

FEBRUARY 2016 BOARD MINUTES

The regular meeting of the Bristol Tennessee Essential Services Board of Directors was held on Wednesday, February 17, 2016 at Noon at 2470 Volunteer Parkway, Bristol, Tennessee.

Board members present were Bryan K. Boyd, Larry Clarke, Michelle Denise and Patrick W. Hickie, Jr. Others present were CEO R. Michael Browder, Director of Management Services Tara McCall, Director of Engineering Clayton Dowell, Director of Accounting and Finance Lola McVey and Attorney C. Thomas Davenport.

Chairman Boyd called the meeting to order.

Minutes of the January 2016 meeting were approved as mailed.

The CEO's Safety Report stated that there were no lost time accidents. The report also stated that all employees completed OSHA training in February. As of January 31, 2016, BTES had 881,854 safe working hours since the last lost time accident on November 17, 2009.

The Financial Statement for January 2016 was presented for review and discussion and filed for audit as submitted. Dr. Browder reported that Exide had signed a new power contract we would be adjusting revenue and power costs to reflect that change. The CEO reviewed increases in the number of cable, Internet and telephone subscribers.

Dr. Browder, CEO, reported that the Monthly Fuel Cost for the month of March increased. The Monthly Fuel Cost is forecasted to increase slightly in the next few months.

In other business, the CEO presented the In-Lieu-of Taxes Resolution to the City to pay the maximum taxes for fiscal year ending June 30, 2016, as provided by Tennessee State Law and the TVA contract. By way of the Resolution, the BTES Board recommends to the City Council, BTES paying the maximum tax equivalent as per Chapter 84 of the Public Acts of the State of Tennessee for 2016:

Sullivan County, Tennessee	\$606,359.46
Washington County, Virginia	\$1,273.26
Bluff City, Tennessee	\$12,520.18
City of Bristol, Tennessee	<u>\$2,074,778.04</u>
TOTAL	\$2,694,930.94

Ms. Denise made a motion to accept this resolution, and Mr. Hickie seconded the motion. Following discussion, the Board approved it unanimously.

In other business, the CEO presented a recommendation to purchase a 77 ft Material Handler Transmission Bucket Truck. The truck we had was severely damaged in an accident last October. We had however budgeted for the replacement of this 27-year-old truck in the 2015-2016 Budget. We have recently rented a truck we would like to purchase from Altec Industries, Inc., for a net cost of \$191,583.36, which includes the insurance reimbursement. After discussion, Mr. Clarke made a motion to purchase the truck, Mr. Hickie seconded the motion and the Board approved it unanimously.

For the next item of business, the CEO presented a recommendation to purchase a mobile substation. A mobile substation has been included in our strategic long range major facilities study for several years as a part of our plan of continuous improvement of reliability of our electric system. All of our substations built in the last 30 years have been designed with the ability to use a mobile substation. We have researched and talked to peers, as well as TVA, and Delta Star Inc. has been highly recommended. We are still in final negotiation with Delta Star Inc. Mr Hickie made a motion to purchase the mobile substation from Delta Star Inc. at a price not to exceed \$1,610,000. Ms. Denise seconded the motion and it was approved.

At the call of the chairman for the next item of business, Clayton Dowell gave an update on equipment needed for a mobile video production trailer. Due to long lead times, we need to purchase a trailer soon in order to be able to broadcast football games in the fall. After discussion, Mr. Clarke made a motion to begin funding the acquisition of a video production trailer at an amount up to \$140,000 and Ms. Denise seconded. The Board approved it unanimously.

In other business, the CEO recommended the approval of a financial transaction to send \$450,000 to Gibson EMC for 4,532 WISE2 switches. As part of our early negotiations with TVA about our Water Heater Program, they agreed to buy additional units for our program. TVA arranged for 5,000 units containing parts we purchased to be shipped to Gibson EMC to get their program started. Gibson EMC has now decided not to participate in a load control program. Gibson EMC owes TVA \$615,349 for the balance of these units (4,532) and TVA has agreed to accept \$450,000 in full payment of this debt. Heartland Electronics had agreed to complete all the units with the necessary parts and firmware at no cost. We have \$477,500 in the parts for these units and the \$450,000 to Gibson. Our total investment in those 4,532 units would be \$927,500.00 which is \$204.66 per unit. The full cost is \$250.00 per unit and with the 15% discount negotiated in the agreement dated April 7, 2015 the net cost is \$212.50. These will be purchased with TVA funds from the buyout of our Cycle and Save Contract. We also got the first 468 units at no additional cost. After discussion, Mr. Hickie made a motion to approve the transaction and Mr. Clarke seconded. The Board approved it unanimously.

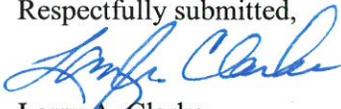
For the next item of business, the CEO presented a proposal to purchase an additional 10,000 WISE2 switches to complete the deployment of our Water Heater Program. Mr. Hickie made a motion to purchase 10,000 WISE2 switches at a cost of \$212.50 (utilizing our 15% discount) per terms of our agreement dated April 7, 2015 and to pay for the parts as received and the manufacturing as performed with the TVA funds from the buyout of our Cycle and Save Contract. Mr. Clarke seconded the motion and the Board approved it unanimously.

For the next item of business, the CEO gave a report on calendar year 2015. BTES employees completed 871,270 safe working hours and had 65% of employees with perfect attendance. BTES installed 590 load-management electric water heaters bringing the total water heaters with load management switches to 16,386. BTES made 86 new loans for heat pumps and 6 new loans for other energy saving measures. BTES ended 2015 with 16,173 fiber customers. Customers experienced an average outage time of 34.0 minutes per customer which is below the stated goal of 60 minutes per customer per year. It is estimated that 17.4 minutes per customer were saved in 2015 because of our automation system. The CEO reviewed the benefit that the Electric Business Unit receives from the fiber system such as the cable, Internet and telephone customers paying over \$4,300,000 per year to the Electric Business Unit for the use of the fiber system. The Advanced Broadband Services Business also does not have any employees but pays an allocated share of Electric employees time which is over \$1,000,000 per year. The CEO also reported increases in the number of customers using electronic means to pay their bill, choosing to receive their bill electronically and to receive text or email alerts as a reminder about when their bill is due, when a payment is received and when their bill is past due.

Discussion was held about the water heater switch patent. No action was taken.

There being no further business to come before the Board, the meeting was adjourned. The next meeting is scheduled for **Wednesday, March 16, 2016 at Noon.**

Respectfully submitted,



Larry A. Clarke
Secretary-Treasurer