

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

IN RE:

**APPLICATION OF BRISTOL TENNESSEE
ESSENTIAL SERVICES TO EXPAND ITS
CERTIFICATE OF CONVENIENCE AND
NECESSITY TO PROVIDE COMPETING
TELECOMMUNICATIONS SERVICES
STATEWIDE**

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DOCKET No. 12-00060

**RESPONSES OF BRISTOL TENNESSEE ESSENTIAL SERVICES TO
DISCOVERY REQUESTS OF
TENNESSEE CABLE TELECOMMUNICATIONS ASSOCIATION**

Bristol Tennessee Essential Services ("BTES") respectfully submits these responses to the discovery requests of the Tennessee Cable Telecommunications Association ("TCTA").

INTRODUCTION

On March 6, 2006, the voting panel of the Tennessee Regulatory Authority ("Authority") granted BTES a certificate of convenience and necessity to provide telecommunications services within its electric system footprint. As part of that proceeding, BTES adopted and implemented a cost allocation manual to allocate shared and common costs between BTES' electric system operations and BTES' telecommunications business unit. Pursuant to the 2006 CCN Order, BTES prepared agreed upon procedures for a compliance audit of its cost allocation manual and submitted those agreed upon procedures to the Authority.¹ BTES obtained and filed an initial compliance audit pursuant to these agreed upon procedures.² BTES further obtained and filed

¹ See <http://www.tn.gov/tra/orders/2005/0500251aj.pdf>.

² See <http://www.tn.gov/tra/orders/2005/0500251am.pdf>.

four additional annual compliance audits of its cost allocation manual, covering BTES' fiscal years ending June 30 of 2007, 2008, 2009, and 2010.³

On May 5, 2011, BTES filed notice of its intent to operate pursuant to market based regulation.⁴ Pursuant to Tenn. Code Ann. § 65-5-109(m), BTES' notice of election became effective upon its filing, and BTES became "exempt from all authority jurisdiction, including, but not limited to, state-based regulation of retail pricing or retail operations, except as defined in [Tenn. Code Ann. § 65-5-109(n)]." The Authority's jurisdiction "respecting the requirement of certificates pursuant to § 65-4-201" is among the jurisdiction that the Authority retains after a certificated carrier elects market based regulation (Tenn. Code Ann. § 65-5-109(n)(12)), but the requirements under Title 7, Chapter 52, Part 4 are not included in the jurisdiction reserved to the Authority for a market-regulated carrier like BTES. To be sure, the requirements of Title 7, Chapter 52, Part 4 continue to apply to BTES' telecommunications operations. Jurisdiction over those matters simply does not reside with the Authority in the case of a certificated municipal system that subsequently elects to operate pursuant to market based regulation.

This proceeding to expand upon BTES' certificated service area and these discovery requests must be considered in the context of this regulatory and jurisdictional backdrop. BTES' submits that the appropriate standard under Tenn. Code Ann. § 65-4-201 in the context of this proceeding – and the one appropriate for determining the relevance of the intervenor's discovery requests – is that BTES must demonstrate that (1) it possesses sufficient managerial, financial and technical abilities to provide telecommunications service outside of its electric system footprint, and (2) that it will adhere to the policies, rules and orders of the Authority that are

³ Copies on file in Docket No. 05-00251, available at <http://www.tn.gov/tra/dockets/0500251.htm>.

⁴ Available at <http://www.tn.gov/tra/orders/2011/1100068.pdf>.

“applicable” after its election to operate pursuant to market based regulation – meaning those found in the areas reserved for the Authority under Tenn. Code Ann. § 65-5-109(n).

GENERAL OBJECTIONS

1. As discussed in the “Introduction” immediately above, BTES avers that the scope of this proceeding should be limited to the statutory requirements of Tenn. Code Ann. § 65-4-201 as applicable to a previously certificated carrier that has elected to operate pursuant to market based regulation. BTES objects to TCTA’s requests to the extent that such requests seek information that is irrelevant or that relate to matters not at issue in this proceeding. BTES further objects to such requests to the extent such requests are not reasonably calculated to lead to the discovery of admissible evidence. Matters involving the BTES telephone business unit that do not relate to the statutory standard set forth in T.C.A. § 65-4-201 may be raised in other proceedings and other venues. Matters involving divisions and business units of BTES other than the telephone business unit are beyond the jurisdiction of the Authority and the scope of this proceeding. By providing information in response to these requests, BTES does not concede that such information is relevant, admissible, or discoverable, or that other information on the same or similar subjects would be discoverable. BTES expressly reserves the right to: (a) object to other discovery requests, despite their involving or relating to the subject matter of any of the interrogatories, document requests or requests for admission being responded to here; and (b) object to the introduction into evidence of any answer or produced document on relevancy or any other grounds.

2. BTES objects to the definitions and instructions contained in the requests to the extent that the definitions and instructions attempt to impose on BTES a burden or obligation greater than that required by the *Tennessee Rules of Civil Procedure* and applicable statutes and regulations governing contested case hearings.

3. BTES objects to the requests to the extent they call for information and the production of documents protected from disclosure by the attorney-client privilege, common interest privilege, work product doctrine, or any other applicable privilege or protection. BTES objects to the requests to the extent that TCTA is attempting to impose on BTES obligations with regard to identification of privileged documents beyond those required by the *Tennessee Rules of Civil Procedure* and applicable statutes and regulations governing contested case hearings.

4. BTES objects to TCTA's requests to the extent that TCTA is attempting to require BTES to provide information and produce documents beyond those in its possession, custody, or control, including documents in the possession, custody or control of other persons that are not parties to this proceeding, including but not limited to its auditors and its counsel, as such requests are overly broad, unduly burdensome and not permitted by applicable discovery rules.

5. BTES' objections and responses to these requests are and will be based on information then known to it. BTES reserves the right to amend, modify or supplement its objections and responses if it learns of new information.

6. BTES objects to requests that seek "all" documents pertaining to a certain issue or falling into a certain category. Such requests by their nature are unduly burdensome, and unreasonably cumulative and duplicative. When served on a corporate or other institutional defendant, literal compliance with such a request is impossible to assure. Requiring a party to produce "all" documents showing a certain fact when one will do is, by its nature, unreasonably cumulative and duplicative, and such requests are often vague and indefinite. Where documents are produced in response to such a request, BTES has interpreted the request in light of reason

and the matters at issue in this case, and has made a reasonable search for responsive documents. In so doing, BTES has complied with its discovery obligations.

For the sake of brevity, BTES will incorporate these "General Objections" by reference as appropriate in response to TCTA's discovery requests in this case.

I. INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS

1. Please describe the relationship between BTES and the City of Bristol, Tennessee. Include in your answer: (a) an identification of all enabling legislation enacted which is or was applicable to the creation, organization and operation of BTES; and (b) a description of the process for the management, operation and control of BTES, including the identification of all management level personnel and their titles.

RESPONSE: Subject to and without waiver of the General Objections, BTES is a municipal electric plant created by the City of Bristol, Tennessee under the authority of the Municipal Electric Plant Law of 1935, which is codified in Title 7, Chapter 52 of Tennessee Code Annotated. While the Municipal Electric Plant Law of 1935 is the primary enabling legislation relating to the creation and organization of BTES, numerous other provisions the Tennessee Code apply to BTES' operations. Subject to the authority of the BTES Board of Directors, the BTES Chief Executive Officer has primary managerial responsibilities for the management, operation and control of BTES. An organizational chart identifying BTES management-level personnel and their titles is included in Exhibit B of the Application.

2. Please provide any and all Documents related to the creation of the BTES telecommunications division, including business plans and projections and the analysis and approval of any governing authority, excluding the approval of the Tennessee Regulatory Authority.

RESPONSE: BTES objects to this Request based upon the General Objections. The creation of BTES' telecommunications operation was the subject of Authority Docket No. 05-00251 and is not relevant to this proceeding. Subject to and without waiver of the foregoing

objections, BTES included pro forma financial statements as an exhibit to its petition for its original certificate of convenience and necessity.

3. Identify all persons involved in the decision to seek statewide authority to provide telecommunication services and the process for making the decision. Provide a copy of any business plan considered including revenue and cost projections.

RESPONSE: BTES' Chief Executive Officer R. Michael Browder made the decision to seek statewide authority to provide telecommunications services as business conditions warrant. Dr. Browder has identified the provision of switching services to facilities-based providers and other carriers located outside the BTES footprint as BTES' initial focus. BTES anticipates the possibility of providing other services to facilities based and other providers in the future as well as the possibility of utilizing unbundled network elements or other arrangements to provide services outside of its footprint, but BTES has not developed a business plan for these additional services at this time.

4. By category, how many telephone, internet and cable customers were receiving services from BTES as of June 30, 2012?

RESPONSE: Subject to and without waiver of the General Objections, as of June 30, 2012, BTES has 11,834 customers receiving cable service, 10,419 customers receiving internet service, and 8,066 customers receiving some form of telephone service.

5. Please provide a detailed description of the telecommunications network facilities that BTES has constructed or plans to construct within the next 2 years. Include in your answer: (a) the location of the network facilities; (b) the date the construction was completed and/or the scheduled date of completion; and (c) an itemization of the construction costs.

RESPONSE: BTES has invested approximately \$1.2 million in a Class 5 telephone switch located at 2470 Volunteer Parkway, Bristol, Tennessee. These facilities were completed in 2006 and have been periodically upgraded from time to time.

6. Please provide the backup data for the telephone, cable and internet revenue and expenses referenced in the BTES 2011 Annual Report, Exhibit B to the Application.

RESPONSE: Subject to and without waiver of the General Objections, please see BTES' response to CenturyLink discovery request number 3, filed in this Docket, a copy of which is being furnished to TCTA counsel pursuant to Response 21, below.

7. Identify and provide a detailed chart of accounts or any and all related Documents for BTES, (i.e. controlling and subsidiary accounts) including an identification and description of the type of financial activity recorded to each as of June 30, 2012.

RESPONSE: Subject to and without waiver of the General Objections, BTES has attached its chart of accounts, unaudited financial statements as of June 30, 2012, and general ledger account detail supporting the business unit financials as of June 30, 2012.

ACCOUNT	DESCRIPTION	CO CODE
101.00	ELECTRIC PLANT	0
107.00	CONSTRUCTION WORK IN PROGRESS	0
107.10	WORK IN PROGRESS	0
107.20	CONSTRUCTION WORK IN PROGRESS	0
107.21	CONSTRUCTION OVERHEAD	0
107.30	SPECIAL EQUIPMENT ACCOUNT	0
108.10	ACCUM PROV OF DEPR OF EPIS-DIST	0
108.20	ACCUM PROV FOR DEPR OF EPIS-GEN	0
108.30	ACCUM PROV FOR DEPR OF EPIS-TRAN	0
108.52	ACCUMULATED DEP. PLANT ACCT. 352	0
108.53	ACCUMULATED DEP. PLANT ACCT. 353	0
108.54	ACCUMULATED DEP. PLANT ACCT. 354	0
108.55	ACCUMULATED DEP. PLANT ACCT. 355	0
108.56	ACCUMULATED DEP. PLANT ACCT. 356	0
108.60	LOSS DUE TO RETIREMENT-DIST.	0
108.61	ACCUMULATED DEP. PLANT ACCT. 361	0
108.62	ACCUMULATED DEP. PLANT ACCT. 362	0
108.64	ACCUMULATED DEP. PLANT ACCT. 364	0
108.65	ACCUMULATED DEP. PLANT ACCT. 365	0
108.66	ACCUMULATED DEP. PLANT ACCT. 366	0
108.67	ACCUMULATED DEP. PLANT ACCT. 367	0
108.68	ACCUMULATED DEP. PLANT ACCT. 368	0
108.69	ACCUMULATED DEP. PLANT ACCT. 369	0
108.70	ACCUMULATED DEP. PLANT ACCT. 370	0
108.71	ACCUMULATED DEP. PLANT ACCT. 371	0
108.73	ACCUMULATED DEP. PLANT ACCT. 373	0
108.80	RETIREMENT WORK IN PROGRESS	0
108.90	LOSS DUE TO RETIRMENT-TRANS.	0
108.91	ACCUMULATED DEP. PLANT ACCT. 391	0
108.92	ACCUMULATED DEP. PLANT ACCT. 392	0
108.93	ACCUMULATED DEP. PLANT ACCT. 393	0
108.94	ACCUMULATED DEP. PLANT ACCT. 394	0
108.95	ACCUMULATED DEP. PLANT ACCT. 395	0
108.96	ACCUMULATED DEP. PLANT ACCT. 396	0
108.97	ACCUMULATED DEP. PLANT ACCT. 397	0
108.98	ACCUMULATED DEP. PLANT ACCT. 398	0
108.99	ACCUMULATED DEP. PLANT ACCT. 390	0
109.65	ACCUMULATED DEPRECIATION-397.65	65
109.67	ACCUMULATED DEPRECIATION 397.66	65
109.75	ACCUMULATED DEPRECIATION -397.75	75
121.00	NON-UTILITY PLANT	0
121.10	NON-UTILITY PLANT - RADER PROP	0
123.10	Investment in Broadband & Cable	0
123.11	INVESTMENT IN TELEPHONE	0
123.12	INVESTMENT IN ABS	0
123.15	INVESTMENTS IN SEDC	0
126.00	RENEWAL AND REPLACEMENT FUND	0
128.00	MEDICAL INSURANCE FUND	0
131.00	BANK OF TENNESSEE REVENUE ACCT.	0
131.10	AMSOUTH REVENUE ACCOUNT	0
131.15	PAYROLL ACCOUNT	0

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131.21	TRISUMMIT A/P	0
131.22	TRISUMMIT REVENUE	0
131.25	DEPOSIT REFUND	0
131.26	BOTN DEPOSIT REFUND	0
131.35	CITIZENS BANK REVENUE	0
131.50	FIRST BRISTOL BANK	0
131.60	CONSTRUCTION FUND-BONDS	0
131.61	BANK OF TN MONEY MARKET	0
131.65	CASH CABLE/ISP	65
131.70	FTNB REVENUE ACCOUNT	0
131.71	BANK OF TENNESSEE	0
131.75	CASH TELEPHONE	75
135.00	CASHIERS' WORKING FUND	0
135.10	PETTY CASH FUND	0
135.15	PETTY CASH DRAWER	0
135.30	BANK OF AMERICA LIFE INS. ESCROW	0
135.60	ELECTRICAL INSPECTION ACCOUNT	0
136.00	TEMPORARY CASH INVESTMENTS	0
136.20	TEMPORARY CASH INVESTMENTS - TVA	0
142.00	ACCOUNTS RECEIVABLE	0
142.65	A/R CABLE /ISP	65
142.75	A/R TELEPHONE	75
142.76	LOAN TO ABS	75
143.00	A/R - WATER HEATER CONTRACTOR	0
143.10	ACCOUNTS RECEIVABLE - MISC.	0
143.11	UNIFORM DEDUCTIONS CLEARING	0
143.20	A/R OPEB Trust	0
143.30	A/R ENHANCED CONSULTING	0
143.40	A/R MISCELLANEOUS BILLING	0
143.42	CONTRACTS BILLS/MISC BILLING	0
143.50	A/R - TVA HP INCENTIVE PROGRAM	0
143.60	A/R CASH RECEIPTS SUSPENSE	0
143.65	MISC A/R CABLE/ISP	65
143.70	A/R - UETHDA FUEL PROGRAM	0
143.75	MTN VIEW APTS - CUSTOMER CREDIT	0
143.80	SALVATION ARMY/HYN VOUCHERS	0
143.85	HELP YOUR NEIGHBOR - VOUCHERS	0
143.90	A/R REC - RHIP REIMBURSEMENT	0
143.95	ASSISTANCE	0
143.97	BFIA	0
144.00	ALLOWANCE FOR DOUBTFUL ACCOUNTS	0
144.65	ALLOWANCE FOR DOUBTFUL ACCT CISP	65
144.75	ALLOWANCE FOR DOUBTFUL ACCT TELE	75
154.10	MATERIALS AND SUPPLIES - GARAGE	0
154.20	MATERIALS AND SUPPLIES - CONSTR.	0
154.30	MATERIALS AND SUPPLIES - COMM.	0
154.65	CABLE & INTERNET INVENTORY	65
154.80	MATERIALS BALANCING ACCOUNT	0
163.00	STORES EXPENSE - UNDISTRIBUTED	0
163.10	STORES EXPENSE DISTRIBUTION	0
165.10	PREPAID INSURANCE	0
165.20	PREPAID EXPENSE - MGMT AGREEMENT	0

165.30	PREPAID IN LIEU OF TAX	0
165.40	PREPAID MAINTENANCE EXPENSE	0
165.65	PREPAID IN LIEU OF TAX CABLE	65
165.66	PREPAID MAINTENANCE EXPENSE	65
165.75	PREPAID IN LIEU OF TAX TELEPHONE	75
165.76	PREPAID MAINTENANCE EXPENSE	75
165.80	PREPAYMENTS - TVA	0
165.90	PREPAYMENT - CARINA	0
171.10	INTEREST RECEIVABLE	0
171.65	DUE FROM CABLE /ISP	0
184.00	CLEARING ACCOUNT - VEHICLES	0
184.01	VEHICLE OH-NO SPECIFIC VEHICLE	0
184.50	CLEARING ACCOUNT - SUPERVISION	0
184.60	CLEARING ACCOUNT - ADMIN. LABOR	0
184.70	CLEARING ACCOUNT - ENGINEERING	0
186.20	TCRS PENSION ASSET	0
186.25	OPEB Asset	0
186.30	EMPLOYEE LOAN	0
186.35	MISC A/R BILLED ON 142.00	0
186.40	WATER HEATER LOAN	0
186.50	MISC DEFERRED DEBITS - CDS	0
186.52	DEFERRED DEBIT - NEW BUSINESS	65
186.55	PREPAID POWER COST - DEU	0
186.60	DEFERRED DEBITS-TVA PRE-PAYMENT	0
186.61	CAPITALIZED INTEREST LTD BONDS	0
186.66	CAPITALIZED INTEREST CABLE/ISP	65
186.75	Deferred Debit - New Business P	75
186.76	UNAMORTIZED BOND ISSUE COSTS	0
186.77	CAPITALIZED INTEREST TELEPHONE	75
186.80	NON INTEREST BEARING LOAN	0
186.90	HEAT PUMP LOANS	0
186.95	ENERGY SAVINGS LOANS	0
186.96	American Phoenix Contract	0
216.00	ACCUM NET INCOME-BEG. OF PERIOD	0
216.65	ACCUM NET INCOME - CABLE/ISP	65
216.75	ACCUM NET INCOME - TELEPHONE	75
220.10	INTEREST ON HEAT PUMP LOANS	0
220.15	INTEREST ON ENERGY SAVINGS LOANS	0
220.16	Intrst-American Phoenix Contract	0
221.10	LONG TERM DEBT-BONDS 2005	0
221.11	UNAMORTIZED BOND PREMIUM	0
228.65	LIABILITY CABLE/ISP	65
228.66	LIABILITY - LOAN FROM TELEPHONE	65
228.75	LIABILITY TELEPHONE	75
232.00	ACC. PAYABLE-GIFT CERTIFICATES	0
232.10	ACCOUNTS PAYABLE - GENERAL	0
232.11	ACCOUNTS PAYABLE MISC CLEARING	0
232.12	ACCOUNTS PAYABLE-RETAINAGE AEG	0
232.15	ACCOUNTS PAYABLE-TVA POWER BILL	0
232.16	ACCOUNTS PAYABLE MISCELLANEOUS	0
232.60	A/P - EXIDE R & D	0
232.65	A/P CLEARING - CABLE/INTERNET	65

