JUNE 2019 BOARD MINUTES

The regular meeting of the Bristol Tennessee Essential Services Board of Directors was held on Thursday, June 20, 2019 at noon at 2470 Volunteer Parkway, Bristol, Tennessee.

Call to Order
Chairman Larry Clarke called the meeting to order at 12:01.

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

Others Present
Lief Greiss, reporter for the Bristol Herald Courier and Vince Turner, City Councilman-elect.

Minutes
Mr. Clarke presented the minutes of the May 2019 meeting. Ms. Downs made a motion to approve the minutes. Mr. McGeough seconded the motion and the minutes were unanimously approved.

Safety Report
Ms. McCall reported that BTES has completed 202,426 hours as of May 31, 2019 without a lost time accident. This month’s safety training was “Summer Heat & Hazards/Dealing with Fatigue in Operations.” BTES also completed two new Power 7 TV shows “Summer Safety and Heat” and “General Safety” that included the Bristol Fire Department providing car seat safety information. Ferguson Animal Hospital covered dog safety, BTPD discussed workplace and public safety and another segment included information about the National Guard Armory in Bristol, TN.

Financial Reporting
Electric Business Unit
Dr. Browder presented the May 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>$ 78,299,600</td>
<td>$ 76,772,900</td>
</tr>
<tr>
<td>Other Electric Revenue</td>
<td>$ 6,274,800</td>
<td>$ 6,257,100</td>
</tr>
<tr>
<td>Other Income</td>
<td>$ 1,077,500</td>
<td>$ 636,600</td>
</tr>
<tr>
<td>Total Operating Expense</td>
<td>$ 82,566,000</td>
<td>$ 81,706,600</td>
</tr>
<tr>
<td>Non-Operating Expense</td>
<td>$ 1,405,100</td>
<td>$ 994,800</td>
</tr>
<tr>
<td>Net Income (Loss)</td>
<td>$ 1,680,800</td>
<td>$ 965,200</td>
</tr>
<tr>
<td>Operating &amp; Maintenance Expense</td>
<td>$ 9,269,000</td>
<td>$ 9,342,100</td>
</tr>
<tr>
<td>Broadband Income</td>
<td>$ 2,362,600</td>
<td>$ 460,900</td>
</tr>
</tbody>
</table>
Cable/Internet/Telephone
Dr. Browder pointed out that telephone and cable services continue to decline as budgeted in our Strategic Business Plan because of the decline of the use of land-line phones and more Internet streaming. Internet services continue to increase as expected.

TVA Fuel Cost
The July 2019 total monthly fuel cost will be 1.988 cents per kWh for residential customers. According to TVA, the overall system average fuel rate for July 2019 is approximately 12% lower than the three-year average July fuel cost. This is primarily due to expectations for higher hydro generation.

<table>
<thead>
<tr>
<th></th>
<th>June 2019</th>
<th>July 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>Fuel Cost</td>
<td>Fuel Cost</td>
</tr>
<tr>
<td>500 kWh</td>
<td>$9.37</td>
<td>$9.94</td>
</tr>
<tr>
<td>1000 kWh</td>
<td>$18.73</td>
<td>$19.88</td>
</tr>
<tr>
<td>1500 kWh</td>
<td>$28.10</td>
<td>$29.82</td>
</tr>
<tr>
<td>2000 kWh</td>
<td>$37.46</td>
<td>$39.76</td>
</tr>
</tbody>
</table>

Approval of Strategic Business Plan 2019 - 2020
Each year, BTES reviews and updates their Strategic Plan which also contains the annual BTES Operations and Capital Budget for the new fiscal year. Dr. Browder presented the 2019 - 2020 Strategic Business Plan and stated that there are no increases in electric, cable, Internet or telephone rates planned for FY 2020, except if TVA has an increase, which is normally in October, that would be passed through to our customers. Dr. Browder also added that BTES has adequate cash to meet our capital projections for FY 2020.

Some points of discussion and explanation:
- Dr. Browder reviewed the BTES General Philosophy (Page 18) specifically, Reliability, Resources Wisely Allocated, Employee Safety, Conservation of Electricity, Continuous Improvement and Planning.
- Dr. Browder presented a TVA provided chart entitled TVA Comparison of Residential Power Costs. This chart shows the TVA average LPC rate per 1,000 kWh as compared to 17 non-TVA utilities. BTES added their average rate which is the lowest of the 19 utilities listed. He also presented the TVA provided chart entitled TVA Comparison of Commercial Power Costs comparing cents per kWh. BTES was ranked lower than the TVA LPC average and twelve other utilities. There were only five non-TVA utilities lower than BTES.
- Dr. Browder also provided information about where BTES electric money comes from. Fifty percent comes from residential customers, thirty-three percent comes from large general power customers, seven percent from small general power customers and the remaining from interest, excess capacity and plant allocation factor.
- Dr. Browder reviewed the Five-Year Projected Plant Additions and discussed the capital expenditure projects and improvements. The Board requested a more specific, time phased method of monitoring the progress of the improvements contained on page 56 of the Strategic Business Plan. Identifying and tracking the specific project, indicating the scheduled period of performance, reporting progress and providing analysis of issues that may arise relating to the projects, will improve the Board’s ability to monitor and understand the priorities, project/workforce flexibility and completions or issues that may arise throughout the year.
- The Board reviewed the Five-Year Projected Cash Flow on page 61 and discussed the dwindling ending cash balances and what steps can or could be taken to increase cash flow and, if FY 2024 would have
enough cash reserves. Dr. Browder and Ms. McVey discussed the various options, the built-in flexibility and possible rate increases as may be needed.

