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August 8, 2007

Mayor Jerry Gist
 City of Jackson
 P.O. Box 2508
 Jackson, TN 38302-2508

Re: Southwest Tennessee Electric Membership Corp., et al. v. City of Jackson, et al.
 Madison Chancery Court No. 64244
 Our File No. 841/527

Dear Mayor:

This is a follow-up on the joint meeting between the Planning Department, Jackson Energy Authority and your office concerning plans for annexation.

After reviewing the annexation plans, and the complications associated with the legal challenge, we are making the recommendation that we focus annexation on the areas closest to the existing city and pass ordinances withdrawing annexation plans for areas 45, 46, 47, and 48. We make these recommendations for the following reasons:

1. There are developers in areas 48 and 45 who want to develop now. The Jackson Energy Authority achieves a substantial cost savings by putting utilities in prior to development, particularly with water and sewer because it is much easier to put the utilities in before development than after, and the electrical utility department avoids having to reimburse Southwest Electric under an old formula which requires payment in excess of the revenues derived for many years. In addition, while the annexation contest is pending, development is stymied. There are two developers who request annexation but the contest is delaying their entry into the City, the development of new houses, and with the progress generally.

These outlying areas are largely undeveloped but would need Jackson Energy Authority's services in order to be suitable for future development.

Mayor Jerry Gist

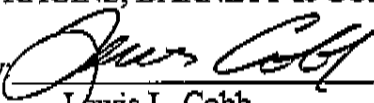
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In analyzing the cost per household, the highest cost is in these outlying areas. As we discussed, that area contains about 2678 acres, about 94 homes, and the infrastructure cost is expected to be about \$8,000,000.00. By withdrawing annexation plans for those outlying areas, it would allow Jackson Energy Authority to focus on delivery of services to the areas already developed much closer to the City and would allow for a greatly increased compactness of the City's boundary line to the northwest area. This would allow JEA to focus its resources on delivery of services in the most densely populated areas, and annexation in the outer ring would most likely occur in time by request and consent.

Yours very truly,

SPRAGINS, BARNETT & COBB, PLC

By: 

Lewis L. Cobb

LLC:tc