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232.66	A/P - CABLE FRANSCHISE FEE	65
232.70	MISC PAYROLL DEDUCTIONS	0
232.75	A/P CLEARING- TELEPHONE	75
232.76	A/P - CABS	75
232.80	A/P - FLEX PLAN CON	0
232.90	ACCTS PAYABLE - HEAT PUMP CONTR.	0
234.00	A/P CITY OF BRISTOL TN-ECON DEV	0
234.10	A/P CITY OF BRISTOL TN- ECON DEV	0
234.20	ECONOMIC DEV LOAN PROGRAM	0
234.50	A/P - TN HIGH/VIKING HALL	0
234.65	ECONOMIC DEV LOAN PROGRAM	65
235.00	CUSTOMER DEPOSITS	0
235.01	INTEREST ON CUSTOMER DEPOSIT	0
236.10	ACCRUED TAXES PAYABLE	0
236.11	ACCRUED TAXES PAYABLE COB	0
236.20	EMPLOYER FICA TAX PAYABLE	0
236.65	ACCRUED TAXES PAYABLE COB CABLE	65
236.66	ACCRUED TAXES CABLE/ISP	65
236.67	ACCRUED STATE EXCISE TAX	65
236.75	ACCRUED TAXES TELEPHONE COB	75
236.76	ACCRUED TAXES TELEPHONE	75
237.30	INTEREST ACCRUED LTD-OTHER	0
241.10	A/P - FIT WITHHELD	0
241.20	A/P - FOAB WITHHELD	0
241.25	A/P 401K Employer Portion	0
241.30	SALES TAX NON-ELECTRIC SALES	0
241.40	SALES TAX ELECTRICITY	0
241.50	WASHINGTON CO, VA UTILITIES TAX	0
241.60	CITY OF BRISTOL - FRANCHISE FEE	65
241.61	FEDERAL EXCISE TAX	65
241.62	SULLIVAN COUNTY - FRANCHISE FEE	65
241.63	BLUFF CITY - FRANCHSIE FEE	65
241.65	TAXES PAYABLE CABLE/ISP	65
241.71	PHONE FED EXCISE TAX	75
241.72	OTHER TAXES & FEES PAYABLE	75
241.73	E911 FEES	75
241.75	TAXES PAYABLE TELEPHONE	75
242.30	HELP YOUR NEIGHBOR	0
242.50	A/P-UNITED WAY EMP. CONTRIBUTION	0
242.60	A/P-RETIRE PLAN - EMP CONTR.	0
242.70	TVA GROWTH CREDIT - DEFERRED	0
242.80	EMP 401K PLAN CONTRIBUTION	0
242.90	A/P-BTES CREDIT UNION-EMP WITH	0
243.00	MEDICAL INSURANCE LIABILITY	0
243.10	CUR & ACCRUED LIAB-SICK LEAVE	0
243.15	ACCRUED LABOR	0
243.20	CUR & ACCRUED LIAB - VACATION	0
243.30	CUR & ACCRUED LIAB - HOLIDAY	0
243.40	CUR & ACCRUED LIAB-INCL WEATHER	0
243.50	CUR & ACCRUED LIAB - JURY DUTY	0
243.60	MILITARY LEAVE	0
243.70	ON-CALL BONUS PAY	0

243.80	EMP LIFE INS PAYABLE	0
243.90	POWER LIABILITY - TVA	0
252.00	REFUNDABLE ADVS FOR CONSTRUCTION	0
253.10	DEFERRED CREDIT	0
253.11	DEFERRED CREDIT ACCT INVENTORY	0
253.12	DEF CREDIT VEHICLE PARTS INVENTO	0
253.30	DEFERRED CREDIT-EMP RETIREE INS	0
253.40	DEFERRED CREDIT-RETIREE LIFE INS	0
253.65	DEFERRED REVENUE	65
253.66	DEFERRED CREDIT ACCT INV CABLE	65
253.75	DEFERRED CREDIT PHONE INVENTORY	75
253.76	DEFERRED REVENUE	75
350.00	LAND AND LAND RIGHTS	0
350.10	LAND-TRANS-BLUFF CITY	0
350.30	LAND - TRANS - BRISTOL	0
350.50	LAND - TRANS - SULLIVAN COUNTY	0
350.70	LAND - TRANS - WASHINGTON CO.,VA	0
350.90	LAND - TRANS - KINGSFORT	0
352.00	STRUCTURES & IMPROVEMENTS-TRANS	0
352.10	STRUCTURES -TRANS- BLUFF CITY	0
352.30	STRUCTURES -TRANS- BRISTOL	0
352.50	STRUCTURES-TRANS- SULLIVAN CO.	0
352.70	STRUCTURES-TRANS-WASH. CO., VA	0
353.00	SUBSTATION EQUIPMENT-TRANS	0
353.10	STATION EQUIP.-TRANS-BLUFF CITY	0
353.30	STATION EQUIP.-TRANS-BRISTOL	0
353.50	STATION EQUIP-TRANS-SULL. CO.	0
353.70	STATION EQUIP-TRANS-WASH. CO.,VA	0
354.00	TOWERS AND FIXTURES-TRANS	0
354.10	TOWERS & FIXTURES-TRANS- B.C.	0
354.30	TOWERS & FIXTURES-TRANS-BRISTOL	0
354.50	TOWERS & FIXTURES-TRANS-SULL.CO.	0
354.70	TOWERS & FIXTURES-TRANS-WASH. VA	0
355.00	POLES AND FIXTURES- TRANS	0
355.10	POLES & FIXTURES-TRANS- B.C.	0
355.30	POLES & FIXTURES-TRANS- BRISTOL	0
355.50	POLES & FIXTURES-TRANS-SULL. CO.	0
355.70	POLES & FIXTURES-TRANS-WASH. VA	0
356.00	OH CONDUCTORS & DEVICES- TRANS	0
356.10	OH CONDUCTORS-DIST- BLUFF CITY	0
356.30	OH CONDUCTORS-TRANS- BRISTOL	0
356.50	OH CONDUCTORS-TRANS-SULLIVAN CO.	0
356.70	OH CONDUCTORS-TRANS-WASH. CO.,VA	0
360.00	LAND & LAND RIGHTS - DIST	0
360.10	LAND-DIST.-BLUFF CITY	0
360.30	LAND-DIST.-BRISTOL	0
360.50	LAND-DIST.-SULLIVAN CO.	0
360.70	LAND-DIST.-WASHINGTON CO.,VA	0
361.00	STRUCTURES & IMPROVEMENTS-DIST	0
361.10	STRUCTURES-DIST-BLUFF CITY	0
361.30	STRUCTURES-DIST-BRISTOL	0
361.50	STRUCTURES-DIST-SULLIVAN COUNTY	0

361.70	STRUCTURES-DIST-WASH. CO., VA	0
362.00	STATION EQUIPMENT - DISTRIBUTION	0
362.10	STATION EQUIP.-DIST.-BLUFF CITY	0
362.30	STATION EQUIP.-DIST-BRISTOL	0
362.50	STATION EQUIP.-DIST.-SULL. CO.	0
362.65	CABLE/INTERNET STATION EQUIPMENT	0
362.70	STATION EQUIP.-DIST-WASH.CO.,VA	0
364.00	POLES,TOWERS,& FIXTURES-DIST.	0
364.10	POLES & FIXTURES-DIST-BLUFF CITY	0
364.30	POLES & FIXTURES-DIST-BRISTOL	0
364.50	POLES & FIXTURES-DIST.-SULL. CO.	0
364.69	Poles,Multiple Use Powerlines	0
364.70	POLES & FIXTURE-DIST-WASH.CO.,VA	0
365.00	OVERHEAD CONDUCTORS/DEVICES-DIST	0
365.10	OVERHEAD CONDUCTORS-DIST- B.C.	0
365.30	OVERHEAD CONDUCTOR-DIST-BRISTOL	0
365.50	OVERHEAD CONDUCTOR-DIST-SULL.CO.	0
365.55	Distribution Overhead Multi-Use	0
365.70	OVERHEAD CONDUCTOR-DIST-WASH.,VA	0
366.00	UNDERGROUND CONDUCTORS - DIST.	0
366.10	UG CONDUCTORS-DIST.-BLUFF CITY	0
366.30	UG CONDUCTORS-DIST.-BRISTOL	0
366.50	UG CONDUCTORS-DIST.-SULL. CO.	0
366.70	UG CONDUCTORS-DIST.-WASH.CO.,VA	0
367.00	UG CONDUCTORS & DEVICES - DIST	0
367.10	UG CON.& DEVICES-DIST-BLUFF CITY	0
367.30	UG CON.& DEVICES-DIST-BRISTOL	0
367.50	UG CON.& DEVICES-DIST-SULL. CO.	0
367.70	UG CON.& DEVICES-DIST-WASH.CO.VA	0
368.00	TRANSFORMERS - DISTRIBUTION	0
368.10	TRANSFORMERS-DIST-BLUFF CITY	0
368.30	TRANSFORMERS-DIST-BRISTOL	0
368.50	TRANSFORMERS-DIST-SULLIVAN CO.	0
368.70	TRANSFORMERS-DIST-WASH CO., VA	0
369.00	SERVICES - DISTRIBUTION	0
369.10	SERVICE-DIST- BLUFF CITY	0
369.30	SERVICES-DIST.- BRISTOL	0
369.50	SERVICES-DIST.- SULLIVAN CO.	0
369.70	SERVICES-DIST.-WASH. CO., VA	0
370.00	METERS	0
370.10	METERS-DIST- BLUFF CITY	0
370.30	METERS-DIST- BRISTOL	0
370.50	METERS-DIST- SULLIVAN COUNTY	0
370.70	METERS-DIST.-WASH. CO., VA	0
371.00	SECURITY LIGHTS	0
371.10	SECURITY LIGHTS-DIST.-BLUFF CITY	0
371.30	SECURITY LIGHTS-DIST.-BLUFF CITY	0
371.50	SECURITY LIGHTS-DIST-SULL. CO.	0
371.70	SECURITY LIGHTS-DIST-WASH.CO.,VA	0
373.00	STREET & TRAFFIC LIGHTS - DIST	0
373.10	STREET/TRAFFIC LIGHTS-DIST.-B.C.	0
373.30	STREET/TRAFFIC LIGHTS-DIST-BRIS.	0

373.50	STREET/TRAFFIC LIGHTS-DIST-SULL.	0
373.70	STREET/TRAFFIC LIGHTS-DIST-WASH.	0
389.00	LAND & LAND RIGHTS	0
390.00	STRUCTURES & IMPROVEMENTS	0
391.00	OFFICE FURNITURE & EQUIPMENT	0
392.00	TRANSPORTATION EQUIPMENT	0
393.00	STORES & EQUIPMENT	0
394.00	TOOLS, SHOP & GARAGE	0
395.00	LABORATORY EQUIPMENT	0
396.00	POWER OPERATED EQUIPMENT	0
397.00	COMMUNICATION EQUIPMENT	0
397.01	COMMUNICATION EQUIPMENT	0
397.02	COMMUNICATION EQUIPMENT	0
397.15	ELECTRIC COMMUNICATIONS FIBER	0
397.55	COMMUNICATIONS MULI USE	0
397.65	COMMUNICATIONS CABLE/INTERNET	65
397.66	COMMUNICATIONS CABLE INTERNET 10	65
397.75	COMMUNICATIONS PLANT TELEPHONE	75
398.00	MISC. EQUIPMENT	0
403.00	DEPRECIATION EXPENSE	0
403.10	DEPR. DIST. PLANT ITEMS	0
403.20	DEPR. GENERAL PLANT ITEMS	0
403.30	DEPR. TRANSMISSION PLANT ITEMS	0
403.52	DEPRECIATION PLANT ACCOUNT 352	0
403.53	DEPRECIATION PLANT ACCOUNT 353	0
403.54	DEPRECIATION PLANT ACCOUNT 354	0
403.55	DEPRECIATION PLANT ACCOUNT 355	0
403.56	DEPRECIATION PLANT ACCOUNT 356	0
403.61	DEPRECIATION PLANT ACCOUNT 361	0
403.62	DEPRECIATION PLANT ACCOUNT 362	0
403.64	DEPRECIATION PLANT ACCOUNT 364	0
403.65	DEPRECIATION PLANT ACCOUNT 365	0
403.66	DEPRECIATION PLANT ACCOUNT 366	0
403.67	DEPRECIATION PLANT ACCOUNT 367	0
403.68	DEPRECIATION PLANT ACCOUNT 368	0
403.69	DEPRECIATION PLANT ACCOUNT 369	0
403.70	DEPRECIATION PLANT ACCOUNT 370	0
403.71	DEPRECIATION PLANT ACCOUNT 371	0
403.73	DEPRECIATION PLANT ACCOUNT 373	0
403.75	DEPRECIATION TELEPHONE	75
403.90	DEPRECIATION PLANT ACCOUNT 390	0
403.91	DEPRECIATION PLANT ACCOUNT 391	0
403.93	DEPRECIATION PLANT ACCOUNT 393	0
403.94	DEPRECIATION PLANT ACCOUNT 394	0
403.95	DEPRECIATION PLANT ACCOUNT 395	0
403.96	DEPRECIATION PLANT ACCOUNT 396	0
403.97	DEPRECIATION PLANT ACCOUNT 397	0
403.98	DEPRECIATION PLANT ACCOUNT 398	0
404.00	AMORTIZATION EXPENSE	0
404.65	DEPRECIATION - PLANT 397.65	65
404.66	AMORTIZATION-CAPITALIZED INT	65
404.67	DEPRECIATION-PLANT 397.66	65

404.75	AMORTIZATION-CAPITALIZED INT	75
408.10	PAYMENT IN LIEU OF TAXES	0
408.11	PAYMENT IN LIEU OF TAXES COB	0
408.30	FICA TAX EXPENSE	0
408.65	PAYMENT IN LIEU OF TAXES COB	65
408.66	PAYMENT IN LIEU OF TAXES CABLE	65
408.67	STATE EXCISE TAX	65
408.70	COPYRIGHT TAX	65
408.75	USF CHARGE EXPENSE	75
408.76	PYMT IN LIEU OF TAXES PHONE COB	75
408.77	PYMT IN LIEU OF TAXES PHONE	75
415.00	SURGE PROTECTION KIT SALES	0
416.00	SURGE PROTECTION - COST	0
419.00	INTEREST INCOME - BANK ACCOUNTS	0
419.10	INTEREST INCOME - INVESTMENTS	0
419.15	INTEREST INCOME - DIVIDENDS	0
419.20	INTEREST INCOME - DEU	0
419.30	INTEREST INCOME - OTHER	0
419.75	INTEREST INCOME	75
421.15	INCOME - SEDC	0
421.20	INCOME - GRANT	0
427.30	INTEREST ON LONG TERM DEBT-BONDS	0
427.31	INTEREST LONG TERM DEBT ISSUE CS	0
427.40	INTEREST EXPENSE	0
431.00	INTEREST ON CUSTOMER DEPOSITS	0
431.65	INTEREST EXPENSE CABLE/ISP	65
431.75	INTEREST EXPENSE TELEPHONE	75
440.00	RESIDENTIAL CLASS 22	0
440.20	RES. CLASS 22-RESIDNTL EFFIC. CR	0
440.40	RESIDENTIAL CLASS 22 GREEN POWER	0
440.60	RESIDENTIAL CLASS-GP SOLAR PREMI	0
440.65	CABLE REVENUE	65
440.75	TELEPHONE REVENUE	75
441.00	GENERAL POWER CLASS 40, 0-50KW	0
441.01	GEN POWER CLASS 49,0-50KW SEASON	0
441.10	GEN POWER CLASS 40,0-50KW GR PWR	0
441.40	GREEN POWER - SMALL COMMERCIAL	0
441.60	GEN PWR CLASS 40-GP SOLAR PREMI	0
441.65	SET-TOP BOX REVENUE	65
441.75	LONG DISTANCE REVENUE	75
442.00	GENERAL POWER CLASS 50,50-1000KW	0
442.01	GEN PWR CLASS 57,50-1000KW SEASO	0
442.02	GEN POWER CLASS 54,1001-2500KW	0
442.03	GEN PWR CLSS 59,1001-2500KW SEAS	0
442.04	GEN POWER CLASS 55,2500-5000KW	0
442.05	GEN POWER CLASS56,5001-15000KW	0
442.06	GEN POWER CLASS 58,15001-25000KW	0
442.07	INTR PWR CL 63,UPTO 15000ESP/VPI	0
442.08	INT PWR 64,15001-25000KW ESP/VPI	0
442.09	CIR C99 CONVTO C54-TVA STAT&WHS	0
442.10	ENHANCED GROWTH CREDIT	0
442.20	LARGE MANUFACTURERS CREDIT	0

