

DECEMBER 2016 BOARD MINUTES

The regular meeting of the Bristol Tennessee Essential Services Board of Directors was held on Wednesday, December 21, 2016 at Noon at 2470 Volunteer Parkway, Bristol, Tennessee.

Call to Order

Chairman Clarke called the meeting to order at 12:10.

Present

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

Staff

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

Absent

Jonathan Roberts

Minutes

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

Safety Report

Ms. McCall reported that this month's safety meeting was Emergency Communications and BTES received their annual training to continue being a Tennessee Drug Free Workplace. Ms. McCall reported that Matt Proffitt, who was burned in an accident several months ago, has shown steady progress in his recovery and would be returning to a full work schedule on January 2, 2017.

Financial Report

Dr. Browder and Ms. McVey reviewed the Electric Business Unit November 2016 financial statements highlighting the 2016 year to date revenue (through November) which was up \$814,500 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 cost to produce power continues to be caused to some extent, by the weather conditions (drought) mandating TVA operate their generation facilities with purchased natural gas or coal rather than water.

Dr. Browder briefly reviewed the controllable operating and maintenance expenses (those expenses we have direct control over) showing an actual YTD expenditure of \$309,000 below the budgeted figures.

Dr. Browder reviewed the cable/Internet/telephone statistical data indicating that we continue to gain in the cable, telephone and Internet categories on a slow but continuous increase.

Based on last month's board discussion regarding the possibility of BTES generating its own power, Dr. Browder presented some rate charts and contract language requiring BTES to purchase their full requirement of power from TVA and kilowatt pricing that would prohibit BTES from generating power locally. Dr. Browder re-addressed the use of Green Power which also prompted some explanation as to how power is generated and how BTES and TVA handle locally generated power. Dr. Browder reviewed the kilowatt rates and the concept that TVA could not pay potential power generators (mechanical, solar, or wind) a price below what it would cost TVA to produce the power for everyone.

Dr. Browder also provided some detailed explanation on the benefit of the use of the BTES fiber optic system to manage peak load through load managed water heaters and the voltage reduction program. These programs save BTES customers approximately \$1.5M per year.

TVA Fuel Cost Adjustment

Dr. Browder reported that the monthly TVA Fuel Cost for January 2017 decreased from \$.02420 to \$.02298 per KWH. The marginal decrease continues to be due to increased demand for fuel due in part to the lack of rain and replacement power across the area. Also, many power plants are off line performing normal fall maintenance/refueling so the market replacement of power is tighter.

In-Lieu-of-Tax Resolution

Dr. Browder presented the In-Lieu-of-Tax Resolution to the City to pay the maximum taxes for fiscal year ending June 30, 2017, 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 2017:

Sullivan County, Tennessee	\$604,650.45
Washington County, Virginia	\$1,174.06
Bluff City, Tennessee	\$11,379.91
City of Bristol, Tennessee	<u>\$2,070,130.91</u>
Total	\$2,687,355.33

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

Nokia Support for BTES Internet Protocol Television (IPTV)

Dr. Browder explained that Nokia provides personnel to backup and analyze the IPTV program at the headend (main office) and fiber optic system. Dr. Browder reviewed the pricing from Nokia for continued MediaRoom Technical Assistance and Support for our system. This is a regularly budgeted item and the agreement price for this necessary support is \$105,000 for November 2016 through November 2017. The services provided in this agreement are as follows:

- Nokia Systems Technical Assistance Center (STAC) will provide access to MediaRoom technical support engineers with years of experience.
- Nokia STAC will provide BTES with seamless trouble resolution including defect ticket creation, trouble analysis and isolation, escalation when necessary, status updates, fix validation and resolution.
- Nokia STAC will provide comprehensive IPTV MediaRoom assistance and support via a single phone call.
- This agreement is for round the clock coverage for our system and provides support for the architecture, engineering and deployment groups. BTES will also have access to technical documentation as well as a secure platform for sharing network design information.
- BTES has used Nokia extensively since the deployment of our IPTV system for support, new channel addition, etc.

Mr. Hickie made a motion to renew the Nokia agreement, Mr. McGeough seconded and the motion passed.

Purchase of Two Digger Derrick Trucks

Dr. Browder reviewed the safety, background and need to update our in-field service equipment specifically relating to the digger derrick trucks. BTES has planned and budgeted to replace V78, an 18-year-old derrick truck and V39, a 20-year-old truck currently used in the Construction Department. Due to the magnitude of these purchases, BTES has approached the procurement in a few different ways to obtain the best equipment

and best vehicles for the use. Requests for quotes were sent out to our approved body manufacturer and to our local medium and heavy duty truck dealers. A standard procurement advertisement for quotes was also placed in the Bristol Herald Courier Classified.

