

## OCTOBER 2016 BOARD MINUTES

The regular meeting of the Bristol Tennessee Essential Services Board of Directors was held on Wednesday, October 19, 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., Gary McGeough and Jonathan Roberts.

### Staff

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

### Others Attending

Conor O'Donoghue and Josh Vehec from Coulter & Justus, P.C.

### BTES Audit Report for FY 2015

Mr. Connor O'Donoghue from the Coulter and Justus Audit Firm, reviewed the FY2016 Audit Report with the following comments.

- Mr. O'Donoghue explained the "Auditor's Responsibility regarding the conduct of the actual audit and the process.
- The Audit was conducted in accordance with the planned scope of the process and **the auditors found no issues or irregularities to cause any deviation from the plan.**
- Significant Estimates contained in the financial statements were reviewed and the "allowance for bad debt", "Depreciation", "Pension Liability", and "OPEB Liability" were all found to be prepared correctly and the auditors found no problems or issues.
- There were no difficulties encountered during the audit
- The auditors noted on their "Summary of Audit Differences" page that the specific current year differences of \$205,000 were exactly what most utilities use and do not represent a material difference.
- The auditors found **"No Material" Mistakes and represent this as a "Clean" audit, complimenting Ms. McVey and her staff on the organization, presentation and correctness of the financial statements and audit in general.**

Mr. O'Donoghue explained the new "Statement of Financial Transaction", wherein all board members are requested to provide any financial connection they might have with BTES. This statement came in the form of a questionnaire addressing a number of potential financial connections between the board member and BTES. It was explained that these questions are actually an extension of the Conflict of Interest policies which all BTES Board Members have reviewed and signed.

### Minutes

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

### Safety Report

Ms. McCall reported that Matt Proffitt has returned to work part time doing regular lineman work on a graduated schedule and has another procedure scheduled on October 27. Ms. McCall reported that Distributors Insurance Company performed an extensive safety audit finding only two very minor issues taking only minutes to correct. Ms. McCall indicated that this month's Safety Meeting was Rules for Electrical Distribution.

## Financial Report

Dr. Browder and Ms. McVey reviewed the September 2016 Electric Business Unit financial statements, highlighting the 2016 year to date revenue, which was up \$1,422,122 over the same period from last year. Dr. Browder explained the increased revenue (\$1,080,100) as a function of the number of cooling days per year. Cooling days are explained as the average daily temperature (minimum and maximum) over or under 65. An average year would have 689 cooling days. This year to date, we have experienced 1094 days. The added cooling days relates directly to the financial bottom line in sales dollars.

Dr. Browder reviewed the “Controllable” Operating and Maintenance Expenses (those expenses we have direct control over) showing an Actual YTD expenditure of \$408,100 below the budgeted figures.

Dr. Browder reviewed the Broadband Services Business Unit reporting a YTD Net Income of \$684,500, showing a \$288,800 increase in income over the YTD Budget.

## TVA Fuel Cost Adjustment

Dr. Browder reported that the Monthly Fuel Cost for the month of September only slightly changed, having little impact on operations or pricing. The Monthly Fuel Cost is forecasted to decrease slightly in the next few months.

## GFOA Award

Dr. Browder reported that BTES has been awarded the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA) for the nineteenth year in a row for the June 30, 2015 Comprehensive Annual Financial Report. He pointed out the award, underscored the report given by the audit firm of Coulter and Justus, and congratulated Ms. McVey, her staff and all those that participated in any way in the effort to win the award.

## Tennessee Division of Municipal Audit

Dr. Browder presented a letter from the Tennessee Division of Municipal Audit stating that they have performed a limited review of BTES annual financial reports for the year ended June 30, 2015. The report has been filed and is now part of the public record of the State of Tennessee.

## Help Your Neighbor Plus Round-up Program

Dr. Browder presented details of an opt-in Round Up program as an addition to the Help Your Neighbor program. He reported that we will be promoting it as follows:

- Adding a banner to our web page
- Adding on-line signup
- Post signs in Customer Service
- Post signs in the drive-thru
- Newsletter article
- Promotional emails
- Create TV commercials
- Add a message to customer’s bill

Mr. McGeough made a motion to implement the program and Mr. Hickie seconded. The motion passed unanimously.

## CEO’s Report

### Outage Minutes

Dr. Browder reviewed the year to date power outages, highlighting the Blountville and Bluff City outages, and explained where the failures occurred, what the cause of the failure was and what was done to correct the failure. Dr. Browder indicated that because of our system automation and new equipment, BTES has calculated that we saved our customers as much as \$3,582,385 according to the Department of Energy Interruption Cost Estimate (ICE) Calculator. Dr. Browder explained that the BTES power outage annual goal is only 60 minutes, thus far this year we have experienced only 47.6 minutes. The industry standard is four hours or 240 minutes.

### **Crews in South Carolina**

BTES sent five men to Santee Cooper in South Carolina to help with power restoration after Hurricane Matthew. The crews were there for seven days.

### **Economic Development**

Dr. Browder reported that Business Development Manager April Eads has worked with a local industry to recertify for the TVA VIP Investment Credit for the third year. This industry will receive more than \$380,000 over the next year based on 80 new jobs, new electric load and capital investment of approximately \$10,000,000.

### **Local Origination Channel**

Dr. Browder reported that live high school football games are going well and we have received lots of compliments on the quality of the broadcast.

## **Pending Items**

### **Mobile Substation**

Mr. Dowell reported that the mobile substation will be ready for final testing October 31<sup>st</sup> and delivered in late November. BTES personnel will be on hand for the testing.

### **WISE Switches**

Ms. McVey reported that all water heater control switches (WISE 2) have been ordered and will all have been received by April 2017. Dr. Browder indicated that currently BTES is reading 17,300 meters electronically.

### **Prepay**

We are working with SEDC and Carina to develop specifications on a Meter Data Management System in order to handle the type and amount of interval data we collect on all of our meters.

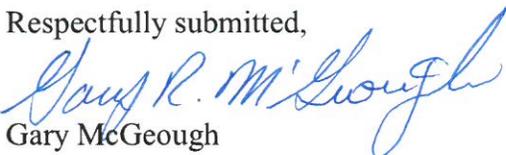
## **Board Comments:**

Mr. Hickie indicated that after reviewing the audit report, he had some continuing concern about the growing Tennessee Consolidated Retirement System "Total Pension Liability" figures shown in the financial reports and agreed that there is little we can do because of the way the figures are calculated.

Mr. McGeough highlighted the receipt of the Bristol Virginia Utility Audit Report indicating the findings of some 50 deficiencies and suggested that BTES take some time to review the audit to be sure BTES does not have any similar issues. It was suggested that within the next couple of BTES Board meetings, we review the BTES findings and take any action we find necessary.

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

Respectfully submitted,



Gary McGeough  
Secretary-Treasurer