listItem

442.30	EXPANDED MANUFACTURERS CREDIT	0
442.40	GREEN POWER - LARGE INDUSTRIAL	0
442.65	VOD REVENUE	65
442.75	TELEPHONE REV - ABS CUSTOMERS	75
444.00	STREET LIGHTING CLASS 72	0
444.01	ATHLETIC FIELD LIGHTING CLASS 73	0
444.02	TRAFFIC SIGNAL SYSTEMS CLASS 74	0
444.03	IND. OUTDOOR LGHT CLASS 77(+O/S)	0
444.04	IND OUTDOOR LGHT CL78(LGHT ONLY)	0
444.65	OTHER REVENUE	65
444.66	INSIDE WIRE MAINTENANCE	65
444.75	OTHER REVENUE-TELEPHONE	75
445.75	USF CHARGE	75
450.00	PENALTIES AKA LATE FEES	0
451.10	TEMPORARY SERVICE	0
451.20	COST OF TEMPORARY SERVICE	0
451.30	SERVICE FEE	0
451.40	NSF CHECK	0
451.50	TURNON/TURN OFF	0
451.55	CHECK FEES	0
451.60	METER TAMPERING FEE	0
451.70	PAYMENT EXTENSION FEES	0
451.90	RECONNECTION FEE	0
454.10	RENT - CDS/RMSA	0
454.20	RENT - BVU	0
454.30	JOINT POLE AGREEMENT - CHARTER	0
454.50	EXCESS CAPACITY	0
454.51	SPECIAL MINIMUMS	0
454.52	INVEST CHRGE O/THAN LGHT INV.CHR	0
454.53	MOBILE HOME PEDESTALS	0
454.60	JOINT POLE AGREEMENT - SPRINT	0
454.70	JOINT POLE AGREEMENT - OTHER	0
454.80	JOINT POLE AGREEMENT - KMC	0
454.90	POLE RENTAL - ADVANCED BROADBAND	0
456.00	OTHER REVENUE	0
456.10	SURGE PROTECTION MONTHLY RENTAL	0
456.65	PLANT ALLOCATION FACTOR CABLE/IS	0
456.75	PLANT ALLOCATIONFACTOR TELE	0
555.00	PURCHASED POWER	0
555.65	PROGRAMMING EXPENSE	65
555.75	COST OF GOODS SOLD	75
557.75	NETWORK TRUNK INTERCONNECTION	75
558.75	CABS EXPENSE	75
566.10	TRANSMISSION EXPENSE - OPERATION	0
568.10	MAINTENANCE SUPERVISION - OPER.	0
571.10	MAINT OH LINES - TRANS	0
573.10	MINOR MISC MAINT. - TRANSMISSION	0
580.10	OPERATION SUPERVISION - DIST	0
580.20	OPERATION ENGR - DIST	0
580.30	LOAD DEVELOPMENT	0
581.00	LOAD DISPATCHING - DIST	0
582.10	STATION OPERATION - DISTRIBUTION	0

583.10	O.H. LINE EXP - DIST	0
583.20	LINE TRANS INST & REM EXP-DIST	0
584.10	U.G. LINE EXP - DIST	0
584.20	U.G. TRANS INST & REM EXP - DIST	0
585.10	STREET LIGHTING EXP - DIST	0
585.30	SIGNAL SYSTEM EXP - DIST	0
586.00	METER TEST FEES	0
586.20	METER TEST EXP	0
586.30	Meter Installation Exp	0
587.00	CUST INSTALLATIONS EXP	0
587.10	WATER HEATER PROGRAM EXPENSE	0
587.11	Water Heater - TVA credit	0
588.10	MAPS & RECORDS- EXP	0
588.20	MISC SERVICE CENTER EXP - DIST	0
588.30	MISC DIST EXP - DIST	0
588.50	SAFETY MTG EXP - DIST	0
588.60	MISC DAMAGE EXP - DIST (BILLED)	0
588.65	Jobs Purchased by customer	0
590.10	MAINT SUPERVISION - DIST	0
590.20	MAINT ENG - DIST	0
591.00	MAINT OF STRUCTURES - DIST	0
591.10	MAINT STRUCTURES-SERVICE CENTER	0
592.00	MAINT STATION EQUIP - DIST	0
592.20	MAINT STATION GROUNDS	0
593.00	ON CALL PAY	0
593.10	MAINT OH LINES - DIST	0
593.20	TREE TRIMMING EXP - DIST	0
593.30	MAINT OH LINES STORM DAMAGE	0
593.40	MISC DIST EXP	0
593.60	POLE MAINTENANCE	0
593.70	OVERHEAD LINES MAINT - DIST	0
594.00	MAINT U.G. LINES-DIST	0
595.10	MAINT LINE TRANSFORMERS - DIST	0
595.20	MAINT LINE TRANS - STORM	0
596.10	MAINT STREET LIGHTS	0
596.20	MAINT SECURITY LIGHTS	0
596.30	MAINT SIGNAL SYSTEM - DIST	0
597.00	MAINT OF METERS	0
598.00	MAINT EXP SERVICE CENTER - DIST	0
598.10	LOAD MANAGEMENT MAINT	0
598.20	MAINTENANCE - FIBER SYSTEM	0
599.99	ACCOUNT BALANCE FORWARD DUMMY	0
777.77	CATCH ALL-CASH REGISTER	0
901.00	SUPERVISION EXP - CUST ACCTG	0
902.00	METER READING	0
903.10	RECORD RETRIEVAL FEES	0
903.15	CASH SHORT/OVER	0
903.20	BILLING EXPENSE	0
903.30	MISC EDP EXP	0
903.40	OUTSIDE COLLECTION EXP	0
903.50	INSIDE COLLECTION EXPENSE	0
903.60	COLLECTION TRIP CHARGE	0

903.65	CUSTOMER SERVICE CABLE/ISP	65
903.75	CUSTOMER SERVICE EXPENSE TELE	75
904.00	UNCOLLECTIBLE ACCOUNTS	0
904.65	UNCOLLECTIBLE EXP CABLE/ISP	65
904.75	UNCOLLECTIBLE EXP TELEPHONE	75
905.00	MISC CUSTOMER SERVICE EXP	0
906.10	CUSTOMER SERVICE - INFORMATION	0
906.20	CUSTOMER NEWSLETTER EXP	0
907.00	CUST SERVICE INFO - SUPERVISION	0
908.00	CUSTOMER ASSISTANCE EXP	0
908.30	ADVERTISING	0
912.00	PROMOTION & SELLING EXP	0
912.65	MARKETING EXPENSE	65
912.75	MARKETING EXP TELEPHONE	75
916.00	IND DEVELOPMENT EXP	0
920.00	SALARIES	0
921.00	OFFICE SUPPLIES	0
921.65	ADMIN & GENERAL EXP CABLE/ISP	65
921.75	ADMIN AND GENERAL EXP TELEPHONE	75
923.10	LEGAL SERVICES	0
923.20	AUDITING SERVICES	0
923.40	DATA PROCESS SERVICE	0
923.75	OUTSIDE SERVICE EXP TELEPHONE	75
924.00	PROPERTY INSURANCE	0
925.00	INJURIES & DAMAGES INSURANCE	0
926.10	EMPLOYEE GROUP INSURANCE	0
926.15	VACATION ACCRUAL EXPENSE	0
926.16	SICK LEAVE EXPENSE	0
926.20	EMPLOYEE RETIREMENT PLAN	0
926.21	TCRS PENSION ASSET EXPENSE	0
926.25	401K EMPLOYER CLEARING ACCOUNT	0
926.30	TELOWATT EXPENSE	0
926.40	EMPLOYEE CHRISTMAS PARTY	0
926.50	EMPLOYEE AWARDS BANQUET	0
926.60	EMPLOYEE PICNIC	0
926.70	MISC EMPLOYEE EXP	0
926.75	SPECIAL PAY	0
926.80	EMPLOYEE RETIRE INSURANCE	0
926.90	EMPLOYEE DENTAL PLAN	0
930.30	GENERAL CORPORATE EXP	0
930.40	INDUSTRY ASSOCIATION DUES	0
930.60	MISC OTHER EXP	0
930.65	SYSTEM OPER & MAINT - CABLE/ISP	65
930.75	SYSTEM OPER & MAINT - TELEPHONE	75
931.65	PLANT ALLOCATION FACTOR	65
931.66	PLANT ALLOC FACTOR-TELE CUSTOMER	65
931.75	PLANT ALLOCATION FACTOR TELE	75
932.00	MAINTENANCE OF GENERAL PLANT	0
932.65	MAINTENANCE-CABLE/ISP	65
932.75	MAINTENANCE - TELEPHONE	75
935.65	INTERNET ACCESS	65
999.99	Fixed Journal Header	0

Bristol Tennessee Essential Services

Balance Sheets

June 30, 2012 and 2011

	June 30	
	2012	2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 11,404,124	\$ 8,574,079
Accounts receivable:		
Trade	6,754,379	7,373,202
Other	1,060,337	837,641
Allowance for bad debt	(731,856)	(707,095)
Net accounts receivable	7,082,860	7,503,748
Accrual for unbilled revenues	3,642,363	3,318,744
Due from City of Bristol, TN	173,833	181,324
Materials and supplies inventories	1,322,458	1,204,776
Current portion of customer notes receivable	400,000	440,000
Current portion of discounted energy units	513,778	986,131
Current portion of prepaid expense	1,100,000	1,100,000
Other current assets	2,576,901	163,801
Total current assets	28,216,317	23,472,603
Noncurrent assets:		
Capital assets:		
Capital assets in service	137,833,405	131,253,059
Less accumulated depreciation	(59,843,093)	(54,738,213)
	77,990,312	76,514,846
Construction in progress	1,973,059	1,092,637
Non-utility property	251,434	251,434
Net capital assets	80,214,805	77,858,917
Other assets:		
Long-term investments	8,000,000	8,000,000
Prepaid pension cost	342,364	397,822
Prepaid expense, less current portion	976,400	1,100,000
Customer notes receivable, less current portion	2,316,345	2,427,430
Discounted energy units, less current portion	-	513,778
Unamortized bond issue costs	278,972	290,555
Total other assets	11,914,081	12,729,585
Total noncurrent assets	92,128,886	90,588,502
Total assets	\$ 120,345,203	\$ 114,061,105

Bristol Tennessee Essential Services

Balance Sheets (continued)

June 30, 2012 and 2011

	June 30	
	2012	2011
Liabilities and net assets		
Current liabilities:		
Trade accounts payable	\$ 1,101,194	\$ 2,535,342
Customer deposits and prepayments	2,534,264	2,143,249
Due to City of Bristol, TN	50,548	45,016
Interest payable	324,020	332,946
Deferred revenue	660,980	594,362
Other accrued liabilities	1,340,779	1,233,654
Current portion of bonds payable	520,000	505,000
Total current liabilities	6,531,785	7,389,569
Other noncurrent accrued liabilities	421,947	319,075
Bonds payable, less current portion	21,386,038	21,920,614
Total liabilities	28,339,770	29,629,258
Net position:		
Net investment in capital assets	58,308,767	55,433,303
Unrestricted	33,696,666	28,998,544
Total net position	92,005,433	84,431,847

Total liabilities and net position	<u>\$ 120,345,203</u>	<u>\$ 114,061,105</u>
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See accompanying Notes to Financial Statements.

Bristol Tennessee Essential Services

Statements of Revenues, Expenses and Changes in Net Position

Years ended June 30, 2012 and 2011

	Year ended June 30	
	2012	2011
Operating revenues:		
Power revenues:		
Residential	\$ 41,161,257	\$ 44,671,055
Commercial (general power - under 50 kw)	6,078,058	5,864,765
Industrial (general power - 50 kw and over)	34,898,647	34,338,102
Street and outdoor lighting	1,262,236	1,284,120
Total power revenues	83,400,198	86,158,042
Cable revenues	7,377,099	6,660,565
Internet revenues	4,937,652	4,380,089
Telephone revenues	3,584,367	3,335,118
Other revenues	4,074,906	4,242,531
Total operating revenues	103,374,222	104,776,345
Cost of sales:		
Power purchased from Tennessee Valley Authority	70,444,835	75,426,055
Cable programming expense	5,292,714	4,406,643
Internet cost of sales	358,817	233,413
Telephone cost of sales	586,463	587,333
Total cost of sales	76,682,829	80,653,444
Gross profit	26,691,393	24,122,901
Operating expenses:		
Operations	5,040,412	4,659,765
Maintenance	5,343,835	4,286,183
Depreciation	5,520,285	4,092,948
Tax equivalents	507,494	491,210
Social security taxes	312,883	309,360
Interest expense on customer deposits	14,435	12,970
Total operating expenses	16,739,344	13,852,436
Operating income	9,952,049	10,270,465

Bristol Tennessee Essential Services

Statements of Revenues, Expenses and Changes in Net Position (continued)

Years ended June 30, 2012 and 2011

	Year ended June 30	
	2012	2011
Nonoperating revenue (expense):		
Grant income	\$ -	\$ 181,324
Interest income (including \$57,869 in 2012 and \$110,530 in 2011 related to amortization of discounted energy units)	375,847	502,266
Interest expense	(958,012)	(982,807)
Amortization of bond issue costs	(11,583)	(10,618)
Plant cost recovered through contributions in aid of construction	(900,143)	(955,201)
Income before transfers and income taxes	8,458,158	9,005,429
State income tax expense	(138,040)	(121,841)
Transfers out--tax equivalents to the City of Bristol, TN	(1,646,675)	(1,646,426)
Contributions in aid of construction	900,143	955,201
Change in net position	7,573,586	8,192,363
Net position at beginning of year	84,431,847	76,239,484
Net position at end of year	<u>\$ 92,005,433</u>	<u>\$ 84,431,847</u>

See accompanying Notes to Financial Statements.

Bristol Tennessee Essential Services

Business Unit Balance Sheets

June 30, 2012

	Electric	ABS	Telephone
Assets			
Current assets:			
Cash and cash equivalents	\$ 11,196,244	\$ -	\$ 207,880
Accounts receivable:			
Trade	5,237,715	1,516,664	-
Other	1,060,337	-	-
Allowance for bad debt	(412,554)	(319,302)	-
Net accounts receivable	5,885,498	1,197,362	-
Accrual for unbilled revenues	3,642,363	-	-
Due from City of Bristol, TN	173,833	-	-
Interest receivable	21,051	-	-
Materials and supplies inventories	1,298,941	23,517	-
Current portion of customer notes receivable	400,000	-	-
Current portion of discounted energy units	513,778	-	-
Current portion of prepaid expense	1,100,000	-	-
Prepaid expenses and other current assets	2,425,479	130,371	-
Total current assets	26,657,187	1,351,250	207,880
Due from Other Business Units	1,511,397	-	1,800,000
Unrestricted noncurrent assets:			
Capital assets:			
Capital assets in service	123,872,294	12,735,796	1,225,315
Less accumulated depreciation	(56,062,972)	(3,163,095)	(617,026)
	67,809,322	9,572,701	608,289
Construction in progress	1,973,059	-	-
Non-utility property	251,434	-	-
Net capital assets	70,033,815	9,572,701	608,289
Other assets:			
Customer notes receivable, less current portion	2,316,345	-	-
Long-term investments	8,000,000	-	-
Prepaid pension cost	342,364	-	-
Prepaid expense	976,400	-	-
Discounted energy units, less current portion	-	-	-
Unamortized bond issue costs	278,972	-	-
Total other assets	11,914,081	-	-
Total noncurrent assets	81,947,896	9,572,701	608,289
Total assets	\$ 110,116,480	\$ 10,923,951	\$ 2,616,169

Bristol Tennessee Essential Services
Business Unit Balance Sheets (continued)

June 30, 2012

	Electric	ABS	Telephone
Liabilities and net position			
Current liabilities:			
Trade accounts payable	\$ 358,988	\$ 737,640	\$ 4,566
Customer deposits and prepayments	2,534,264	-	-
Franchise fee due to City of Bristol, Tennessee	-	50,548	-
Interest payable	324,020	-	-
Deferred revenue	-	660,980	-
Other accrued liabilities	1,137,272	202,240	1,267
Current portion of bonds payable	520,000	-	-
Total current liabilities	4,874,544	1,651,408	5,833
Due to Other Business Units	-	3,311,397	-
Other noncurrent accrued liabilities	421,947	-	-
Bonds payable, less current portion	21,386,038	-	-
Total liabilities	26,682,529	4,962,805	5,833
Net position:			
Net investment in capital assets	48,127,777	9,572,701	608,289
Unrestricted	35,306,174	(3,611,555)	2,002,047
Total net position	83,433,951	5,961,146	2,610,336

Total liabilities and net position	<u>\$ 110,116,480</u>	<u>\$ 10,923,951</u>	<u>\$ 2,616,169</u>
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Bristol Tennessee Essential Services

Business Unit Schedules of Revenues, Expenses and Changes in Net Position

Year ended June 30, 2012

	Electric	ABS	Telephone
Operating revenues:			
Power revenues:			
Residential	\$ 41,161,257	\$ -	\$ -
Commercial (general power - under 50 kw)	6,078,058	-	-
Industrial (general power - 50 kw and over)	34,898,647	-	-
Street and outdoor lighting	1,262,236	-	-
Total power revenues	83,400,198	-	-
Cable revenues	-	7,377,099	-
Internet revenues	-	4,937,652	-
Telephone revenues	-	3,584,367	861,468
Interunit revenue	3,412,815	-	-
Other revenues	3,519,223	555,683	-
Total operating revenues	90,332,236	16,454,801	861,468
Cost of sales:			
Power purchased from Tennessee Valley Authority	70,444,835	-	-
Cable programming expense	-	5,292,714	-
Internet cost of sales	-	358,817	-
Interunit cost of sales	-	4,274,283	-
Telephone cost of sales	-	-	586,463
Total cost of sales	70,444,835	9,925,814	586,463
Gross profit	19,887,401	6,528,987	275,005
Operating expenses:			
Operations	3,183,110	1,857,302	-
Maintenance	4,246,701	1,049,410	47,724
Depreciation	3,743,143	1,655,598	121,544
Tax equivalents	461,838	27,091	18,565
Social security taxes	312,883	-	-
Interest expense on customer deposits	14,435	-	-
Total operating expenses	11,962,110	4,589,401	187,833
Operating income	7,925,291	1,939,586	87,172

