MAY 2019 BOARD MINUTES

The regular meeting of the Bristol Tennessee Essential Services Board of Directors was held on Wednesday, May 15, 2019 at noon at 2470 Volunteer Parkway, Bristol, Tennessee.

Call to Order
Chairman Larry Clarke called the meeting to order at 12:00.

Board Members Present
Larry Clarke, Gary McGeough, Michelle Denise, Erin Downs.

Board Member Absent
David Akard

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

Minutes
Mr. Clarke presented the minutes of the April 2019 meeting. Mr. McGeough stated that Ms. Downs provided some comments and suggested some minor changes. A new heading was added to separate the Opt-In vs Opt-Out section from the Weatherization discussion. Also, there was a change in the language regarding the Carina Technology section relating to “no known safety issues.” Ms. Downs made a motion to approve the minutes subject to the minor changes mentioned. Ms. Denise seconded the motion and the minutes were approved.

Safety Report
Ms. McCall reported that BTES has completed 190,692 hours as of April 30, 2019 without a lost time accident. This month’s safety training was Pole Top and Bucket Truck Rescue.

Ms. McCall also reported that BTES hosted another Police Department shift walk-through of the BTES building. Ms. McCall indicated that each walk-through inspection surfaced additional safety upgrades and changes that would be helpful. One result is that First Responders may have problems navigating the building because it is fairly complicated to navigate with multiple door-security checkpoints and solid core doors. BTES is installing a badge box on the outside the building that contains badge access to navigate the building. The Police Department also has hard copy maps of the building and BTES will develop electronic maps for computer and hand-held devices.
Financial Reporting
Electric Business Unit
Dr. Browder presented the April 2019 year-to-date financial report as follows:

<table>
<thead>
<tr>
<th></th>
<th>YTD Actual</th>
<th>YTD Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Electric Revenue</td>
<td>$ 72,532,500</td>
<td>$ 71,173,000</td>
</tr>
<tr>
<td>Other Electric Revenue</td>
<td>$ 5,751,600</td>
<td>$ 5,775,600</td>
</tr>
<tr>
<td>Other Income</td>
<td>$ 977,900</td>
<td>$ 577,000</td>
</tr>
<tr>
<td>Total Operating Expense</td>
<td>$ 75,916,700</td>
<td>$ 75,305,300</td>
</tr>
<tr>
<td>Non-Operating Expense</td>
<td>$ 1,283,300</td>
<td>$ 904,600</td>
</tr>
<tr>
<td><strong>Net Income (Loss)</strong></td>
<td>$ 2,062,000</td>
<td><strong>$ 1,315,700</strong></td>
</tr>
<tr>
<td>Operating &amp; Maintenance Expense</td>
<td>$ 8,352,900</td>
<td>$ 8,514,400</td>
</tr>
<tr>
<td>Broadband Income</td>
<td>$ 2,200,500</td>
<td>$ 470,500</td>
</tr>
</tbody>
</table>

Cable/Internet/Telephone
Dr. Browder pointed out that while telephone and cable services declined slightly, Internet services continue to increase.

TVA Fuel Cost
The June 2019 total monthly fuel cost will be 1.873 cents per kWh for residential (RS) customers. According to TVA, the overall system average fuel rate for June 2019 is approximately eight percent lower than the three-year average May fuel cost. This is primarily due to expectations for higher hydro generation and lower gas rates.

<table>
<thead>
<tr>
<th></th>
<th>May 2019</th>
<th>June 2019</th>
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<tbody>
<tr>
<td></td>
<td>Fuel Cost</td>
<td>Fuel Cost</td>
</tr>
<tr>
<td>500 kWh</td>
<td>$8.89</td>
<td>$9.37</td>
</tr>
<tr>
<td>1000 kWh</td>
<td>$17.78</td>
<td>$18.73</td>
</tr>
<tr>
<td>1500 kWh</td>
<td>$26.67</td>
<td>$28.10</td>
</tr>
<tr>
<td>2000 kWh</td>
<td>$35.56</td>
<td>$37.46</td>
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Approval of Metaswitch Annual Support and Extended Hardware Warranty
Metaswitch is the manufacturer of our Class 5 telephone switch and supporting systems. It is time for BTES to renew the annual support agreement and extended hardware, effective August 1, 2019. BTES has carried support on these systems since the initial installation and has previously planned and budgeted this expense.

The support provided by Metaswitch is critical for reliable operation of our telephone system and services for our customers. BTES regularly interacts with the Metaswitch engineers to aid in various upgrades and trouble shoot problems as they arise. BTES’ experience indicates that Metaswitch provides some of the best support of any other vendor.

