

MARCH 2018 BOARD MINUTES

The regular meeting of the Bristol Tennessee Essential Services Board of Directors was held on Wednesday, March 21, 2018 at noon at 2470 Volunteer Parkway, Bristol, Tennessee.

Call to Order

Chairman Larry Clarke called the meeting to order at 12:02.

Present

Larry Clarke, Michelle Denise, Gary McGeough and Patrick Hickie

Staff

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

Absent: David Akard

Minutes

Mr. Clarke presented the Minutes of the February 2018 meeting. Ms. Hickie made a motion to accept the minutes, Mr. McGeough seconded the motion and they were unanimously approved.

Safety Report

Ms. McCall reported that BTES has completed 37,743 safe working hours as of February 28, 2018 without a lost time accident. This month's employee safety training covered OSHA Traffic Flagging Techniques, Clothing, Equipment, Traffic Operations and Traffic Control.

Financial Reporting

Electric Business Unit

The CEO presented the February 2018 financial reports as follows:

	YTD Actual	YTD Budget
Total Electric Revenue	\$58,133,800	\$57,477,900
Other Electric Revenue	\$ 4,585,600	\$ 4,423,600
Other Income	\$ 404,600	\$ 337,100
Total Operating Expense	\$61,277,100	\$60,903,500
Non-Operating Expense	<u>\$ 1,011,800</u>	<u>\$ 739,600</u>
Net Income (Loss)	\$ 1,208,700	\$ 221,900
BTES Managed Expense	\$ 6,290,300	\$ 6,189,700

TVA Fuel Cost

The April 2018 total monthly fuel cost will be 2.132 cents per kWh for standard service customers and 1.785 cents per kWh for non-standard service customers. The overall system average fuel rate for April is approximately five percent lower than the three year average. This is primarily due to mild February weather, lower sales forecast, and lower expectation for coal rates.

	March 2018	April 2018
	Fuel Cost	Fuel Cost
500 kWh	\$11.66	\$10.66
1000 kWh	\$23.32	\$21.32
1500 kWh	\$34.98	\$31.98
2000 kWh	\$46.64	\$42.64

Five Incorporated Upgrade

Five, Inc. has provided the customer information system that we have used since we began providing Internet, cable and telephone services in 2005. This system is the primary database that our Customer Service Representatives and help desk use every day when adding fiber services to a customer's account and helping them find solutions to their questions.

Additionally, this system handles the automated provisioning of these services which has allowed us to operate without an entire department of "provisioners". Five, Inc. is the only solution we are aware of that can feed all of the financial information into SEDC, our electric customer information and billing system, which allows us to consolidate all of our financial data and bill electric and fiber services on a single bill. The current system has served us very well and their developers have implemented many improvements for us over the years at no additional charge.

In the last several years there have been many changes in the needs we have for this system and the current platform is no longer able to keep up with the changing needs of our business. In response to the needs of BTES and others in this industry, Five, Inc. has developed a major software upgrade that is on a more advanced and reliable platform. The new version includes many additional enhancements that have been on our "wish list" and will greatly improve how we manage our fiber service accounts and serve our customers. Our team has participated in several discussions and demonstrations with Five, Inc. to evaluate this new platform and improvements.

Mr. Hickie motioned that that we purchase this upgrade from Five, Inc. at a cost of \$360,000. Ms. Denise seconded the motion and the board unanimously approved.

CEO Report:

Malcolm Baldrige Award

The CEO provided a brief review of the upcoming Malcolm Baldrige Quest for Excellence Conference and outlined the events that were planned for April 8 through April 11, 2018.

Security Practices

CEO Mike Browder briefly provided how BTES views network security as a multi-layered approach, as well as a multi-area approach. Layering of security means applying security measures in different places along the network path. Each router or firewall presents an opportunity for implementing security measures. Different

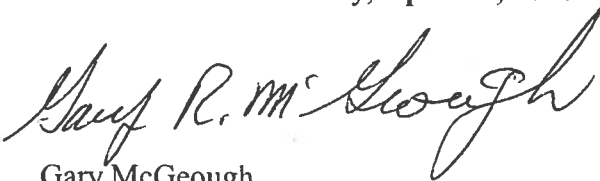
areas provide the ability to isolate network segments based on their role or use. This allows us to isolate the network segment in the event of a security event.

- BTES subscribes to industry email notifications such as US-CERT (Department of Homeland Security) and Infragard (partnership with the FBI). Mike Parker is a member of the Infragard organization.
- BTES gleans information from phishing emails and other threats reported to our filtering strategy both for internal and customer systems.
- BTES protects our customers' security at the highest level possible without impacting their usage. Although we can't ultimately protect every aspect of a customer's online experience, we do apply some of the same principles to protecting our customers as we do our internal systems.
- We protect BTES internal systems as strictly as possible and permit access on an as-needed basis.
- BTES internal networks are segmented such that critical operations are physically separated from the production network, and more importantly the Internet.
- We track network threats and attacks both aimed at our customers and originating from our customers. We work with our customers to resolve the problem causing the attacks.
- BTES works with the FBI on legal matters regarding lawful intercept in the past. We have also established a relationship with the Knoxville Cybercrime Division. This allows us to reach out to them as a resource for attacks or best practices.

Board Comments:

Mr. Hickie suggested that BTES somehow prepare the necessary information to advise our Internet customers that BTES does not and will not share any information on our customer use of the Internet/cable unless under order of Subpoena and does not sell or provide any information on customer use of the Internet. Dr. Browder reiterated that BTES does not and will not share such data unless under order of Subpoena and will develop something to provide to our customers.

There being no further business to come before the Board, the meeting was adjourned. The next meeting is scheduled for Wednesday, **April 18, 2018 at Noon.**



Gary McGeough
Secretary

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