Bristol Tennessee Essential Services

Business Unit Schedules of Revenues, Expenses and Changes in Net Position (continued) Year ended June 30, 2012

	Electric	ABS	Telephone
Nonoperating revenue (expense):			
Grant Income	\$ -	\$ -	\$ -
Interest income (including \$57,869 in 2012 and \$110,530 in 2011 related to amortization of discounted energy units)	375,647	-	200
Interest expense	(940,826)	(17,186)	-
Amortization of bond issue costs	(11,583)	-	-
Plant cost recovered through contributions in aid of construction	(900,143)		
Income before transfers and income taxes	6,448,386	1,922,400	87,372
State income tax expense	-	(138,040)	-
Transfers out--tax equivalents to the City of Bristol Tennessee	(1,549,645)	(33,083)	(63,947)
Contributions in aid of construction	900,143		
Change in net position	5,798,884	1,751,277	23,425
Net position at beginning of year	77,635,067	4,209,869	2,586,911
Net position at end of year	\$ 83,433,951	\$ 5,961,146	\$ 2,610,336

		FY11	FY 12	ADJ JE	FY 12 ADJ	EBU	ABS	TBU
Revenues								
Residential	440.00	44,501,742.69	-41,000,007.36	-159,719.00	-41,159,726.36	-41,159,726.36		
	440.40	-2,289.00	-2,068.00		-2,068.00	-2,068.00		
	440.60	0.00	537.73		537.73	537.73		
Commercial	441.00	5,832,560.25	-6,071,529.49	-23,585.00	-6,095,114.49	-6,095,114.49		
	441.10	9,977.33	-144.00		-144.00	-144.00		
	441.60	0.00	17,199.99		17,199.99	17,199.99		
Total Commercial		\$5,842,537.58	-\$6,054,473.50		-6,078,058.50	-6,078,058.50		
Industrial	442.00	15,901,801.20	-16,416,772.43	-135,418.00	-16,552,190.43	-16,552,190.43		
	442.01	25,067.34	-22,573.61		-22,573.61	-22,573.61		
	442.02	6,071,270.33	-5,621,181.12		-5,621,181.12	-5,621,181.12		
	442.03	-12,904.78	0.00		0.00	0.00		
	442.04	4,917,836.69	-4,903,818.10		-4,903,818.10	-4,903,818.10		
	442.07	7,730,409.20	-8,389,137.40		-8,389,137.40	-8,389,137.40		
	442.10	-145,990.20	254,955.48		254,955.48	254,955.48		
	442.30	-279,528.64	335,297.94		335,297.94	335,297.94		
Total Industrial		\$34,207,961.14	-\$34,763,229.24		-34,898,647.24	-34,898,647.24	\$ -	\$ -
Street and outdoor lighting	444.00	557,363.31	-560,600.86	-4,898.00	-565,498.86	-565,498.86		
	444.01	30,242.84	-30,320.01		-30,320.01	-30,320.01		
	444.03	576,123.08	-550,255.98		-550,255.98	-550,255.98		
	444.04	115,523.97	-116,160.85		-116,160.85	-116,160.85		
Total Street & ODL		\$1,279,253.20	-\$1,257,337.70		-1,262,235.70	-1,262,235.70		
Cable revenues	440.65	6,128,169.11	-6,753,961.24		-6,753,961.24		\$ (6,753,961.24)	
	441.65	532,395.51	-623,137.38		-623,137.38		\$ (623,137.38)	
Total Cable		\$6,660,564.62	-\$7,377,098.62		-7,377,098.62	\$ -	\$ (7,377,098.62)	
Internet revenues	443.65	4,380,089.24	-4,937,651.87		-4,937,651.87	\$ -	\$ (4,937,651.87)	
Telephone revenues	440.75	3,163,927.40	-3,417,415.15		-3,417,415.15		\$ (3,417,415.15)	
	441.75	171,190.84	-166,952.07		-166,952.07		\$ (166,952.07)	
Total Telephone		\$3,335,118.24	-\$3,584,367.22		-3,584,367.22	\$ -	\$ (3,584,367.22)	
Telephone Rev - ABS Cus	442.75	\$0.00	-\$861,467.63	861,467.63	0.00			\$ 861,467.63
Other revenues	444.65	85,121.46	-149,487.75		-149,487.75		\$ (149,487.75)	
	444.66	145,512.16	-186,478.15		-186,478.15		\$ (186,478.15)	
	444.75	91,491.65	-97,492.91		-97,492.91		\$ (97,492.91)	
	445.75	100,901.27	-122,223.74		-122,223.74		\$ (122,223.74)	
	450.00	519,916.11	-510,828.56		-510,828.56	-510,828.56		
	451.10	27,348.06	-22,127.18		-22,127.18	-22,127.18		
	451.20	-19,707.50	21,217.46		21,217.46	21,217.46		
	451.30	127,185.61	-116,368.74		-116,368.74	-116,368.74		
	451.40	24,751.48	-28,161.00		-28,161.00	-28,161.00		
	451.50	-336,997.69	308,411.29		308,411.29	308,411.29		
	451.55	2,526.00	-5,234.00		-5,234.00	-5,234.00		
	451.60	14,453.63	-17,530.37		-17,530.37	-17,530.37		
	451.90	26,605.00	-30,240.00		-30,240.00	-30,240.00		
	454.20	0.00	0.00		0.00	0.00		
	454.30	404,050.76	-443,031.00		-443,031.00	-443,031.00		
	454.50	1,555,221.49	-1,502,659.09		-1,502,659.09	-1,502,659.09		
	454.51	70.00	0.00		0.00	0.00		
	454.52	537,445.95	-571,579.53		-571,579.53	-571,579.53		
	454.53	52,862.13	-52,665.85		-52,665.85	-52,665.85		
	454.60	839,113.11	-281,413.00		-281,413.00	-281,413.00		
	454.70	8,143.76	-8,010.00		-8,010.00	-8,010.00		
	454.80	33,017.24	-221,283.00		-221,283.00	-221,283.00		
	456.00	975.45	-34,800.21		-34,800.21	-34,800.21		
	456.10	2,498.89	-2,916.59		-2,916.59	-2,916.59		
	456.65	3,101,821.48	-2,463,673.98	2,463,673.98	0.00	0.00		
	456.75	1,198,438.29	-949,141.36	949,141.36	0.00	0.00		
	415.00	25.00	-4.00		-4.00	-4.00		
Total other		\$8,542,790.79	-\$7,487,721.26		-4,074,905.92	-3,519,223.37	\$ (555,682.55)	\$ -
Purchased power	555.00	75,426,055.40	70,444,835.46		70,444,835.46	70,444,835.46	\$ -	\$ -
Cable programming expens	555.65	4,435,366.70	5,292,714.16		5,292,714.16		\$ 5,292,714.16	
	933.65	0.00	0.00		0.00			
	934.65	-28,723.33	0.00		0.00			
	931.65	3,075,838.30	2,463,673.98	-2,463,673.98	0.00		\$ -	
Total Cable programming		\$7,482,481.67	\$7,756,388.14		5,292,714.16	\$ -	\$ 5,292,714.16	\$ -
Internet	935.65	233,412.63	358,817.23		358,817.23	\$ -	\$ 358,817.23	\$ -
Telephone Cust	931.66	0.00	861,467.63	-861,467.63	0.00	\$ -	\$ 861,467.63	\$ -

Telephone	557.75	112,113.56	128,122.83	128,122.83		\$	128,122.83
	555.75	449,044.90	434,404.59	434,404.59		\$	434,404.59
	558.75	26,174.38	23,935.92	23,935.92		\$	23,935.92
	931.75	1,224,421.47	949,141.36	0.00	-949,141.36	\$	-
Total telephone		\$1,811,754.31	\$1,535,604.70	586,463.34	\$	-	\$ 586,463.34
Operations expense	562.10	0.00	-7.60	-7.60			-7.60
	580.10	0.00	0.00	0.00			0.00
	580.20	337,701.00	441,539.86	441,539.86			441,539.86
	580.30	1,128.62	1,188.45	1,188.45			1,188.45
	581.00	36,883.02	31,056.39	31,056.39			31,056.39
	582.10	50,880.49	77,179.51	77,179.51			77,179.51
	583.10	8,519.56	8,324.12	8,324.12			8,324.12
	583.20	-366.67	0.00	0.00			0.00
	584.10	0.00	5,445.10	5,445.10			5,445.10
	584.20	0.00	1,806.60	1,806.60			1,806.60
	585.10	138.24	0.00	0.00			0.00
	585.30	0.00	0.00	0.00			0.00
	586.00	32,897.94	20,980.86	20,980.86			20,980.86
	586.20	0.00	122.55	122.55			122.55
	586.30	122.97	0.00	0.00			0.00
	587.00	0.00	0.00	0.00			0.00
	587.10	163,796.06	164,313.12	164,313.12			164,313.12
	587.11	-163,796.06	-164,313.12	-164,313.12			-164,313.12
	588.10	15,260.87	138,653.28	138,653.28			138,653.28
	588.20	2,636.19	2,542.09	2,542.09			2,542.09
	588.30	113,222.99	142,350.02	142,350.02			142,350.02
	588.50	44,474.61	40,081.46	40,081.46			40,081.46
	588.60	23,136.87	-87,923.24	-87,923.24			-87,923.24
	901.00	0.00	0.00	0.00			0.00
	902.00	498,178.16	500,056.43	500,056.43			500,056.43
	903.10	290,742.25	319,873.30	319,873.30			319,873.30
	903.15	3,390.53	352.68	352.68			352.68
	903.20	179,540.26	107,719.91	107,719.91			107,719.91
	903.30	36,170.92	6,736.92	6,736.92			6,736.92
	903.40	70,372.95	70,378.07	70,378.07			70,378.07
	903.50	16,676.91	10,584.37	10,584.37			10,584.37
	903.60	-103,363.50	-89,583.64	-89,583.64			-89,583.64
	903.65	347,513.32	341,355.34	341,355.34		\$	341,355.34
	903.75	188,854.45	178,082.38	178,082.38		\$	178,082.38
	904.00	62,691.74	117,933.88	117,933.88			117,933.88
	904.65	48,764.30	48,000.00	48,000.00		\$	48,000.00
	904.75	9,790.99	22,000.00	22,000.00		\$	22,000.00
	905.00	17,357.94	87,320.95	87,320.95			87,320.95
	906.10	15,344.96	15,304.79	15,304.79			15,304.79
	906.20	2,968.34	12,235.26	12,235.26			12,235.26
	907.00	0.00	0.00	0.00			0.00
	908.00	75,646.15	112,713.22	112,713.22			112,713.22
	908.30	61,341.09	30,171.47	30,171.47			30,171.47
	912.00	44,120.10	83,825.92	83,825.92			83,825.92
	912.65	87,971.54	128,409.80	128,409.80		\$	128,409.80
	912.75	56,669.12	21,474.48	21,474.48		\$	21,474.48
	916.00	17,412.00	19,152.15	19,152.15			19,152.15
	920.00	475,358.66	438,638.75	438,638.75			438,638.75
	921.00	403,377.60	319,284.25	319,284.25			319,284.25
	921.65	669,133.83	763,099.57	763,099.57		\$	763,099.57
	921.75	335,807.11	354,880.59	354,880.59		\$	354,880.59
	923.10	14,583.61	3,548.01	3,548.01			3,548.01
	923.20	56,052.70	37,143.75	37,143.75			37,143.75
	924.00	53,004.02	61,508.04	61,508.04			61,508.04
	925.00	62,947.22	62,491.86	62,491.86			62,491.86
	926.10	0.00	-20,639.00	-20,639.00			-20,639.00
	926.15	0.00	0.00	0.00			0.00
	926.21	55,457.88	55,457.88	55,457.88			55,457.88
	926.30	3,392.50	1,490.00	1,490.00			1,490.00
	926.40	11,025.85	7,623.33	7,623.33			7,623.33
	926.50	6,397.54	7,782.36	7,782.36			7,782.36
	926.60	3,908.96	1,289.61	1,289.61			1,289.61
	926.65	0.00	0.00	0.00			0.00
	926.70	-323,786.33	-63,532.76	-63,532.76			-63,532.76
	926.75	17,765.94	12,918.15	12,918.15			12,918.15
	926.80	7,200.00	7,200.00	7,200.00			7,200.00
	930.30	9,568.56	14,184.48	14,184.48			14,184.48
	930.40	64,312.62	-27,186.29	-27,186.29			-27,186.29
	930.60	41,754.19	35,792.35	35,792.35			35,792.35
Total operations		\$4,662,053.68	\$5,040,412.06	5,040,412.06	3,183,109.90	1,857,302.16	0.00
Maint expense	571.10	243.99	190.10	190.10			190.10
	590.10	0.00	0.00	0.00			0.00

	590.20	35,260.42	30,876.77	30,876.77	30,876.77		
	591.00	1,484.60	1,679.43	1,679.43	1,679.43		
	591.10	234,440.42	208,938.32	208,938.32	208,938.32		
	592.00	141,048.95	206,854.55	206,854.55	206,854.55		
	592.20	-1.00	2,539.44	2,539.44	2,539.44		
	593.00	94,171.46	94,391.36	94,391.36	94,391.36		
	593.10	18,829.71	41,326.02	41,326.02	41,326.02		
	593.20	762,259.76	792,581.71	792,581.71	792,581.71		
	593.30	371,062.41	29,436.98	29,436.98	29,436.98		
	593.40	21,195.46	11,208.08	11,208.08	11,208.08		
	593.60	1,388,693.05	1,850,654.52	1,850,654.52	1,850,654.52		
	593.70	66,146.92	69,645.35	69,645.35	69,645.35		
	594.00	203,403.96	286,034.95	286,034.95	286,034.95		
	595.10	43,817.87	32,874.98	32,874.98	32,874.98		
	595.20	0.00	0.00	0.00	0.00		
	596.10	76,670.82	99,467.15	99,467.15	99,467.15		
	596.20	83,595.22	93,283.83	93,283.83	93,283.83		
	596.30	18,552.87	21,215.12	21,215.12	21,215.12		
	597.00	97,488.50	156,466.96	156,466.96	156,466.96		
	598.00	9,170.73	8,516.72	8,516.72	8,516.72		
	598.10	43,810.92	43,863.65	43,863.65	43,863.65		
	598.20	124,545.47	135,896.86	135,896.86	135,896.86		
	932.00	53,911.07	28,757.91	28,757.91	28,757.91		
	408.75	4,657.17	0.00	0.00	0.00		
	932.65	78,091.43	171,295.76	171,295.76		\$ 171,295.76	
	932.75	11,460.36	13,330.34	13,330.34		\$ 13,330.34	
	930.65	162,355.13	631,145.90	631,145.90		\$ 631,145.90	
	930.75	139,814.71	281,361.91	281,361.91		\$ 233,638.01	\$ 47,723.90
Total Maint		\$4,286,182.38	\$5,343,834.67	5,343,834.67	\$ 4,246,700.76	\$ 1,049,410.01	\$ 47,723.90
Depreciation	403.53	112,817.76	112,884.10	112,884.10	112,884.10		
	403.61	28,049.76	28,049.76	28,049.76	28,049.76		
	403.62	239,795.72	243,322.92	243,322.92	243,322.92		
	403.64	530,482.61	540,062.81	540,062.81	540,062.81		
	403.65	215,372.02	218,991.70	218,991.70	218,991.70		
	403.66	23,374.19	23,743.61	23,743.61	23,743.61		
	403.67	162,178.65	167,482.53	167,482.53	167,482.53		
	403.68	310,552.71	317,585.89	317,585.89	317,585.89		
	403.69	119,179.48	123,305.59	123,305.59	123,305.59		
	403.70	123,529.58	125,298.66	125,298.66	125,298.66		
	403.71	65.33	134.76	134.76	134.76		
	403.73	104,837.86	214,812.73	214,812.73	214,812.73		
	403.75	118,335.66	120,686.99	120,686.99			\$ 120,686.99
	403.90	2,867.88	2,867.88	2,867.88	2,867.88		
	403.91	20,607.12	20,612.30	20,612.30	20,612.30		
	403.93	0.00	0.00	0.00	0.00		
	403.97	1,373,573.25	1,566,627.56	1,566,627.56	1,566,627.56		
	404.65	470,882.77	1,207,215.51	1,207,215.51		\$ 1,207,215.51	
	404.66	470.90	2,825.40	2,825.40		\$ 2,825.40	
	404.67	97,757.63	445,557.20	445,557.20		\$ 445,557.20	
	404.75	856.80	856.80	856.80			\$ 856.80
	404.00	37,360.32	37,360.32	37,360.32	37,360.32		
	403.56	0.00	0.00	0.00	0.00		
Total Depreication		\$4,092,948.00	\$5,520,285.02	5,520,285.02	\$ 3,743,143.12	\$ 1,655,598.11	\$ 121,543.79
Tax equivalents	408.10	463,156.00	461,837.93	461,837.93	461,837.93		
	408.66	10,387.00	9,714.95	9,714.95		\$ 9,714.95	
	408.77	17,667.00	18,565.24	18,565.24			\$ 18,565.24
	408.70	15,589.27	17,375.45	17,375.45		\$ 17,375.45	
	408.67	121,840.80	138,040.34	138,040.34		\$ 138,040.34	
		628,640.07	645,533.91	645,533.91	\$ 461,837.93	\$ 165,130.74	\$ 18,565.24
Social Security Taxes	408.30	293,771.49	312,883.05	312,883.05	312,883.05	0.00	0.00
Interest on customer deprec	431.00	12,970.43	14,435.17	14,435.17	14,435.17	\$ -	\$ -
Interest income	419.00	7,368.86	-12,953.07	-12,953.07	-12,953.07		
	419.10	417,803.46	-322,011.72	16,986.30	-305,025.42	-322,011.72	
	419.15	0.00	0.00	0.00	0.00	0.00	
	419.20	110,530.11	-57,868.86	-57,868.86	-57,868.86		
	419.30	0.00	0.00	0.00	0.00	0.00	
	419.75	0.00	-200.00	200.00	0.00	0.00	\$ (200.00)
	421.15	0.00	0.00	0.00	0.00	0.00	
	427.30	-982,647.10	958,011.57	958,011.57	958,011.57		
	431.65	-33,436.70	17,186.30	-17,186.30	0.00	\$ -	\$ 17,186.30
	431.75	0.00	0.00	0.00	0.00	\$ -	
Total Interest income		-\$480,381.37	\$582,164.22	582,164.22	\$ 565,177.92	\$ 17,186.30	\$ (200.00)
bond issue cost	427.31	10,617.75	11,583.00	11,583.00	\$ 11,583.00		
	427.40	159.41	0.00	0.00			

Transfers out	408.11	1,549,794.00	1,549,644.74	1,549,644.74	1,549,644.74			
	408.65	35,779.00	33,083.12	33,083.12		\$	33,083.12	
	408.76	60,853.00	63,946.95	63,946.95			\$	63,946.95
Total transfers out		\$1,646,426.00	\$1,646,674.81	\$1,646,674.81	\$ 1,549,644.74	\$	33,083.12	\$ 63,946.95

8. Identify and provide any and all Documents regarding accounting directives, memorandums, and/or policies with respect to the affiliate transactions of BTES, and the allocation of revenues, expenses and investment among its operating divisions.

