

**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**

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**RESPONSES OF BRISTOL TENNESSEE ESSENTIAL SERVICES TO  
DISCOVERY REQUESTS OF  
UNITED TELEPHONE SOUTHEAST LLC**

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Bristol Tennessee Essential Services ("BTES") respectfully submits these responses to the discovery requests of United Telephone Southeast LLC ("CenturyLink").

**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.<sup>1</sup> BTES obtained and filed an initial compliance audit pursuant to these agreed upon procedures.<sup>2</sup> BTES further obtained and filed

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

<sup>2</sup> 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.<sup>3</sup>

On May 5, 2011, BTES filed notice of its intent to operate pursuant to market based regulation.<sup>4</sup> 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

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

<sup>4</sup> 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 CenturyLink’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 CenturyLink 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 CenturyLink's requests to the extent that CenturyLink 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 of 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 CenturyLink’s discovery requests in this case.

**INTERROGATORIES AND  
REQUEST FOR PRODUCTION OF DOCUMENTS**

1. Is BTES also a municipal electric company in Tennessee?

**RESPONSE:** BTES is a municipal electric plant created under the Municipal Electric Plant Act of 1935, codified in Title 7, Chapter 52, of the Tennessee Code Annotated.

2. Regarding Exhibit B, the Financial Report for year ended June 30, 2011, provide:

- a) Any correspondence between BTES and the auditors.

**RESPONSE:** Subject to BTES’ objection as to the relevance of these documents, given that the audit did not identify any material weaknesses, please see the attached documents. (As a note to these documents, electronic copies of various emails were forwarded to counsel for BTES and included the name “Mark Smith” when printed. The original addressee(s), recipient(s) and text appear in the body of the email. Additionally, the November 9, 2011 email from Adam Allen to Lola McVey contained two read only PDF files. An electronic copy of that email can be furnished to counsel for the intervenors or to the Authority upon request.)

**Mark Smith**

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**From:** Adam Allen [aallen@cj-pc.com]  
**Sent:** Thursday, April 28, 2011 2:41 PM  
**To:** McVey, Lola  
**Subject:** 2011 Audit

Lola,

I hope all is well!

I'm looking at scheduling the upcoming audit and wanted to run some dates by you.

I would like to schedule for John to come up there and work on planning the week of July 25<sup>th</sup>. Do you have availability that week or is another week better for you?

Also, I would like to start fieldwork the week of October 3<sup>rd</sup> to get the CAFR issued prior to the November board meeting. Consistent with prior years, we'll probably be up there between two and three weeks. I would love to get a draft over to the City for review by November 1<sup>st</sup> to give them two weeks ;) to review the CAFR for any changes. I don't know when the November board meeting is scheduled for this year, but I'm assuming that it's November 16<sup>th</sup>.

Thanks,  
Adam

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The information contained in this message may be privileged and confidential and protected from disclosure. If the reader of this message is not the intended recipient, or an employee or agent responsible for delivering this message to the intended recipient, you are hereby notified that any dissemination, distribution or copying of this communication is strictly prohibited. If you have received this communication and you are not the intended recipient, please notify us immediately by replying to the message and deleting it from your computer. Thank you. Coulter & Justus, P.C. 9717 Cogdill Road, Suite 201, Knoxville, TN 37932; Telephone 865-637-4161; Fax: 865-524-2952

IRS CIRCULAR 230 WRITTEN ADVICE STANDARDS: IRS regulations require us to advise you that, unless otherwise specifically noted, any federal tax advice in this communication (including any attachments, enclosures, or other accompanying materials) is not intended or written to be used, and it cannot be used, by any taxpayer for the purpose of avoiding penalties; furthermore, this communication is not intended or written to support the promotion or marketing of any of the transactions or matters it addresses.

**Mark Smith**

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**From:** Adam Allen [aallen@cj-pc.com]  
**Sent:** Thursday, November 10, 2011 9:08 AM  
**To:** McVey, Lola  
**Subject:** 2011 BTES Reports  
**Attachments:** BTES Auditors Report 2011.pdf; BTES Report on IC and Compliance.pdf

Lola,

Sorry about the earlier version. You were correct that there was a security put on the previous reports that did not allow them to be printed. Let me know if you have any problems with these.

Thanks,  
Adam

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## Report of Independent Auditors

Board of Directors  
Bristol Tennessee Essential Services

We have audited the accompanying financial statements of Bristol Tennessee Essential Services ("BTES"), an enterprise fund of the City of Bristol, Tennessee, as of and for the years ended June 30, 2011 and 2010, as listed in the table of contents. We also have audited the Bristol Tennessee Essential Services Post Employment Benefits Trust (the "Trust"), a fiduciary fund of the City of Bristol, Tennessee, as of and for the years ended June 30, 2011 and 2010, as displayed in the basic financial statements. These financial statements are the responsibility of BTES' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only BTES and the Trust and do not purport to, and do not, present fairly the financial position of the City of Bristol, Tennessee, as of June 30, 2011 and 2010, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bristol Tennessee Essential Services as of June 30, 2011 and 2010, and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bristol Tennessee Essential Services Post Employment Benefits Trust as of June 30, 2011 and 2010, and the changes in financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2011, on our consideration of BTES' and the Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Board of Directors  
Bristol Tennessee Essential Services

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress on pages 3 through 12 and 44 through 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of measurement about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise BTES' and the Trust's basic financial statements. The introductory section, state schedules section, and statistical section are presented for purposes of additional analysis and not required parts of the basic financial statements. The state schedules section is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other addition procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

*Coulter & Justus, P.C.*

Knoxville, Tennessee  
November 7, 2011



Report of Independent Auditors on Internal Control Over Financial Reporting and  
on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

Board of Directors  
Bristol Tennessee Essential Services

We have audited the financial statements of Bristol Tennessee Essential Services, an enterprise fund of the City of Bristol, Tennessee, and Bristol Tennessee Essential Services Post Employment Benefits Trust, a fiduciary fund of the City of Bristol, Tennessee (collectively referred to as "BTES"), as of and for the year ended June 30, 2011, and have issued our report thereon dated November 7, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered BTES' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of BTES' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of BTES' internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of BTES' financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Board of Directors  
Bristol Tennessee Essential Services

Compliance and Other Matters

As part of obtaining reasonable assurance about whether BTES' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board, others within BTES' and the Tennessee Comptroller of the Treasury and is not intended to be and should not be used by anyone other than these specified parties.

*Coulter & Justus, P.C.*

Knoxville, Tennessee  
November 7, 2011

**Mark Smith**

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**From:** Bill Case [Bill.Case@tn.gov]

**Sent:** Monday, April 11, 2011 7:33 AM

**To:** McVey, Lola; aallen@cj-pc.com

**Subject:** Approved Contract - Bristol Tennessee Essential Services

A Contract to Audit Accounts between Bristol Tennessee Essential Services and Coulter and Justus has been approved and signed by the Comptroller of the Treasury.

You may access an on-line copy of this contract through the CARS system by going to Manage Audit Contracts and selecting the Files link at the end.



**Mark Smith**

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**From:** Adam Allen [aallen@cj-pc.com]  
**Sent:** Monday, November 07, 2011 9:33 AM  
**To:** McVey, Lola  
**Subject:** BTES November Board Meeting

Lola,

I just wanted to verify that the board meeting is Wednesday November 16<sup>th</sup>.

Thnaks,  
Adam

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**Mark Smith**

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**From:** Adam Allen [aallen@cj-pc.com]  
**Sent:** Thursday, November 10, 2011 3:08 PM  
**To:** McVey, Lola  
**Subject:** BTES reports - UNprotected  
**Attachments:** BTES Auditors Report 2011.pdf; BTES Report on IC and Compliance.pdf

I couldn't get the password out of her, but I got the reports free of protection.

Let me know if this doesn't work.

Thanks!

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## Report of Independent Auditors

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Bristol Tennessee Essential Services

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We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only BTES and the Trust and do not purport to, and do not, present fairly the financial position of the City of Bristol, Tennessee, as of June 30, 2011 and 2010, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bristol Tennessee Essential Services as of June 30, 2011 and 2010, and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bristol Tennessee Essential Services Post Employment Benefits Trust as of June 30, 2011 and 2010, and the changes in financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2011, on our consideration of BTES' and the Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Board of Directors  
Bristol Tennessee Essential Services

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Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise BTES' and the Trust's basic financial statements. The introductory section, state schedules section, and statistical section are presented for purposes of additional analysis and not required parts of the basic financial statements. The state schedules section is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other addition procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

*Coulter & Justus, P.C.*

Knoxville, Tennessee  
November 7, 2011

Report of Independent Auditors on Internal Control Over Financial Reporting and  
on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

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Bristol Tennessee Essential Services

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Board of Directors  
Bristol Tennessee Essential Services

Compliance and Other Matters

As part of obtaining reasonable assurance about whether BTES' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board, others within BTES' and the Tennessee Comptroller of the Treasury and is not intended to be and should not be used by anyone other than these specified parties.

*Coulter & Justus, P.C.*

Knoxville, Tennessee  
November 7, 2011

**Mark Smith**

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**From:** Adam [adamallen01@yahoo.com]  
**Sent:** Wednesday, November 09, 2011 8:51 AM  
**To:** McVey, Lola  
**Subject:** Draft

Thanks for the rep letter please send financial statements draft when completed

Sent from my iPhone

## Mark Smith

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**From:** Adam Allen [aallen@cj-pc.com]  
**Sent:** Thursday, October 27, 2011 3:32 PM  
**To:** McVey, Lola  
**Cc:** John Young; Jason Tackett  
**Subject:** FW: Municipal Audit - Confirmations 2011 TCRS

-----Original Message-----

From: Iris Haby [mailto:Iris.Haby@tn.gov]  
Sent: Thursday, October 27, 2011 15:27  
To: Iris Haby  
Subject: Municipal Audit - Confirmations 2011 TCRS

TCRS information for political subdivisions was posted this morning. Teacher TCRS information should be posted live by tomorrow morning, barring delays.

<http://www.comptroller1.state.tn.us/Audit/Confirmations.asp>

Unlike prior years, the link is directly to a pdf file, rather than to Treasury.

Iris R. Haby, CPA, Auditor  
TN Comptroller of the Treasury  
Division of Municipal Audit  
414 Union Street  
Suite 1100  
Nashville, TN 37243-1402  
Phone 615-532-4488  
Fax 615-532-4499  
Alternate Phone 270-235-5795  
Email: Iris.Haby@tn.gov  
Web Address: [www.tn.gov/comptroller/ma/](http://www.tn.gov/comptroller/ma/)

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**Mark Smith**

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**From:** Adam Allen [aallen@cj-pc.com]  
**Sent:** Thursday, November 10, 2011 5:33 PM  
**To:** McVey, Lola  
**Subject:** FW: Your report for Bristol Tennessee Essential Services (Electric/Power Board - 2892) has been received by the Department of Audit for the Tennessee Comptroller of the Treasury  
**Importance:** Low  
FYI...

---

**From:** CARS.DoNotReply@tn.gov [mailto:CARS.DoNotReply@tn.gov]  
**Sent:** Thursday, November 10, 2011 17:22  
**To:** Adam Allen  
**Subject:** [BULK] Your report for Bristol Tennessee Essential Services (Electric/Power Board - 2892) has been received by the Department of Audit for the Tennessee Comptroller of the Treasury  
**Importance:** Low

Your report for Bristol Tennessee Essential Services (Electric/Power Board - 2892) submitted on 11/10/2011 4:22:04 PM has been received by the Department of Audit for the Comptroller of Tennessee.

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IRS CIRCULAR 230 WRITTEN ADVICE STANDARDS: IRS regulations require us to advise you that, unless otherwise specifically noted, any federal tax advice in this communication (including any attachments, enclosures, or other accompanying materials) is not intended or written to be used, and it cannot be used, by any taxpayer for the purpose of avoiding penalties; furthermore, this communication is not intended or written to support the promotion or marketing of any of the transactions or matters it addresses.

**Mark Smith**

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**From:** Adam Allen [aallen@cj-pc.com]  
**Sent:** Tuesday, November 08, 2011 11:05 AM  
**To:** McVey, Lola  
**Subject:** Indexed MUC CAFR  
**Attachments:** 2876-2010-morristownub-afr-cpa100-11-11-10.pdf

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Comprehensive Annual  
Financial Report

Morristown Utilities Commission  
(An Administrative Unit Accounted for  
as Enterprise Funds of the  
City of Morristown, Tennessee)

*Year ended June 30, 2010*

*Jenny Ketterman, Manager of Accounting*  
*Clark Rucker, Assistant General Manager*

Morristown Utilities Commission  
Comprehensive Annual Financial Report  
Year ended June 30, 2010

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## Report of Independent Auditors

Board of Commissioners  
Morristown Utility Commission

We have audited the accompanying financial statements of the Morristown Power System, the Morristown Water System, and the Morristown Broadband System (collectively, the "Systems"), enterprise funds of the City of Morristown, Tennessee, as of and for the years ended June 30, 2010 and 2009, as listed in the table of contents. These financial statements are the responsibility of the Systems' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Systems and do not purport to, and do not, present fairly the financial position of the City of Morristown, Tennessee, as of June 30, 2010 and 2009, and the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Morristown Power System, Morristown Water System, and Morristown Broadband System of the City of Morristown, Tennessee, as of June 30, 2010 and 2009, and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2010, on our consideration of the Systems' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audits.

Board of Commissioners  
Morristown Utility Commission

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress on pages 3 through 6 and 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of measurement about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other information we obtained during our audit of the basic financial statements. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Morristown Power System's, Morristown Water System's, and Morristown Broadband System's basic financial statements. The statistical section is presented for purposes of additional analysis and is not a required part of the financial statements and has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Coulter & Justus, P. C.*

Knoxville, Tennessee  
November 8, 2010

**Morristown Utilities Commission**  
**Management's Discussion and Analysis**

**June 30, 2010**

This discussion and analysis is intended to be an introduction to the financial statements and notes that follow this section and should be read in conjunction with them. This section will provide narrative discussion and analysis of the financial activities of Morristown Utilities Commission (the "Commission" or "MUC"). The Commission is responsible for the operation of three major funds of the City of Morristown, Tennessee. These funds are the Power System, the Water System, and the Broadband System. This discussion and analysis is reported at the Commission level. The financial performance of the Commission is discussed and analyzed within the context of the accompanying financial statements and notes following this section.

**Financial Statement Overview**

The Statements of Net Assets include the assets and liabilities of MUC that represent the available resources and required obligations, with the difference reported as net assets. The change in net assets is a potential indicator of the improving or deteriorating financial position of MUC. The change in net assets is a function of the revenues and expenses, which are recorded in the Statements of Revenues, Expenses, and Changes in Net Assets. Revenues are recorded as they are earned and expenses are recorded when incurred (regardless of cash requirements). Cash activity for the period is presented in the Statements of Cash Flows and the activity is segmented between operating, investing, and financing activities. In addition, the Notes to the Financial Statements offer additional information to provide a full understanding of the financial activity and position of MUC.

The Commission is an administrative unit of the City of Morristown, Tennessee (the "City") operated under the general supervision and control of a five-member Board of Commissioners. The Commission issues a comprehensive annual financial report which is incorporated in the City's comprehensive annual financial report.

## Morristown Utilities Commission

### Management's Discussion and Analysis (continued)

#### Financial Position

The primary indicator of financial position is net assets. The change in net assets for the Power System increased by \$3.1 million, Water System increased by \$1.5 million and Broadband System decreased by \$0.6 million as a result of operations discussed later. This overall net increase has been used to acquire additional capital assets in the current year.

**Table 1**

#### Morristown Utilities Commission Condensed Balance Sheets

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Assets and liabilities:			
Current and other assets	\$37,294,435	\$27,350,851	24,649,984
Net capital assets	<u>90,398,822</u>	<u>88,431,105</u>	<u>88,444,341</u>
Total assets:	<u>127,693,257</u>	<u>115,781,956</u>	<u>113,094,325</u>
Current liabilities	13,584,446	11,290,484	11,282,195
Non-current liabilities	<u>43,944,311</u>	<u>38,373,027</u>	<u>38,472,076</u>
Total liabilities	<u>57,528,757</u>	<u>49,663,511</u>	<u>49,754,271</u>
Net assets:			
Invested in capital assets, net of related debt	56,650,999	55,174,176	54,089,479
Restricted	585,465	308,502	301,423
Unrestricted	<u>12,928,036</u>	<u>10,635,767</u>	<u>8,949,152</u>
Total net assets	<u>\$70,164,500</u>	<u>\$66,118,445</u>	<u>\$63,340,054</u>

As indicated in Table 1, net capital assets have remained consistent over the past three years. This is a result of construction during the periods being offset before depreciation expense. Refer to the notes to the financial statements for more information regarding capital assets.

