

**MINUTES OF THE
JOHNSON CITY ENERGY AUTHORITY
D/B/A
BRIGHTRIDGE**

December 17, 2019

PRESENT: Dan Brant
Jenny Brock
Joe Grandy
B. J. King
Hal Knight
Gary Mabrey
James Smith
Guy Wilson
Jeffrey R. Dykes, Chief Executive Officer
Brian Bolling, CPA, Chief Financial Officer and Chief Customer Officer
Connie Crouch, Human Resources Manager
Mark Eades, Chief Engineering and Technology Officer
Eric Egan, Chief Data Officer
Brian Ellis, Service Department Manager
Stacy Evans, Chief Broadband Officer
Donnie Hall, Safety/Environmental Manager
Rodney Metcalf, Chief Operations Officer
Tim Whaley, Director of Public and Governmental Affairs
Stephen M. Darden, Attorney

ABSENT: Robert Thomas
Angela Shrewsbury, Energy Services/Marketing Manager
David Spinnato, Physical Plant/Warehouse Manager
Tiphonie Watson, Customer Support Manager

Chairman B. J. King called the meeting to order. Upon motion of Mr. Mabrey, seconded by Ms. Brock, the report of the Finance, Audit, Rates and Budget Committee was moved to the first item on the meeting agenda, and two additions were made to the "Other" section of the agenda - a Resolution authorizing application for a USDA economic development loan for Unaka Forest Products, Inc., and consideration of a land purchase for property adjacent to the Phipps Substation. The motion carried unanimously.

Joe Grandy delivered the report of the Finance, Audit, Rates and Budget Committee, which had met to consider the independent audit for the period ending June 30, 2019. He introduced Karen McMurray with Blackburn, Childers and Steagall, PLC, who delivered to the Board a report concerning the audit. Once again, BrightRidge received a "clean" audit opinion, with no material weaknesses detected and no findings.

Ms. McMurray expressed her firm's appreciation to all BrightRidge managers and employees who assisted them with the audit this year. Upon motion of the Committee, the Board approved the Independent Auditor's Report. The motion carried unanimously. The report will now be submitted by Blackburn, Childers and Steagall to the State of Tennessee.

Chairman King welcomed Angela Corvin, General Accountant for BrightRidge, who was attending today's meeting. Ms. Corwin has extensive experience as a cost accountant, and has worked in the past for Sinclair Broadcasting and Saratoga Technology. Her duties at BrightRidge include research and implementation of process improvements, accounts payable approvals, and special projects such as broadband insurance and sales tax issues.

Upon motion of Mr. Grandy, seconded by Dr. Knight, the monthly power distributor's report submitted to the Tennessee Valley Authority for October, 2019 was approved. The motion carried unanimously. Brian Bolling advised the Board that the company had experienced the worst October load factor since 2013 (49.88%) This was an anomaly resulting from extremely hot temperatures during the first five days of the month (daily high temperatures of 93 degrees, 93 degrees, 93 degrees, 94 degrees, and 88 degrees, respectively). In spite of that load factor, however, year-to-date income was \$651,849.97 more than last year's year-to-date figure. Year-to-date actual net income was \$250,923.62 more than the budgeted figure. The general fund balance stands at \$30,952,712.00, the reserve fund balance stands at \$6,668,981.52, the special reserve fund balance stands at \$5,932,267.45, the tax equivalent fund balance stands at \$1,890,328.34, the economic development fund balance stands at \$1,996,945.51, the 2017 bond and interest sinking fund balance stands at \$1,276,617.18, the renewal and replacement fund balance stands at \$6,207,651.19, and the self-insurance fund balance stands at \$2,005,295.55. BrightRidge is currently serving 79,206 customers, which is an increase of 497 customers since the same time last year.

Upon motion of Mr. Grandy, seconded by Dr. Knight, the monthly financial statements for October, 2019 for the Broadband Division were approved. The motion carried unanimously. The cash bank balance stands at \$1,126,337.34, and capital projects closed to plant through October totaled \$2,630,562.46 (plus construction work in progress since June, 2019 totaling \$1,233,369.91), with a \$5,058,961.63 capital budget remaining at this time. There are presently 486 fiber customers and 90 fixed wireless customers in the Broadband Division.

Upon motion of Ms. Brock, seconded by Mr. Mabrey, the following items were approved on the Electric Division Consent Agenda:

- (a) The minutes of the November 19, 2019 Board meeting.

The motion carried unanimously.