RESPONSE: Subject to and without waiver of the General Objections, please see BTES' response to CenturyLink's discovery Request 3.c., above. The Cost Allocation Manual is the controlling document addressing the allocation of revenues, expenses and investment among BTES' operating divisions.

9. If not provided in the response to request 8, please identify and provide Documents showing the bases for the allocation of indirect costs and joint costs among the operating divisions of BTES.

RESPONSE: Please see BTES' response to Request 8.

10. Please identify and provide any and all Documents regarding the amount of joint and common costs incurred by BTES during each fiscal year 2006 through 2012, inclusive.

RESPONSE: Subject to and without waiver of the General Objections, please see BTES' responses to Requests 7 and 8 for documents addressing BTES' joint and common cost allocation methodology. The request to collect and produce all documents that relate to joint and common costs over this period of time is overly broad, unduly burdensome and not reasonably calculated to lead to the discovery of evidence that would be admissible in this proceeding. BTES' cost allocations for 2007, 2008, 2009 and 2010 were subject to a compliance audit, and the Tennessee Valley Authority reviewed BTES' 2011 cost allocations in 2012. Copies of the compliance audits of the CAM and TVA's report are provided in response to CenturyLink's discovery Requests 3.e. and 5 and, in turn, to counsel for TCTA pursuant to Request 21, below. BTES' cost allocation calculations are the result of many monthly manual calculations. Those calculations result in individual journal entries to various general ledger accounts. Summary

data cannot be readily extracted from BTES' general ledger accounts. BTES has prepared the attached summary of the quarterly updates to its primary allocation factors and a table summarizing the allocations of joint and commons costs for administrative and general expenses, costs of employee time and associated vehicle expense for fiscal years 2010, 2011 and 2012. Additional financial data is available in BTES' Comprehensive Annual Financial Report ("CAFR"). BTES' CAFR for fiscal year 2012 is not yet complete. BTES' CAFR for 2011 is attached as Exhibit B to BTES' Petition in this Docket, and BTES' CAFRs for fiscal years 2007 – 2010 are filed in Docket No. 05-00251 and available at <http://www.tn.gov/tra/dockets/0500251.htm>.

FY 2010 Calculations	Factors	Percentage			Benefits Factor
		Electric	Cable/Int	Telephone	
Apr-June 2009	Services allocator	61.520%	28.070%	10.410%	76.11%
	Customer Service Allocator	61.800%	27.840%	10.360%	
	General Allocator	64.780%	22.400%	12.820%	
	Business Dev Allocator	75.490%	19.700%	4.810%	
	Hours Allocator	70.770%	19.640%	9.590%	
	Plant in Services Allocator	94.490%	4.560%	0.960%	
	Vehicle Allocator	78.330%	14.110%	7.560%	
	Benefit Analysis				
July-Sept 2009	Services allocator	59.870%	29.220%	10.900%	75.22%
	Customer Service Allocator	60.210%	28.960%	10.830%	
	General Allocator	83.210%	11.340%	5.450%	
	Business Dev Allocator	74.580%	20.180%	5.240%	
	Hours Allocator	68.640%	20.780%	10.570%	
	Plant in Services Allocator	94.250%	4.800%	0.940%	
	Vehicle Allocator	78.040%	13.240%	8.720%	
	Benefit Analysis				
Oct-Dec 2009	Services allocator	58.650%	30.080%	11.260%	99.13%
	Customer Service Allocator	58.970%	30.190%	10.840%	
	General Allocator	88.520%	6.580%	4.890%	
	Business Dev Allocator	73.660%	20.850%	5.490%	
	Hours Allocator	67.260%	22.410%	10.330%	
	Plant in Services Allocator	93.800%	5.260%	0.940%	
	Vehicle Allocator	82.600%	10.460%	6.930%	
	Benefit Analysis				
Jan-Mar 2010	Services allocator	57.350%	31.060%	11.590%	78.16%
	Customer Service Allocator	57.860%	30.640%	11.500%	
	General Allocator	77.280%	13.450%	9.270%	
	Business Dev Allocator	73.000%	21.180%	5.820%	
	Hours Allocator	65.720%	23.930%	10.350%	
	Plant in Services Allocator	93.710%	5.350%	0.940%	
	Vehicle Allocator	82.120%	12.140%	7.970%	
	Benefit Analysis				

FY 2010 Calculations

Amount

		Electric	Cable/Int	Telephone	Total
July 2009	Monthly A & G	83,650.39	23,325.79	11,256.04	118,232.22
	Employee Time	143,077.22	30,186.59	18,693.62	191,957.43
	Vehicle	1,688.61	216.91	116.24	2,021.76
	Total	228,416.22	53,729.29	30,065.90	312,211.41
August 2009	Monthly A & G	71,159.31	19,974.52	9,574.70	100,708.53
	Employee Time	141,862.57	29,604.93	18,485.92	189,953.42
	Vehicle	2,000.98	275.85	176.66	2,453.49
	Total	215,022.86	49,855.30	28,237.28	293,115.44
September 2009	Monthly A & G	94,623.55	26,900.52	12,929.18	134,453.25
	Employee Time	142,152.63	29,039.56	18,234.68	189,426.87
	Vehicle	4,298.07	484.54	251.06	5,033.67
	Total	241,074.25	56,424.62	31,414.92	328,913.79
October 2009	Monthly A & G	106,477.97	25,164.91	12,040.33	143,683.21
	Employee Time	145,253.69	25,220.73	14,444.56	184,918.98
	Vehicle	2,769.85	254.28	141.78	3,165.91
	Total	254,501.51	50,639.92	26,626.67	331,768.10
November 2009	Monthly A & G	81,497.17	23,076.88	10,457.65	115,031.70
	Employee Time	145,652.68	25,489.91	14,514.05	185,656.64
	Vehicle	2,129.40	198.75	115.50	2,443.65
	Total	229,279.25	48,765.54	25,087.20	303,131.99
December 2009	Monthly A & G	88,418.24	24,903.51	11,516.69	124,838.44
	Employee Time	152,618.30	27,192.07	15,289.31	195,099.68
	Vehicle	2,382.61	153.22	97.09	2,632.92
	Total	243,419.15	52,248.80	26,903.09	322,571.04
January 2010	Monthly A & G	112,636.05	36,781.02	15,691.26	165,108.33
	Employee Time	187,027.54	32,074.90	18,151.66	237,254.10
	Vehicle	5,583.73	604.25	408.25	6,596.23
	Total	305,247.32	69,460.17	34,251.17	408,958.66
February 2010	Monthly A & G	96,072.33	29,634.51	12,845.99	138,552.83
	Employee Time	187,774.64	31,978.56	18,259.64	238,012.84
	Vehicle	3,892.02	459.51	298.99	4,650.52
	Total	287,738.99	62,072.58	31,404.62	381,216.19

March 2010	Monthly A & G	93,913.54	27,681.76	12,196.90	133,792.20
	Employee Time	189,131.27	32,781.92	18,744.63	240,657.82
	Vehicle	5,001.03	582.27	403.31	5,986.61
	Total	288,045.84	61,045.95	31,344.84	380,436.63
April 2010	Monthly A & G	86,041.90	29,787.04	12,999.91	128,828.85
	Employee Time	174,540.84	39,356.28	24,134.56	238,031.68
	Vehicle	3,491.97	614.28	450.81	4,557.06
	Total	264,074.71	69,757.60	37,585.28	371,417.59
May 2010	Monthly A & G	113,638.44	38,269.83	17,026.90	168,935.17
	Employee Time	173,337.69	40,449.18	24,293.75	238,080.62
	Vehicle	3,616.43	650.49	469.58	4,736.50
	Total	290,592.56	79,369.50	41,790.23	411,752.29
June 2010	Monthly A & G	99,305.94	31,579.85	13,808.07	144,693.86
	Employee Time	163,629.52	40,449.18	24,293.75	228,372.45
	Vehicle	5,351.14	941.62	690.80	6,983.56
	Total	268,286.60	72,970.65	38,792.62	380,049.87
Total for FY2010		3,115,699.26	726,339.92	383,503.82	4,225,543.00

FY 2011 Calculations	Factors	Percentage			Benefits Factor
		Electric	Cable/Int	Telephone	
Apr-June 2010	Services allocator	56.590%	31.560%	11.850%	86.19%
	Customer Service Allocator	56.960%	31.290%	11.750%	
	General Allocator	88.480%	6.610%	4.910%	
	Business Dev Allocator	72.590%	21.490%	5.920%	
	Hours Allocator	69.270%	20.150%	10.580%	
	Plant in Services Allocator	93.650%	5.430%	0.920%	
	Vehicle Allocator	82.870%	9.850%	7.280%	
	Benefit Analysis				
July-Sept 2010	Services allocator	55.680%	32.220%	12.100%	79.78%
	Customer Service Allocator	55.980%	32.020%	12.000%	
	General Allocator	81.280%	12.530%	6.190%	
	Business Dev Allocator	72.380%	21.580%	6.040%	
	Hours Allocator	74.430%	17.020%	8.550%	
	Plant in Services Allocator	92.970%	6.100%	0.930%	
	Vehicle Allocator	82.850%	9.870%	7.290%	
	Benefit Analysis				
Oct-Dec 2010	Services allocator	54.910%	32.810%	12.280%	101.67%
	Customer Service Allocator	55.230%	32.630%	12.140%	
	General Allocator	80.950%	12.930%	6.120%	
	Business Dev Allocator	72.070%	21.710%	6.220%	
	Hours Allocator	70.410%	20.380%	9.200%	
	Plant in Services Allocator	93.310%	5.810%	0.880%	
	Vehicle Allocator	78.510%	13.430%	8.070%	
	Benefit Analysis				
Jan-Mar 2011	Services allocator	54.220%	33.400%	12.380%	70.41%
	Customer Service Allocator	54.540%	33.230%	12.240%	
	General Allocator	78.440%	16.240%	5.310%	
	Business Dev Allocator	71.640%	21.990%	6.370%	
	Hours Allocator	69.510%	21.040%	9.450%	
	Plant in Services Allocator	92.960%	6.120%	0.920%	
	Vehicle Allocator	78.280%	13.680%	8.040%	
	Benefit Analysis				

FY 2011 Calculations

Amount

		Electric	Cable/Int	Telephone	Total
July 2010	Monthly A & G	91,530.40	25,109.68	11,424.91	128,064.99
	Employee Time	200,392.23	31,619.80	18,862.22	250,874.25
	Vehicle	4,273.56	479.78	367.15	5,120.49
	Total	296,196.19	57,209.26	30,654.28	384,059.73
August 2010	Monthly A & G	92,184.87	26,939.02	12,300.19	131,424.08
	Employee Time	197,937.07	31,104.77	18,486.92	247,528.76
	Vehicle	4,501.85	520.64	371.00	5,393.49
	Total	294,623.79	58,564.43	31,158.11	384,346.33
September 2010	Monthly A & G	89,292.71	24,277.60	11,337.24	124,907.55
	Employee Time	195,299.19	30,451.89	18,015.79	243,766.87
	Vehicle	4,824.51	544.53	396.24	5,765.28
	Total	289,416.41	55,274.02	29,749.27	374,439.70
October 2010	Monthly A & G	107,750.61	27,848.68	12,269.53	147,868.82
	Employee Time	184,256.81	39,708.26	20,070.78	244,035.85
	Vehicle	3,915.49	683.83	386.24	4,985.56
	Total	295,922.91	68,240.77	32,726.55	396,890.23
November 2010	Monthly A & G	87,466.28	25,093.00	10,719.00	123,278.28
	Employee Time	181,932.61	39,073.01	19,857.10	240,862.72
	Vehicle	4,247.88	728.43	410.71	5,387.02
	Total	273,646.77	64,894.44	30,986.81	369,528.02
December 2010	Monthly A & G	90,308.85	25,527.33	11,050.64	126,886.82
	Employee Time	198,307.40	42,428.83	21,451.64	262,187.87
	Vehicle	5,449.41	919.96	512.98	6,882.35
	Total	294,065.66	68,876.12	33,015.26	395,957.04
January 2011	Monthly A & G	99,831.31	33,513.09	13,801.70	147,146.10
	Employee Time	219,320.30	48,458.18	24,553.02	292,331.50
	Vehicle	7,229.93	1,245.04	650.64	9,125.61
	Total	326,381.54	83,216.31	39,005.36	448,603.21
February 2011	Monthly A & G	93,883.00	31,931.67	13,098.72	138,913.39
	Employee Time	218,203.69	48,172.10	24,376.40	290,752.19
	Vehicle	5,354.75	937.13	525.72	6,817.60
	Total	317,441.44	81,040.90	38,000.84	436,483.18

March 2011	Monthly A & G	100,287.88	31,165.41	13,159.70	144,612.99
	Employee Time	219,195.24	48,616.04	24,547.24	292,358.52
	Vehicle	5,911.08	1,029.52	546.42	7,487.02
	Total	325,394.20	80,810.97	38,253.36	444,458.53
April 2011	Monthly A & G	68,956.62	24,394.24	9,590.58	102,941.44
	Employee Time	183,363.92	47,506.88	20,138.85	251,009.65
	Vehicle	5,379.10	1,117.63	494.38	6,991.11
	Total	257,699.64	73,018.75	30,223.81	360,942.20
May 2011	Monthly A & G	97,027.74	36,217.82	14,308.39	147,553.95
	Employee Time	190,642.84	49,399.40	21,136.58	261,178.82
	Vehicle	5,294.26	1,098.82	496.10	6,889.18
	Total	292,964.84	86,716.04	35,941.07	415,621.95
June 2011	Monthly A & G	121,296.17	40,898.21	16,440.25	178,634.63
	Employee Time	192,171.15	49,762.35	21,411.08	263,344.58
	Vehicle	5,527.76	1,154.23	514.33	7,196.32
	Total	318,995.08	91,814.79	38,365.66	449,175.53
Accuforce labor		147,960.15	45,921.21	22,960.65	216,842.01
Total for FY2011		3,730,708.62	915,598.01	431,041.03	5,077,347.66

FY 2012 Calculations	Factors	Percentage			Benefits Factor
		Electric	Cable/Int	Telephone	
Apr-June 2011	Services allocator	53.560%	33.890%	12.540%	68.02%
	Customer Service Allocator	54.080%	33.530%	12.380%	
	General Allocator	74.520%	19.350%	6.120%	
	Business Dev Allocator	71.040%	22.390%	6.570%	
	Hours Allocator	68.760%	22.100%	9.140%	
	Plant in Services Allocator	92.920%	6.160%	0.920%	
	Vehicle Allocator	77.500%	14.690%	7.810%	
	Benefit Analysis				
July-Sept 2011	Services allocator	53.161%	34.281%	12.558%	79.38%
	Customer Service Allocator	53.515%	34.111%	12.374%	
	General Allocator	78.199%	15.501%	6.301%	
	Business Dev Allocator	70.680%	22.720%	6.600%	
	Hours Allocator	68.740%	21.480%	9.780%	
	Plant in Services Allocator	91.790%	7.310%	0.900%	
	Vehicle Allocator	75.010%	17.210%	7.790%	
	Benefit Analysis				
Oct-Dec 2011	Services allocator	52.618%	34.682%	12.700%	75.51%
	Customer Service Allocator	52.992%	34.458%	12.550%	
	General Allocator	77.369%	16.628%	6.003%	
	Business Dev Allocator	70.440%	22.870%	6.700%	
	Hours Allocator	67.810%	22.500%	9.690%	
	Plant in Services Allocator	91.010%	8.090%	0.900%	
	Vehicle Allocator	77.530%	14.700%	7.770%	
	Benefit Analysis				
Jan-Mar 2012	Services allocator	52.374%	34.862%	12.764%	88.36%
	Customer Service Allocator	52.772%	34.656%	12.572%	
	General Allocator	74.622%	19.234%	6.144%	
	Business Dev Allocator	70.280%	22.900%	6.810%	
	Hours Allocator	67.570%	22.800%	9.630%	
	Plant in Services Allocator	90.470%	8.640%	0.890%	
	Vehicle Allocator	76.250%	15.970%	7.780%	
	Benefit Analysis				