Dr. Browder reviewed the detailed quotes and the decision to purchase the chassis for both vehicles from Goodpasture Motor Co. and the bodies for both vehicles from Altec Industries, through the National Joint Powers Alliance. The purchase price for V78 is \$208,433.00 and the purchase price for V39 is \$240,913.00.

Mr. Hickie made a motion to purchase the two vehicles and Ms. Reuning seconded. The Board unanimously approved the procurement as outlined above.

Site Development Grants

Dr. Browder presented a grading and site preparation project being submitted for matching grant opportunities which will create a pad-ready site within the Bristol Business Park. The park is located off of Highway 394 and the home of the Bristol Herald Courier printing facility. This initiative is in collaboration with the City of Bristol and Networks Sullivan County Partnership and would enhance the ongoing positive economic development actions supported by the city and county representatives.

In discussing the grant possibility, the Board asked if this current proposal was a part of an earlier grant opportunity discussed some months ago. Dr. Browder explained that this project should be considered as a replacement of the earlier grant opportunity and that the previous grading proposal was based on a smaller site. This site preparation is considerably larger than the earlier proposal and able to house a 402,000 sq. ft. building foundation. The grant opportunity with the State of Tennessee is for funds up to \$500K, making BTES' commitment of approximately \$1,851,000 investment expenditure, a project total of approximately \$2,351,000 based on the current preliminary engineering report submitted to the State of Tennessee. The larger site was a recommendation from TVA after submitting the InvestPrep grant proposal. Our dollar per acre preparation cost is a lot higher compared to communities that don't have the East Tennessee rocky soil and rolling hills. Some discussion ensued regarding the protection of the BTES investment in the grading/preparation project and what assurances BTES might receive from other entities in recovering our investment.

Dr. Browder indicated that there were a few avenues for long term protections for the investment. Any agreement or work authorization would not occur unless BTES had the necessary assurances. The City of Bristol, Tennessee staff has agreed to get approvals for Tax Increment Financing (TIF) or PILOT program to recover BTES' expenditures for the land costs and the site preparation project. While reluctant to consider such a large outlay, the Board realized that in terms of site-ready Economic Development, and as the Bristol Business Park owners, BTES has to make every effort to enhance the park so it can be ready on short notice to attract potential business and industry. Ms. Reuning made a motion to apply for the grant and Mr. McGeough seconded. The Board unanimously approved the measure contingent upon satisfactory guarantee of payment of the site preparation expense.

CEO's Report

Help Your Neighbor Program

Dr. Browder reviewed the Help Your Neighbor Round Up 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. Dr. Browder indicated that the Help Your Neighbor Program is now underway and reviewed a December 2016 daily chart indicating the amount of dollar donations already received. The Round Up Program is now in full operation and BTES has implemented 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.

Substation Procurement

Dr. Browder reported that the purchase of the Sharps Hollow substation property has been completed. BTES is moving forward with the requests for proposals for the layout and construction of the substation foundation items and structure. BTES will contract with a supplier to develop the design and construction. BTES will develop outfitting equipment specifications and purchase critical components of the substation in-house for installation after the basic substation substructure is complete. The completion of this new substation will cost an estimated \$1.5M and be on line in the summer of 2017.

Mobile Substation:

BTES has now received and tested the mobile substation, consisting of a mobile transport trailer outfitted with all the components found in a fixed substation. This will allow BTES to be prepared for nearly any power emergency or substation catastrophe. Following some questions and explanatory discussion, Dr. Browder explained that all of the substations constructed in the past 30 years have been designed to allow the mobile substation to back directly into the structure and connect in a short period of time. Older substations can also accommodate the use of the Mobile Substation with a bit more effort and connection procedure.

Pending Items

WISE Switches

Ms. McVey reported that we have received all 6,000 collars which are ahead of the schedule provided earlier. The remaining switches would be arriving in the next few months. BTES has now recouped all of the prepayment and all the negotiated discounts will be taken when the switches currently on order have been received which is expected to be complete in April 2017.

Prepay

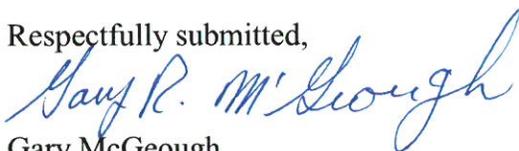
Ms. McVey reported that we are working with SEDC and Carina to schedule a conference call to discuss file formats for data exchanged between the two systems. We are also working with ACH Payment Solutions to provide remote payment locations.

Board Comments:

Mr. McGeough referenced last month's brief discussion relating to the Bristol Virginia Utilities Authority Audit Report and the BTES review of the findings as they relate to BTES. Ms. McVey reported that she has nearly completed the review and thus far has not found any areas of concern. Ms. McVey hopes to have a complete report for the next board meeting.

There being no further business to come before the Board, the meeting was adjourned. The next meeting is scheduled for **Wednesday, January 18, 2017 at Noon.**

Respectfully submitted,



Gary McGeough
Secretary