

NOVEMBER 2016 BOARD MINUTES

The regular meeting of the Bristol Tennessee Essential Services Board of Directors was held on Wednesday, November 16, 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 Reuning, Patrick W. Hickie, Jr. and Gary McGeough.

Staff

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

Absent

Jonathan Roberts

Minutes

Minutes of the October 2016 meeting were presented. Mr. Hickie made a motion to accept the minutes, Mr. McGeough seconded and they were unanimously approved.

Safety Report

CEO Mike Browder reported that Matt Proffitt has returned to work part time doing regular lineman work on a graduated schedule. Dr. Browder indicated that Mr. Proffitt was steadily improving and has had another skin graft and expects to have seven more laser skin treatments. Dr. Browder indicated that Mr. Proffitt will be back to a full 40 hour work schedule in the near term.

After some discussion, Dr. Browder indicated that the Distributors Insurance Company handling Mr. Proffitt's compensation case has been very easy to work with and that they have accepted some peripheral expenses that may not have otherwise been acceptable. They have been very good at keeping Ms. McCall and Attorney Tom Davenport well informed. BTES is always able to get and give input prior to any insurance decisions.

Financial Report

Dr. Browder and Ms. McVey reviewed the Electric Business Unit October 2016 financial statements highlighting the 2016 year to date revenue (through October) which was up \$1,277,300 over the 2016 budgeted figures. Dr. Browder explained the increased revenue as a function of the power purchased for the month and the electric load factor which is determined on the amount of power used by BTES. Dr. Browder indicated that this month's load factor is the highest he has ever experienced and it is due primarily to the weather factors and electric demand over the past month.

Dr. Browder briefly reviewed the controllable operating and maintenance expenses (those expenses we have direct control over) showing an actual YTD expenditure of \$287,900 below the budgeted figures.

Dr. Browder reviewed the Cable/Internet/Telephone statistical data indicating that while BTES lost a few Telephone customers, we continue to gain in the Cable and Internet categories.

Following some general financial discussion, the question of Green Power prompted some explanation as to how power is generated and how BTES and the Tennessee Valley Authority (TVA) handle solar power. Board Member Pat Hickie and Director of Accounting and Finance Lola McVey attended a TVPPA Accounting and Finance Conference and provided some explanation on the solar power pricing issues associated with the

normal generation of power and the price solar customers would pay to balance out the power generation cost versus the power savings. While the use of solar power is minimal in the TVA region, TVA is still developing data and policies to provide an equitable method of handling solar power customers.

TVA Fuel Cost Adjustment

Dr. Browder reported that the monthly TVA Fuel Cost for December 2016 increased from \$11.58 to \$12.10. The unfavorable increase is due to increased demand for fuel due in part to the lack of rain and replacement power across the area. Also, many plants are off line performing normal fall maintenance/refueling so the market replacement of power is tighter.

Proposed 2017 Board of Directors Meeting Schedule

Dr. Browder presented the proposed 2017 meeting schedule and questioned the June 2017 schedule date due to a conflict with the American Public Power Association National Conference scheduled for June 17–21, 2017. After some discussion, the board agreed to hold the June meeting at noon, on Friday, June 23, 2017. Mr. McGeough made a motion to accept the proposed dates and Mr. Hickie seconded. The motion passed.

BTES Audit Report for FY 2016

Ms. McVey reported that the Tennessee Consolidated Retirement System's audit has now been approved and the BTES Audit Report is ready for approval. Mr. Hickie made a motion to accept the BTES Audit Report for June 30, 2016 and Ms. Reuning seconded. The motion passed.

CEO's Report

Help Your Neighbor Program

Dr. Browder reviewed the Help Your Neighbor program wherein customers are provided an avenue to round up their utility bills to an even dollar amount to provide assistance to those less fortunate in the community. The money contributed to the program will be sent to the United Way of Bristol and administered by The Salvation Army for residential electric bills. BTES will embark on an information/marketing program to inform the community about the program via billboards, TV commercials, flyers, posters, the BTES Newsletter, Customer Service customer contacts, email and sign-up cards.

Existing Industry Activity

Dr. Browder briefly reviewed that BTES personnel are working with existing industries to assist with existing operations and expansions.

Local Origination Channel Power 7

Dr. Browder briefly reviewed the following:

- BTES is developing a program on "Speedway In Lights"
- Commented on the program done to highlight the manufacturing at Tri-Cities Extrusion
- Discussed the program on "Tree Trimming" highlighting the fact that one half of our electrical outages are caused by trees/limbs and BTES spends nearly a million dollars per year keeping trees away from our power lines.

Pending Items

Mobile Substation

Mr. Dowell reported that the final inspection is complete. The unit is scheduled for delivery in early December. Training will follow delivery.

WISE Switches

Ms. McVey reported that we have received 2,458 collars which is ahead of the schedule provided earlier.

Prepay

We are working with SEDC and Carina to file formats for data exchanged between the two systems. We are also working with ACH Payment Solutions to provide remote payment locations.

Board Comments:

Mr. McGeough referenced last month's brief discussion relating to the Bristol Virginia Utility Audit Report and the BTES review of the findings as they relate to BTES. Ms. McVey reported that she is in the process of reviewing the complete document and while only partially complete, she has found no issues within the BTES systems, policies or procedures of any type. Ms. McVey hopes to have a complete report for the next board meeting.

Mr. McGeough, referring to the BTES draft "Strategic Long-Range Major Facilities Study", inquired if the board will have an opportunity to review the study at some future date. Dr. Browder explained the need for the study and indicated that he would review the study with the Board when the document is completed.

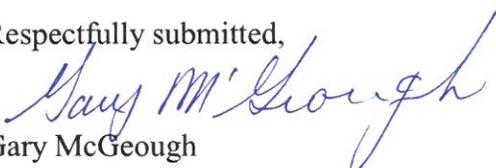
Mr. Hickie summarized the information received at his recent attendance at the TVPPA Accounting and Finance Conference as it related to solar energy. Mr. Hickie related the following:

- Solar power will not become a major source of energy due primarily because of the landscape and tree coverage in the TVA coverage area.
- Solar power rate structure is a potential problem because of sale of power at non critical times creating price spikes that will require a completely different price structure in the future.
- Mr. Hickie related a story about a person designing a total "green" energy house with the ability to monitor and record the use of all appliances to determine times, power requirements and other parameters for system and solar power usage issues.

Mr. Clarke inquired as to the price BTES pays for peak power requirements and whether it makes any sense for BTES to consider any type of program to generate our own power locally. Dr. Browder indicated that he did not have exact figures but estimated that about 1/3 of the billing by TVA is at peak rates or about \$70 million. Dr. Browder indicated that besides specific prohibitive terms of our contract with TVA, there is almost no power generation program of any type that TVA could not do in a more economical manner and therefore it is not practical to consider a BTES specific power generation program.

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

Respectfully submitted,


Gary McGeough
Secretary-Treasurer