Current assets and non-current liabilities have increased in the current year as a result of the \$7.5 million note issued by the Water System for constructing, extending and improving the water system infrastructure. As of June 30, 2010, there were approximately \$6.3 million in unspent proceeds from the note.



## Morristown Utilities Commission

### Management's Discussion and Analysis (continued)

#### Results of Operations

As indicated in Table 2, operating revenues of the Commission decreased by \$4 million from fiscal year 2009 to 2010. The decrease increase is primarily the result of the reduction of TVA rates during the year, which in turn reduced the Power System revenues. Water System and Broadband System revenues remained flat during the year.

**Table 2**

#### Morristown Utilities Commission Condensed Statement of Revenues, Expenses and Changes in Net Assets

	Years ended June 30		
	2010	2009	2008
Revenues:			
Operating revenues	\$80,952,532	\$84,908,994	\$73,428,075
Non-operating revenues	121,907	214,922	440,228
Total revenues	81,074,439	85,123,916	73,868,303
Expenses:			
Purchased power	54,288,026	60,369,658	52,593,697
Operating expenses	12,427,806	12,148,324	11,057,387
Other expenses	9,010,487	8,163,629	7,733,916
Interest expense	567,107	928,407	1,683,851
Total expenses	76,293,426	81,610,018	73,068,851
Excess revenues over expenses	4,781,013	3,513,898	799,452
Transfers to the City	(734,958)	(735,507)	(731,014)
Changes in net assets	4,046,055	2,778,391	68,438
Beginning net assets	66,118,445	63,340,054	63,271,616
Ending net assets	\$70,164,500	\$66,118,445	\$63,340,054

The decrease in purchased power is a result of the TVA rate reduction previously discussed. Operating expenses and other expenses remained flat during the year. Overall interest expense decreased due to the effect of variable interest rate on the fiber network note of the Power System and Broadband System and the related rate decrease as a result of market conditions.

## **Morristown Utilities Commission**

### **Management's Discussion and Analysis (continued)**

#### **Assets**

During 2010, TVA announced the change of their rate structure from end-use billing to wholesale billing. This announcement precipitated the need for MUC to formulate a strategic plan supporting operations and developing infrastructure to meet the requirements generated by this change. For this reason, effective January 1 2010, MUC transferred certain Broadband System assets previously dedicated to the operation of fiber network (including materials from the head end to the customer premise) to the Electric System. This network will be used as the backbone of the delivery method for future electric services such as voltage monitoring and reduction, customer load control and customer interactivity devices. The system will continue to allocate the cost of operating the backbone between the Electric System and Broadband System.

#### **Debt**

As a result of the previously mentioned asset transfer, approximately seventy three percent of debt formerly allocated to the Broadband System, was transferred to the Electric System. Additional information on the Commission's long-term debt can be found in Note 7 of this comprehensive annual financial report.

#### **Non-Operating Revenue**

Interest from deposits and investments decreased in the current year due principally to lower interest rates earned on our investments.

#### **Requests for Information**

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in the Commission's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the Assistant General Manager, P.O. Box 667, Morristown, Tennessee 37815.

Morristown Utility Commission  
Balance Sheets  
June 30, 2010 and 2009

	Power System		Water System		Broadband System	
	2010	2009	2010	2009	2010	2009
<b>Assets</b>						
Current assets:						
Cash and cash equivalents	\$ 9,007,216	\$ 6,198,344	\$ 2,070,693	\$ 2,068,457	\$ 566,328	\$ 734,540
Accounts receivable:						
Trade, net of allowance for doubtful accounts of \$245,102 for 2010 and \$168,962 for 2009	6,878,134	6,558,114	-	-	-	-
Due from other funds	-	-	337,332	48,147	-	-
Due from others	318,320	175,403	-	-	-	-
Accrual for unbilled revenue	1,770,079	1,356,410	248,961	192,561	-	-
Current portion of discounted energy units	117,115	110,812	-	-	-	-
Other current assets	-	-	-	-	42,707	51,775
Advances from Tennessee Valley Authority Home Weatherization Loan Program, net of advances to customers	-	-	-	-	-	-
Materials and supplies inventories	817,375	762,824	445,143	472,844	-	-
Total current assets	18,908,239	15,161,907	3,102,129	2,782,009	609,035	786,315
Restricted cash and cash equivalents	-	-	6,287,688	252,035	-	-
Restricted investments	-	-	312,267	308,502	-	-
Capital assets:						
Plant and equipment in service	79,956,097	60,195,262	52,376,791	51,374,376	7,030,702	23,996,770
Less accumulated depreciation	(32,214,065)	(27,028,584)	(19,509,991)	(18,074,574)	(2,493,458)	(3,978,721)
	47,742,032	33,166,678	32,866,800	33,299,802	4,537,244	20,018,049
Construction in progress	2,167,106	1,128,581	2,688,354	676,829	397,286	141,166
Net capital assets	49,909,138	34,295,259	35,555,154	33,976,631	4,934,530	20,159,215
Due from other funds	6,077,005	6,354,668	-	-	-	-
Plant acquisition adjustments, net of accumulated amortization	805,592	445,679	91,938	120,226	-	-
Discounted energy units, less current portion	180,121	296,727	-	-	-	-
Other assets	623,750	17,877	103,892	67,694	192,779	757,212
Total assets	\$ 76,503,845	\$ 56,572,117	\$ 45,453,068	\$ 37,507,097	\$ 5,736,344	\$ 21,702,742

Morristown Utility Commission  
Balance Sheets (continued)  
June 30, 2010 and 2009

	Power System		Water System		Broadband System	
	2010	2009	2010	2009	2010	2009
<b>Liabilities and net assets</b>						
Current liabilities:						
Accounts payable:						
Trade	\$ 5,254,894	\$ 4,604,120	\$ 99,766	\$ 63,066	\$ 188,980	\$ 136,112
Due to other funds	337,332	48,147	-	-	-	-
City of Morristown	566,752	560,714	-	-	-	-
Deferred revenues	-	-	-	-	256,656	247,970
Customer deposits	2,365,724	2,109,774	-	-	68,000	65,502
Accrued payroll related liabilities	1,446,559	1,371,218	454,334	461,382	136,871	122,034
Other accrued liabilities	458,193	253,189	35,832	28,350	67,372	93,464
Current portion of capital lease obligations	-	-	-	-	31,014	27,415
Current portion of long-term debt	588,501	215,509	1,123,984	827,296	102,897	-
Advances from Tennessee Valley Authority Home Weatherization Loan Program, net of advances to customers	785	54,622	-	-	-	-
Total current liabilities	11,018,740	9,217,293	1,713,916	1,380,094	851,790	692,497
Due to other funds	-	-	-	-	6,077,005	6,354,668
Capital lease obligations, less current portion	-	-	-	-	14,869	45,883
Long-term debt, less current portion	17,095,312	2,057,109	15,931,983	9,800,967	4,825,142	20,115,000
Total liabilities	28,114,052	11,274,402	17,645,899	11,181,061	11,768,806	27,208,048
Net assets (deficit):						
Invested in capital assets, net of related debt	32,756,158	32,022,641	24,597,135	23,359,034	(702,294)	(207,499)
Restricted	-	-	585,465	560,537	-	-
Unrestricted	15,633,635	13,275,074	2,624,569	2,406,465	(5,330,168)	(5,297,807)
Total net assets (deficit)	48,389,793	45,297,715	27,807,169	26,326,036	(6,032,462)	(5,505,306)
Total liabilities and net assets	\$ 76,503,845	\$ 56,572,117	\$ 45,453,068	\$ 37,507,097	\$ 5,736,344	\$ 21,702,742

See accompanying Notes to Financial Statements.

Morristown Utility Commission  
Statements of Revenues, Expenses and Changes in Net Assets (Deficit)  
Years ended June 30, 2010 and 2009

	Power System		Water System		Broadband System	
	Year ended June 30	Year ended June 30	Year ended June 30	Year ended June 30	Year ended June 30	Year ended June 30
	2010	2009	2010	2009	2010	2009
Operating revenues:						
Metered sales	\$ 65,948,260	\$ 71,139,201	\$ 6,703,814	\$ 6,271,647	\$ -	\$ -
Broadband sales	-	-	-	-	6,014,072	5,470,822
Interfund services provided	558,246	-	-	-	342,368	737,184
Other operating revenues	1,174,566	1,144,508	65,644	60,204	145,562	85,428
Total operating revenues	67,681,072	72,283,709	6,769,458	6,331,851	6,502,002	6,293,434
Operating expenses:						
Power purchased	54,288,026	60,369,658	-	-	-	-
Operations	4,652,605	4,414,620	2,931,296	3,165,323	4,843,905	4,568,381
Maintenance	1,737,424	1,709,297	517,491	487,875	211,972	204,183
Interfund services used	342,368	737,184	-	-	558,246	-
Depreciation and amortization	2,661,471	1,973,308	1,403,361	1,157,415	1,281,622	1,531,502
Taxes	204,101	204,238	-	-	35,715	65,368
Miscellaneous	11,494	52,307	45,222	40,952	-	-
Total operating expenses	63,897,489	69,460,612	4,897,370	4,851,565	6,931,460	6,369,434
Operating income (loss)	3,783,583	2,823,097	1,872,088	1,480,286	(429,458)	(76,000)
Other income (expense):						
Interest income	71,414	116,211	21,132	36,995	1,161	7,716
Interest expense	(59,981)	(61,904)	(408,267)	(321,032)	(98,859)	(545,471)
Net other income (expense)	11,433	54,307	(387,135)	(284,037)	(97,698)	(537,755)
Income (loss) before contributions and transfers	3,795,016	2,877,404	1,484,953	1,196,249	(527,156)	(613,755)
Contributions from developers	-	-	28,200	54,000	-	-
Transfers out (tax equivalent payments to City of Morristown)	(702,938)	(703,487)	(32,020)	(32,020)	-	-
Changes in net assets	3,092,078	2,173,917	1,481,133	1,218,229	(527,156)	(613,755)
Net assets (deficit) at beginning of year	45,297,715	43,123,798	26,326,036	25,107,807	(5,505,306)	(4,891,551)
Net assets (deficit) at end of year	\$ 48,389,793	\$ 45,297,715	\$ 27,807,169	\$ 26,326,036	\$ (6,032,462)	\$ (5,505,306)

See accompanying Notes to Financial Statements.

Morristown Utility Commission  
Statements of Cash Flows  
Years ended June 30, 2010 and 2009

	Power System		Water System		Broadband System	
	Year ended June 30		Year ended June 30		Year ended June 30	
	2010	2009	2010	2009	2010	2009
<b>Cash flows from operating activities</b>						
Cash received from customers	\$ 65,778,411	\$ 72,482,728	\$ 6,713,058	\$ 6,343,012	\$ 6,513,186	\$ 6,293,256
Cash received from City of Morristown, Tennessee	1,225,070	1,243,817	-	-	-	-
Cash paid to suppliers and vendors	(56,519,251)	(63,216,874)	(2,275,541)	(2,447,554)	(4,766,361)	(4,798,657)
Cash paid to employees for services	(3,783,733)	(3,840,496)	(1,189,832)	(1,366,424)	(811,264)	(780,802)
Net cash flows from operating activities	6,700,497	6,669,175	3,247,685	2,529,034	935,561	713,797
<b>Cash flows from noncapital financing activities</b>						
Transfers to City of Morristown (tax equivalent payments)	(702,938)	(703,487)	(32,020)	(32,020)	-	-
<b>Cash flows from investing activities</b>						
Interest received on investments	71,414	116,211	21,132	36,995	1,161	7,716
Purchase of investments	-	-	(3,765)	(7,079)	-	-
Net cash flows from investing activities	71,414	116,211	17,367	29,916	1,161	7,716
<b>Cash flows from capital and related financing activities</b>						
Payments on capital lease obligations	-	-	-	(1,058)	(27,415)	(26,334)
Net additions to capital assets	(3,469,106)	(1,770,682)	(2,953,595)	(1,578,020)	(783,354)	(1,505,549)
Interfund repayments (advances)	484,491	(921,767)	(289,185)	559,444	(195,306)	362,323
Contributions from developers	-	-	28,200	54,000	-	-
Principal payments on long-term debt	(215,505)	(215,505)	(1,072,296)	(586,022)	-	-
Interest paid on long-term debt	(59,981)	(61,904)	(408,267)	(321,032)	(98,859)	(545,471)
Proceeds from long-term borrowings	-	-	7,500,000	-	-	615,000
Net cash flows from capital and related financing activities	(3,260,101)	(2,969,858)	2,804,857	(1,872,688)	(1,104,934)	(1,100,031)
Increase (decrease) in cash and cash equivalents	2,808,872	3,112,041	6,037,889	654,242	(168,212)	(378,518)
Cash and cash equivalents at beginning of year	6,198,344	3,086,303	2,320,492	1,666,250	734,540	1,113,058
Cash and cash equivalents at end of year	\$ 9,007,216	\$ 6,198,344	\$ 8,358,381	\$ 2,320,492	\$ 566,328	\$ 734,540

**Morristown Utility Commission**  
**Statements of Cash Flows (continued)**  
**Years ended June 30, 2010 and 2009**

	<b>Power System</b>		<b>Water System</b>		<b>Broadband System</b>	
	<b>Year ended June 30</b>		<b>Year ended June 30</b>		<b>Year ended June 30</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>Reconciliation of operating income (loss) to net cash flows from operating activities</b>						
Operating income (loss)	\$ 3,783,583	\$ 2,823,097	\$ 1,872,088	\$ 1,480,286	\$ (429,458)	\$ (76,000)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:						
Depreciation and amortization	2,661,471	1,973,308	1,403,360	1,157,415	1,281,622	1,531,502
Provision for losses on accounts receivable	271,422	384,028	-	-	-	-
Redemption of discounted energy units	110,303	104,366	-	-	-	-
Changes in operating assets and liabilities:						
Accounts receivable	(591,442)	477,380	-	-	-	-
Accrual for unbilled revenue	(413,669)	123,081	(56,400)	11,161	-	-
Materials and supplies inventories	(54,551)	39,411	27,701	(70,585)	-	-
Other assets	(205,890)	144,966	(36,198)	31,762	30,601	(591,730)
Trade accounts payable	656,812	186,560	36,700	(4,510)	52,867	(51,309)
Customer deposits and prepayments	255,950	337,864	-	-	2,498	(8,055)
Other liabilities	226,508	75,114	434	(76,495)	(2,569)	(90,611)
Net cash flows from operating activities	\$ 6,700,497	\$ 6,669,175	\$ 3,247,685	\$ 2,529,034	\$ 935,561	\$ 713,797

**Supplemental schedule of noncash financing activities**

Acquisition of utility properties through issuance of notes payable	\$ 471,842	\$ -	\$ -	\$ -	\$ -	\$ -
Transfer of assets and assumption of related debt	\$ 15,269,317	\$ -	\$ -	\$ -	\$ (15,269,317)	\$ -

See *Accompanying Notes to Financial Statements*.

## Morristown Utilities Commission

### Notes to Financial Statements

June 30, 2010 and 2009

#### **1. Significant Accounting Policies**

##### **General**

The Morristown Utilities Commission (the "Commission") is an administrative unit of the City of Morristown, Tennessee (the "City"). The Commission is comprised of the Power System, Water System and Broadband System (formerly Telecom System) (the "Systems") which are reported as separate enterprise funds of the City.

During 2010, the commission changed the name of the Telecom System to the Broadband System. The Broadband System provides internet, cable, and telephone (collectively referred to as "broadband") services to residents of the city.

An enterprise fund is used to account for the financing of services to the general public on a continuing basis with costs recovered primarily through user charges. The Commission is managed and controlled by commissioners who are appointed for five year terms by the mayor and aldermen of the City. The Commission manages, operates and maintains the electric, water, and broadband systems servicing the citizens of the City and surrounding areas. The Commission issues a comprehensive annual financial report which is combined with other funds in the City's comprehensive annual financial report.

The financial statements are presented on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America and general practices in the power, water, and broadband industries. Operating revenues and expenses generally result from providing power, water, and broadband services in connection with the Systems' ongoing operations. Operating expenses include the cost of personnel and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Systems apply Financial Accounting Standards Board ("FASB") pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board ("GASB") pronouncements, in which case, GASB prevails. The Systems have elected not to adopt the FASB Board statements and interpretations issued after November 30, 1989.