FY 2012 Calculations		Electric	Cable/Int	Telephone	Total
July 2011	Monthly A & G	81,461.61	30,368.68	11,541.54	123,371.83
	Employee Time	188,787.38	52,422.01	22,321.69	263,531.08
	Vehicle	5,252.41	1,189.27	560.86	7,002.54
	Total	275,501.40	83,979.96	34,424.09	393,905.45
August 2011	Monthly A & G	72,835.50	27,260.11	10,282.38	110,377.99
	Employee Time	179,231.51	50,148.18	21,892.79	251,272.48
	Vehicle	7,583.93	1,763.18	772.39	10,119.50
	Total	259,650.94	79,171.47	32,947.56	371,769.97
September 2011	Monthly A & G	71,523.64	26,811.04	9,978.03	108,312.71
	Employee Time	182,837.56	50,575.50	22,286.86	255,699.92
	Vehicle	6,618.98	1,510.73	688.05	8,817.76
	Total	260,980.18	78,897.27	32,952.94	372,830.39
October 2011	Monthly A & G	99,570.81	31,950.38	12,975.46	144,496.65
	Employee Time	194,138.51	47,789.35	23,597.59	265,525.45
	Vehicle	6,425.46	1,231.42	616.07	8,272.95
	Total	300,134.78	80,971.15	37,189.12	418,295.05
November 2011	Monthly A & G	89,552.73	32,872.00	13,055.06	135,479.79
	Employee Time	194,548.39	47,882.14	23,584.63	266,015.16
	Vehicle	7,824.13	1,481.29	804.20	10,109.62
	Total	291,925.25	82,235.43	37,443.89	411,604.57
December 2011	Monthly A & G	74,999.50	27,067.42	10,883.42	112,950.34
	Employee Time	197,175.43	48,523.51	23,939.39	269,638.33
	Vehicle	8,000.90	1,505.32	808.95	10,315.17
	Total	280,175.83	77,096.25	35,631.76	392,903.84
January 2012	Monthly A & G	76,877.78	29,099.46	11,212.81	117,190.05
	Employee Time	194,148.47	49,225.95	23,578.80	266,953.22
	Vehicle	6,897.87	1,482.88	665.96	9,046.71
	Total	277,924.12	79,808.29	35,457.57	393,189.98
February 2012	Monthly A & G	75,767.14	28,823.87	11,092.15	115,683.16
	Employee Time	198,487.06	49,846.74	24,200.60	272,534.40
	Vehicle	7,506.03	1,529.31	826.49	9,861.83
	Total	281,760.23	80,199.92	36,119.24	398,079.39

March 2012	Monthly A & G	95,601.93	34,488.34	13,584.29	143,674.56
	Employee Time	198,947.77	50,086.24	24,289.46	273,323.47
	Vehicle	6,934.76	1,458.03	685.05	9,077.84
	Total	301,484.46	86,032.61	38,558.80	426,075.87
April 2012	Monthly A & G	89,790.82	33,958.63	13,033.32	136,782.77
	Employee Time	205,998.52	58,803.34	25,688.45	290,490.31
	Vehicle	6,085.18	1,421.67	666.88	8,173.73
	Total	301,874.52	94,183.64	39,388.65	435,446.81
May 2012	Monthly A & G	90,771.75	34,735.84	13,386.01	138,893.60
	Employee Time	204,283.61	57,800.51	25,332.52	287,416.64
	Vehicle	6,993.28	1,647.78	751.69	9,392.75
	Total	302,048.64	94,184.13	39,470.22	435,702.99
June 2012	Monthly A & G	94,012.63	36,952.08	13,743.86	144,708.57
	Employee Time	209,420.08	59,767.46	26,159.15	295,346.69
	Vehicle	12,466.82	2,960.14	1,333.64	16,760.60
	Total	315,899.53	99,679.68	41,236.65	456,815.86
		125408.56	46777.02	23388.57	195,574.15
Total for FY2012		3,574,768.44	1,063,216.82	464,209.06	5,102,194.32

11. Please identify and provide any and all Documents showing the dollar amount of joint and common costs allocated to each operating division of BTES during each fiscal year 2006 through 2012, inclusive.

RESPONSE: Please see response to Question 10.

12. Please provide a complete list of all entities with which BTES has entered into business relationships to provide telecommunication services. Identify and provide any and all proposed or executed contracts.

RESPONSE: BTES objects based upon the General Objections and, expanding upon such objections, avers that a list of BTES customers within its electric system footprint is not relevant to this proceeding.

13. Explain in detail BTES's plans to expand provisioning of its telecommunications services if it is granted state-wide authority and any and all operational, accounting, and management, changes which will occur. Include in your answer: (a) the services to be offered; (b) the locations of the planned expansion; and (c) how costs of expansion will be financed.

RESPONSE: Please see BTES' response to Request 3, above. BTES does not anticipate a need for financing under its contemplated business model.

14. Please identify and provide any and all Documents indicating the terms or arrangements for use of utility poles and/or underground facilities between the telecommunications operating division and any affiliate or other third party entity.

RESPONSE: BTES objects based upon the General Objections and, expanding upon such objections, avers that documents relating to pole attachment arrangements with other parties within its electric system footprint are not relevant to this proceeding. Subject to and without waiver of the General Objections, BTES currently has no pole attachment agreements with pole owners located outside of BTES' electric system footprint.

15. Describe all BTES staff, plant equipment, and all other resources used by the electric division to assist the telecommunications operations. Describe the allocation of costs.

RESPONSE: Subject to and without waiver of the General Objections, please see BTES' response to CenturyLink's discovery Request 3.c., which includes the BTES Cost Allocation Manual. The Cost Allocation Manual identifies categories of shared staff, equipment and other resources and the associated allocation of costs.

16. Please identify all BTES personnel having job responsibilities relating to the telecommunications operations and one or more of the other divisions of BTES. Explain in detail how these employees allocate their time and provide all Documents showing the allocation of salaries and benefits.

RESPONSE: Subject to and without waiver of the General Objections, please see BTES' response to Request 15. The Cost Allocation Manual identifies categories of shared staff, equipment and other resources and the associated allocation of costs. All administrative and managerial employees of BTES are considered indirect employees and have time allocated to the various business units of BTES in accordance with the Cost Allocation Manual. Costs of other employees of BTES are directly assigned to the various business units in accordance with the Cost Allocation Manual.

17. Please identify and provide any and all Documents pertaining to any and all loan applications which have been approved by the Comptroller of the State of Tennessee and/or the Tennessee Valley Authority that are related to the provisioning of telecommunications services or are in any way related to the application subject to this proceeding.

RESPONSE: Subject to and without waiver of the General Objections, BTES has attached copies of correspondence with the Office of the Comptroller of the State of Tennessee concerning two different interdivision loans. Please also see BTES' discovery responses filed in Docket No. 05-00251 for documentation concerning approvals of the Tennessee Valley Authority for the 2006 interdivision loan.



Bristol Tennessee Essential Services

Electric • Internet • Cable

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May 22, 2006

The Honorable David H. Bowling
Director – Local Finance
Comptroller of the Treasury Department
State of Tennessee
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505 Deaderick Street
Nashville, Tennessee 37243-0274

Re: Bristol Tennessee Electric Services Loan Approval Request

Dear Mr. Bowling:

We are enclosing materials for your review regarding Bristol Tennessee Essential Services' ("BTES") application for approval of an inter-division loan to its Telephone Business Unit.

On July 1, 2005, the Board of Directors of BTES adopted a Resolution authorizing a Two Million Dollar \$2,000,000 inter-division loan to its Telephone Business Unit. By Order entered in Docket 05-00251 dated March 21, 2006, BTES received approval from the Tennessee Regulatory Authority for a certificate of convenience and necessity to provide telephone services and will use the funds available under this inter-division loan to provide funding for working capital and capital expenditures for the Telephone Business Unit's operations.

A similar request for approval of the inter-division loan was submitted by BTES to the Tennessee Valley Authority (TVA) last year. TVA's approval of that request came by letter dated June 27, 2005.

On behalf of BTES, we request your approval of this requested increase to the current inter-division loan. In support of this request, we have enclosed for your review:

1. Resolution of the BTES Board of Directors authorizing the inter-division loan;
2. A Statement of Cash Flows reflecting the anticipated principal advance and principal repayment schedule. Based on the initial advance being in June 2006 and an estimated

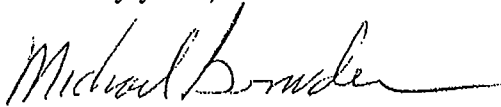
The Honorable David H. Bowling
May 17, 2006
Page 2

loan amount at an interest rate of 4.5%, cash flow is anticipated to permit monthly repayments of approximately \$23,951.96 commencing in December 2007 and ending in May 2015;

3. BTES 2005 Annual Report;
4. Unaudited Balance Sheet and Income Statements of BTES as of March 2006.
5. TVA's approval letter of June 27, 2005 mentioned above, which permits a 20 year payoff of the loan.

Should you have any further questions or require further information, please feel free to contact me, and we will make available any supplemental information you may require.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Michael Browder", with a long horizontal flourish extending to the right.

R. Michael Browder
General Manager

**A RESOLUTION AUTHORIZING A LOAN OF CERTAIN FUNDS
FROM THE ELECTRIC BUSINESS UNIT TO THE TELEPHONE
BUSINESS UNIT**

WHEREAS, the Board of Directors ("Board") of Bristol Tennessee Essential Services ("BTES"), has provided for the creation of a Telephone Business Unit of BTES ("Telephone Business Unit") to provide the services authorized in Tennessee Code Annotated § 7-52-401, *et seq.*; and

WHEREAS, certain short-term expenditures have been made and certain long-term capital investments and expenditures will be required by the Telephone Business Unit.

NOW, THEREFORE, BE IT RESOLVED, by the Board of BTES that:


1. The General Manager is authorized, but not required, to execute such documents and to take such further action as may be necessary to consummate a loan in an amount not to exceed Two Million Dollars (\$2,000,000) from BTES Electric Business Unit funds to the Telephone Business Unit to provide for reimbursement of certain expenses and to provide the capital necessary for working capital requirements and capital expenditures of the Telephone Business Unit.

2. The loan authorized under Section 1 of this Resolution shall be made in accordance with the requirements of Tennessee Code Annotated § 7-52-402 and the requirements of the TVA Wholesale Power Contract, pursuant to the attached letter dated June 27, 2005, and this authorization shall not create any further obligations or liabilities of BTES' Electric Business Unit in favor of its Telephone Business Unit.

Resolution ADOPTED this 1 day of July, 2005.


Board Chairman

ATTEST:


Secretary/Treasurer

Bristol Tennessee Essential Services

Statement of Cash Flows

Forecast

	Mos. 1 - 12	Mos. 13 - 24	Mos. 25 - 36
Cash Flows From Operating Activities			
Cash Received from Customers	\$ 426,698	\$ 1,280,111	\$ 2,029,768
Cash Paid to Suppliers and Vendors	\$ (489,166)	\$ (1,084,804)	\$ (1,541,971)
Cash Paid to Employees for Services	\$ (287,952)	\$ (296,591)	\$ (305,488)
	<u>\$ (350,420)</u>	<u>\$ (101,284)</u>	<u>\$ 182,309</u>
Cash Flows from Noncapital Financing Activities			
Draws of Credit Facility	\$ 1,644,453	\$ 436,057	\$ 250,585
Interest Paid on Credit Facility	\$ (61,024)	\$ (82,589)	\$ (90,706)
Payment of Credit Facility	\$ -	\$ (103,577)	\$ (219,418)
	<u>\$ 1,583,429</u>	<u>\$ 249,890</u>	<u>\$ (59,539)</u>
Cash Flows from Investing Activities			
Interest Received on Investments	\$ -	\$ 21	\$ 122
	<u>\$ -</u>	<u>\$ 21</u>	<u>\$ 122</u>
Cash Flows from Capital Financing Activities			
Net Additions to Property, Plant and Equipment	\$(1,233,009)	\$ (123,510)	\$ (123,510)
	<u>\$(1,233,009)</u>	<u>\$ (123,510)</u>	<u>\$ (123,510)</u>
Net change in cash	\$ -	\$ 25,118	\$ (618)
Cash beginning of period	\$ -	\$ -	\$ 25,118
Cash ending of period	<u>\$ -</u>	<u>\$ 25,118</u>	<u>\$ 24,500</u>

BRISTOL TENNESSEE ESSENTIAL SERVICES
STATISTICAL DATA
ELECTRIC BUSINESS UNIT
March 2006

Electric Sales

LINE	No.	Class	No. Cust.	KWH (000)	KWH/ Cust.	Revenue	Cents/ KWH
1		Residential	28,031	47,307	1,688	\$3,037,348	6.42
2		Small Ltg. & Power	3,462	4,771	1,378	370,129	7.76
3		Large Ltg. & Power	630	36,154	57,387	2,147,945	5.94
4		Street & ODL	199	806		81,361	10.09
5		Total 03/31/06	32,322	89,038		\$5,636,783	6.33
6		Total 03/31/05	32,174	93,242		\$5,323,467	5.71

FY to Date - (9 Months)

7		Residential	251,052	378,873	1,509	\$23,922,633	6.31
8		Small Ltg. & Power	30,956	43,160	1,394	3,270,779	7.58
9		Large Ltg. & Power	5,570	339,653	60,979	20,314,041	5.98
10		Street & ODL	1,782	7,734		756,903	9.79
11		Total FY 2006	289,360	769,420		\$48,264,356	6.27
12		Total FY 2005	286,716	748,874		\$42,141,607	5.63

Power Purchases

	KWH (000)	Cost	Cents/ KWH
13 March 2006	93,045	\$4,940,574	5.31
14 March 2005	97,438	\$4,715,089	4.84
15 YTD FY 2006	715,352	\$42,402,219	5.93
16 YTD FY 2005	782,574	\$36,559,003	4.67

Weather Data

	<u>Normal FY</u>		<u>Current Month</u>		<u>Previous FY</u>	
	March	YTD	03-06	YTD	03-05	YTD
17 DD - Heating	561	4018	578	3693	621	3419
18 DD - Cooling	1	687	0	922	0	605

Miscellaneous Consumer Data

	<u>03/31/06</u>	<u>06/30/05</u>	<u>FY Increase</u>
19 No. Conservation Loan	8018	7960	58
20 Load Management/Storage W/H	13696	13380	316

**BRISTOL TENNESSEE ELECTRIC SYSTEM
STATEMENT OF INCOME AND EXPENSES
ELECTRIC BUSINESS UNIT**

March 2006

\$(000)

<u>LINE NO.</u>	<u>March 2006</u>	<u>ACTUAL YTD</u>	<u>BUDGET YTD</u>	<u>FY 2005 ACTUAL YTD</u>	<u>FY 2006 BUDGET</u>
<u>Operating Revenue</u>					
1 Electric Sales	\$5,636.8	\$48,604.3	\$44,564.7	\$42,141.6	\$57,571.3
2 Other Electric Revenue	179.6	1,826.6	1,985.4	1,856.8	2,626.9
3 Total Operating Revenue	5,816.4	50,430.9	46,550.1	43,998.4	60,198.2
<u>Operating Expense</u>					
4 Transmission & Distribution	84.8	478.0	526.2	350.5	677.0
5 Customer Accounts Expense	69.0	669.6	717.1	649.0	946.2
6 Customer Service Expense	31.6	259.8	270.7	235.9	368.5
7 Administrative & General	101.1	745.0	774.1	722.9	1,000.1
8 Maintenance Expense	154.9	1,924.1	2,051.1	1,877.4	2,669.3
9 Total Operating & Maintenance	441.4	4,076.5	4,339.2	3,835.7	5,661.1
10 Purchased Power	4,940.5	42,701.9	39,398.0	36,559.0	50,621.1
<u>Other Operating Expense</u>					
11 Depreciation Expense	163.2	1,465.4	1,671.3	1,451.5	2,246.6
12 Taxes & Tax Equivalents	114.8	1,396.2 (1)	1,083.5	196.9 (2)	1,443.2
13 Total Other Operating Expense	278.0	2,861.6	2,754.8	1,648.4	3,689.8
14 Total Operating Expense	5,659.9	49,640.0	46,492.0	42,043.1	59,972.0
<u>Income</u>					
15 Operating Income	156.5	790.9	58.1	1,955.3	226.2
16 Other Income	29.3	1,167.6	552.0	350.6	722.4
17 Interest from DEU	27.2	254.3	254.5	284.3	334.5
18 Net Income Before Debt Expense	213.0	2,212.8	864.6	2,590.2	1,283.1
<u>Debt Expense</u>					
19 Interest on Long-Term Debt (Deposits)	1.0	11.6	10.8	5.6	14.4
20 Interest on LT Debt-Bonds	87.9	696.7	765.9		1,021.2
20 NET INCOME	\$124.1	\$1,504.5	\$87.9	\$2,584.6	\$247.5

(1) Note: Line 12 includes the semiannual Payment In Lieu of Taxes to the City of Bristol, TN from July 2005 and January 2006.

(2) Note: Line 12 is due to reversal of Payment In Lieu of Taxes to the City of Bristol, TN which increases net income by \$722,000.

Reversal caused by changes in GASB 34.

BRISTOL TENNESSEE ESSENTIAL SERVICES
COMPARATIVE BALANCE SHEET
ELECTRIC BUSINESS UNIT

March 2006

\$(000)

LINE
NO.