With Dr. Browder’s recommendation, Mr. McGeough made a motion to approve the Metaswitch support for $101,270. Ms. Downs seconded the motion and the board voted to approve the contract.

Resolution for Tennessee Unclaimed Property Refund
Each year BTES sends unclaimed property to the State of Tennessee. This is uncashed checks BTES has written to customers who have a credit on their account, usually from a refunded deposit. After the funds have been at the State of Tennessee for eighteen months, BTES can file for a refund of those funds. To process our request, the State of Tennessee requires a Resolution to be passed by the BTES Board of Directors. A Resolution was presented to the Board, Mr. McGeough made a motion to approve the resolution. Ms. Denise seconded the motion and the board voted to approve the Resolution.

Strategic Business Plans and Highlights/Budget Discussion
Dr. Browder advised the board that our 2019/2020 Strategic Business Plan and Budget process is underway and the board will have copies for the June 2019 board meeting. Dr. Browder provided a detailed spreadsheet depicting the specifics of how the electric revenue and power costs are projected based upon multi-year actual usage data and current rates. After discussion, the Board agreed to use the average of the eight years presented. Dr. Browder also stated that the budget is part of the overall BTES Strategic Business Plan and Strategic Planning Process. The Strategic Business Plan is reviewed and modified annually based upon progress of active jobs, scheduling, manpower, events and other factors.

Dr. Browder provided highlights of some expected projects included in the FY 2020 Business Plan:
- Continuation of the work on Sharps Hollow Substation
- Continued work on the replacement of underground electrical lines in subdivisions
- Development of a 161 kV delivery point and transmission lines
- 69kV automation at Scott, Shelby Street, Bluff City Primary and Blountville Primary Substations
- Service to Westridge High School and Sullivan East Middle School, Vance Middle School and necessary lighting
- Acquisition of Data Center Property
Pending Items
Carina Technologies
Mr. Dowell provided an update regarding continued improvements to CPMD devices. Specific testing continues on units installed at two employee home locations. One of these locations was able to reproduce a relay open event and is providing useful data to continue developing the appropriate fix. This event seems to confirm that BTES and Carina are on the correct path of testing.

It was also stated that BTES has observed a few CPMD units that appear to have a visible internal component failure. The investigation shows this was likely caused from a short circuit with some internal wiring during a reassembly process with these CPMDs and poses no systemic issue or concern.

Prepay Program
Ms. McVey reported that BTES has formed a different cross-functional prepay implementation team that is separate from the regular Carina weekly meeting. This team will meet each week for updates from Carina and Five, Inc. as well as establish business rules and procedures to serve prepay customers. Carina has built the customer portal and BTES will be testing that soon.

Cybersecurity Audit
As reported last month, BTES continues to use the American Public Power Association (APPA) self-audit program and, with the first level of self-audit complete, a cross-functional team met weekly to complete the second level of the APPA self-assessment. The second level has a perfect score of 300 with a target milestone of 240 to move to the third level. BTES scored higher than the 240 recommendation and will begin the third level assessment in the coming months.

CEO Report
Dr. Browder updated the board on various activities relating to economic development and actions initiated by TVA.

Dr. Browder reported that Mr. Joel Cullum, SESCO Management Consultants, conducted employee meetings to review the employee satisfaction survey. Mr. Cullum highlighted that in his 23 years of experience, he has never seen any company score as high as the scores indicated by BTES employees. Dr. Browder indicated that he reviewed the three most raised issues and explained to all employees the reasoning and justification for every issue. In the area of improved communications, BTES will schedule department meetings to address department specific issues raised in the employee survey. BTES will obtain quotes for dental and vision insurance to evaluate the value of such plans and make these benefits available if employees would like to purchase.

As a follow up to our discussion about improved communication, Mr. Dowell provided a demonstration of an intranet page for BTES employees to house the employee handbook, forms, information, work photos, electrical grid maps and other communications that will be available to all employees both via computer and mobile devices. Mr. Dowell added that currently all
Transmission and Distribution employees have cell phones and that BTES is exploring the practicality of laptops or notepads for field operations.

**Board Comments**

Mr. McGeough reported that he was very impressed with a discussion seen recently on Power 7 where Clayton, Lola and Tara conducted a business discussion that he thought would be excellent marketing and promotional material for BTES, City of Bristol and Networks Sullivan County.

Ms. Downs inquired about the Business/Strategic Plan development process, update and discussion of accomplishments and things that may not have been accomplished. It was explained that board members would be approving the budget for 2019/2020 and the Strategic Plan in June.

There being no further business to come before the Board, the meeting was adjourned at 2:03 pm.

The next meeting is scheduled for Thursday, June 20, 2019 at noon.

Respectfully Submitted,

Gary McGeough, Secretary