Morristown Utilities Commission  
Notes to Financial Statements (continued)

**1. Significant Accounting Policies (continued)**

**General (continued)**

Net assets are classified into the following three components:

- Invested in capital assets, net of related debt – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.
- Restricted – This component of net assets consists of constraints placed on net assets use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted – This component of net assets consists of net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

**Measurement Focus**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The System's operations are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the enterprise fund are included in the balance sheets. Fund equity (i.e. total net assets) consists of capital contributed by the City, contributions in aid of construction and retained earnings. Operating statements present increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

**Fiscal Year-End**

The Systems operate on a fiscal year ending June 30. All references in these notes refer to the fiscal year-end unless otherwise specified.

**Reclassifications**

Certain amounts in the prior year have been reclassified to conform with 2010 classifications.

Morristown Utilities Commission  
Notes to Financial Statements (continued)

**1. Significant Accounting Policies (continued)**

**Cash and Cash Equivalents**

The Systems consider all demand deposits, nonnegotiable certificates of deposit and short-term, highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**Investments**

Investments are recorded at fair value as determined by quoted market prices at the balance sheet date. The Systems have not formally adopted an investment policy and places no limit on the amount that may be invested in any one issuer. As of June 30, 2010 and 2009, the Water System's investments consisted of certificates of deposit, which are stated at cost which also approximates fair value.

The Systems have no formal policy regarding interest rate risk. Investments are structured in a manner that ensures sufficient cash is available to meet anticipated liquidity needs. Selection of investment maturities must be consistent with the cash requirements of the Systems in order to avoid the forced redemption of investments prior to maturity. All investments as of June 30, 2010 met these requirements.

As authorized by state statutes, it is the Systems' policy to only invest in obligations of the United States Treasury, its agencies and instrumentalities; money market funds; the Local Government Investment Pool ("LGIP") or in obligations which are rated in either of the two highest rated categories by a nationally recognized rating agency.

**Material and Supplies Inventories**

Materials and supplies inventories are valued at the lower of cost or market, utilizing the moving average method of determining cost.

**Income Taxes**

The Power and Water Systems are exempt from federal and state income taxes since it is comprised of funds of the City, a nontaxable entity. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements. The Broadband System is required by TCA 7-52-606 to pay franchise and excise tax to the State of Tennessee.

Morristown Utilities Commission  
Notes to Financial Statements (continued)

**1. Significant Accounting Policies (continued)**

**Capital Assets**

Capital assets are carried at historical cost, including applicable general and administrative costs and payroll related costs such as pensions, taxes and other employee benefits. All material renewals and betterments are capitalized in accordance with the Systems' capitalization policy. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed, if material. When property is retired or otherwise disposed of, its average cost, together with its cost of removal less salvage, is charged to accumulated depreciation; no gain or loss is recognized.

Capital assets, excluding land and construction in progress, are depreciated using the straight-line method at rates which will amortize costs over the estimated useful lives of the assets. The estimated useful lives of capital assets are as follows:

Transmission equipment, fixtures and devices	25 to 50 years
Distribution transformers, meters, fixtures and devices	15 to 50 years
Buildings and improvements	50 years
Furniture, fixtures and equipment	5 to 25 years

**Plant Acquisition Adjustments**

Plant acquisition adjustments represent the excess of cost over net book value of utilities properties acquired from other utilities districts. Such excess is amortized over the estimated useful life of the related property (periods of up to 20 years).

**Compensated Absences**

The Systems recognize the cost of both vacation pay and sick leave benefits as earned. In the event of termination or retirement, an employee is reimbursed for accumulated vacation days. In general, accumulated vacation days are limited to thirty days. Employees are reimbursed for accumulated sick leave upon retirement or termination at an equivalent salary rate of 100%, 50% or 33-1/3% depending on the date earned. Sick leave accumulation is limited to ninety days.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Morristown Utilities Commission  
Notes to Financial Statements (continued)

**2. Deposits and Investments**

Deposits, which are included in the accompanying financial statements as “cash and cash equivalents” were as follows as of June 30, 2010:

Power System	<b>\$9,007,216</b>
Water System	<b>8,358,381</b>
Broadband System	<b>566,328</b>

All of the Systems’ deposits as of June 30, 2010 were covered by the bank collateral pool administered by the Treasurer of the State of Tennessee (the “State”). Banks participating in the pool report the aggregate balance of their public fund accounts to the State. Collateral to secure these deposits must be pledged to the State Treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in aggregate rather than against each individual account. Public fund accounts covered by the pool are considered entirely insured or collateralized.

As of June 30, 2010, the Water System had investments in certificates of deposit with a fair value of \$312,268, an interest rate of 0.4% and a maturity of 8 months.

As of June 30, 2010, the Water System had cash in a bank account totaling \$6,014,490 consisting of unspent bond proceeds from the \$7,500,000 promissory note issued bond issuance during the fiscal year. In addition there is \$273,198 and \$252,035 in restricted cash related to the 1996 Water Revenue Bonds as of June 30, 2010 and 2009, respectively.

**3. Power Contract**

The Power System has a power contract with the Tennessee Valley Authority (“TVA”) whereby the Power System purchases all of its electric power from TVA and is subject to certain restrictions and conditions as provided in the contract. The contract with TVA expires in 2014.

**4. Discounted Energy Units**

During 2003, the Power System purchased \$1,000,000 in discounted energy units from TVA which are redeemable on a straight-line basis over ten years. The units bear a discount of 5.5% and amounted to \$297,236 and \$407,539 as of June 30, 2010 and 2009, respectively.

Morristown Utilities Commission  
Notes to Financial Statements (continued)

**5. Retirement Plan**

The Systems share in a defined contribution retirement plan, Morristown Utilities Commission Employee Retirement Plan (the "Plan"), covering substantially all employees. The Commission is the administrator of the Plan and is responsible for establishing or amending the Plan provisions and contribution requirements.

**Power System:**

	<b>Total Payroll</b>	<b>Covered Payroll</b>	<b>Employer Contributions</b>	<b>% of Covered Payroll</b>	<b>Employee Contributions</b>	<b>% of Covered Payroll</b>
<b>2010</b>	<b>\$3,859,074</b>	<b>\$3,803,784</b>	<b>\$569,167</b>	<b>15%</b>	<b>\$276,691</b>	<b>7%</b>
<b>2009</b>	<b>\$3,801,445</b>	<b>\$3,683,466</b>	<b>\$559,884</b>	<b>15%</b>	<b>\$260,598</b>	<b>7%</b>

**Water System:**

	<b>Total Payroll</b>	<b>Covered Payroll</b>	<b>Employer Contributions</b>	<b>% of Covered Payroll</b>	<b>Employee Contributions</b>	<b>% of Covered Payroll</b>
<b>2010</b>	<b>\$1,190,266</b>	<b>\$1,162,362</b>	<b>\$171,675</b>	<b>15%</b>	<b>\$ 73,953</b>	<b>6%</b>
<b>2009</b>	<b>\$1,289,929</b>	<b>\$1,156,596</b>	<b>\$171,201</b>	<b>15%</b>	<b>\$100,004</b>	<b>9%</b>

**Broadband System:**

	<b>Total Payroll</b>	<b>Covered Payroll</b>	<b>Employer Contributions</b>	<b>% of Covered Payroll</b>	<b>Employee Contributions</b>	<b>% of Covered Payroll</b>
<b>2010</b>	<b>\$ 826,101</b>	<b>\$ 780,272</b>	<b>\$117,041</b>	<b>15%</b>	<b>\$49,476</b>	<b>6%</b>
<b>2009</b>	<b>\$ 773,425</b>	<b>\$ 650,033</b>	<b>\$ 97,504</b>	<b>15%</b>	<b>\$41,008</b>	<b>6%</b>

Under the Plan terms, the Systems will match participant contributions up to 3% of the participant's salary and may also contribute an additional amount to the Plan at its discretion. During 2010 and 2009, the discretionary contribution amounted to 12% of the participants' salary. Participants are not required but may contribute up to a total of 75% of their salary subject to IRS limitations. All employees who have completed one year of service as defined by the Plan and who have attained the age of 21 are eligible to participate in the Plan. Participants are 100% vested in the employer contributions when they are made.

Morristown Utilities Commission  
Notes to Financial Statements (continued)

**6. Capital Assets**

The following is a schedule of changes in major classes of the Power System plant for the year ended June 30, 2010:

	Balance July 1, 2009	Increases/ Transfers- In	Decreases/ Transfers- Out	Balance June 30, 2010
Capital assets not being depreciated:				
Land	\$ 566,548	\$ 293,284	\$ —	\$ 859,832
Construction in progress	1,128,581	3,883,497	2,844,972	2,167,106
Total capital assets not being depreciated	1,695,129	4,176,781	2,844,972	3,026,938
Capital assets being depreciated:				
Transmission equipment, fixtures and devices	9,084,819	—	—	9,084,819
Distribution transformers, meters, fixtures and devices	39,859,982	1,788,049	397,868	41,250,163
Buildings and improvements	4,740,027	118,601	—	4,858,628
Furniture, fixtures and equipment	5,943,886	18,081,372	122,603	23,902,655
Total capital assets being depreciated	59,628,714	19,988,022	520,471	79,096,265
Less accumulated depreciation:				
Transmission equipment, fixtures and devices	4,172,652	236,577	—	4,409,229
Distribution transformers, meters fixtures and devices	16,587,873	1,365,912	376,836	17,576,949
Buildings and improvements	1,145,948	95,358	—	1,241,306
Furniture, fixtures and equipment	5,122,111	3,937,211	72,741	8,986,581
Total accumulated depreciation	27,028,584	5,635,058	449,577	32,214,065
Net capital assets being depreciated	32,600,130	14,352,964	70,894	46,882,200
Total net capital assets	\$34,295,259	\$ 18,529,745	\$ 2,915,866	\$49,909,138

Morristown Utilities Commission  
Notes to Financial Statements (continued)

**6. Capital Assets (continued)**

The following is a schedule of changes in major classes of the Power System plant for the year ended June 30, 2009:

	Balance July 1, 2008	Increases/ Transfers- In	Decreases/ Transfers- Out	Balance June 30, 2009
Capital assets not being depreciated:				
Land	\$ 566,548	\$ —	\$ —	\$ 566,548
Construction in progress	1,618,004	2,056,780	2,546,203	1,128,581
Total capital assets not being depreciated	2,184,552	2,056,780	2,546,203	1,695,129
Capital assets being depreciated:				
Transmission equipment, fixtures and devices	8,542,752	566,460	24,393	9,084,819
Distribution transformers, meters, fixtures and devices	38,728,620	1,455,073	323,711	39,859,982
Buildings and improvements	4,677,182	62,845	—	4,740,027
Furniture, fixtures and equipment	5,606,872	337,014	—	5,943,886
Total capital assets being depreciated	57,555,426	2,421,392	348,104	59,628,714
Less accumulated depreciation:				
Transmission equipment, fixtures and devices	3,963,548	233,589	24,485	4,172,652
Distribution transformers, meters fixtures and devices	15,708,870	1,275,519	396,516	16,587,873
Buildings and improvements	1,051,985	93,963	—	1,145,948
Furniture, fixtures and equipment	4,613,851	508,260	—	5,122,111
Total accumulated depreciation	25,338,254	2,111,331	421,001	27,028,584
Net capital assets being depreciated	32,217,172	310,061	(72,897)	32,600,130
Total net capital assets	\$34,401,724	\$ 2,366,841	\$ 2,473,306	\$34,295,259

Morristown Utilities Commission  
Notes to Financial Statements (continued)

**6. Capital Assets (continued)**

The following is a schedule of changes in major classes of the Water System plant for the year ended June 30, 2010:

	Balance July 1, 2009	Increases/ Transfers- In	Decreases/ Transfers- Out	Balance June 30, 2010
Capital assets not being depreciated:				
Land	\$ 401,750	\$ —	\$ —	\$ 401,750
Construction in progress	676,829	2,970,184	958,659	2,688,354
Total capital assets not being depreciated	1,078,579	2,970,184	958,659	3,090,104
Capital assets being depreciated:				
Transmission equipment, fixtures and devices	7,216,508	—	—	7,216,508
Distribution meters, fixtures and devices	27,948,566	1,024,741	22,326	28,950,981
Buildings and improvements	14,434,503	—	—	14,434,503
Furniture, fixtures and equipment	1,373,049	—	—	1,373,049
Total capital assets being depreciated	50,972,626	1,024,741	22,326	51,975,041
Less accumulated depreciation:				
Transmission equipment, fixtures and devices	2,990,531	185,360	—	3,175,891
Distribution meters, fixtures and devices	11,217,754	700,799	29,421	11,889,132
Buildings and improvements	2,624,066	494,968	—	3,119,034
Furniture, fixtures and equipment	1,242,223	83,711	—	1,325,934
Total accumulated depreciation	18,074,574	1,464,838	29,421	19,509,991
Net capital assets being depreciated	32,898,052	(440,097)	(7,095)	32,465,050
Total net capital assets	\$ 33,976,631	\$ 2,530,087	\$ 951,564	\$ 35,555,154



Morristown Utilities Commission

Notes to Financial Statements (continued)

**6. Capital Assets (continued)**

The following is a schedule of changes in major classes of the Water System plant for the year ended June 30, 2009:

	<b>Balance July 1, 2008</b>	<b>Increases/ Transfers- In</b>	<b>Decreases/ Transfers- Out</b>	<b>Balance June 30, 2009</b>
Capital assets not being depreciated:				
Land	\$ 401,750	\$ —	\$ —	\$ 401,750
Construction in progress	1,046,530	1,782,603	2,152,304	676,829
Total capital assets not being depreciated	1,448,280	1,782,603	2,152,304	1,078,579
Capital assets being depreciated:				
Transmission equipment, fixtures and devices	6,987,110	229,398	—	7,216,508
Distribution meters, fixtures and devices	26,922,939	1,063,274	37,647	27,948,566
Buildings and improvements	13,804,609	629,894	—	14,434,503
Furniture, fixtures and equipment	1,298,874	136,290	62,115	1,373,049
Total capital assets being depreciated	49,013,532	2,058,856	99,762	50,972,626
Less accumulated depreciation:				
Transmission equipment, fixtures and devices	2,807,571	182,960	—	2,990,531
Distribution meters, fixtures and devices	10,583,166	682,410	47,822	11,217,754
Buildings and improvements	2,370,205	253,861	—	2,624,066
Furniture, fixtures and equipment	1,144,844	128,955	31,576	1,242,223
Total accumulated depreciation	16,905,786	1,248,186	79,398	18,074,574
Net capital assets being depreciated	32,107,746	810,670	20,364	32,898,052
Total net capital assets	\$35,556,026	\$2,593,273	\$2,172,668	\$33,976,631

Morristown Utilities Commission  
Notes to Financial Statements (continued)

**6. Capital Assets (continued)**

The following is a schedule of changes in major classes of the Broadband System plant for the year ended June 30, 2010:

	Balance July 1, 2009	Increases/ Transfers- In	Decreases/ Transfers- Out	Balance June 30, 2010
Capital assets not being depreciated:				
Construction in progress	\$ 141,166	\$ 879,233	\$ 623,112	\$ 397,287
Total capital assets not being depreciated	141,166	879,233	623,112	397,287
Capital assets being depreciated:			—	
Transmission equipment, fixtures and devices	2,231,615	113,449	336	2,344,728
Distribution fixtures and devices	21,217,085	481,045	17,600,368	4,097,762
Furniture, fixtures and equipment	548,071	40,142	—	588,213
Total capital assets being depreciated	23,996,771	634,636	17,600,704	7,030,703
Less accumulated depreciation:				
Transmission equipment, fixtures and devices	437,146	90,782	336	527,592
Distribution fixtures and devices	3,311,799	1,155,789	2,824,457	1,643,131
Furniture, fixtures and equipment	229,777	92,960	—	322,737
Total accumulated depreciation	3,978,722	1,339,531	2,824,793	2,493,460
Net capital assets being depreciated	20,018,049	(704,895)	14,775,911	4,537,243
Total net capital assets	\$20,159,215	\$ 174,338	\$15,399,023	\$4,934,530

Morristown Utilities Commission  
Notes to Financial Statements (continued)

**6. Capital Assets (continued)**

The following is a schedule of changes in major classes of the Broadband System plant for the year ended June 30, 2009:

