AUGUST 2019 BOARD MINUTES

The regular meeting of the Bristol Tennessee Essential Services Board of Directors was held on Wednesday, August 21, 2019 at noon at 2470 Volunteer Parkway, Bristol, Tennessee.

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

Board Members Present
Larry Clarke, David Akard, Erin Downs, Vince Turner and Doug Harmon

Staff Present
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 July 2019 Board Meeting. Mr. Turner made a motion to approve the minutes. Mr. Akard seconded the motion and the minutes were unanimously approved.

Safety Report
Ms. McCall reported that BTES has completed 224,830.5 safe working hours as of July 31, 2019 without a lost time accident. This month’s safety training was held on August 6 with a topic of Recognizing Nominal Voltage.

Financial Reporting
Electric Business Unit
Dr. Browder presented the report for the year ending June 30, 2019 as follows:

<table>
<thead>
<tr>
<th></th>
<th>YTD Actual</th>
<th>YTD Budget</th>
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<tbody>
<tr>
<td>Total Electric Revenue</td>
<td>$ 84,628,300</td>
<td>$ 83,062,200</td>
</tr>
<tr>
<td>Other Electric Revenue</td>
<td>$ 6,877,900</td>
<td>$ 6,737,900</td>
</tr>
<tr>
<td>Other Income</td>
<td>$ 1,182,100</td>
<td>$ 696,200</td>
</tr>
<tr>
<td>Total Operating Expense</td>
<td>$ 89,734,400</td>
<td>$ 88,871,300</td>
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<tr>
<td>Non-Operating Expense</td>
<td>$ 1,533,600</td>
<td>$ 1,085,000</td>
</tr>
<tr>
<td><strong>Net Income (Loss)</strong></td>
<td>$ 1,420,300.00</td>
<td><strong>$ 540,000.00</strong></td>
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Operating & Maintenance Expense | $10,215,000.00 | $10,169,900.00

Broadband Income               | $ 2,582,800.00 | $ 448,700.00
Dr. Browder provided some general comments regarding the year-end financial reports:

- Electric Operating Revenue and Net Income exceeded budget and exceeded 2018 figures.
- The Electric Administrative and General expenses were over budget because of year end entries related to pension and OPEB expenses. Kilowatt hours sold in FY 2019 were less than the sales for FY 2018 due to temperature variations. The heating degree days were less than normal and less than FY 2018 and the cooling degree days were more than normal and FY 2018.

**Advanced Broadband Unit**
The number of Internet customers has grown substantially over the past year, but the number of cable and telephone customers has declined as expected. This resulted in an overall decline in the total number of services. The advantage of having cable television as part of the broadband package was discussed because customers want it as part of the package although the cost of cable is expensive.

Dr. Browder reviewed the capital projects currently in process with a table showing percentage of completion for each project.

Mr. Turner asked about expenditures requiring board approval. Dr. Browder explained that state law requires the board to approve contracts or purchase orders of more than $50,000. Mr. Turner also asked whether the approval of the capital budget included approval of expenditures of items listed within the budget. He was informed that board approval would be required for any expenditure included in the budget if the contract or purchase order exceeds $50,000.

**TVA Monthly Fuel Cost**
Dr. Browder indicated that the September 2019 monthly fuel cost will be 1.612 cents per kWh for residential (RS) customers. According to TVA, the rate is lower than usual because the wet weather resulted in greater hydro generation and gas prices are low.

<table>
<thead>
<tr>
<th></th>
<th>August 1, 2019</th>
<th>September 1, 2019</th>
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<tbody>
<tr>
<td>500 kWh</td>
<td>$8.97</td>
<td>$8.06</td>
</tr>
<tr>
<td>1000 kWh</td>
<td>$17.94</td>
<td>$16.12</td>
</tr>
<tr>
<td>1500 kWh</td>
<td>$26.91</td>
<td>$24.18</td>
</tr>
<tr>
<td>2000 kWh</td>
<td>$35.88</td>
<td>$32.24</td>
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**Red Flag Policy Annual Approval**
Annual review of the Red Flag policy is required by the FACT Act of 2003. It requires the safeguarding of customer information to help prevent identify theft. The proposed changes reference processes that are in the SMART training system instead of detailing each process in the policy. Mr. Akard moved for approval of the updated policy. Mr. Harmon seconded the motion and it was approved unanimously.
TVA Long-Term Agreement
The offering of long-term agreements for power between TVA and local power companies is pending approval by the TVA Board at a meeting on August 22, 2019. The agreements will reduce TVA’s financial risk and the savings will be shared with the local utilities. Assuming approval by the TVA board, long-term agreements will be offered to public utilities in exchange for a 3.1 percent credit to be used for electric systems. TVA’s share will be used to pay down the TVA debt. The savings to BTES will be passed on to the customers by not enacting the two rate increases included in the five-year plan. Chris Mitchell, of Chris Mitchell Management Consultants, our rate consultant, represents more than half of the TVA local power companies and recommends acceptance. BTES’ current agreement with TVA is for a five-year period. TVPPA is negotiating revisions to the agreement which, if agreed to, will result in a revised version of the agreement to be presented to the Board at the September meeting.

Ms. Downs made a motion to approve the agreement as presented. Mr. Turner seconded the motion and it was approved unanimously.

Pending items
Cybersecurity Audit
Mr. Dowell indicated that BTES is pricing a tool to internally test employees to determine if they click on email attachments they’re not supposed to. This is the most likely channel for a cyber threat. If the purchase is made through SEDC, it will be half the price of other sources.

Carina Updates
The server replacement has started with the pricing of pieces through various vendors. The process will take several months. A large amount of data will be moved from the existing system to the new one. In July, BTES experienced a storm in parts of our service area that resulted in 47 CPMD relays opening.

Prepay Program
Ms. McVey reported that BTES has reached solutions to resolve the two outstanding issues with the integration of: (1) a daily file for fiber services and (2) customer contracts. Testing will continue but it probably won’t be offered to customers until the new servers are up and running.

CEO’s Report
Dr. Browder reported on economic development projects. There were economic development meetings during race weekend which were well attended and positively received. Dr. Browder reminded the Board that the annual BTES employee picnic is Saturday at noon and the lake cleanup is 8:00 am on Saturday morning.

CEO Compensation
Mr. Clarke invited the staff to leave the meeting which resulted in the departure of Dr. Browder, Mr. Dowell and Ms. McVey. Mr. Clarke then distributed an information sheet with various 2019 system accomplishments and data including financial, safety, reliability, customer surveys, employee surveys and awards. Ms. Downs made a motion that Dr. Browder be given a commendable performance rating based upon the current BTES performance appraisal system.
Mr. Akard seconded the motion. It was unanimously approved by the Board. The increase in compensation will be based upon the BTES Wage and Salary Plan.

The Board discussed the current CEO Evaluation Process and the need for a more organized process for future years. Mr. Clarke presented a CEO Evaluation Guide from SESCO which was passed around for general review. Ms. McCall distributed the CEO job description. It was agreed that beginning in 2020, each board member should complete a survey evaluating the CEO’s performance based upon various skills and responsibilities. All of the responses would then be compiled into one summary sheet and presented to the CEO by the board chair. It was agreed that the survey should include open ended comments. Ms. McCall will send the board members the BTES Performance Review Appraisal and the SESCO CEO Evaluation Guide. The board members will develop questions and criteria for the survey to be shared at the next meeting.

There being no further business, the meeting was adjourned at 2:08.

The next meeting is scheduled for Wednesday, September 18, 2019 at noon.

Respectfully Submitted,

Erin Downs, Secretary