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TVA Board of Directors
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Dear TVA Board Members:

You recently received a letter via email from the Southern Environment Law Center (SELC) opposing the provision of 150MW power to the xAI facility in Memphis. After reviewing that letter, Memphis Light Gas and Water (MLGW) feels compelled to clarify misinformation as it relates to our utility.

First, MLGW is a public utility, and our role is to determine if we can provide utilities in a safe, reliable manner. The assertion that MLGW is required to obtain approval from the MLGW Board of Commissioners or from the Memphis City Council before the TVA Board can consider xAI's request is not correct. The operations of MLGW are guided by the Charter, as amended in the Home Rule Charter, state and federal law, and through policies adopted by the Board. Moreover, MLGW is a public utility and the sole provider of utilities in the City of Memphis, and by law, cannot discriminate or withhold or refuse service which can reasonably be demanded and furnished.

MLGW followed the process that was implemented by the MLGW Board of Commissioners, pursuant to its authority under the Home Rule Charter, as codified under the Electric, Gas and Water Policy, for the provision of utilities to a commercial customer. Additionally, MLGW followed processes as required by TVA, and state and federal law and regulations, including but not limited to the Federal Energy Regulatory Commission. For example, xAI's request required MLGW to conduct a Systems Impact Study and a Facilities Connection Study. The purpose of these studies is to ensure that connecting xAI facilities to the system does not reduce the reliability or operating flexibility of the bulk energy system (BES) and to ensure public safety is maintained. While the results of these studies are confidential under federal law, they established the infrastructure upgrades that would be required before MLGW would service the 150MW load request. With these upgrades, we anticipate no impact on the reliability of distribution/transmission of electric power to our other customers.

Second, SELC's claim that providing this power to xAI would result in "siphoning five percent of MLGW's total daily load" is erroneous and reflects a basic lack of understanding of MLGW's role as a power distributor. MLGW does not generate power, but rather, distributes the power it receives from TVA. An increase in demand for electric services does not directly correlate to a change in the reliability of MLGW's electric distribution system. MLGW has been very open about its need to improve day-to-day reliability of the electric distribution system and is investing an additional \$1B over the next 4 years on aggressive vegetation management, replacing outdated infrastructure and modernizing the distribution system with an automated distribution management system (ADMS) that includes 2000+ distribution

automation devices, voltage optimization capability, and fault location, isolation and system restoration (FLISR) technology. Those investments are already delivering marked improvements in system reliability in 2024 compared to each of the last 5 years. However, SELC is conflating TVA's ability to generate and transmit electricity to meet this 150MW demand with the reliability of MLGW's distribution system. If MLGW was concerned that xAI's power request would be a detriment to MLGW's grid, even with the upgrades required by our system and facility studies, we would say as much.

Third, SELC's characterization that MLGW has made the request to the TVA Board is inaccurate. MLGW has not made this request on behalf of this company, nor is it our role to intervene in TVA's negotiations with a private company.

Finally, MLGW is not "subsidizing" xAI and did not "recruit" xAI. The company did not request, nor is receiving, rates different from any similarly situated customer. The cost associated with the infrastructure improvements will not be borne by the rate payers. xAI has elected to build the substation and MLGW will take ownership of its portion of the asset upon completion. The cost of receiving MLGW's portion of the substation will be offset by the additional revenue we will receive from xAI's electric usage. This is consistent with how we treat other customers needing electric expansion.

Recruiting businesses to Memphis is the responsibility of other economic development organizations, not MLGW. It's true, xAI did move into Memphis amid a held/delayed billing issue which we are still working on, but for SELC to imply that MLGW intentionally charged customers "outrageously high bills" for energy they did not use is offensive and unethical.

SELC raises several other concerns that are outside the purview of MLGW. Our role is constrained to the provision of utilities. MLGW has followed the law and taken careful measures to evaluate the impact of the request and to require the measures necessary to mitigate any such impacts.

MLGW does recognize the enormity of the request. In this era in which the need and demand for electricity is growing exponentially, we do appreciate the community's concerns over whether this will negatively impact the electrical grid. Therefore, MLGW strongly encourages the TVA Board to condition approval of 150MW of power on xAI contractually agreeing to take measures to reduce stress on the grid, especially during peak periods or extreme weather conditions, such as a "Demand Response" program.

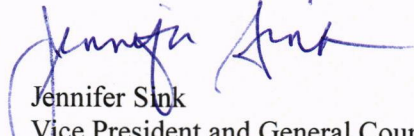
For its part, MLGW is seeking to take advantage of xAI's presence in Memphis to promote preservation of our drinking water and utilization of clean energy sources, through: (1) the proposed construction of a greywater facility to be used by xAI, and other large consumers of water like TVA, Nucor Steel, etc; and (2) purchasing utility scale battery storage, to allow MLGW to "peak shave" during periods of high demand. These measures will be of great benefit to MLGW's customers and the community at large.

In summary:

- xAI's request does not require approvals from the MLGW Board of Commissioners or City Council before the TVA Board may proceed with its request.
- MLGW treated xAI like all similarly situated customers, and followed all processes as required by the MLGW Board of Commissioners, Charter, local, state and federal law.
- MLGW conducted System Impact and Facility Connection studies to ensure we can distribute 150MW of power without negative impact to our grid or public safety.
- MLGW will require certain infrastructure upgrades if TVA approves the request.
- MLGW did not recruit xAI, nor provide them with subsidies. xAI will be paying the same prevailing rates as other similarly situated customers.

- MLGW did not make any request to the TVA Board with or on behalf of xAI.
- MLGW encourages TVA to approve xAI's request contingent on an agreement to engage in energy consumption reduction and conservation programs, such as "Demand Response."

Sincerely,



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