	Balance July 1, 2008	Increases/ Transfers- In	Decreases/ Transfers- Out	Balance June 30, 2009
Capital assets not being depreciated:				
Construction in progress	\$1,476,341	\$ 1,535,262	\$2,870,437	\$ 141,166
Total capital assets not being depreciated	1,476,341	1,535,262	2,870,437	141,166
Capital assets being depreciated:				
Transmission equipment, fixtures and devices	2,177,179	56,182	1,746	2,231,615
Distribution fixtures and devices	18,459,839	2,783,200	25,954	21,217,085
Furniture, fixtures and equipment	489,139	58,932	—	548,071
Total capital assets being depreciated	21,126,157	2,898,314	27,700	23,996,771
Less accumulated depreciation:				
Transmission equipment, fixtures and devices	350,396	88,496	1,746	437,146
Distribution fixtures and devices	1,929,329	1,408,197	25,727	3,311,799
Furniture, fixtures and equipment	137,606	92,171	—	229,777
Total accumulated depreciation	2,417,331	1,588,864	27,473	3,978,722
Net capital assets being depreciated	18,708,826	1,309,450	227	20,018,049
Total net capital assets	\$20,185,167	\$ 2,844,712	\$2,870,664	\$20,159,215

The provision for depreciation does not include depreciation on transportation equipment. Those amounts are reported as operations expenses and are included in the Statements of Revenues, Expenses and Changes in Net Assets. The cost of maintenance and repairs is charged to expense as incurred. The following represents the depreciation on transportation equipment not included in depreciation expense previously noted:

	Power System	Water System	Broadband System
<b>2010</b>	<b>\$217,896</b>	<b>\$61,477</b>	<b>\$57,909</b>
<b>2009</b>	<b>\$202,607</b>	<b>\$90,769</b>	<b>\$57,361</b>

Morristown Utilities Commission  
Notes to Financial Statements (continued)

**7. Long-Term Debt**

The following is a summary of long-term debt for the year ended June 30, 2010:

	Balance July 1, 2009	Additions/ Transfers	Retirements /Transfers	Balance June 30, 2010
<b>Power System:</b>				
Series V-A-2 Loan	\$ 1,825,000	\$ —	\$ 125,000	\$ 1,700,000
2008 Promissory Note	—	15,186,961	—	15,186,961
Notes payable due to Appalachian Electric Cooperative, non-interest bearing, due in annual installments ranging from \$121,398 in 2011 to \$43,974 in 2020	447,618	439,739	90,505	796,852
	<u>2,272,618</u>	<u>\$15,626,700</u>	<u>\$ 215,505</u>	17,683,813
Less current portion	215,509			588,501
Long-term portion	<u>\$ 2,057,109</u>			<u>\$17,095,312</u>
<b>Water System:</b>				
Revenue Bonds, Series 1996	\$ 730,000	\$ —	\$ 475,000	\$255,000
2009 Promissory Note	—	7,500,000	—	7,500,000
2001 Promissory Note	390,500	—	95,000	295,500
2004 Promissory Note	260,000	—	60,000	200,000
DWSRF Promissory Note	9,247,763	—	442,296	8,805,467
	<u>10,628,263</u>	<u>\$ 7,500,000</u>	<u>\$ 1,072,296</u>	17,055,967
Less current portion	827,296			1,123,984
Long-term portion	<u>\$9,800,967</u>			<u>\$15,931,983</u>
<b>Broadband System:</b>				
2008 Promissory Note	\$20,115,000	\$ —	\$15,186,961	\$ 4,928,039
Less current portion	—			102,897
Long-term portion	<u>\$20,115,000</u>			<u>\$ 4,825,142</u>

As discussed in Note 15, during 2010 the Commission transferred \$15,186,961 of debt net of unamortized bond costs and swap termination fees in connection with its transfer of certain assets from the Broadband System to the Power System.

Morristown Utilities Commission  
Notes to Financial Statements (continued)

**7. Long-Term Debt (continued)**

The following is a summary of long-term debt for the year ended June 30, 2009:

	Balance July 1, 2008	Additions	Retirements	Balance June 30, 2009
<b>Power System:</b>				
Series V-A-2 Loan	\$ 1,950,000	\$ —	\$ 125,000	\$ 1,825,000
Notes payable due to Appalachian Electric Cooperative, non-interest bearing, due in annual installments ranging from \$90,509 in 2010 to \$22,221 in 2018	538,123	—	90,505	447,618
	2,488,123	\$ —	\$ 215,505	2,272,618
Less current portion	215,505	—	—	215,509
Long-term portion	<u>\$ 2,272,618</u>	—	—	<u>\$ 2,057,109</u>
<b>Water System:</b>				
Revenue Bonds, Series 1996	\$ 730,000	\$ —	\$ —	\$ 730,000
2001 Promissory Note	480,500	—	90,000	390,500
2004 Promissory Note	320,000	—	60,000	260,000
DWSRF Promissory Note	9,683,785	—	436,022	9,247,763
	11,214,285	\$ —	\$586,022	10,628,263
Less current portion	580,908			827,296
Long-term portion	<u>\$10,633,377</u>			<u>\$9,800,967</u>
<b>Broadband System:</b>				
Series D-1-A Bond	\$18,000,000	\$ —	\$18,000,000	\$ —
Note payable to the City of Morristown	1,500,000	—	1,500,000	—
2008 Promissory Note	—	20,115,000	—	20,115,000
Long-term portion	<u>\$19,500,000</u>	\$20,115,000	\$19,500,000	<u>\$20,115,000</u>

Morristown Utilities Commission  
Notes to Financial Statements (continued)

**7. Long-Term Debt (continued)**

Power System

During 2003, the Power System entered into a promissory note with the City in the principal amount of \$2,500,000. The note was issued to the Commission with proceeds from the City's loan agreement with the Public Building Authority of Sevier County Bonds. Principal is payable in annual installments ranging from \$125,000 to \$250,000 through 2018. Interest is payable quarterly at variable rates for 30 day commercial paper with a "AA" bond rating as determined by Standard and Poor (0.54% per annual as of June 30, 2010).

During 2010, the Power System assumed \$14,644,061 of third-party debt from the Broadband System related to the transfer of assets. This note is further described on page 29 and the transfer is further described in Note 15.

Maturities of Power System long-term debt as of June 30, 2010, are as follows:

	Promissory Notes		AEC	Total
	Interest	Principal	Acquisition Notes	Requirements
2011	\$ 76,212	\$ 467,103	\$121,398	\$ 664,713
2012	73,996	482,203	121,399	677,598
2013	71,716	526,078	79,983	677,777
2014	69,215	594,953	79,983	744,151
2015	66,360	635,053	79,983	781,396
2016-2020	285,450	2,996,145	314,106	3,595,701
2021-2025	222,592	2,861,476	—	3,084,068
2026-2030	152,855	3,654,233	—	3,807,088
2031-2035	63,763	4,669,717	—	4,733,480
Total	<u>\$1,082,159</u>	<u>\$16,886,961</u>	<u>\$796,852</u>	<u>\$18,765,972</u>

The Power System has a line of credit agreement with a local bank which provides for advances of up to \$1,000,000 at an annual interest rate of 4% and matures in January 2011. There are no amounts outstanding under this arrangement as of June 30, 2010.

Morristown Utilities Commission  
Notes to Financial Statements (continued)

**7. Long-Term Debt (continued)**

Water System

During 1997, the City issued \$2,800,000 of Revenue Bonds, Series 1996, on behalf of the Water System. The bonds consist of serial maturities that mature in increasing amounts ranging from \$230,000 on July 1, 2010, to \$255,000 on July 1, 2011. Interest is payable semi-annually at rates ranging from 3.75% to 5.25%. The bonds are subject to redemption at the direction of the City prior to maturity. The redemption may be in whole or in part, in integral multiples of \$5,000. The bonds are payable from and secured by income and revenues from the operation of the Water System.

The 1996 bond resolution provides, among other things, that a Sinking Fund Reserve Account be established equal to the lesser of (a) 10% of the stated principal amount of the bonds, (b) the maximum amount payable with respect to aggregate of the principal and interest on all bonds (including other issues) outstanding for the current or any succeeding fiscal year or (c) 125% of the average annual amount payable with respect to the principal and interest on the bonds for the current or any succeeding fiscal year. As of June 30, 2010 and 2009, the balance in the restricted fund was \$585,465 and \$560,537, respectively.

During 2001, the Water System entered into a promissory note with the City in the principal amount of \$995,500. The note was issued to the Water System with proceeds from the City's loan agreement with the Public Building Authority of Sevier County, Tennessee. Interest is payable semi-annually at variable rates (0.43% as of June 30, 2010) as determined by the City. Principal is payable in varying amounts from \$95,000 on June 1, 2011, to \$100,500 on June 1, 2013.

During 2002, the Water System entered into an agreement with the City for the repayment of a principal amount up to \$10.5 million for the purpose of expanding an existing water treatment facility. The agreement was issued to the Commission with proceeds from the City's revolving fund loan agreement with the State of Tennessee. The Water System drew a total of \$10,492,582 before closing out the project during 2007. Interest is payable monthly at 2.61% of the outstanding balance. Principal is also payable monthly in varying amounts from \$37,832 in July 2010 to \$55,815 in April 2026.

In 2004, the Water System entered into an additional promissory note with the City in the principal amount of \$600,000. The note was issued to the Commission with proceeds from the City's loan agreement with the Public Building Authority of Blount County, Tennessee. Interest is payable semi-annually at variable rates (2.91% as of June 30, 2010) as determined by the City. Principal is payable in varying amounts from \$65,000 on June 1, 2011, to \$70,000 on June 1, 2013.

Morristown Utilities Commission  
Notes to Financial Statements (continued)

**7. Long-Term Debt (continued)**

Water System

During 2010, the Water System entered into a loan agreement ("2009 promissory note") with the Public Building Authority of the City of Clarksville in the principal amount of \$7,500,000. Interest is payable quarterly at a fixed rate of 3.38%. Principal is payable in varying amounts from \$255,000 in December 2010 to \$505,000 in December 2029.

The notes are payable from revenue derived from the operation of the Water System and is secondary to the prior pledge of such revenues in favor of the Water System Revenue Bonds, Series 1996 and all bonds, notes or other obligations issued on a parity with such bonds.

The future debt service requirements on Water System long-term debt as of June 30, 2010, are as follows:

	Revenue Bonds		Promissory Notes		Total
	Interest	Principal	Interest	Principal	Requirements
2011	\$13,388	\$255,000	\$ 479,614	\$ 868,984	\$ 1,616,986
2012	—	—	457,007	910,972	1,367,979
2013	—	—	432,925	933,784	1,366,709
2014	—	—	407,699	785,908	1,193,607
2015	—	—	384,599	808,880	1,193,479
2016-2020	—	—	1,550,867	4,421,208	5,972,075
2021-2025	—	—	859,043	5,115,804	5,974,847
2025-2026	—	—	212,455	2,955,427	3,167,882
Total	\$13,388	\$255,000	\$4,784,209	\$16,800,967	\$21,853,564

The Water System has agreed to establish and revise rates such that revenues will be sufficient to pay all costs of maintaining, operating, repairing and ensuring the Water System and the amounts necessary for the payment of principal and interest on the bonds.



Morristown Utilities Commission  
Notes to Financial Statements (continued)

**7. Long-Term Debt (continued)**

Water System (continued)

During 2010, the Water System entered into a \$2,000,000 low interest loan agreement between the City of Morristown, the Tennessee Department of Environment and Conservation and the Tennessee Local Development Authority. These funds will be used to purchase remote-read water meters for the Water System. Of the proceeds, \$800,000 will be provided as a grant via loan forgiveness through the State of Tennessee. As of June 30, 2010 no amounts had been drawn on the loan and no expenditures have been incurred.

Broadband System

In October 2008, the City entered into a loan agreement between the City and the Public Building Authority of the City of Clarksville, Tennessee, for an initial amount of \$20,115,000 at a variable interest rate as defined in the agreement payable annually through May 2035. The proceeds of the loan were applied as follows: (a) prepayment of the City's outstanding indebtedness of the Series D-1-A Bond and the Series D-10-C Bond of \$18,000,000 and \$1,500,000, respectively; (b) termination of the City's swap agreement referred to above in the amount of \$480,000; and (c) \$135,000 to be deposited into a fund to pay issuance costs.

The new loan agreement carries a variable rate, which is determined by the Remarketing Agent for the securities. In its sole discretion, the Remarketing Agent resets the minimum rate of interest that is necessary to remarket all of the outstanding bonds at par plus accrued interest if settled on a non-interest payment date, based on market conditions. Many factors are considered when determining the interest rates, and there is no standard formula used to determine them.

During 2010, \$14,644,061 of this note was assumed by the Power System as further described in Note 15.

As of June 30, 2010, debt service requirements on Broadband System long-term debt are as follows:

	<b>Interest</b>	<b>Principal</b>	<b>Total Requirements</b>
2011	\$ 21,727	\$ 102,897	\$ 124,624
2012	21,273	107,797	129,070
2013	20,798	113,922	134,720
2014	20,296	120,047	140,343
2015	19,767	124,947	144,714
2016-2020	89,976	728,855	818,831
2021-2025	72,229	928,524	1,000,753
2026-2030	49,600	1,185,767	1,235,367
2031-2035	20,692	1,515,283	1,535,975
	<u>\$336,358</u>	<u>\$4,928,039</u>	<u>\$5,264,397</u>

Morristown Utilities Commission  
Notes to Financial Statements (continued)

**8. Leases**

The Broadband System currently leases certain equipment under capital lease agreements expiring in 2012. Assets under these capital leases totaled \$134,600. Accumulated amortization on these assets amounted to \$91,917 and \$61,300 at June 30, 2010 and 2009, respectively. Amortization of these assets is included with depreciation expense in the accompanying financial statements.

The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of these minimum lease payments, as of June 30, 2010:

2011	\$31,014
2012	15,764
2013	<u>1,198</u>
Total future minimum lease payments	47,976
Less amounts representing interest	<u>2,093</u>
Present value of future minimum lease payments (including \$31,014 classified as current)	<u><u>\$45,883</u></u>

**9. Tennessee Valley Authority Home Insulation Program**

The Power System participates in the TVA *energy right*® Residential Program which provides interest-bearing loans to the Power System's customers for energy-efficient equipment and other weatherization measures. Under the program, the Power System collects payments on new and previously existing loans and forwards payments to a financial institution pursuant to guidelines established by TVA.

**10. Concentration of Credit Risk**

The Systems provide electric, water, and broadband services to customers in the City of Morristown and Hamblen County. Customers include residential, commercial, and heavy industrial service. Residential customers are required to place deposits with the Systems that approximate one month's account balance. Interest accrues annually on these deposits based on current rates in effect and totaled \$27,510 in 2010 and \$37,345 in 2009. Loss experience has not been significant to the Systems' operations.

**11. Interfund Transactions**

As described in Note 1, the Commission is an administrative unit of the City. The Systems provide electrical, water and broadband service to the City which generated revenues of \$907,987 in 2010 and \$952,575 in 2009. The Water System also bills and collects sewer charges for the City. Administrative charges for this service were \$2.46 per customer per month in 2010 and 2009 and totaled \$311,045 in 2010 and \$315,726 in 2009. As of June 30, 2010 and 2009, \$39,383 and \$38,803, respectively, was receivable from the City for these revenues. Payment is due within approximately 30 days of the billing.

Morristown Utilities Commission  
Notes to Financial Statements (continued)

**11. Interfund Transactions (continued)**

Interfund receivables and payables consisted of the following as of June 30:

<b>Power System</b>	<b>2010</b>	<b>2009</b>
Due from Broadband System	<b>\$6,077,005</b>	\$ 6,354,668
Due to Water System	<b>(337,332)</b>	(48,147)
	<b><u>\$5,739,673</u></b>	<b><u>\$ 6,306,521</u></b>
 <b>Water System</b>		
Due from Power System	<b><u>\$ 337,332</u></b>	<b><u>\$ 48,147</u></b>
 <b>Broadband System</b>		
Due to Power System	<b><u>\$(6,077,005)</u></b>	<b><u>\$(6,354,668)</u></b>

In accordance with Tennessee Code Annotated 7-52-603(b) on July 5, 2005, and amended subsequent to June 30, 2009, a line of credit was executed allowing the Broadband System to borrow up to \$7,000,000 from the Power System at an interest rate equal to the highest rate earned on Power System investments (0.25% at June 30, 2010). Interest incurred on the loan amounted to \$15,164 and \$63,246 for 2010 and 2009, respectively. At an interest rate equal to the highest rate earned on Power System investments (0.25% at June 30, 2010). Interest incurred on the loan amounted to \$15,164 and \$63,246 for 2010 and 2009, respectively. The agreement was approved by TVA as required by the Power Contract and provides for repayment of all advances along with accumulated interest in September 2024.

Between July 1, 2009 and December 31, 2009, the date certain Broadband assets and related liabilities were transferred to the Power System (*Note 15*), the Broadband System allocated operating and maintenance costs to the Power System based on the usage of the fiber lines. This amount is reflected in the interfund services and totaled \$342,368. The cost allocated during year ending June 30, 2009 was \$737,184.