- To further explain and to demonstrate how the projected cash flow can change over time, the Board requested a report that goes back in time to see the cash flow projections from previous budgets.
- Ms. McVey reviewed the Five-Year Projected Plant Additions for the Advanced Broadband Services on page 73 reiterating past discussions relative to the expected decline in services due to increased internet streaming and cancellation of cable coupled with the expected decline in residential telephone lines.

Dr. Browder indicated that since the BTES budget is included in the City of Bristol’s annual budget that is sent to the State of Tennessee, the BTES budget should be approved at our June 20, 2019 board meeting to meet the City’s deadline. After discussion, explanation and clarification, Mr. McGeough made a motion to accept the 2019-2020 Strategic Business Plan. Mr. Akard seconded the motion and the Board voted unanimously to approve the 2019-2020 Strategic Business Plan including the FY 2020 budget.

**APPA & TVPPA Conferences**

Mr. Akard suggested that the Board initiate some discussion about the workshops and meetings attended at the Tennessee Valley Public Power (TVPPA) conference and the American Public Power Association (APPA) conference. Ms. Downs and Mr. McGeough referred to their meeting summaries they developed for both conferences.

- Small Cell Antenna - Mr. McGeough summarized the Wireless Pole Attachment workshop and explained that this is the mobile phone companies installing pole attachments in cities and counties throughout the country to promote a new 5G communication system and proposed rural broadband. Mr. McGeough suggested that BTES, Sullivan County and the City of Bristol should become aware of this technology and develop policies, procedures, limitations and permit requirements to protect our network and community.
- Ms. Downs indicated that she attended several board and governance workshops and referred everyone to her meeting reports.
- Mr. Clarke mentioned the growing interest in renewable energy and cited information learned in workshops and shared examples of what other utilities are doing in way of solar, wind and power generation.
- Dr. Browder related that TVA is also working on programs and webinars on power generation and information would be forthcoming.
- Mr. Akard summarized the importance of communication in a crisis, which initiated some discussion about BTES’s existing review and training of employees. Ms. McCall indicated that this issue is discussed in department meetings and employees understand the chain of command and what they are authorized to discuss if and when certain events happen.

**Pending Items**

**Carina Technologies**

Mr. Dowell provided an update regarding continued improvements to CPMD devices reporting that the needed firmware changes impacting the relay technical issues have been made and are being tested in employee homes. More in-use time is needed to establish a level of confidence that the firmware changes are reliable.

Mr. Dowell also reported on the updating/replacing of the servers that read meters and process data from the automated meter reading system. These servers have not been updated since 2010 and BTES is looking at capacity and need for data quantity, organization and availability. Mr. Dowell added that it is not just the hardware, but the processes used and how they could be more efficient.
Prepay Program
Ms. McVey reported that a few BTES employees attended a Southeastern Data Corporation (SEDC) conference and found that SEDC has been working on several additions and updates to their prepay system that makes it more suitable for BTES. Their updated prepay system now includes Internet, telephone and cable billing that makes it much more user friendly for our customers and less time consuming for our employees than their previous prepay system. After attending the conference and looking at the SEDC prepay system, which 125 utilities are using, BTES is very encouraged and may be moving from Carina Technology to SEDC for their prepay solution.

Cybersecurity Audit
BTES has been working with a vendor to see if, and what BTES data may be on the “dark web.” BTES is reviewing the captured data and so far, there are no apparent threats.

CEO Report
Dr. Browder reported that the marketing and promotion of our Round Up Program through email has started and the results are good. BTES has also created a commercial that features a customer that benefited from the Help Your Neighbor Program.

Board Comments
David Akard stated that he would not be available for the July board meeting and requested changing the meeting to Friday, July 26. There being no objection, the Board agreed to move the meeting.

There being no further business to come before the Board, the meeting was adjourned at 2:35 pm.

The next meeting is scheduled for Friday, July 26, 2019 at noon.

Respectfully Submitted,

[Signature]
Gary McGough, Secretary