enabling total plant capacity to reach over 1,100 megawatts—enough power to supply more than a half million homes.

July 2019

In partnership with Mid-South Food Bank, TVA launches a Healthy School Pantry Program.

November 2019

TVA completes 350th home in Memphis through Home Uplift Program and launches mobile weatherization training lab.