Beginning January 2010, with the transfer of the Broadband assets discussed above, the Power System allocated operating and maintenance costs to the Broadband System based upon its usage of these fiber lines now in the Power System. This amount is reflected in the interfund services and totaled \$558,246.

Other amounts reflected as due to/from other fund in the accompanying balance sheets represent temporary operating cash advances between the Power System, Water System and Broadband Systems.

Morristown Utilities Commission  
Notes to Financial Statements (continued)

**11. Interfund Transactions (continued)**

The tax equivalent payments made to the City based on the Systems' capital assets along with average operating revenue, less power costs are as follows:

	<b>Power System</b>	<b>Water System</b>
<b>2010</b>	<b>\$702,938</b>	<b>\$32,020</b>
<b>2009</b>	<b>\$703,487</b>	<b>\$32,020</b>

**12. Post Employment Benefits**

The Systems provide post-employment benefits ("OPEB"), in accordance with its employee benefits plan, to all eligible retirees. Expenses for the benefits have previously been recognized as premiums have been incurred and are as follows for the past two fiscal years.

	<b>2010</b>		<b>2009</b>	
	<b>Eligible Retirees</b>	<b>Premiums</b>	<b>Eligible Retirees</b>	<b>Premiums</b>
Power System	<b>4</b>	<b>\$16,598</b>	<b>5</b>	<b>\$21,527</b>
Water System	<b>2</b>	<b>11,626</b>	<b>2</b>	<b>15,356</b>
Broadband System	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

GASB requires the accrual of liabilities for OPEB generally over the employment of participants rather than as premiums are paid. The total expense recognized during 2010 totaled \$47,746, \$5,504 and \$16,271 for the Power, Water, and Broadband Systems, and \$93,301, 8,602 and \$28,839, respectively in 2009.

The Systems' OPEB is a single employer defined benefit plan and is not required to issue a separate financial report.

**Plan Description**

The Systems provide medical, dental, and life insurance benefits to retirees. Employees who retire at age 55 with 10 years of service or at age 65 with five years of service are eligible to participate. The Systems pay 100% of the retiree's medical, dental and life insurance premiums. In addition, the Systems pay 60% of the retiree's dependent's medical premiums. This was a 5% increase from prior year. The retiree's spouse is also eligible for medical benefits (same as retiree) as long as the retiree is eligible (there are no surviving spouse benefits). The life insurance benefit available to retirees is \$5,000. The average annual medical and dental premium is \$4,800 and \$319, respectively.

Morristown Utilities Commission  
Notes to Financial Statements (continued)

**12. Post-Employment Benefits (continued)**

**Funding Policy**

The Systems fund the Plan on a “pay as you go” basis and do not intend to contribute in excess of the annual premiums. The annual required contribution (“ARC”) is an actuarially determined amount that represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

**Annual OPEB and Net OPEB Obligation**

For the year ended June 30, 2010:

	Power	Water	Broadband
Annual required contribution	\$ 72,557	\$22,216	\$16,342
Interest on net OPEB obligation	3,732	344	1,154
Adjustment to ARC	(3,998)	(369)	(1,225)
Annual OPEB cost	72,291	22,191	16,271
Contribution made	(24,545)	(16,687)	—
Increase in net OPEB obligation	47,746	5,504	16,271
Net OPEB obligation, beginning of year	93,301	8,602	28,839
Net OPEB obligation, end of year	<u>\$141,047</u>	<u>\$ 14,106</u>	<u>\$45,110</u>

For the year ended June 30, 2009:

	Power	Water	Broadband
Annual required contribution	\$133,229	\$37,403	\$28,866
Interest on net OPEB obligation	1,861	198	559
Adjustment to ARC	(1,952)	(207)	(586)
Annual OPEB cost	133,138	37,394	28,839
Contribution made	(39,837)	(28,792)	—
Increase in net OPEB obligation	93,301	8,602	28,839
Net OPEB obligation, beginning of year	—	—	—
Net OPEB obligation, end of year	<u>\$ 93,301</u>	<u>\$ 8,602</u>	<u>\$28,839</u>

Morristown Utilities Commission  
Notes to Financial Statements (continued)

**12. Post-Employment Benefits (continued)**

**Annual OPEB and Net OPEB Obligation (continued)**

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2010 is as follows:

<b>Fund</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligations</b>
Power System	\$72,291	34%	\$141,047
Water System	22,191	75%	14,106
Broadband System	16,271	0%	45,110

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2009 is as follows:

<b>Fund</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligations</b>
Power System	\$133,138	30%	\$93,301
Water System	37,394	77%	8,602
Broadband System	28,838	0%	28,838

**Funding Status and Funding Progress**

<b>System</b>	<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a % of Covered Payroll</b>
Power	07/01/09	\$-	\$688,839	\$688,839	0%	\$3,714,113	18.5%
Water	07/01/09	\$-	234,359	234,359	0%	1,065,151	22.0%
Broadband	07/01/09	\$-	34,298	34,298	0%	735,342	4.7%

Morristown Utilities Commission  
Notes to Financial Statements (continued)

**12. Post-Employment Benefits (continued)**

**Funding Status and Funding Progress (continued)**

The actuarial methods and assumptions used were applied consistently for the Power, Water and Broadband Systems. The assumptions were as follows:

Funding Interest Rate	4.0%
2009 Medical Trend Rate	8.0%
Ultimate Trend Rate	5.0%
Year Ultimate Trend Rate Reached	2012
Actuarial Cost Method	Entry Age Normal
Annual Payroll Growth Rate	2.5%
Remaining Amortization Period at June 30, 2010	27 years

**Actuarial Methods and Assumptions**

The mortality rates are from the RP-2000 Combined Mortality Table projected to 2007 with projection scale AA. It was assumed that the following percentages of eligible employees would retire each year:

Age	Rate
55-59	3%
60-64	20%
65-69	15%
70+	100%

It was also assumed that employees would terminate employment with the rate in the following table:

Age	Male	Female
20	6.3%	7.5%
25	5.0%	6.0%
30	3.6%	4.4%
35	2.3%	2.9%
40	1.0%	1.4%
45	0.9%	1.2%
50	0.8%	1.0%
55	0.6%	0.7%

It was assumed that health care cost would increase in accordance with the trend rates in the following table:

Morristown Utilities Commission  
Notes to Financial Statements (continued)

**12. Post-Employment Benefits (continued)**

**Actuarial Methods and Assumptions (continued)**

<b>Year</b>	<b>Medical Rates</b>	<b>Vision and Dental Rates</b>
<b>2010</b>	<b>7.0%</b>	<b>5.0%</b>
<b>2011</b>	<b>6.0%</b>	<b>5.0%</b>
<b>2012</b>	<b>5.0%</b>	<b>5.0%</b>

It was assumed that 100% of the current active employees covered under the active plan on the day before retirement would enroll in the Retiree Modified Plan Upon Retirement. It was also assumed that 10% of the male and 10% of the female employees who elect retiree health coverage for themselves would also elect coverage for their spouse upon retirement. It was assumed that male spouses are three years older than their wives and female spouses are three years younger than the retiree. For current retirees, actual census information was used.

The preparation of the actuarial liabilities calculated requires management to make assumptions discussed above. Due to the use of these assumptions, actual results may differ from the estimates. During 2010, the interest rate assumption was reduced from 4.5% to 4% to reflect on expectation of lower long-term investment returns. This change in assumption did not affect the accrued liability.

**13. Risk Management**

The Systems are exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; natural disasters; and injuries of employees for which the Systems carry commercial insurance purchased from independent third parties. The Systems have not experienced an insurance settlement in excess of insurance coverage in any of the past three fiscal years. The Systems bear the risk of loss up to the deductible amounts which are disclosed in the accompanying Statistical Section.



Morristown Utilities Commission  
Notes to Financial Statements (continued)

**14. Net Assets**

Net assets for the Power System consist of the following as of June 30:

	<u>2010</u>	<u>2009</u>
Invested in capital assets, net of related debt consists of the following:		
Net capital assets	\$49,909,138	\$34,295,259
Other assets – bond issue costs	530,833	–
Less related liabilities:		
Current portion of long-term debt	588,501	215,509
Long-term debt, less current portion	17,095,312	2,057,109
Total related liabilities	<u>17,683,813</u>	<u>2,272,618</u>
Invested in capital assets, net of related debt	<u>\$32,756,158</u>	<u>\$32,022,641</u>

Net assets for the Water System consist of the following as of June 30:

	<u>2010</u>	<u>2009</u>
Invested in capital assets, net of related debt consists of the following:		
Net capital assets	\$35,555,154	\$33,976,631
Restricted unspent bond funds	6,014,490	–
Other assets—bond issue costs	83,458	10,666
Less related liabilities:		
Capital lease obligations	–	–
Current portion of long-term debt	1,123,984	827,296
Long-term debt, less current portion	15,931,983	9,800,967
Total related liabilities	<u>17,055,967</u>	<u>10,628,263</u>
Invested in capital assets, net of related debt	<u>\$24,597,135</u>	<u>\$23,359,034</u>

Restricted net assets for the Water System consist of the bond sinking fund and debt service requirements, which totaled \$585,465 as of June 30, 2010 and \$560,537 as of June 30, 2009.

Morristown Utilities Commission  
Notes to Financial Statements (continued)

**14. Net Assets (continued)**

Net assets for the Broadband System consist of the following as of June 30:

	<u>2010</u>	<u>2009</u>
Invested in capital assets, net of related debt consists of the following:		
Net capital assets	\$4,934,530	\$ 20,159,215
Other assets - bond issue costs	188,731	757,212
Less related liabilities:		
Due to other fund - for capital	851,633	935,628
Current portion of capital lease obligations	31,014	27,415
Current portion of long-term debt	102,897	-
Capital lease obligations, less current portion	14,869	45,883
Long-term debt	4,825,142	20,115,000
Total related liabilities	5,825,555	21,123,926
Invested in capital assets, net of related debt	<u>\$ (702,294)</u>	<u>\$ (207,499)</u>

Unrestricted net assets consist of all other items in the balance sheets not reflected above.

**15. Transfer of Assets**

As of January 1, 2010, the Commission approved the transfer of \$14,726,417 in Broadband System's net plant assets to the Power System as part of the Power System's infrastructure. These assets will ultimately be used primarily for Power System management, monitoring and outage control in addition to the transmission of broadband services for which the Broadband System will reimburse the Power System an allocated portion of its cost and operating expenses thereof. In connection with the transfer of net plant assets, the Power System has also assumed the following related debt from the Broadband System.

Third-party long-term debt assumed	\$15,186,961
Less related assets:	
Unamortized bond cost	92,976
Swap termination fee	449,924
Assumption of third party debt	<u>14,644,061</u>
Interfund debt associated with assets transferred	82,356
Total assumed liabilities	<u>\$14,726,417</u>

Morristown Utility Commission  
Required Supplemental Information

June 30, 2010

Schedule of Funding Progress for  
Morristown Utilities Retiree Benefit Plan

Schedule of Funding Progress

Actuarial Valuation Date July 1, 2009

	<u>Power System</u>	<u>Water System</u>	<u>Broadband System</u>
Actuarial Accrued Liability	\$ 688,839	\$ 234,359	\$ 34,298
Actuarial Value of Assets	-	-	-
Unfunded Actuarial Accrued Liability	\$ 688,839	\$ 234,359	\$ 34,298
Funded Ratio	0%	0%	0%

	<u>Annual Required Contribution</u>	<u>Contribution Made</u>	<u>Percentage Contributed</u>
Power System	\$ 72,557	\$ 24,545	34%
Water System	22,216	16,687	75%
Broadband System	16,342	-	0%

Note: The historical trend information about the Morristown Utilities Retiree Benefit Plan is presented as required supplementary information. The information is intended to help users assess the funding status on a going-concern basis and to assess progress made in accumulating assets to pay benefits when due.

Morristown Utility Commission

Schedule of Net Assets (Deficit) by Fund (Last Eight Years)

Fiscal Years 2010 - 2003 (in thousands)

	2010	2009	2008	2007	2006	2005	2004	2003
<b>Power System:</b>								
Invested in capital assets, net of related debt	\$ 32,756	\$ 32,023	\$ 31,914	\$ 31,941	\$ 30,052	\$ 29,008	\$ 28,109	\$ 27,833
Unrestricted	15,634	13,275	11,210	9,391	10,106	9,291	8,836	7,654
	<u>\$ 48,390</u>	<u>\$ 45,298</u>	<u>\$ 43,124</u>	<u>\$ 41,332</u>	<u>\$ 40,158</u>	<u>\$ 38,299</u>	<u>\$ 36,945</u>	<u>\$ 35,487</u>
<b>Water System:</b>								
Invested in capital assets, net of related debt	\$ 24,597	\$ 23,359	\$ 22,356	\$ 21,812	\$ 21,164	\$ 20,581	\$ 19,009	\$ 19,729
Restricted	585	561	301	557	532	531	554	555
Unrestricted	2,625	2,406	2,450	2,087	1,942	1,460	1,364	272
Total net assets	<u>\$ 27,807</u>	<u>\$ 26,326</u>	<u>\$ 25,107</u>	<u>\$ 24,456</u>	<u>\$ 23,638</u>	<u>\$ 22,572</u>	<u>\$ 20,927</u>	<u>\$ 20,556</u>
<b>Broadband System:</b>								
Invested in capital assets, net of related debt	(702)	(208)	(180)	(1,484)	144	1	-	-
Unrestricted deficit	(5,330)	(5,297)	(4,711)	(1,033)	(760)	(5)	-	-
Total deficit	<u>\$ (6,032)</u>	<u>\$ (5,505)</u>	<u>\$ (4,891)</u>	<u>\$ (2,517)</u>	<u>\$ (616)</u>	<u>\$ (4)</u>	<u>\$ -</u>	<u>\$ -</u>

Note 1: Information is summarized from the audited financial statements for the year indicated.

Note 2: Net assets by system are reported beginning in 2003, the first year GASB 34 was adopted.

Note 3: Broadband organization began in 2005 and operations commenced in 2006.

# Morristown Utility Commission

## Schedule of Power System Revenues and Expenses (Last Ten Years)

Fiscal Years 2010 - 2001 (in thousands)

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Operating revenues:										
Residential	\$ 15,022	\$ 15,941	\$ 13,418	\$ 12,177	\$ 11,304	\$ 10,099	\$ 10,150	\$ 9,568	\$ 8,865	\$ 9,456
Commercial	5,001	5,450	4,746	4,604	4,246	3,890	3,760	3,536	3,307	3,328
Industrial	44,811	48,565	42,996	39,757	38,306	34,485	33,043	32,937	32,960	32,864
Street and security lighting	1,114	1,183	1,054	1,001	962	916	869	774	758	741
Total metered revenue	65,948	71,139	62,214	57,539	54,818	49,390	47,822	46,815	45,890	46,389
Interfund services	558	-	-	-	-	-	-	-	-	-
Other revenues	1,175	1,144	1,137	1,093	1,003	76	1,489	696	568	491
Total operating revenues	67,681	72,283	63,351	58,632	55,821	49,466	49,311	47,511	46,458	46,880
Operating expenses:										
Power purchased from Tennessee Valley Authority	54,288	60,370	52,594	49,108	46,256	40,879	41,031	40,034	38,889	39,469
Operations	4,653	4,415	4,292	4,057	3,672	3,332	3,212	3,100	2,783	2,635
Maintenance	1,737	1,709	1,596	1,487	1,313	1,291	1,147	1,036	1,331	1,318
Interfund services provided	342	737	-	-	-	-	-	-	-	-
Depreciation	2,549	1,877	2,226	2,174	1,957	1,803	1,618	1,607	1,453	1,249
Amortization of plant acquisition adjustments	112	96	84	86	160	127	123	180	211	277
Taxes	204	204	204	190	187	180	189	167	700	680
Miscellaneous	12	52	21	25	41	19	29	46	45	3
Total operating expenses	63,897	69,460	61,017	57,127	53,586	47,631	47,349	46,170	45,412	45,631
Operating income	3,784	2,823	2,334	1,505	2,235	1,835	1,962	1,341	1,046	1,249
Other income	11	54	156	326	244	138	87	136	175	386
Income before transfers	3,795	2,877	2,490	1,831	2,479	1,973	2,049	1,477	1,221	1,635
Transfers out (tax equivalent payments to City of Morristown)	(703)	(703)	(699)	(656)	(621)	(619)	(592)	(571)	-	-
Increase in net assets	\$ 3,092	\$ 2,174	\$ 1,791	\$ 1,175	\$ 1,858	\$ 1,354	\$ 1,457	\$ 906	\$ 1,221	\$ 1,635

Note 1: Information is summarized from the audited financial statements for the years indicated.