Upon motion of Ms. Brock, seconded by Mr. Mabrey, the following items were approved on the Broadband Division Consent Agenda:

(a) The purchase from regional provider VFP two 12' X 28' refurbished reclaimed precast concrete "point of presence" buildings with dual HVAC units, to be placed at the Cedar Creek and Boones Creek Substations to house electronics to serve future customers in Phases 3, 5, 6, and 7 of the broadband project. Approval was granted up to \$55,597.00 for the purchase of the two buildings, and the transport/delivery of same at cost plus 12% (estimated at \$3,000.00 each).

The motion carried unanimously.

Upon motion of Mr. Grandy, seconded by Ms. Brock, the Board approved the following Resolution:

**BRIGHTRIDGE RESOLUTION
AUTHORIZING APPLICATION FOR
RURAL ECONOMIC DEVELOPMENT LOAN**

WHEREAS, Johnson City Energy Authority, d/b/a BrightRidge, has been actively involved in economic development in order to improve the economic well-being of its customers, as well as that of the communities of Sullivan and Washington County areas as a whole; and

WHEREAS, Goessling USA, Inc. has proposed constructing a 12,500 square feet addition to their existing building, to be used for manufacturing of conveyor-type systems located within Sullivan County at 748 Mountain View Drive, Piney Flats, Tennessee, 37686; and

WHEREAS, the total project is estimated to be \$1,470,000.00 and Goessling USA, Inc. is in need of an additional \$1,000,000.00 to fund the project; and

WHEREAS, the USDA Rural Business-Cooperative Service has available an economic development program of financial assistance to intermediaries in the form of zero-interest loans to assist in business and community development; and

WHEREAS, the project is in compliance with **7 CFR 4280, subpart B**, and specifically, the project is for eligible purposes and is not restricted (**7 CFR 4280.27** and **7 CFR 4280.30**) and resolves to carry out the proposed project with Goessling USA, Inc., according to **7 CFR 4280.30**; and

WHEREAS, the Board of Directors of Johnson City Energy Authority, d/b/a BrightRidge, has endorsed the proposed rural economic development project as described in the application and **4280.29 Supplemental Financing Required for the Ultimate Recipient** project; and

WHEREAS, the Board of Directors of Johnson City Energy Authority, d/b/a BrightRidge, agrees to the provisions of the regulation **4280-A** and the **4280-5** loan agreement;

NOW, THEREFORE, BE IT RESOLVED the Board of Directors of Johnson City Energy Authority, d/b/a/ BrightRidge, authorizes its CEO to submit an application of \$1,000,000.00 for a Rural Economic Development loan; and

BE IT FURTHER RESOLVED that the Board of Directors authorizes its CEO to compile, complete, and execute the information and forms necessary to support this application. Furthermore, the Board of Directors authorizes the CEO and his support staff to requisition the zero-interest loan funds.

The motion carried unanimously.

Upon motion of Mr. Mabrey, seconded by Mr. Smith, the Board approved the following Resolution:

**BRIGHTRIDGE RESOLUTION
AUTHORIZING APPLICATION FOR
RURAL ECONOMIC DEVELOPMENT LOAN**

WHEREAS, Johnson City Energy Authority, d/b/a BrightRidge, has been actively involved in economic development in order to improve the economic well-being of its customers, as well as that of the communities of Sullivan and Washington County areas as a whole; and

WHEREAS, Unaka Forest Products, Inc. plans to purchase a new pallet nailing machine to replace the existing machine located at 217 Dry Creek Road, Jonesborough, Tennessee, 37659; and

WHEREAS, the total project is estimated to be \$700,000.00 and Unaka Forest Products, Inc. is in need of an additional \$560,000.00 to fund the project; and

WHEREAS, the USDA Rural Business-Cooperative Service has available an economic development program of financial assistance to intermediaries in the form of zero-interest loans to assist in business and community development; and

WHEREAS, the project is in compliance with **7 CFR 4280, subpart B**, and specifically, the project is for eligible purposes and is not restricted (**7 CFR 4280.27** and **7 CFR 4280.30**), and resolves to carry out the proposed project with Unaka Forest Products, Inc., according to **7 CFR 4280.30**; and

WHEREAS, the Board of Directors of Johnson City Energy Authority, d/b/a BrightRidge, has endorsed the proposed rural economic development project as

described in the application and **4280.29 Supplemental Financing Required for the Ultimate Recipient** project; and

WHEREAS, the Board of Directors of Johnson City Energy Authority, d/b/a BrightRidge, agrees to the provisions of the regulation **4280-A** and the **4280-5** loan agreement;

NOW, THEREFORE, BE IT RESOLVED the Board of Directors of Johnson City Energy Authority, d/b/a/ BrightRidge, authorizes its CEO to submit an application of \$560,000.00 for a Rural Economic Development loan; and

BE IT FURTHER RESOLVED that the Board of Directors authorizes its CEO to compile, complete, and execute the information and forms necessary to support this application. Furthermore, the Board of Directors authorizes the CEO and his support staff to requisition the zero-interest loan funds.

