

MAY 2016 BOARD MINUTES

The regular meeting of the Bristol Tennessee Essential Services Board of Directors was held on Friday, May 20, 2016 at 8:00 AM at 2470 Volunteer Parkway, Bristol, Tennessee.

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

Chairman Boyd called the meeting to order.

Mr. Hickie made a motion to approve the minutes of the March 2016 meeting as last emailed. Mr. McGeough seconded and the motion carried. Mr. Hickie made a motion to approve the minutes of the April 2016 meeting as sent electronically on May 19, 2016 and Mr. McGeough seconded. The Board approved it unanimously.

The Financial Statement for April 2016 was presented for review and discussion and filed for audit as submitted. Dr. Browder reported that load factor was better than budgeted in the Electric Business unit. He also discussed the increase in the number of cable, Internet and telephone subscribers. Each fiber customer has an average of 2.1 services. There was also discussion about residential demand rates and the need to educate customers about this concept.

The CEO's Safety Report stated that there were no lost time accidents. The report also stated BTES received a safety award of \$3,000 at the TVPPA Annual Conference from Distributors Insurance Company to be used on safety equipment and safety recognition. As of April 30, 2016, BTES had 915,857 safe working hours since the last lost time accident on November 17, 2009.

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

In other business, the CEO presented a recommendation to purchase Nokia 7360 Equipment for 10 Gigabit Internet Service to the user. We have been evaluating increasing our system to be able to provide up to 10 Gigabits to any location in our service area to increase the capabilities and services BTES provides to its customers. We were approached by an existing customer who has requested up to 18 locations to receive VLAN services up to 10 Gigabits. After extensive discussion about redundant Internet feeds, payback period and life of the system, Ms. Denise made a motion to purchase the system at a cost of \$490,000. Mr. McGeough seconded and the Board approved it unanimously.

For the next item of business, the CEO presented highlights of the 2016-2017 Strategic Business Plan. He reviewed electric revenue and power cost projections based on eight fiscal years actual usage. After discussion on the effect of weather on these projections and changing electric usage, it was agreed that the average of the eight years should be the revenue projection for fiscal year 2017. The CEO stated that the budgets will not include a rate increase for any business unit for the 2017 fiscal year. He also reviewed capital projects for all business units. The draft of the 2016-2017 Strategic Business Plan will be presented at the June 2016 Board meeting.

The CEO's report:

- Mr. Dowell provided an update on the Mobile Substation. The plans for the substation are to be finalized in June with delivery scheduled for November. There was discussion about how the Mobile Substation increases reliability during major weather events or any other emergency situation.

- Mr. Dowell also provided an update on the Video Production Trailer. The trailer is in production and scheduled to be delivered to Harb Productions in Knoxville in June. They will customize the trailer to our specifications and it will be completed in late July or early August. He also updated the Board on the equipment needed for the trailer and the status of negotiations for the equipment. He also reported that contracts to broadcast live football games for East and Central High Schools in Sullivan County and Bristol Tennessee High School are in process.
- Dr. Browder and Mr. Dowell reported on the new North American Electric Reliability Council (NERC) requirements. We are reviewing an agreement for TVA to be registered with NERC on our behalf. TVA and BTES would cooperate to meet the NERC reliability requirements. BTES would participate with TVA in development and implementation of compliance documents and decisions. BTES would convey to TVA a 161 kV bus at Bluff City Primary. This transfer of property is considerably less expensive than the cost of complying with NERC standards without the partnership of TVA which is reported to be approximately \$1,000,000 per year.
- Dr. Browder reported the outcome of the CenturyLink mediation. BTES will receive \$900,000 for back billing of unreported pole attachments and CenturyLink's lawsuit over the use of Network Interface Devices (NIDs) was dropped.
- Ms. McVey reviewed the Auditor Communication Letter from Coulter & Justus regarding the June 30, 2015 Comprehensive Annual Financial Report.
- The CEO reported that parts are being ordered for 4,000 of the WISE2 switches approved in the February 2016 Board meeting and the discount should be fully absorbed by the end of the calendar year.
- The CEO reported that he had spoken to Jackson Energy Authority about their Opt Out Round Up program and they stated that if they did not already have a Round Up program they would not start a new Round Up program at this time.

Board Comments:

Mr. Clarke inquired about the status of the WISE2 patent. Mr. Boyd stated that the Board needed to get an appraisal to determine the value, if any, of the patent. Mr. Boyd also suggested asking Attorney Tom Davenport about an appraisal and timeline for dealing with the patent.

Mr. Clarke also inquired about the Board response to the Coulter & Justus Schedule of Findings and Responses. He suggested that the Ethics Policy be sent to the Board annually for their review. He also wanted the Board to address changes in contracts as discussed in the Schedule of Findings and Responses. After discussion, the Board agreed that any change to a contract that resulted in a \$50,000 or more increase in the value of the contract be brought to the Board for formal approval. Also, the Board will be provided with regular updates on all large projects. The Board will vote on that change in the June Board meeting.

Mr. Clarke also asked about a policy for turning electric service on when showing a vacant building that is for sale, specifically when there is a monthly facilities charge. The discussion reviewed the marketing rate that was established several years ago to assist in economic development. The marketing rate includes the base rate plus an investment charge for the facilities that are at that location specifically for the owner taking services, in lieu of the standard rate which includes a pro rata share of the entire system.

Mr. Clarke also inquired about the Pre Pay system and suggested that we set a target date for completion of this project. The CEO reported that he has already requested an update from SEDC, our billing vendor, on the Meter Data Management System required to provide this service.

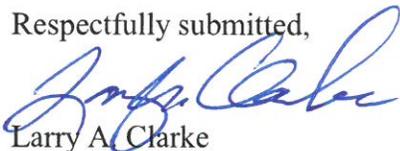
Mr. Boyd reported that at the TVPPA Annual Conference he attended a session on Succession Planning and that BTES was already doing all of the things suggested in the class.

Mr. Clarke also asked about the status of the CEO salary review. The Board agreed to revisit this matter.

Mr. Hickie reminded Board members that Tennessee has a department that is looking for violations of the Sunshine Law. Any deliberation of any BTES matter between two Board members is illegal. Any communication, whether email, text or any other form, between two Board members could be construed as deliberation.

There being no further business to come before the Board, the meeting was adjourned. The next meeting is scheduled for **Wednesday, June 29, 2016 at Noon.**

Respectfully submitted,



Larry A. Clarke
Secretary-Treasurer