Note 2: The Commission adopted GASB 34 in fiscal year 2003, which changed its classification of tax equivalent payments to the City of Morristown.

Note 3: Net assets by system are reported beginning in 2003, the first year GASB 34 was adopted.

Note 4: Broadband organization began in 2005 and operations commenced in 2006.

# Morristown Utility Commission

## Schedule of Water System Revenues and Expenses (Last Ten Years)

Fiscal Years 2010 - 2001 (in thousands)

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Operating revenues:										
General	\$ 6,444	\$ 6,015	\$ 5,261	\$ 5,029	\$ 5,038	\$ 4,643	\$ 4,090	\$ 4,201	\$ 3,979	\$ 3,931
Public authorities	66	61	52	54	54	54	57	56	61	42
Private fire protection	162	161	161	160	157	152	149	146	136	128
Public fire protection	31	34	33	33	33	31	32	32	32	32
Total metered sales	6,703	6,271	5,507	5,276	5,282	4,880	4,328	4,435	4,208	4,133
Other revenue	66	60	65	59	57	63	60	61	18	20
Total operating revenues	6,769	6,331	5,572	5,335	5,339	4,943	4,388	4,496	4,226	4,153
Operating expenses:										
Operations	2,931	3,165	2,872	2,730	2,465	2,551	2,453	2,304	2,149	2,069
Maintenance	518	488	568	434	446	343	431	426	408	405
Depreciation and amortization	1,403	1,157	1,220	1,155	1,078	957	928	900	852	826
Taxes	-	-	-	-	-	-	28	25	32	32
Miscellaneous	45	41	40	49	50	43	34	13	45	14
Total operating expenses	4,897	4,851	4,700	4,368	4,039	3,894	3,874	3,668	3,486	3,346
Operating income	1,872	1,480	872	967	1,300	1,049	514	828	740	807
Other income (expense):										
Interest income	21	37	111	123	78	37	18	37	64	112
Interest expense	(408)	(321)	(355)	(352)	(359)	(16)	(215)	(148)	(186)	(202)
Total other income (expense)	(387)	(284)	(244)	(229)	(281)	21	(197)	(111)	(122)	(90)
Income before contributions and transfers	1,485	1,196	628	738	1,019	1,070	317	717	618	717
Contributions from developers										
Appalachian Regional Commission grant	28	54	56	111	78	108	86	77	90	226
Transfers out (tax equivalent payments to City of Morristown)	-	-	-	-	-	500	-	-	-	-
	(32)	(32)	(32)	(32)	(32)	(32)	(32)	(32)	-	-
Increase in net assets	\$ 1,481	\$ 1,218	\$ 652	\$ 817	\$ 1,065	\$ 1,646	\$ 371	\$ 762	\$ 708	\$ 943

Note 1: Information is summarized from the audited financial statements for the years indicated.

Note 2: The System adopted GASB 34 in fiscal year 2003, which changed its classification for tax equivalent payments to the City of Morristown.

# Morristown Utility Commission

## Schedule of Broadband System Revenues and Expenses (Last Five Years)

Fiscal Years 2010 - 2006 (in thousands)

	2010	2009	2008	2007	2006
Operating revenues:					
Video	\$ 2,544	\$ 2,214	\$ 1,790	\$ 1,137	\$ 45
Internet	1,536	1,390	1,124	575	23
Voice	1,934	1,867	1,511	798	35
Total broadband sales	6,014	5,471	4,425	2,510	103
Interfund services provided	342	737	-	-	-
Other revenue	146	85	79	39	-
Total operating revenues	6,502	6,293	4,504	2,549	103
Operating expenses:					
Operations	4,843	4,568	3,908	3,062	603
Maintenance	212	204	197	94	84
Depreciation and amortization	1,282	1,532	1,489	741	5,467
Interfund services used	558	-	-	-	-
Taxes	36	65	73	55	2
Total operating expenses	6,931	6,369	5,667	3,952	6,156
Operating Income	(429)	(76)	(1,163)	(1,403)	(6,053)
Other income (expense):					
Interest income	1	8	30	-	-
Interest expense	(99)	(545)	(1,241)	(498)	(20)
Total other expense	(98)	(537)	(1,211)	(498)	(20)
Increase in net deficit	\$ (527)	\$ (613)	\$ (2,374)	\$ (1,901)	\$ (6,073)

Note 1: Information is summarized from the audited financial statements for the years indicated.

Note 2: The Broadband System began operations in 2006.

Note 3: In 2009 the Broadband System began charging the Power System for outage management.

Note 4: In 2010 Power System began charging Broadband System for network usage.

# Morristown Utility Commission

## Schedule of Purchased Power, Consumption and Active Service Statistics (Last Ten Years)

Fiscal Years 2010 - 2001

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
<b>PURCHASED POWER - (Megawatt Hours)</b>										
Purchased from TVA	892,562	851,958	926,326	911,991	905,815	890,732	879,836	875,299	865,998	884,112
<b>CONSUMPTION - (Megawatt Hours)</b>										
Residential	166,887	164,160	165,828	162,131	159,997	151,445	155,813	157,645	144,098	154,644
Commercial	49,233	50,978	53,632	54,414	53,075	52,042	51,445	61,475	47,768	48,398
Industrial	640,236	605,244	674,587	661,511	660,791	654,958	628,752	630,120	633,282	645,163
Street and athletic	4,856	4,790	4,892	4,916	4,907	4,902	4,707	4,710	4,694	4,698
Outdoor lighting	4,766	4,825	4,960	4,922	4,940	4,869	4,929	4,858	4,760	4,697
Internal use	1,230	1,205	1,092	1,161	1,120	1,049	1,152	1,216	1,172	1,212
Total consumption	867,208	831,202	904,991	889,055	884,830	869,265	846,798	860,024	835,774	858,812
Line losses and megawatt hours unaccounted for	25,354	20,756	21,335	22,936	20,985	21,467	33,038	15,275	30,224	25,300
Percentage of line losses and megawatt hours unaccounted for to purchased power	2.84%	2.44%	2.30%	2.51%	2.32%	2.41%	3.76%	1.75%	3.49%	2.86%
<b>ACTIVE SERVICE (number of customers)</b>										
Residential	11,819	11,545	11,687	11,191	11,098	11,070	11,056	10,978	10,934	10,914
Commercial	2,109	2,166	2,210	2,707	2,619	2,551	2,511	2,494	2,565	2,461
Industrial	464	455	465	462	464	461	455	459	442	439
Street and athletic	69	69	70	69	67	64	64	66	66	66
Outdoor lighting	35	35	37	36	37	36	36	37	4	4
Total active service	14,496	14,270	14,469	14,465	14,285	14,182	14,122	14,034	14,011	13,884

Note 1: Information is compiled from internally generated statistical reports.



# Morristown Utility Commission

## Schedule of Water Production, Consumption and Active Service Statistics (Last Ten Years)

### Fiscal Years 2010 -2001

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
<b>PRODUCTION - (Thousands of gallons)</b>										
Produced	3,244,465	3,249,905	3,391,690	3,249,146	3,111,291	3,236,972	3,375,291	3,561,614	3,311,904	3,353,676
<b>CONSUMPTION - (Thousands of gallons)</b>										
General	2,871,614	2,927,487	3,082,407	2,902,235	2,958,023	2,863,791	2,894,912	2,979,713	2,802,702	2,872,470
Public authorities	35,163	35,207	37,057	37,571	39,365	42,289	47,786	46,347	51,724	34,392
Public fire protection	2,917	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Internal use	36,616	20,922	21,382	20,224	19,933	78,338	73,690	101,815	73,671	80,109
Total consumption	2,946,310	2,988,616	3,145,846	2,965,030	3,022,321	2,989,418	3,021,388	3,132,875	2,933,097	2,991,971
Gallons unaccounted for	298,155	261,289	245,844	284,116	88,970	247,554	353,903	428,739	378,807	361,705
Percent of gallons unaccounted for to production	9.19%	8.04%	7.25%	8.74%	2.86%	7.65%	10.49%	12.04%	11.44%	10.78%
<b>ACTIVE SERVICE (number of customers)</b>										
General	12,241	12,183	12,617	12,368	12,199	12,137	12,076	11,880	11,758	11,726
Public authorities	43	44	43	44	45	46	34	34	35	35
Private fire protection	283	278	276	271	272	269	252	249	240	222
Public fire protection	-	1	1	1	1	1	1	1	1	1
Total active service	12,567	12,506	12,937	12,684	12,517	12,453	12,363	12,164	12,034	11,984

Note 1: Information is compiled from internally generated statistical reports.

Morristown Utility Commission

Schedule of Broadband Active Service Statistics (Last Five Years)

Fiscal Years 2010- 2006

	2010	2009	2008	2007	2006
ACTIVE SERVICE (number of customers)					
Video	3,687	3,771	3,525	2,594	711
Internet	3,298	3,100	2,757	1,976	515
Voice	2,830	2,881	2,741	1,985	568
Total active service	9,815	9,752	9,023	6,555	1,794

Note 1: Information is compiled from internally generated statistical reports.

Note 2: The Broadband System began operations in 2006.

Morristown Utility Commission

Schedule of Outstanding Long-Term Debt by Type (Last Ten Years)

Fiscal Years 2010 - 2001

Fiscal Year	Power			
	Promissory Notes	Acquisition Notes	Total	Per Customer
2010	\$ 16,886,961	\$ 796,852	\$ 17,683,813	\$ 1,220
2009	1,825,000	447,618	2,272,618	159
2008	1,950,000	538,123	2,488,123	174
2007	2,075,000	384,188	2,459,188	170
2006	2,200,000	307,033	2,507,033	176
2005	2,300,000	400,194	2,700,194	190
2004	2,400,000	493,357	2,893,357	205
2003	2,500,000	600,568	3,100,568	221
2002	-	777,036	777,036	55
2001	305,000	586,057	891,057	64

Fiscal Year	Water			
	Promissory Notes	Promissory Notes	Total	Per Customer
2010	\$ 255,000	\$ 16,800,967	\$ 17,055,967	\$ 1,357
2009	730,000	9,898,263	10,628,263	850
2008	730,000	10,484,285	11,214,285	866
2007	950,000	11,043,213	11,993,213	946
2006	1,380,000	10,159,869	11,539,869	922
2005	1,805,000	10,107,320	11,912,320	957
2004	2,200,000	7,812,258	10,012,258	810
2003	2,560,000	1,369,496	3,929,496	323
2002	2,955,000	1,116,500	4,071,500	338
2001	3,295,000	995,500	4,290,500	358

Fiscal Year	Broadband			
	Promissory Notes	Promissory Note	Total	Per Customer
2010	\$ -	\$ 4,928,039	\$ 4,928,039	\$ 1,337
2009	-	20,115,000	20,115,000	5,334
2008	18,000,000	1,500,000	19,500,000	5,531
2007	18,000,000	1,500,000	19,500,000	7,517
2006	18,000,000	-	18,000,000	31,690

Note:1 Broadband operations commenced in 2006.

# Morristown Utility Commission

## Schedule of Power System Revenue Note Coverage (Last Ten Years)

Fiscal years 2010 - 2001

(dollar amounts in thousands)

Fiscal Year	Gross Revenues Operating (1)	Operating Expenses (2)	Net Revenue For Debt Service	Debt Service Requirements			
				Principal	Interest	Total	Coverage
2010	\$ 67,681	\$ 61,236	\$ 6,445	\$ -	\$ -	\$ -	\$ -
2009	72,283	67,487	4,796	-	-	-	-
2008	63,351	58,707	4,644	-	-	-	-
2007	58,632	54,867	3,765	-	-	-	-
2006	55,822	51,469	4,353	-	-	-	-
2005	49,467	45,701	3,766	-	-	-	-
2004	49,311	46,200	3,111	-	-	-	-
2003	47,511	44,953	2,558	-	-	-	-
2002	46,458	43,748	2,710	305	15	320	8.47
2001	46,881	44,105	2,776	290	30	320	8.68

Note: The Commission issued \$1,380,000 in Power System Revenue Notes in fiscal year 1997. During 2002, these notes were paid in full.

Note: During 2003, the City issued \$2,500,000 in Public Building Authority of Sevier County Bonds (Series V-A-2) which are secured by the taxing authority of the City. Accordingly, these bonds are excluded from the revenue coverage calculation.

- (1) Total Power System revenues (excluding interest) including tap fees.
- (2) Total Power System operating expenses excluding depreciation and amortization.

# Morristown Utility Commission

## Schedule of Water System Revenue Bond and Note Coverage (Last Ten Years)

Fiscal years 2010 – 2001

(dollar amounts in thousands)

Fiscal Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue For Debt Service	Debt Service Requirements			
				Principal	Interest	Total	Coverage
2010	\$ 6,769	\$ 3,494	\$ 3,275	\$ 827	\$ 276	\$ 1,103	2.97
2009	6,332	3,694	2,638	816	321	1,137	2.32
2008	5,573	3,480	2,093	778	354	1,132	1.85
2007	5,335	3,213	2,122	703	342	1,045	2.03
2006	5,339	2,961	2,378	555	110	665	3.58
2005	4,943	2,938	2,005	520	122	642	3.12
2004	4,388	2,891	1,497	490	141	631	2.37
2003	4,435	2,800	1,635	460	139	599	2.73
2002	4,226	2,634	1,592	405	182	587	2.71
2001	4,153	2,520	1,633	335	200	535	3.05

Note: The Commission issued \$2,800,000 and \$830,000 in Water System revenue bonds in fiscal year 1997 and 2002, respectively. The 2002 revenue bonds were paid off during fiscal year 2007.

(1) Total Water System revenues (excluding interest) including tap fees.

(2) Total Water System operating expenses excluding depreciation and amortization.

# Morristown Utility Commission

## Schedule of Property, Casualty and Other Insurance

June 30, 2010

Company	Type of Coverage	Limits	Deductible	Period of Coverage
Distributor's Insurance	Workers' Compensation	\$ 1,000,000	N/A	07/01/09 to 06/10
Distributor's Insurance	Commercial General Liability	750,000	N/A	07/01/09 to 06/30/10
Distributor's Insurance	Excess General Liability	750,000	N/A	07/01/09 to 06/30/10
Distributor's Insurance	Automobile Liability	1,000,000	\$0	07/01/09 to 06/30/10
Distributor's Insurance	Umbrella Liability	2,000,000	N/A	07/01/09 to 06/30/10
Distributor's Insurance	Property Damage	70,411,909	N/A	07/01/09 to 06/30/10
Distributor's Insurance	Boiler & Machinery	50,000,000	N/A	07/01/09 to 06/30/10
Distributor's Insurance	Commercial Crime	1,000,000	N/A	07/01/09 to 06/30/10
Distributor's Insurance	Public Officials and Employees' Liability	5,000,000	N/A	07/01/09 to 06/30/10
Distributor's Insurance	Fiduciary Liability	1,000,000	N/A	07/01/09 to 06/30/10
Distributor's Insurance	Pollution Liability	1,000,000	N/A	07/01/09 to 06/30/10
Distributor's Insurance	Cyber and Privacy Protection	1,000,000	N/A	07/01/09 to 06/30/10

*NOTE: All policies are owned by the Morristown Utility Commission and represent combined single limit coverage of all systems, where applicable.*