The motion carried unanimously.

Ms. Brock delivered the report of the Business Development/Planning Committee, which had met in October to consider the purchase of a 10.09-acre tract and a 13.64-acre tract on Bailey Bridge Road on either side of the Phipps Substation. Upon motion of Ms. Brock, seconded by Mr. Smith, the Board approved the purchase of these tracts from Bill Runion for a price of \$197,000.00. The motion carried unanimously.

Mark Eades, Chief Engineering and Technology Officer, delivered a presentation to the Board concerning line losses. Line losses may occur in both the electrical transmission system and in the electrical distribution system. Transmission system line losses are calculated by the Tennessee Valley Authority, and occur between the TVA transmission system and BrightRidge delivery points. **Actual line losses** occurring in the BrightRidge distribution system are usually the result of four scenarios:

(1) **Line losses** may occur in the electrical conductors themselves. BrightRidge presently has over 3,500 miles of electrical conductors.

(2) **Transformer losses.** Transformers last approximately 30 years. Line losses may result from the transformer core, windings, and/or copper. It is estimated that the company may lose up to \$4.2 million in line losses from transformers annually, and BrightRidge carefully evaluates the purchase of each transformer with respect to estimated losses over its life in order to decrease these transformer losses.

(3) Line losses from **power theft** also may occur, but such activities are no longer a major factor because of the AMI metering system.

(4) Line losses due to **trees** may be diminished by trimming and cutting trees away from transmission and distribution power lines.

Perceived line losses may result because Tennessee Valley Authority billing cycles and BrightRidge billing cycles may not coincide. The 79,000+ BrightRidge customers are billed each month over 22 separate billing cycles. TVA's billing cycle has now been moved, resulting in less perceived line losses, and the utility's AMI system provides meter data every hour, allowing for more consistent comparisons in billed and unbilled revenue. Therefore, the most accurate method of reviewing and accounting for line losses on an annual basis is by calculation of **rolling line losses** each month. BrightRidge budgeted for 4% system losses in 2019.

Line losses may be mitigated by increasing conductor sizes on both transmission and distribution lines, adopting aggressive tree-trimming practices, performing thorough transformer loss evaluations, and locating substations to promote shorter distribution lines.

Stacy Evans, Chief Broadband Officer, delivered an update regarding the broadband project. There are presently 486 fiber customers, 61 fixed wireless customers, 29 Ubiquiti wireless customers, 242 managed wi-fi customers, 17 IPTV video customers, and 74 telephone VoIP customers.

Phase 2 of the Johnson City fiberoptic construction is well under way, with only completion of aerial fiber splicing remaining in a few areas. Construction in micro-trenched areas is complete in most areas, with only splicing pending. Winter weather and the holiday season will impact completion of the micro-trenching.

Phase 2 of the Jonesborough fiberoptic construction is estimated to be completed during January, 2020.

Citizens Broadband Radio Service (CBRS)/Spectrum Access System (SAS) are fixed wireless enhancements currently in development. Pilot testing was successful in November/December, 2019, but issues were identified and are being resolved. Beta testing is to begin in January, 2020, with production turn-up for BrightRidge scheduled for March, 2020.

Work continues on the tower locations for Buffalo Ridge (south of Gray), and Fall Branch. Tower locations in Persimmon Ridge (Jonesborough) and Piney Knob (south of Telford) are now completed.

With respect to the Triple Play Service rollout, a hard launch marketing target date is planned for January 13, 2020, at which time daily installations are expected to have increased to a maximum of 12 per day. Evaluations of order entry, provisioning, onsite installation, service verification, and user training and support processes are to be completed this month. Mr. Evans displayed for the Board the Video Quick Start Guide, which has been developed to enable customers to quickly learn the functions of their remote control and other IPTV features. He also showed Board members new marketing materials for various fiber/internet packages, social media advertising, and direct mailers, including customer testimonials.

CEO Jeff Dykes updated the Board on potential Tesla fast charging stations and transmission line upgrade projects.

There being no further business, the meeting was adjourned.