

AUGUST 2016 BOARD MINUTES

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

Call to Order

Chairman Clarke called the meeting to order at Noon.

Present

Larry Clarke, Michelle Denise, Patrick W. Hickie, Jr. and Gary McGeough.

Staff

CEO R. Michael Browder, Director of Engineering Clayton Dowell, Director of Management Services Tara McCall and Director of Accounting and Finance Lola McVey.

Minutes

Minutes of the July 2016 meeting were presented. Mr. Hickie made a motion to approve the minutes and Mr. McGeough seconded and the motion was approved.

Financial Report

The Financial Statement for June 2016 was presented for review and discussion and filed for audit as submitted. Dr. Browder reported that Extraordinary Income was from the settlement of mediation on unpaid pole attachments fees and the negotiated TVA buyout of the water heater load control contract in the amount of \$6,000,000. The water heater load control contract provided for replacement of load control equipment and BTES is using these buyout funds to purchase and install all of the WISE2 units including prepaid amounts to Carina Technologies so that BTES load control program will have been completely paid for from funds from the TVA buyout. The CEO reviewed increases in the number of cable, Internet and telephone subscribers.

Safety Report

Ms. McCall reported that the safety meeting this month was about Fall Protection: Buckets, Ladders and Platforms. Mr. McGeough inquired about the process for reviewing procedures when an accident occurs. Dr. Browder reported that procedures are reviewed after all incidents and after the last accident the safety manual was reviewed and some of it rewritten so that all employees would have a better understanding of safe working procedures.

TVA Fuel Cost Adjustment

Dr. Browder reported that the Monthly Fuel Cost for the month of September decreased slightly. The Monthly Fuel Cost is forecasted to decrease slightly in the next few months.

Red Flag Policy

The CEO presented changes to the Red Flag Policy which safeguards customer information to prevent identity theft. Utilities are required to have this policy because a copy of an electric bill is

often used to verify and identify an individual as well as show proof of residency. Mr. Hickie made a motion to accept the changes and Mr. McGeough seconded. The motion passed.

Phase 2 for Head End Air Conditioning

The CEO presented a proposal to replace an existing twenty-eight year old 10 ton Liebert air conditioning unit with a 15 ton Liebert unit for the head end from Air Movers, Inc. in the amount of \$55,210, which was the lowest quote. This unit is needed to maintain standard reliability considerations so that if one unit was lost we would still have enough capacity to maintain cooling because of extra heat generated by additional equipment in the head end. Together with the system approved in June 2016, this will bring our total cooling capacity to approximately 55 tons for increased reliability. Mr. Hickie made a motion to purchase the air conditioning unit, Mr. McGeough seconded the motion and the Board approved it.

BTES Customer Survey

Dr. Browder presented results from a customer survey by SDS Research. The results showed that BTES has a 75.3% market share in Internet services, a 59.8% market share in telephone services and a 70% market share in cable services. He also reported that we continue to market to customers that do not have our fiber services.

Aid-to-Construction

At the previous Board meeting, Chairman Clarke asked that Aid-to-Construction be added to the next Board agenda. BTES is required to provide electric service to customers. BTES will provide such service, based on a contract, deposit and approved credit for a certain amount of facilities at no charge. In an effort to provide a customer first approach, our standard service includes facilities beyond what is required by regulation:

- When a residential or general power customer requests something different from the standard service, they pay aid-to-construction so that other customers are not paying for their special requests.
- BTES takes the initiative to make sure customers are contracting for the correct size service. When a customer fills out a load survey and indicates the capacity needed, we will provide service for which they contract. If their request is for more capacity than we calculate they will actually use, based on our experience we suggest that they contract for less. If customers contract for BTES to install more capacity than they will actually use, they pay more than if they had contracted for the correct capacity. Our goal is that the customer only contracts for, and we install, only the capacity they need.

Mr. Clarke wanted to make sure that companies outside of our service area were aware of the outstanding services and rates we provide.

Dr. Browder reported that when complete, we will have the first fully deployed automatic fault isolation and restoration system over high speed fiber optic cable in the country.

Approval of BTES Budget and Business Plan

As reflected in the July 2016 Board minutes, the Board approved the 2016-2017 annual budget as presented during the July meeting. In that meeting, Mr. Hickie initiated some discussion about negative net income projections contained in the five year Business Plan and the Board recommended a revision to the five year plan to have positive net income figures. The CEO presented a revised Five Year Projected Income Statement and a Five Year Projected Cash Flow that now reflects positive net income reflecting a delivery charge increase in October 2018. Dr. Browder highlighted that the future delivery charge change would be reviewed for financial requirement annually. After discussion, Mr. Hickie made a motion to approve the 2016-2017 Business Plan and Mr. McGeough seconded. The motion passed.

CEO's Report

Pending Items

Local Origination Channel

Dr. Browder reported that the Video Production Trailer has been received and is in the process of getting a wrap. The first live football broadcast will be August 18 at East High School.

Mobile Substation

Dr. Browder reported that the mobile substation is still on schedule to be delivered in November.

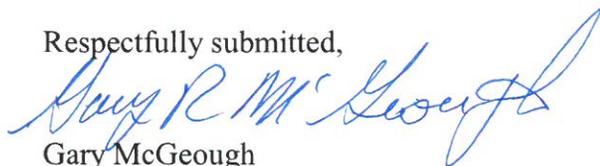
Board Comments:

Mr. Hickie reported that the TVPPA Accounting and Finance Conference in October will be focusing on margin erosion and he would like to attend. There was consensus that it would be beneficial for him to attend. He also inquired about whether the Economic Development Loan Program underwriting procedures were adequate and he will be reviewing that process.

Ms. Denise thanked Mr. McGeough for his review of the Board minutes. She also reported that stakeholders in the Aerospace Business Park wanted to expand with 140 additional acres for the park and BTES providing electric and fiber services. She also reported that she and Mr. Clarke were exploring the possibility of a planned community.

There being no further business to come before the Board, the meeting was adjourned. The next meeting is scheduled for Wednesday, September 21, 2016 at Noon.

Respectfully submitted,



Gary McGeough
Secretary-Treasurer