# Morristown Utility Commission

## Schedule of Electric Rates (Last Ten Years)

### Fiscal Years 2010 - 2001

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
<b>Residential</b>										
Customer charge per month	\$ 16.71	\$ 13.21	\$ 11.50	\$ 8.40	\$ 8.40	\$ 8.27	\$ 8.27	\$ 5.50	\$ 5.50	\$ 5.50
Energy charge:										
First 2,000 kWh	0.08175	0.07582	0.07943	0.07189	0.06735	0.05961	0.05961	0.05663	0.05663	0.05663
Additional kWh per month	0.07968	0.07375	0.00736	0.07002	0.06548	0.05777	0.05777	0.05479	0.05479	0.05479
<b>Commercial, Industrial, Governmental and Institutional</b>										
GSA-1 (demand of up to 1,000 kW through 2002, 50 kW thereafter)										
Customer charge per month	\$ 26.00	\$ 21.50	\$ 21.50	\$ 15.25	\$ 15.25	\$ 15.00	\$ 15.00	\$ 12.00	\$ 12.00	\$ 12.00
Energy charge per kWh per month	0.09137	0.08463	0.08787	0.07902	0.07453	0.06576	0.06576	0.06162	0.06162	0.06162
GSA-2 (demand of 1,001 to 2,500 kW through 2002, 51 to 1,000kW thereafter)										
Customer charge per month	\$ 133.00	\$ 127.00	\$ 127.00	\$ 127.00	\$ 127.00	\$ 125.00	\$ 125.00	\$ 135.00	\$ 135.00	\$ 135.00
Demand charge:										
First 50 kW per month	13.78	12.86	12.52	11.48	11.48	10.26	10.26	9.55	9.55	9.55
Excess over 50 kW per month										
Energy charge:										
First 15,000 kWh per month	0.08570	0.07896	0.0822	0.07404	0.06955	0.06086	0.06086	0.05672	0.05672	0.05672
Additional kWh per month	0.04861	0.04480	0.04904	0.04378	0.03935	0.03445	0.03445	0.03211	0.03211	0.03211
GSA-3 (demand of 2,501 to 5,000 through 2002, 1,001 to 5,000 kW)										
Customer charge per month	\$ 270.00	\$ 266.00	\$ 266.00	\$ 205.00	\$ 205.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00
Demand charge:										
First 1,000kW per month	13.88	12.90	12.54	11.49	11.49	10.22	10.22	9.56	9.56	9.56
Excess over 1,000 kW per month	15.44	14.29	13.87	12.64	12.64	11.15	11.15	10.11	10.11	10.11
Energy charge:										
Per kWh per month	0.04903	0.04522	0.04946	0.04380	0.03937	0.03477	0.03477	0.03213	0.03213	0.03213
MSB (demand of 5,001 to 15,000 kW)										
Customer charge per month	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00
Demand charge:										
Per kWh per month	13.27	11.63	11.89	10.61	10.61	11.58	11.58	10.85	10.85	10.85
Energy charge:										
First 620 kWh per Kw per month	0.03740	0.03899	0.0307	0.03216	0.02771	0.03035	0.03035	0.02825	0.02825	0.02825
Additional kWh per month	0.03074	0.03337	0.03113	0.02707	0.02262	0.02477	0.02477	0.02306	0.02306	0.02306

# Morristown Utility Commission

## Schedule of Electric Rates (Last Ten Years) (continued)

### Fiscal Years 2010 - 2001

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
<b>Commercial, Industrial, Governmental and Institutional (continued)</b>										
<b>GSB (non-manufacturing)</b>										
(demand of 15,001 to 25,000 kW)										
Customer charge per month	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00
Demand charge:										
Per kWh per month	14.89	14.21	13.78	12.95	12.95	11.07	11.07	10.34	10.34	10.34
Energy charge:										
First 620 kWh per Kw per month	0.04132	0.04625	0.04234	0.03872	0.03427	0.03035	0.03035	0.02825	0.02825	0.02825
Additional kWh per month	0.03372	0.03928	0.03559	0.03241	0.02796	0.02477	0.02477	0.02306	0.02306	0.02306
<b>Part F (demand greater than 25,000 kW)</b>										
Customer charge per month	n/a	n/a	n/a	n/a	n/a	\$1,500.00	\$1,500.00	\$1,500.00	\$1,500.00	\$1,500.00
Demand charge:										
Per kWh per month	n/a	n/a	n/a	n/a	n/a	13.5	13.5	12.6	12.6	12.6
Energy charge:										
Per kWh per month	n/a	n/a	n/a	n/a	n/a	0.02433	0.02433	0.02265	0.02265	0.02265

Note 1: Compiled from internal records



# Morristown Utility Commission

## Schedule of Water Rates (Last Ten Years)

Fiscal years 2010 - 2001

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
<b>Inside City Rate</b>										
Customer charge per month	\$ 4.65	\$ 4.65	\$ 4.65	\$ 4.65	\$ 4.65	\$ 4.65	\$ -	\$ -	\$ -	\$ -
Commodity charge (per 1,000 gallons)										
First 25,000 gallons	-	-	-	-	-	-	1.25	1.25	1.25	1.25
Over 25,000 gallons	-	-	-	-	-	-	1.10	1.10	1.10	1.10
First 50,000 gallons	2.05	1.90	1.55	1.55	1.55	1.55	n/a	n/a	n/a	n/a
Next 50,000 gallons	1.80	1.65	1.30	1.30	1.30	1.30	n/a	n/a	n/a	n/a
Over 100,000 gallons	1.60	1.45	1.10	1.10	1.10	1.10	n/a	n/a	n/a	n/a
<b>Minimum bill</b>										
5/8" meter	8.75	8.45	7.75	7.75	7.75	7.75	6.50	6.50	6.50	6.50
3/4" meter	9.25	8.95	8.25	8.25	8.25	8.25	7.00	7.00	7.00	7.00
1" meter	10.00	9.70	9.25	9.25	9.25	9.25	8.00	8.00	8.00	8.00
1 1/2" meter	11.50	11.20	10.75	10.75	10.75	10.75	9.50	9.50	9.50	9.50
2" meter	16.00	15.70	15.25	15.25	15.25	15.25	14.00	14.00	14.00	14.00
3" meter	61.00	60.70	52.00	52.00	52.00	52.00	49.50	49.50	49.50	49.50
4" meter	71.00	70.70	70.00	70.00	70.00	70.00	63.00	63.00	63.00	63.00
6" meter	101.00	100.70	100.00	100.00	100.00	100.00	94.50	94.50	94.50	94.50
<b>Outside City Rate</b>										
Customer charge per month	4.65	4.65	4.65	4.65	4.65	4.65	4.65	4.65	4.65	4.65
Commodity charge (per 1,000 gallons)										
First 25,000 gallons	-	-	-	-	-	-	2.50	2.50	2.50	2.50
Over 25,000 gallons	-	-	-	-	-	-	2.20	2.20	2.20	2.20
First 50,000 gallons	4.10	3.80	3.10	3.10	3.10	3.10	n/a	n/a	n/a	n/a
Next 50,000 gallons	3.60	3.30	2.60	2.60	2.60	2.60	n/a	n/a	n/a	n/a
Over 100,000 gallons	3.20	2.90	2.20	2.20	2.20	2.20	n/a	n/a	n/a	n/a

# Morristown Utility Commission

## Schedule of Water Rates (Last Ten Years) (continued)

Fiscal years 2010 - 2001

Outside City Rate (continued)	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Minimum bill										
5/8" meter	\$ 12.85	\$ 12.25	\$ 10.85	\$ 10.85	\$ 10.85	\$ 10.85	\$ 9.00	\$ 9.00	\$ 9.00	\$ 9.00
3/4" meter	13.35	12.75	11.35	11.35	11.35	11.35	9.50	9.50	9.50	9.50
1" meter	14.10	13.50	12.10	12.10	12.10	12.10	10.50	10.50	10.50	10.50
1 1/2" meter	15.60	15.00	13.60	13.60	13.60	13.60	12.00	12.00	12.00	12.00
2" meter	20.10	19.50	18.10	18.10	18.10	18.10	16.50	16.50	16.50	16.50
3" meter	65.10	64.50	63.10	63.10	63.10	63.10	52.00	52.00	52.00	52.00
4" meter	75.10	74.50	73.10	73.10	73.10	73.10	65.50	65.50	65.50	65.50
6" meter	105.10	104.50	103.10	103.10	103.10	103.10	97.00	97.00	97.00	97.00
Monthly private fire protection service charge										
4"	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00
6"	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00
8"	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00
10"	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
12"	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00

Note 1: Compiled from internal records

# Morristown Utility Commission

## Schedule of Monthly Broadband Rates (Last Five Years)

Fiscal years 2010 - 2006

Service	2010	2009	2008	2007	2006
Standard Cable:					
Expanded basic	\$ 46.95	\$ 41.95	\$ 41.95	\$ 41.95	\$ 41.95
Digital basic	54.95	49.95	49.95	49.95	49.95
Digital basic + 1	63.95	59.95	59.95	59.95	59.95
Digital basic + 2	71.95	67.95	67.95	67.95	67.95
Digital basic + 4	84.95	80.95	80.95	80.95	80.95
Premium channels	9.95-12.95	9.95-11.95	9.95-11.95	9.95-11.95	9.95-11.95
Internet:					
Residential					
Tier 1	34.95	29.95	29.95	29.95	29.95
Tier 2	39.95	39.95	39.95	39.95	39.95
Tier 3	59.95	59.95	59.95	59.95	59.95
Tier 4	99.95	99.95	99.95	99.95	99.95
Tier 5	159.95				
Commercial					
Tier 1	44.95	39.95	39.95	39.95	39.95
Tier 2	74.95	74.95	74.95	74.95	74.95
Tier 3	99.95	99.95	99.95	99.95	99.95
Tier 4	149.95	149.95	149.95	149.95	149.95
Tier 5	199.95	199.95	199.95	-	-
Telephone:					
Residential					
BasicPack	22.95	22.95	22.95	22.95	22.95
PreferredPack	25.00	25.00	25.00	25.00	27.95
Additional services	3.75-8.95	3.75-8.95	3.75-8.95	3.75-8.95	6.95-8.95
Long distance rate per minute	0.05	0.05	0.05	0.05	0.05
Commercial					
Access Line	25.95	25.95	25.95	25.95	26.95
Business Local Telephone Service	36.95	36.95	36.95	36.95	39.95
Additional services	6.95-25.95	6.95-25.95	6.95-25.95	6.95-25.95	6.95-7.95
Long distance rate per minute	0.05	0.05	0.05	0.05	0.05

Note 1: The Broadband System began operations in 2006.

# Morristown Utility Commission

## Schedule of Power System Principal Customers

### Current Year and Nine Years Prior

Name	2010			2001		
	Annual Revenues	Rank	Percentage of Gross Revenues	Annual Revenues	Rank	Percentage of Gross Revenues
Mahle Manufacturing Co.	\$ 3,374,522	1	5.00%	\$ 3,270,904	1	7.00%
Vifan USA, Inc.	2,713,413	2	4.02%	2,045,598	2	4.40%
J W Allen Co.	2,096,879	3	3.10%	1,348,893	5	2.90%
JTEKT Automotive Morristown-Tennessee Inc.	1,974,666	4	2.92%	-		
Meritor Automotive	1,889,785	5	2.80%	1,975,137	3	4.20%
ColorTech	871,844	6	1.29%			
Howmet Corp.	844,248	7	1.25%	853,285	9	1.80%
Colgate Palmolive	800,743	8	1.19%			
General Electric	670,592	9	0.99%	-	10	0.60%
Lear Seigler, Inc.	666,529	10	0.99%	1,099,870	6	2.30%
Toyoda TRW Automotive	-			1,563,087	4	3.30%
Berkline Benchcraft, LLC	-			979,905	7	2.10%
Rex AM	-			869,919	8	1.90%
Moll Industries	-			834,985	10	1.80%

Note 1: Compiled from internal records

# Morristown Utility Commission

## Schedule of Water System Principal Customers

### Current Year and Nine Years Prior

Name	2010			2001		
	Annual Revenues	Rank	Percentage of Gross Revenues	Annual Revenues	Rank	Percentage of Gross Revenues
Alpha Talbott Utility District	\$ 885,690	1	13.08%	\$ 575,188	1	13.80%
Russellville-Whitesburg Utility District	788,447	2	11.65%	471,181	2	11.30%
Bean Station Utility District	476,541	3	7.04%	245,296	4	5.90%
Koch Foods	470,027	4	6.94%	319,532	3	7.70%
South Morristown Witt Utility District	211,882	5	3.13%	107,331	6	2.60%
Colgate	75,478	6	1.11%	-		
J.W. Allen	73,654	7	1.09%	42,105	8	1.00%
Mahle	64,588	8	0.95%	79,984	7	1.90%
Morristown Housing Authority	43,564	9	0.64%	19,000	9	0.50%
Vifan	36,740	10	0.54%	14,783	10	0.40%
Toyoda TRW Automotive				152,753	5	3.70%
Lear Seigler				-	9	0.30%
Meritor Inc.				-	10	0.30%

Note 1: Compiled from internal records

## Morristown Utility Commission

### Schedule of Employees by System (Last Ten Years)

Fiscal years 2010 - 2001

<b>Fiscal Year</b>	<b>Power</b>	<b>Water</b>	<b>Telecom</b>	<b>Total</b>
<b>2010</b>	<b>74</b>	<b>18</b>	<b>15</b>	<b>107</b>
2009	67	19	14	100
2008	69	19	14	102
2007	73	18	13	104
2006	73	20	9	102
2005	73	20	1	94
2004	73	20	—	93
2003	74	20	—	94
2002	68	20	—	88
2001	69	20	—	89

Note 1: Compiled from internal records.

Note 2: Broadband operations commenced in 2006.

# Morristown Utility Systems

## Schedule of Unaccounted For Water

June 30, 2010

*(All amounts in gallons)*

A	<b>Water Treated and Produced</b>		
B	Water Pumped (potable)	3,244,464,900	
C	Water Purchased	0	
D	<b>Total Water Treated and Purchased</b>		3,244,464,900
	<b>(Sum Lines B and C)</b>		
E	<b>Accounted for Water</b>		
F	Water Sold	2,906,776,800	
G	Metered for Consumption (in house usage)	36,616,200	
H	Fire Department Usage	0	
I	Flushing	0	
J	Tank Cleaning/Filling	0	
K	Street Cleaning	2,916,900	
L	Bulk Sales	0	
M	Water Bill Adjustments	0	
N	<b>Total Accounted for Water</b>		2,946,309,900
	<b>(Sum Lines F thru M)</b>		
O	<b>Unaccounted for Water</b>		298,155,000
	<b>(Line D minus Line N)</b>		
P	<b>Percent Unaccounted for Water</b>		9.19%
	<b>(Line O divided by Line D times 100)</b>		
Q	<b>Other (explain)</b>		n/a

All amounts included in this schedule are supported by documentation on file at the Water System. If no support is on file for a line item or if the line item is not applicable, a "0" is shown.



Report of Independent Auditors on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards*

Board of Commissioners  
Morristown Utility Commission

We have audited the financial statements of the Morristown Power System, the Morristown Water System, and the Morristown Broadband System (collectively, the "Systems"), enterprise funds of the City of Morristown, Tennessee, as of and for the year ended June 30, 2010, and have issued our report thereon dated November 8, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Systems' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Systems' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Systems' internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the Systems' financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Systems' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



Board of Commissioners  
Morristown Utility Commission

This report is intended solely for the information and use of management, the Commission, others within the Systems and the Tennessee Comptroller of the Treasury and is not intended to be and should not be used by anyone other than these specified parties.

*Coulter & Justus, P.C.*

Knoxville, Tennessee  
November 8, 2010

**Mark Smith**

---

**From:** Adam Allen [aallen@cj-pc.com]  
**Sent:** Thursday, September 22, 2011 2:16 PM  
**To:** McVey, Lola  
**Subject:** RE: 2011 Audit

Sam is on a hike down from Mt. Laconte on the morning of 13<sup>th</sup>, but anticipates getting to Bristol by evening (maybe we can make dinner 7:30 or so).

Are you off from prior year cash flows or is this a current year issue? You're welcome to send me your worksheet and I'll see if I can find anything that sticks out.

---

**From:** McVey, Lola [mailto:Lmcvey@btes.net]  
**Sent:** Thursday, September 22, 2011 09:03  
**To:** Adam Allen  
**Subject:** RE: 2011 Audit

Adam,

Thanks for the information on the fixed assets! I checked with Mike and October 13 works for us as well.

I have a question on cash flow. We are off approximately \$25,000 and cannot seem to find it. Any suggestions?

Thanks!  
Lola

---

**From:** Adam Allen [mailto:aallen@cj-pc.com]  
**Sent:** Tuesday, September 20, 2011 11:12 AM  
**To:** McVey, Lola  
**Cc:** Jason Tackett; John Young  
**Subject:** RE: 2011 Audit

Lola,

I'm doing very well. Thanks for asking.

We're all looking forward to coming up to Bristol and working with you in the next couple of weeks.

I've got a call into Sam to verify the date, but I believe we scheduled him to come up the night of Oct. 13<sup>th</sup> and review on the 14<sup>th</sup>. I will confirm that with you when I hear back from him.

The \$1,186,328 is invoices for fixed assets at year end. I think the liability is recorded as an accrued liability or within trade accounts payable. Let me know if you need further information on it.

Thanks,  
Adam

---

**From:** McVey, Lola [mailto:Lmcvey@btes.net]  
**Sent:** Monday, September 19, 2011 16:15  
**To:** Adam Allen  
**Cc:** Jason Tackett; John Young  
**Subject:** 2011 Audit

Adam,

I hope you are doing well! It will not be long until you all will be in Bristol. I have a couple of questions related to the audit.

1. When do you project the audit to be completed and Sam will come to Bristol? I am trying to decide whether to register for a TVPPA Accounting and Finance conference and was also thinking of Mike's schedule as well.
2. In Note 15 – Net Assets, can you tell me where the 1,186,328 comes from? It says other borrowings, but I cannot remember where that number comes from.