<u>ASSETS</u>	March 2006	June 2005
<u>Fixed Assets</u>		
1 Total Electric Plant	\$81,317.0	\$71,024.2
2 Less Accumulated Depreciation	40,629.3	39,157.5
3 Net Plant	40,687.7	31,866.7
<u>Current Assets</u>		
4 Cash	212.9	1,180.0
5 Temporary Cash Investments	9,410.9	5,771.5
6 Construction Fund	14,077.6	
7 Accounts Receivable	4,114.8	3,451.6
8 Materials & Supplies	1,312.1	881.2
9 Prepaid Expenses	116.5	148.1
10 Total Current Assets	29,244.8	11,432.4
<u>Other Assets</u>		
11 Renewal & Replacement Fund	8,911.6	8,242.3
12 Conservation Loans Receivable	3,778.3	2,539.0
13 Deferred Debits & Other Assets	4,012.0	8,775.9
14 TVA DEU	5,875.9	6,404.4
15 Loan to Cable/Internet Business Unit	3,165.5	59.7
16 Loan to Telephone Business Unit	364.6	42.4
17 Total Other Assets	26,107.9	26,063.7
18 TOTAL ASSETS	\$96,040.4	\$69,362.8
<u>LIABILITIES AND EQUITY IN ELECTRIC SYSTEM</u>		
<u>Current Liabilities</u>		
19 Accounts Payable	5,658.6	5,346.4
20 Customer Deposits	2,079.9	2,029.9
21 Accrued Taxes and Equivalents	529.4	214.5
22 Accrued Expenses	1,057.9	564.5
23 Total Current Liabilities	9,325.8	8,155.3
<u>Long-Term Debt</u>		
24 Electric System Bonds	24,002.8	0.0
25 Equity in Electric System	62,711.8	61,207.5
26 TOTAL LIABILITIES AND EQUITY	\$96,040.4	\$69,362.8

**BRISTOL TENNESSEE ESSENTIAL SERVICES
COMPARATIVE BALANCE SHEET
CABLE/INTERNET BUSINESS UNIT**

March 2006

\$(000)

**LINE
NO.**

ASSETS

**March
2006**

Fixed Assets

1	Total Cable/Internet Plant	\$2,823.9
2	Less Accumulated Depreciation	27.1
3	Net Plant	2,796.8

Current Assets

4	Cash	\$0.0
5	Accounts Receivable	43.6
6	Total Current Assets	43.6

Other Assets

7	Start Up Costs	366.6
8	Total Other Assets	366.6

9	TOTAL ASSETS	\$3,207.0
---	--------------	-----------

LIABILITIES AND EQUITY

Current Liabilities

10	Accounts Payable	\$4.9
11	Accrued Expenses	\$5.9

Long-Term Debt

12	Loan from Electric Business Unit	3,165.5
13	Equity in Cable/Internet Business Unit	30.7

14	TOTAL LIABILITIES AND EQUITY	\$3,207.0
----	------------------------------	-----------

**BRISTOL TENNESSEE ELECTRIC SYSTEM
STATEMENT OF INCOME AND EXPENSES
CABLE/INTERNET BUSINESS UNIT**

March 2006

\$(000)

<u>LINE NO.</u>	March 2006	ACTUAL YTD
<u>Operating Revenue</u>		
1 Cable Revenue	32.6	80.1
2 Set Top Box Revenue	1.4	3.8
3 Internet Revenue	14.1	37.8
4 Total Operating Revenue	48.1	121.7
 <u>Operating Expense</u>		
5 Customer Service Expense	0.4	2.5
7 Administrative & General Expense	2.9	9.9
8 Programming Expense	8.5	19.8
9 Plant Allocation Factor	11.7	26.8
10 Total Operating & Maintenance	23.5	59.0
 <u>Other Operating Expense</u>		
11 Depreciation Expense	13.8	27.1
12 Taxes & Tax Equivalents	1.7	4.9
13 Total Other Operating Expense	15.5	32.0
14 Total Operating Expense	39.0	91.0
 <u>Income</u>		
15 Operating Income	9.1	30.7
 <u>16 NET INCOME</u>	\$9.1	\$30.7

**BRISTOL TENNESSEE ESSENTIAL SERVICES
COMPARATIVE BALANCE SHEET
TELEPHONE BUSINESS UNIT**

March 2006
\$(000)

**LINE
NO.**

ASSETS

**March
2006**

Fixed Assets

- 1 Total Telephone Plant
- 2 Less Accumulated Depreciation
- 3 Net Plant

\$0.0
0.0

0.0

Other Assets

- 12 Start Up Costs
- 13 Total Other Assets

364.6

364.6

14 TOTAL ASSETS

\$364.6

LIABILITIES AND EQUITY

Long-Term Debt

- 20 Loan from Electric Business Unit
- 21 Equity in Telephone Business Unit

364.6

0.0

22 TOTAL LIABILITIES AND EQUITY

\$364.6



Tennessee Valley Authority, Post Office Box 292409, Nashville, Tennessee 37229-2409

June 27, 2005

67518A
TV-73611A, Supp. No. 66

Mr. Patrick W. Hickie Jr., Chairman
Bristol Tennessee Essential Services
Post Office Box 549
Bristol, Tennessee 37621

Dear Mr. Hickie:

This letter confirms the understanding between the City of Bristol, Tennessee (Bristol), and Tennessee Valley Authority (TVA) relating to the joint use of funds between the Bristol Tennessee Essential Services (Electric Services) and the Telephone Business Unit (Telephone Business Unit) of Bristol Tennessee Essential Services, both systems being managed by the same independent five member board, which has oversight into the financial soundness of each.

Bristol represents that:

- A. The General Assembly of the State of Tennessee enacted the Tennessee Code Annotated, Title 7, Chapter 52, which provides for municipal electric plants to own and operate telecommunications services. Under this provision, the municipal electric system can lend funds to the Telephone Business Unit;
- B. The Electric Services has revenues and assets available to loan to the Telephone Business Unit, as authorized by state statute;
- C. Any use of property and personnel jointly by Bristol for its Electric Services and to operate the Telephone Business Unit, with those expenses being properly allocated between the Electric Services and the Services, will provide efficiency and economy in the Electric Services' overall operations; and
- D. The Electric Services will financially benefit from its loans to the Telephone Business Unit.

Based upon the above assurance and subject to the following terms and conditions, this letter shall constitute TVA's agreement, as provided for in section 1(a) of the Schedule of Terms and Conditions of the Power Contract between Bristol and TVA, numbered TV-67518A and dated June 27, 1985, as amended (Power Contract), to the Electric Services' loan or loans to the Telephone Business Unit described herein. In light of the foregoing:

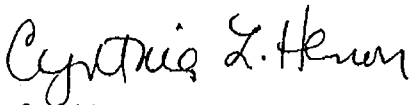
1. Bristol may make a loan or loans from Electric Services funds not to exceed an aggregate amount of up to \$2,000,000 (2 million dollars) to the Telephone Business Unit. Electric Services has no obligation or responsibility to make or keep any funds available for this purpose.
2. Bristol shall cause its Telephone Business Unit to pay semi-annually to its Electric Services interest accruing on all advances outstanding and to make repayments of the amortized principal balance, beginning 18 (eighteen) months after the initial funding date of each loan (Initial Date), until such time as the principal is fully repaid. The Telephone Business Unit shall repay the Electric Services the principal amount, together with all accrued and unpaid interest, not to exceed 20 years beyond the Initial Date of each loan, unless Bristol and TVA agree on a later date.
3. Unless TVA agrees otherwise, the Telephone Business Unit shall accrue interest payable to the Electric Services at the highest interest rate then earned by the Electric Services on invested electric plant funds in accordance with state law as set out in Tennessee Code Annotated Section 7-52-402. The interest accrual will be calculated by applying the ratio of the annual interest rate over a period of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. In no event shall the effective rate of interest for any semi-annual payment exceed the highest rate of interest permitted to be charged under the laws of the State of Tennessee.
4. If the Telephone Business Unit fails to make a required payment on or prior to the applicable payment date, interest will accrue on such payment at a rate equal to the applicable interest rate + 1% until such payment is made, and such failure shall not affect the Telephone Business Unit's obligation to make other required payments. If the Telephone Business Unit fails to make all of its required payments by the date on which the last required payment is due, the Electric Services shall, unless TVA agrees otherwise, take steps satisfactory to TVA to fully maintain and exercise all legal rights and remedies it may possess or hereafter acquire with respect to the full recovery of the liability between the Telephone Business Unit and the Electric Services in order to make the Electric Services whole as soon as practical.

5. This agreement shall terminate in the event that ownership or control of Telephone Business Unit reverts or changes to an entity other than the Electric Services. In addition, Electric Services shall make no additional loans in the event that ownership or control of Telephone Business Unit reverts or changes to an entity other than Bristol.
6. It is recognized that under the Power Contract, section 5 (c), the Electric Services shall be maintained on a self-supporting and financially sound basis. If TVA determines, in its judgment, that continuing the loans from the Electric Services to the Telephone Business Unit might threaten the financial soundness of the Electric Services, then TVA may terminate this agreement upon 90 days' written notice to Bristol.
7. Unless otherwise agreed to by TVA in writing, upon any termination of this agreement, Telephone Business Unit shall immediately repay any funds previously advanced by Electric Services, along with accumulated interest, and the loan or loans shall be closed and of no further force or effect.
8. Unless TVA agrees otherwise, Electric Services will furnish no other credit, guarantee or other financial accommodation to or on behalf of Telephone Business Unit, except for the loan or loans described above.
9. In the event that Bristol, for purposes of efficiency and economy, wishes to use any additional property and personnel jointly for its Electric Services and to operate the Telephone Business Unit, those arrangements will be provided for in a supplementary agreement in which those expenses are properly allocated between the Electric Services and the Telephone Business Unit.
10. The Electric Services shall, within ninety days of each of the fiscal year and mid-year reporting periods of the Telephone Business Unit, provide a semi-annual financial statement and supplementary reports to TVA including year-to-date financial results measured against the business plan of the Telephone Business Unit.
11. This agreement may not be modified except in writing signed by the parties' authorized representatives.

Mr. Patrick Hickie
Page 4 of 4
June 27, 2005

If this letter correctly states the understanding between us, please so indicate by having a duly authorized representative sign both enclosed originals on behalf of the City of Bristol, Tennessee, and return them to your TVA Customer Service Manager. A fully executed original will be returned to you following signature on behalf of TVA.

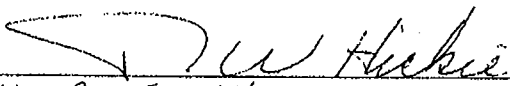
Sincerely,



Cynthia L. Herron
General Manager, Contracts and Pricing
Customer Service and Marketing

Accepted and agreed to as of
the 8 day of July, 2005

CITY OF BRISTOL, TENNESSEE
By Board of Public Utilities

By 
Title: CHAIRMAN



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DIVISION OF LOCAL FINANCE
SUITE 1700 JAMES K. POLK STATE OFFICE BUILDING
505 DEADERICK STREET
NASHVILLE, TENNESSEE 37243-0274
PHONE (615) 401-7976
FAX (615) 532-5232

RECEIVED

JUN 05 2006

BRISTOL TENNESSEE
ESSENTIAL SERVICES

May 31, 2006

Mr. Patrick Hickie, Chairman
Bristol Tennessee Essential Services
PO Box 549
Bristol, TN 37621-0549

Dear Mr. Hickie:

This will acknowledge receipt of a letter dated May 22, 2006 from Mr. Michael Browder, General Manager, requesting approval for the issuance of an interdivision loan from the BTES Electric Business Unit to the BTES Telephone Business Unit for the purpose of providing funds to the recently created Telephone Unit for working capital and capital expenditures. Such loans are authorized pursuant to Tennessee Code Annotated Title 7, Chapter 52, Part 402(2), subject to approval from the State Director of Local Finance.

Mr. Browder has advised us that the creation of the Telephone Unit has been approved by the Tennessee Regulatory Authority on March 21, 2006, as required by TCA Title 7, Chapter 52, Part 401. Mr. Browder has also provided us with a copy of a resolution approved by the BTES Board of Directors authorizing an interdivision loan in an amount not to exceed \$2,000,000. Additional information submitted by Mr. Browder indicates the loan will be repaid, including interest as required by state law, in equal monthly payments over a period of approximately seven and one-half years.

Pursuant to the provisions of Tennessee Code Annotated Title 7, Chapter 52, Part 402(2), this constitutes approval by this office for the issuance of an Interdivision Loan not-to-exceed \$2,000,000 from the BTES Electric Business Unit to the BTES Telephone Business Unit, in accordance with the resolution adopted by the BTES Board of Directors on July 1, 2005.

Sincerely,

A handwritten signature in black ink, appearing to read "David H. Bowling".

David H. Bowling
Director of Local Finance

DHB:laa

Cc: Michael Browder



2470 Volunteer Parkway • P. O. Box 549 • Bristol, TN 37621-0549
423/968-1526 • Fax 423/793-5545

Bristol Tennessee Essential Services

Securix • Internet • Telephone • Cable

June 15, 2012

The Honorable Mary-Margaret Collier
Director – Local Finance
Office of State and Local Finance
State of Tennessee
505 Deaderick Street, Suite 1600
James K. Polk Building
Nashville, Tennessee 37243-1402

Re: Bristol Tennessee Essential Services Loan Approval Request

Dear Ms. Collier:

We are enclosing materials for your review regarding Bristol Tennessee Essential Services' ("BTES") application for approval of an inter-division loan from the Telephone Business Unit to the Advanced Broadband Services Business Unit.

On May 25, 2011, the Board of Directors of BTES adopted a Resolution authorizing a Two Million Dollar \$2,000,000 inter-division loan from the Telephone Business Unit to the Advanced Broadband Services Business Unit. The funds made available by this inter-division loan are to provide funding for working capital and capital expenditures for the Advanced Broadband Services Business Unit's operations. The Advanced Broadband Services Business Unit is the largest customer of the Telephone Business Unit generating around \$1,000,000 in annual revenue for that Business Unit.

On behalf of BTES, we request your approval of this inter-division loan. In support of this request, we have enclosed for your review:

1. Resolution of the BTES Board of Directors authorizing the inter-division loan;
2. BTES 2011 Annual Report;

Should you have any further questions or require further information, please feel free to contact me, and we will make available any supplemental information you may require.

Sincerely yours,

R. Michael Browder
Chief Executive Officer

**A RESOLUTION AUTHORIZING A LOAN OF CERTAIN FUNDS FROM
THE TELEPHONE BUSINESS UNIT TO THE CABLE AND INTERNET BUSINESS
UNIT**

WHEREAS, the Board of Directors ("Board") of Bristol Tennessee Essential Services ("BTES"), has provided for the creation of a Cable and Internet Business Unit of BTES ("Cable and Internet Business Unit") to provide the services authorized in Tennessee Code Annotated § 7-52-601, et seq.; and

WHEREAS, certain short-term expenditures have been made and certain long-term capital investments and expenditures will be required by the Cable and Internet Business Unit.

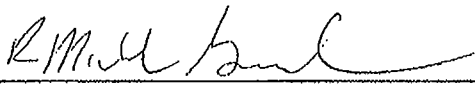
NOW, THEREFORE, BE IT RESOLVED, by the Board of BTES that:

1. The Chief Executive Officer is authorized, but not required, to execute such documents and to take such further action as may be necessary to consummate a loan in an amount not to exceed Two Million Dollars (\$2,000,000) from BTES Telephone Business Unit funds to the Cable and Internet Business Unit to provide for reimbursement of certain expenses and to provide the capital necessary for working capital requirements and capital expenditures of the Cable and Internet Business Unit.

2. The loan authorized under Section 1 of this Resolution shall be for a term of ten years at an annual interest rate of 1%.

Resolution ADOPTED this 25 day of May, 2011

ATTEST:



Secretary to the Board

REPORT ON DEBT OBLIGATION
(Pursuant to Tennessee Code Annotated Section 9-21-151)

1. Public Entity:

Name Bristol Tennessee Essential Services
Address P. O. Box 549
2470 Volunteer Parkway
Bristol, TN 37621

2. Debt Obligation:

- | | |
|-------------------------------------|-------------------|
| <input type="checkbox"/> | a. Bond |
| <input type="checkbox"/> | b. CON |
| <input type="checkbox"/> | c. BAN |
| <input type="checkbox"/> | d. GAN |
| <input type="checkbox"/> | e. TRAN |
| <input type="checkbox"/> | f. CRAN |
| <input type="checkbox"/> | g. Capital Lease |
| <input checked="" type="checkbox"/> | h. Loan Agreement |

Note: Enclose a copy of the executed NOTE FORM if applicable.

3. Security For Debt Obligation:

- | | |
|-------------------------------------|-----------------------------------|
| <input type="checkbox"/> | a. General Obligation |
| <input type="checkbox"/> | b. General Obligation+Revenue+Tax |
| <input checked="" type="checkbox"/> | c. Revenue |
| <input type="checkbox"/> | d. TIF |
| <input type="checkbox"/> | e. Annual Appropriations |

4. Purpose of Issue:

- | | | |
|-------------------------------------|-----------------------------|----------|
| <input type="checkbox"/> | a. General Government | % |
| <input type="checkbox"/> | b. Education | % |
| <input type="checkbox"/> | c. Highways and Streets | % |
| <input type="checkbox"/> | d. Public Safety | % |
| <input type="checkbox"/> | e. Solid Waste Disposal | % |
| <input type="checkbox"/> | f. Industrial Park | % |
| <input type="checkbox"/> | g. Manufacturing Facilities | % |
| <input type="checkbox"/> | h. Health Facilities | % |
| <input type="checkbox"/> | i. Airports | % |
| <input type="checkbox"/> | j. Utilities | % |
| <input type="checkbox"/> | i. Water | % |
| <input type="checkbox"/> | ii. Sewer | % |
| <input type="checkbox"/> | iii. Electric | % |
| <input type="checkbox"/> | iv. Gas | % |
| <input type="checkbox"/> | k. Refunding or Renewal | % |
| <input checked="" type="checkbox"/> | l. Other <u>Broadband</u> | 100.00 % |
- specify

5. Face Amount of Debt Obligation: \$1,800,000.00

Premium/Discount: \$0.00

6. Type of Sale:

- | | |
|-------------------------------------|----------------------------|
| <input type="checkbox"/> | a. Competitive Public Sale |
| <input type="checkbox"/> | b. Informal Bid |
| <input type="checkbox"/> | c. Negotiated Sale |
| <input checked="" type="checkbox"/> | d. Loan Program |

7. Tax Status:

- | | |
|-------------------------------------|--------------------------------|
| <input checked="" type="checkbox"/> | a. Tax Exempt |
| <input type="checkbox"/> | b. Tax Exempt - Bank Qualified |
| <input type="checkbox"/> | c. Taxable |

8. Dated Date: 06/26/2012

9. Issue Date (Closing Date): 06/26/2012

10. Ratings:

- | | |
|----------------------|---------|
| a. Moody's | _____ |
| b. Standard & Poor's | _____ |
| c. Fitch | _____ |
| d. Unrated | X _____ |

11. Interest Cost:

- 1.000000 % ☐
- | | |
|--------------------------|---|
| <input type="checkbox"/> | a. TIC |
| <input type="checkbox"/> | b. NIC |
| <input type="checkbox"/> | c. Variable: Index _____ plus _____ bps |
| <input type="checkbox"/> | d. Other _____ |

12. Recurring Costs:

- | | |
|------------------------------|----------|
| a. Remarketing Agent (bps) | <u>0</u> |
| b. Liquidity (bps) | <u>0</u> |
| c. Credit Enhancements (bps) | <u>0</u> |

13. Maturity Dates, Amounts and Interest Rates

Year	Amount	Interest Rate		Year	Amount	Interest Rate
2013	\$180,000	1.00 %				%
2014	\$180,000	1.00 %				%
2015	\$180,000	1.00 %				%
2016	\$180,000	1.00 %				%
2017	\$180,000	1.00 %				%
2018	\$180,000	1.00 %				%
2019	\$180,000	1.00 %				%
2020	\$180,000	1.00 %				%
2021	\$180,000	1.00 %				%
2022	\$180,000	1.00 %				%
		%				%

If additional space is needed, attach additional sheet.

14. Repayment Schedule

This Issue			Total Debt Outstanding		
Year	Cum. Principal Redeemed	% Total	Year	Cum. Principal Redeemed	% Total
1	\$180,000	10.00	1		
5	\$720,000	50.00	5		
10	\$900,000	100.00	10		
15			15		
20			20		
25			25		
30			30		

15. Itemized Description of the Cost of Issuance

(Round to Nearest Dollar)

		Name of Firm
a. Financial Advisor Fees*	\$0.00	
b. Legal Fees:		
i. Bond Counsel	\$0.00	
ii. Issuer's Counsel	\$0.00	
iii. Trustee's Counsel	\$0.00	
c. Paying Agent Fees and Registration Fees	\$0.00	
d. Trustee Fees	\$0.00	
e. Remarking Agent Fees	\$0.00	
f. Liquidity Fees	\$0.00	
g. Rating Agency Fees	\$0.00	
h. Credit Enhancement Fees	\$0.00	
i. Underwriter's Discount 0.00 %	\$0.00	
i. Take Down	\$0.00	
ii. Management Fee	\$0.00	
iii. Risk Premium	\$0.00	
iv. Underwriter's Counsel	\$0.00	
v. Other Expenses	\$0.00	
j. Printing and Advertising Fees	\$0.00	
k. Issuer Fees	\$0.00	
l. Real Estate Fees	\$0.00	
m. Bank Closing Costs	\$0.00	
n. Other Costs	\$0.00	
Total Costs	\$0.00	

*If other costs are included, please itemize

Note: Enclose a copy of the DISCLOSURE DOCUMENT/ OFFICIAL STATEMENT if applicable.

16. Description of Continuing Disclosure Obligations

(Use additional pages if necessary)

Individual Responsible for Completion:

N/A

Date Annual Disclosure is due:

17. Description of Compliance with Written Debt Management Policy:

(Use additional pages if necessary)

Interdivision loans are permitted by the Bristol Tennessee Essential Services Debt Management Policy subject to the approval of the Board of Directors and provisions of the TVA Contract. Loans are reviewed monthly by the Board of Directors. A copy of the Bristol Tennessee Essential Services Debt Management Policy is attached.

18. (If any) Description of Derivative and Compliance with Written Derivative Management Policy:

(Use additional pages if necessary)

N/A

19.



Authorized Representative
CEO

Title

07/09/2012

Date

mbrowder@btes.net

Email

Preparer

Title

Firm

Date

Email

20.

Submitted to Governing Body on 05/25/2011 and presented at its public meeting held on 05/25/2011

COPY TO: Director - Office of State and Local Finance, 505 Deaderick Street, Suite 1600,
James K. Polk State Office Building, Nashville TN 37243-1402

Bristol Tennessee Essential Services Debt Management Policy

The purpose of this Debt Management Policy is to establish a set of parameters by which debt obligations will be undertaken by Bristol Tennessee Essential Services ("BTES"). This policy reinforces the commitment of BTES to manage its financial affairs so as to minimize risk, avoid conflicts of interest and ensure transparency while still meeting the capital needs of the organization. A Debt Management Policy signals to the public and the rating agencies that BTES is using a disciplined and defined approach to financing capital needs and fulfills the requirements of the State of Tennessee regarding the adoption of a Debt Management Policy.

The goal of this policy is to assist decision makers in planning, issuing and managing debt obligations by providing clear direction as to the steps, substance and outcomes desired. In addition, greater stability over the long-term will be generated by the use of consistent guidelines in issuing debt.

Definition of Debt:

As used herein, the term "debt obligations" shall mean all obligations of BTES to repay, with or without interest, in installments and/or later date, money which is borrowed or credit which is extended for the purchase, construction, or operation of BTES resources. This includes but is not limited to notes, loans, capital leases, operating leases, letters of credit, and of any type of financial obligation, whether provided by an outside source such as a bank or provided by other sources, internal or external; provided, however, the foregoing shall not apply to office leases, goods and supplies purchased on account, and other routine purchases of goods and supplies necessary for BTES' day-to-day internal business operations.

Approval of Debt Obligations:

Revenue bonds, revenue anticipation notes, bond anticipation notes and capital leases in excess of \$50,000 will be submitted to the BTES Board of Directors and the State of Tennessee Comptroller's Office prior to issuance or entering into the obligation. A plan for refunding said debt issues will also be submitted to the Comptroller's Office prior to issuance. Details on the said capital lease agreements will be forwarded to the Comptroller's Office on the specified form within 45 days.

Transparency:

BTES shall comply with legal requirements for notice and for public meetings related to debt issuance. All notices shall be posted in the customary and required posting locations, including as required local newspapers, bulletin boards, and websites.

All costs (including principal, interest, issuance, continuing, and one-time) shall be clearly presented and disclosed to the BTES Board of Directors, and other stakeholders in a timely manner.

The terms and life of each debt issue shall be clearly presented and disclosed to the BTES Board of Directors, and other stakeholders in a timely manner.

A debt service schedule outlining the rate of retirement for the principal amount shall be clearly presented and disclosed to the BTES Board of Directors, and other stakeholders in a timely manner.

Limitations on the Use of Debt Obligations:

Long-term debt shall not be used to finance current operations. Long-term debt may be used for capital purchases or construction identified through the BTES capital improvement plan. Short-term debt may be used for certain projects and equipment financing as well as for operational borrowing; however, BTES will minimize the use of short-term cash flow borrowings by maintaining adequate working capital and close budget management.

In accordance with Generally Accepted Accounting Principles and state law,

1. The maturity of any BTES debt will not be more than the useful life of the assets purchased or built with the debt, not to exceed 30 years; however, an exception may be made with respect to federally sponsored loans, provided such an exception is consistent with law and accepted practices.
2. Debt issued for operating expenses must be repaid within the same fiscal year of issuance or incurrence.

Types and Limits of Debt:

BTES' total outstanding debt obligation will be monitored and reported to the Board of Directors by the CEO and Director of Accounting and Finance. The CEO and Director of Accounting and Finance shall monitor the maturities and terms and conditions of all obligations to ensure compliance. The CEO and Director of Accounting and Finance shall also report to the BTES Board of Directors any matter that adversely affects the credit or financial integrity of BTES.

Revenue Bonds

Revenue bonds are longer-term bonds that are secured solely by the revenues of the issuing division. In accordance with state law, BTES is not permitted to pledge capital assets as a form of security for the repayment of debt. Revenue bonds will be issued for the purpose of funding BTES' long-term capital needs.

Revenue Anticipation Notes

Revenue anticipation notes may be issued for the purpose of funding capital improvements or for the purpose of funding wholesale electric power purchases. These notes typically have maturities of one to five years and will be secured solely by the revenue of the issuing division.

Bond Anticipation Notes

Bond anticipation notes may be issued for the purpose of funding capital improvement in the short-term in anticipation of a future longer-term revenue bond issue, which would be used, in part, to retire the bond anticipation note. Bond anticipation notes will be secured by the proceeds of the bonds to be issued to refinance such notes and the revenues of the issuing division.

Capital Leases

Capital leases may be used as deemed appropriate for the purpose of financing shorter-term capital assets (i.e. copiers, computers, etc.). Prior to the execution of any capital lease, BTES will evaluate the economics of the capital lease compared to the purchase of the asset.

Interdivision Loans

BTES may loan funds from division to division subject to the provisions of TVA Power Contract TV-67518A, Supp. No. 65. These loans will be made subject to BTES Board of Directors approval and reviewed at monthly meetings as part of the financial report.

Other Types of Debt

Other types of debt instruments may be utilized, provided the use of any such instrument is in compliance with all applicable laws and provided the debt instrument is approved by the BTES Board of Directors. In the event an alternate form of debt financing is used, this Debt Management Policy shall be modified to reflect the appropriate policies and procedures for the use of the debt instrument.

Debt Service Structure:

The debt service payment structure for an individual debt issue will typically have a level structure although alternative debt service structures (i.e. front-loaded, balloon, or bullet maturities) may be utilized to achieve a more level repayment structure for the issuing division's overall debt portfolio or a lower borrowing cost for the issuing division.

In the case of a non-level debt service payment service, the CEO shall provide an appropriate justification to the BTES Board of Directors of the need and prudence of the

proposed debt service structure prior to the consideration by the Board of a resolution authorizing the issuance of the debt.

Costs of Debt:

All costs associated with the initial issuance or incurrence of debt, management and repayment of debt (including interest, principal, and fees or charges) shall be disclosed prior to action by the BTES Board of Directors in accordance with the notice requirements stated above.

In cases of variable interest or non-specified costs, detailed explanation of the assumptions shall be provided along with the complete estimate of total costs anticipated to be incurred as part of the debt issue.

Costs related to the repayment of debt, including liabilities for future years, shall be provided in context of the annual budgets from which such payments will be funded.

Refinancing Outstanding Debt:

BTES will refund debt when it is in the best financial interest of BTES to do so, and the Director of Accounting and Finance shall have the responsibility to analyze outstanding bond issues for refunding opportunities. The decision to refinance must be explicitly approved by the BTES Board of Directors, and all plans for current or advance refunding of debt must be in compliance with state laws and regulations.

Professional Services:

BTES shall require all professionals engaged in the process of issuing debt to clearly disclose all compensation and consideration received related to services provided in the debt issuance process by both BTES and the lender or conduit issuer, if any. This includes "soft" costs or compensations in lieu of direct payments.

Counsel

BTES shall enter into an engagement letter agreement with each lawyer or law firm representing BTES in a debt transaction. No engagement letter is required for any lawyer who is under a general appointment or contract to serve as counsel to BTES. BTES does not need an engagement letter with counsel not representing BTES, such as underwriters' counsel.

Financial Advisor

If BTES chooses to hire financial advisors, BTES shall enter into a written agreement with each person or firm serving as financial advisor for debt management and transactions. Whether in a competitive sale or negotiated sale, the financial advisor shall not be permitted to bid on, privately place or underwrite an issue for which they are or

have been providing advisory services for the issuance or broker any other debt transactions for BTES.

Underwriter

If there is an Underwriter, BTES shall require the Underwriter to clearly identify itself in writing (e.g., in a response to a request for proposals or in promotional materials provided to an issuer) as an Underwriter and not as a financial advisor from the earliest stages of its relationship with BTES with respect to that issue. The Underwriter must clarify its primary role as a purchaser of securities in an arm's-length commercial transaction and that it has financial and other interests that differ from those of BTES. The Underwriter in a publicly offered, negotiated sale shall be required to provide pricing information both as to interest rates and to takedown per maturity to the BTES Board of Directors in advance of the pricing of the debt.

Conflicts:

Professionals involved in a debt transaction hired or compensated by BTES shall be required to disclose to BTES existing client and business relationships between and among the professionals to a transaction (including but not limited to financial advisor, swap advisor, bond counsel, swap counsel, trustee, paying agent, liquidity or credit enhancement provider, underwriter, counterparty, and remarketing agent), as well as conduit issuers, sponsoring organizations and program administrators. This disclosure shall include that information reasonably sufficient to allow BTES to appreciate the significance of the relationships.

Review of Policy:

The guidelines outlined herein are intended to provide general direction regarding the future issuance of debt. BTES maintains the right to modify this Debt Management Policy and may make exceptions to any of its guidelines at any time to the extent that the execution of such debt achieves the goals of BTES, as long as such exceptions or changes are consistent with Tennessee Code Annotated and any rules and regulations promulgated by the State.

This Debt Management Policy shall be reviewed from time to time as circumstances and regulations warrant. BTES may, from time to time, review this Debt Management Policy and make revisions and updates, if warranted.

Compliance:

The CEO and Director of Accounting and Finance are responsible for ensuring compliance with this policy.



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
OFFICE OF STATE AND LOCAL FINANCE
SUITE 1600 JAMES K. POLK STATE OFFICE BUILDING
505 DEADERICK STREET
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7872
FAX (615) 741-5986

June 22, 2012

Mr. R. Michael Browder
Bristol Tennessee Essential Services
P.O. Box 549
Bristol, TN 37621-0549

Dear Mr. Browder:

Thank you for requesting approval of an interdivisional loan from the City's municipal electric system's Telephone Business Unit to the Advance Broadband Services Business Unit.

Section 7-52-603(a)(1)(B) Tennessee Code Annotated (the "Statute") authorizes a municipal electric system to lend funds, at a rate of interest not less than the highest rate then earned by the municipal electric system on invested electric plant funds, to a separate division within the system that provides broadband service to acquire, construct, and provide working capital for the broadband service, plant, and equipment. The Statute requires related interest costs to be allocated to the cost of the broadband service.

The Statute does not authorize the Office of the Comptroller to approve such a loan.

The municipal electric system is required to comply with the terms of Section 7-52-603(a)(1)(A) Tennessee Code Annotated (the "Subsidy Statute") to prevent subsidizing the Advance Broadband Services Business Unit with revenues from the municipal electric system. The loan document between the Advance Broadband Services Business Unit and Bristol Tennessee Essential Services should include terms such as a final maturity date and principal payment structure.

The Subsidy Statute requires the Advance Broadband Services Business Unit to maintain a separate accounting and record-keeping system from the other divisions in the municipal electric system. We ask that you properly disclose this interdivisional loan so that it may be properly identified.

Public Debt Entity Report

Enclosed is a revised Form CT-0253 - Report on Debt Obligation. The Form CT-0253 must be filed with the governing body of the public entity issuing the debt not later than forty-five (45) days following the issuance or execution of a debt obligation by or on behalf of any public entity, with a copy (including attachments, if any) filed with the Director of the Office of State and Local Finance by email to the

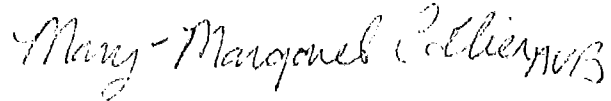
Letter to Bristol Tennessee Essential Services

Page 2

address below or mailed to the address on the letter. No public entity may enter into additional debt if it has failed to file the Report on Debt Obligation.

StateandLocalFinance.PublicDebtForm@cot.tn.gov

Sincerely,

A handwritten signature in cursive script that reads "Mary-Margaret Collier".

Mary-Margaret Collier
Director of State & Local Finance

Cc: Mr. Jim Arnette, Director of Local Government Audit, COT

Enclosure
Form CT-0253

18. Identify and provide all Documents evidencing any and all loans made by any operating division of BTES to the telecommunications operations. Include in your answer: (a) actual rate of interest charged; (b) any collateral or security received by BTES; (c) term of the loan(s); (d) payment schedule and payment history.

RESPONSE: Subject to and without waiver of the General Objections, please see BTES' response to Request 17. The following table summarizes the interest rate and draw and payment schedule under the inter-division loan:

Fiscal Year	Interest Rate*	Interest Charged	Increases	Payments	Loan from Electric Business Unit to Telephone Business Unit
	4.14% -				
2006	5.16%	9,091.66	619,916.25		629,007.91
	5.25% -				
2007	5.37%	40,152.57	610,208.58	259,408.38	1,019,960.68
	3.40% -				
2008	5.31%	38,882.80	964,280.60	1,475,317.43	547,806.65
	3.20% -				
2009	4.30%	5,028.57	1,146,031.64	1,698,866.86	0.00
2010					0.00
2011					0.00
2012					0.00

*Interest charged at the highest rate earned on Electric Business Unit investments

19. Describe in detail the business case developed by BTES to support its decision to seek expanded state-wide authority to provide telecommunications services. Include any and all assumptions, data analysis, inter-company communications, and any other related Documents.

RESPONSE: Subject to and without waiver of the General Objections, please see BTES' response to Request 3.

20. Provide all correspondence and Documents provided by and between BTES and its auditors in connection with the preparation of Exhibit B to the Application.

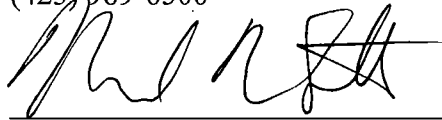
RESPONSE: Please see BTES' response to discovery Request 2 of CenturyLink filed in this docket, a copy of which is provided to TCTA pursuant to Request 21, below.

21. Please provide copies of all responses to data requests served on BTES by any other parties in this proceeding.

RESPONSE: Copies will be filed in this Docket and transmitted electronically to counsel for TCTA.

Respectfully submitted,

C. THOMAS DAVENPORT, JR.
General Counsel, BTES
640 State Street
Bristol, Tennessee 37620
(423) 989-6500



Mark W. Smith
MILLER & MARTIN PLLC
832 Georgia Avenue, Suite 1000
Chattanooga, Tennessee 37402
Telephone: (423) 785-8357
Facsimile: (423) 321-1527
msmith@millermartin.com

Attorneys for: Bristol Tennessee Essential Services

CERTIFICATE OF SERVICE

I hereby certify that a true and correct electronic copy has been forwarded via e-mail to the following on this the 5th day of October, 2012.

Zsuzsanna E. Benedek, Esq.
Senior Attorney
TCTA
240 North Third Street, Suite 300
Harrisburg, Pennsylvania 17101

Misty Smith Kelley, Esq.
Baker, Donelson, Bearman, Caldwell &
Berkowitz, PC
1800 Republic Centre
633 Chestnut Street
Chattanooga, Tennessee 37450

Charles B. Welch, Jr., Esq.
Farris Mathews Bobango, PLC
300 Historic Castner-Knott Building
618 Church Street
Nashville, Tennessee 37219