Thanks!

Lola D. McVey, CPA, CGFM  
Director of Accounting and Finance  
Bristol Tennessee Essential Services  
423-793-5517 Office  
423-575-5517 Cell  
423-793-5545 Fax  
lmcvey@btes.net

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Coulter & Justus, P.C. 9717 Cogdill Road, Suite 201, Knoxville, TN 37932; Telephone 865-637-4161; Fax: 865-524-2952

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**Mark Smith**

---

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**Mark Smith**

---

**From:** Adam Allen [aallen@cj-pc.com]  
**Sent:** Monday, May 02, 2011 8:32 AM  
**To:** McVey, Lola  
**Subject:** RE: 2011 Audit

Lola,

I hope that your family and property made it safe through the storms.

Can you tell me what you anticipate your inventory amount to be at June 30 (approximately). We stopped with the observation once the inventory balance got back to historic levels (i.e. the build out was complete). If you guys don't have anything going on during that time period and the balance is reasonable, we'll probably not need to do an observation.

Thanks,  
Adam

---

**From:** McVey, Lola [mailto:Lmcvey@btes.net]  
**Sent:** Friday, April 29, 2011 17:08  
**To:** Adam Allen  
**Subject:** RE: 2011 Audit

Adam,

Sorry it took so long to respond. We had severe storms Wednesday night and still have some customers without power from downed trees, etc. It has been a hectic few days!!!

The week of July 25 is open. October is fine as well. I too would like to have the CAFR issued prior to the November Board meeting.

Will some one be coming up around June 30 for inventory? I know we didn't do that last year, but thought it was a possibility for this year. Lonnie retired in April and we have someone new responsible for the warehouse. I don't know if that will make a difference.

I can't believe it's that time again!

Lola

---

**From:** Adam Allen [mailto:aallen@cj-pc.com]  
**Sent:** Thursday, April 28, 2011 2:41 PM  
**To:** McVey, Lola  
**Subject:** 2011 Audit

Lola,

I hope all is well!

I'm looking at scheduling the upcoming audit and wanted to run some dates by you.

10/3/2012

I would like to schedule for John to come up there and work on planning the week of July 25<sup>th</sup>. Do you have availability that week or is another week better for you?

Also, I would like to start fieldwork the week of October 3<sup>rd</sup> to get the CAFR issued prior to the November board meeting. Consistent with prior years, we'll probably be up there between two and three weeks. I would love to get a draft over to the City for review by November 1<sup>st</sup> to give them two weeks ;) to review the CAFR for any changes. I don't know when the November board meeting is scheduled for this year, but I'm assuming that it's November 16<sup>th</sup>.

Thanks,  
Adam

---

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**Mark Smith**

---

**From:** Adam Allen [aallen@cj-pc.com]  
**Sent:** Tuesday, September 27, 2011 10:36 PM  
**To:** McVey, Lola  
**Subject:** RE: 2011 Audit

Lola,

I gave it a very quick "high level" look and I have the following questions that may or may not help you locate your difference:

1. I couldn't get expenses to tie out. I may be missing something, but I add up cost of sales (\$84,953,704) and operating expenses (\$13,671,112) and I get \$98,624,816 versus the 98,806,139 used in the cash flow worksheet.
2. I can't get interest expense to tie out. The primes have \$982,807 versus \$998,838 used in the worksheet.

I know this doesn't get you back to the number you need, but maybe it will trigger something that was not previously considered.

I look forward to seeing you next week.

Thanks,  
Adam

---

**From:** McVey, Lola [mailto:Lmcvey@btes.net]  
**Sent:** Monday, September 26, 2011 10:47  
**To:** Adam Allen  
**Subject:** RE: 2011 Audit

WOW! Sam is making me look bad. Dinner at 7:30 will be fine.

I am attaching the Cashflow worksheet and the Primes. I appreciate you looking at them. I hope you can find something.

Thanks!

---

**From:** Adam Allen [mailto:aallen@cj-pc.com]  
**Sent:** Thursday, September 22, 2011 2:16 PM  
**To:** McVey, Lola  
**Subject:** RE: 2011 Audit

Sam is on a hike down from Mt. Laconte on the morning of 13<sup>th</sup>, but anticipates getting to Bristol by evening (maybe we can make dinner 7:30 or so).

Are you off from prior year cash flows or is this a current year issue? You're welcome to send me your worksheet and I'll see if I can find anything that sticks out.

---

**From:** McVey, Lola [mailto:Lmcvey@btes.net]  
**Sent:** Thursday, September 22, 2011 09:03

10/3/2012



**To:** Adam Allen  
**Subject:** RE: 2011 Audit

Adam,

Thanks for the information on the fixed assets! I checked with Mike and October 13 works for us as well.

I have a question on cash flow. We are off approximately \$25,000 and cannot seem to find it. Any suggestions?

Thanks!  
Lola

---

**From:** Adam Allen [mailto:aallen@cj-pc.com]  
**Sent:** Tuesday, September 20, 2011 11:12 AM  
**To:** McVey, Lola  
**Cc:** Jason Tackett; John Young  
**Subject:** RE: 2011 Audit

Lola,

I'm doing very well. Thanks for asking.

We're all looking forward to coming up to Bristol and working with you in the next couple of weeks.

I've got a call into Sam to verify the date, but I believe we scheduled him to come up the night of Oct. 13<sup>th</sup> and review on the 14<sup>th</sup>. I will confirm that with you when I hear back from him.

The \$1,186,328 is invoices for fixed assets at year end. I think the liability is recorded as an accrued liability or within trade accounts payable. Let me know if you need further information on it.

Thanks,  
Adam

---

**From:** McVey, Lola [mailto:Lmcvey@btes.net]  
**Sent:** Monday, September 19, 2011 16:15  
**To:** Adam Allen  
**Cc:** Jason Tackett; John Young  
**Subject:** 2011 Audit

Adam,

I hope you are doing well! It will not be long until you all will be in Bristol. I have a couple of questions related to the audit.

1. When do you project the audit to be completed and Sam will come to Bristol? I am trying to decide whether to register for a TVPPA Accounting and Finance conference and was also thinking of Mike's schedule as well.
2. In Note 15 – Net Assets, can you tell me where the 1,186,328 comes from? It says other borrowings, but I cannot remember where that number comes from.

Thanks!

10/3/2012

Lola D. McVey, CPA, CGFM  
Director of Accounting and Finance  
Bristol Tennessee Essential Services  
423-793-5517 Office  
423-575-5517 Cell  
423-793-5545 Fax  
lmcvey@btes.net

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**Mark Smith**

---

**From:** Adam Allen [aallen@cj-pc.com]  
**Sent:** Wednesday, November 09, 2011 6:30 PM  
**To:** McVey, Lola  
**Subject:** RE: CAFR  
**Attachments:** BTES Auditors Report 2011.pdf; BTES Report on IC and Compliance.pdf; Suggested Changes.pdf

Lola,

Attached is a .pdf of our reports and some final suggested changes.

If you have any questions, please do not hesitate to call.

Thanks,  
Adam

---

**From:** McVey, Lola [mailto:Lmcvey@btes.net]  
**Sent:** Wednesday, November 09, 2011 16:11  
**To:** Adam Allen  
**Subject:** CAFR

Lola D. McVey, CPA, CGFM  
Director of Accounting and Finance  
Bristol Tennessee Essential Services  
423-793-5517 Office  
423-575-5517 Cell  
423-793-5545 Fax  
[Lmcvey@btes.net](mailto:Lmcvey@btes.net)

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**Bristol Tennessee Essential Services**  
**Comprehensive Annual Financial Report**  
Year ended June 30, 2011

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of Independent  
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Bristol Tennessee Essential Services Post Employment Benefits Trust

Statement of Plan Net Position

June 30, 2011 and 2010

	June 30	
	2011	2010
<b>Assets</b>		
Cash and cash equivalents	\$ 43,365	\$ 12,752
Investments	786,066	180,143
<b>Net assets held in trust for OPEB</b>	<u>\$ 829,431</u>	<u>\$ 192,895</u>

*See accompanying Notes to Financial Statements.*



Bristol Tennessee Essential Services Post Employment Benefits Trust

Statement of Changes in Plan Net Position

Years ended June 30, 2011 and 2010

	June 30	
	2011	2010
<b>Additions</b>		
BTES Contributions associated with ARC	\$ 595,607	\$ 200,000
BTES Contributions for claims made	\$ 386,971	\$ 442,242
Dividend Income	6,326	1,217
	<u>988,904</u>	<u>643,459</u>
<b>Deductions</b>		
Pension Benefits	(386,971)	(442,242)
Administrative fees	(3,000)	(2,000)
	<u>(389,971)</u>	<u>(444,242)</u>
X Appreciation <sup>u</sup> ( <del>Depreciation</del> ) in the fair value of investments	<u>37,603</u>	<u>(6,322)</u>
Net increase	<u>636,536</u>	<u>192,895</u>
Net assets held in trust for OPEB, beginning of year	<u>192,895</u>	-
Net assets held in trust for OPEB, end of year	<u>\$ 829,431</u>	<u>\$ 192,895</u>

See accompanying Notes to Financial Statements.

Bristol Tennessee Essential Services  
Business Unit Balance Sheets (Unaudited)

June 30, 2011

	Electric	Cable/Internet	Telephone
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 6,730,779	\$ -	\$ 1,843,300
Accounts receivable:			
Trade	6,183,493	916,977	272,732
Other	837,642	-	-
Allowance for bad debt	(457,794)	(184,410)	(64,892)
Net accounts receivable	6,563,341	732,567	207,840
Accrual for unbilled revenues	3,318,744	-	-
Due from City of Bristol, TN	181,324	-	-
Interest receivable	10,155	-	-
Materials and supplies inventories	1,165,050	39,726	-
Current portion of customer notes receivable	440,000	-	-
Current portion of discounted energy units	986,131	-	-
Current portion of prepaid expense	1,100,000	-	-
Prepaid expenses and other current assets	131,942	16,945	4,759
Total current assets	20,627,466	789,238	2,055,899
Due from Other Business Units	2,194,132	-	-
Unrestricted noncurrent assets:			
Capital assets:			
Capital assets in service	121,824,021	8,205,059	1,223,979
Less accumulated depreciation	(52,731,552)	(1,510,322)	(496,339)
	69,092,469	6,694,737	727,640
Construction in progress	1,092,637	-	-
Non-utility property	251,434	-	-
Net capital assets	70,436,540	6,694,737	727,640
Other assets:			
Customer notes receivable, less current portion	2,427,430	-	-
Long-term investments	8,000,000	-	-
Prepaid pension cost	397,822	-	-
Prepaid expense	1,100,000	-	-
Discounted energy units, less current portion	513,778	-	-
Unamortized bond issue costs	290,555	-	-
Total other assets	12,729,585	-	-
Total noncurrent assets	83,166,125	6,694,737	727,640
Total assets	\$ 105,987,723	\$ 7,483,975	\$ 2,783,539

Bristol Tennessee Essential Services  
Business Unit Balance Sheets (Unaudited) (continued)

June 30, 2011

	Electric	Cable/Internet	Telephone
<b>Liabilities and net position</b>			
Current liabilities:			
Trade accounts payable	\$ 2,017,450	\$ 489,011	\$ 28,881
Customer deposits and prepayments	2,143,249	-	-
Franchise fee due to City of Bristol, Tennessee	-	45,016	-
Interest payable	332,946	-	-
Deferred revenue	-	483,324	111,038
Other accrued liabilities	1,114,322	62,623	56,709
Current portion of bonds payable	505,000	-	-
Total current liabilities	6,112,967	1,079,974	196,628
Due to Other Business Units	-	2,194,132	-
Other noncurrent accrued liabilities	319,075	-	-
Bonds payable, less current portion	21,920,614	-	-
Total liabilities	28,352,656	3,274,106	196,628
Net position:			
Net investment in capital assets	50,307,846	4,500,605	727,640
Unrestricted	27,327,221	(290,736)	1,859,271
Total net position	77,635,067	4,209,869	2,586,911
 Total liabilities and net position	 <u>\$ 105,987,723</u>	 <u>\$ 7,483,975</u>	 <u>\$ 2,783,539</u>

# Bristol Tennessee Essential Services

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

(Unaudited)  
Year ended June 30, 2011

	Electric	Cable/Internet	Telephone
Operating revenues:			
Power revenues:			
Residential	\$ 44,671,055	\$ -	\$ -
Commercial (general power - under 50 kw)	5,864,765	-	-
Industrial (general power - 50 kw and over)	34,338,102	-	-
Street and outdoor lighting	1,284,120	-	-
Total power revenues	86,158,042	-	-
Cable revenues	-	6,660,565	-
Internet revenues	-	4,380,089	-
Telephone revenues	-	-	3,335,118
Interunit revenue	4,300,260	-	-
Other revenues	3,819,504	230,634	192,393
Total operating revenues	94,277,806	11,271,288	3,527,511
Cost of sales:			
Power purchased from Tennessee Valley Authority	75,426,055	-	-
Cable programming expense	-	4,406,644	-
Internet cost of sales	-	233,413	-
Interunit cost of sales	-	3,075,838	1,224,421
Telephone cost of sales	-	-	587,333
Total cost of sales	75,426,055	7,715,895	1,811,754
Gross profit	18,851,751	3,555,393	1,715,757
Operating expenses:			
Operations	2,915,260	1,153,383	591,122
Maintenance	3,889,804	240,447	155,932
Depreciation	3,404,645	569,111	119,192
Tax equivalents	447,567	25,976	17,667
Social security taxes	309,360	-	-
Interest expense on customer deposits	12,970	-	-
Total operating expenses	10,979,606	1,988,917	883,913
Operating income	7,872,145	1,566,476	831,844

Bristol Tennessee Essential Services

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

(Unaudited) (continued)

Year ended June 30, 2011

	Electric	Cable/Internet	Telephone
Nonoperating revenue (expense):			
Grant Income	\$ 181,324	\$ -	\$ -
Interest income (including \$110,530 in 2011 and \$160,378 in 2010 related to amortization of discounted energy units)	535,703	-	-
Interest expense	(982,807)	(33,437)	-
Amortization of bond issue costs	(10,618)	-	-
Plant cost recovered through contributions in aid of construction	(955,201)		
Income before transfers and income taxes	6,640,546	1,533,039	831,844
State income tax expense	-	(121,841)	-
Transfers out--tax equivalents to the City of Bristol, TN			
Tennessee	(1,549,794)	(35,779)	(60,853)
Contributions in aid of construction	955,201		
Change in net position	6,045,953	1,375,419	770,991
Net position at beginning of year	71,589,114	2,834,450	1,815,920
Net position at end of year	\$ 77,635,067	\$ 4,209,869	\$ 2,586,911

Bristol Tennessee Essential Services

Business Unit Schedules of Cash Flows (Unaudited)

Year ended June 30, 2011

	Electric	Cable/Internet	Telephone
<b>Cash flows from operating activities</b>			
Cash received from customers	\$ 83,457,866	\$ 11,116,706	\$ 3,528,133
Cash received from City of Bristol, Tennessee	2,863,130	25,335	-
Cash paid to suppliers and vendors	(74,819,493)	(10,300,933)	(2,600,209)
Cash paid to employees for services	(4,009,530)	-	-
Net cash provided by operating activities	7,491,973	841,108	927,924
<b>Cash flows from noncapital financing activities</b>			
Transfers to City of Bristol, Tennessee	(1,549,794)	(35,779)	(60,853)
State income tax	-	(121,841)	-
Net repayments on interunit loans	-	5,543	-
Interest payments on interunit loans	-	(33,437)	-
Net cash used in noncapital financing activities	(1,549,794)	(185,514)	(60,853)
<b>Cash flows from investing activities</b>			
Interest received on investments	400,563	-	-
Purchases of certificates of deposit	(27,105,906)	-	-
Sales of certificates of deposit	27,105,906	-	-
Net receipts from interunit loans	(5,543)	-	-
Interest receipts on interunit loans	33,437	-	-
Net cash provided by investing activities	428,457	-	-
<b>Cash flows from capital and related financing</b>			
Principal payments on bonds payable	(485,000)	-	-
Interest payments on bonds payable	(985,636)	-	-
Net additions to capital assets	(4,161,668)	(655,594)	(46,767)
Contributions in aid of construction	955,201	-	-
Cash paid for prepayment of capital assets	(2,200,000)	-	-
Net cash used in capital and related financing	(6,877,103)	(655,594)	(46,767)
Decrease in cash and cash equivalents	(506,467)	-	820,304
Cash and cash equivalents at beginning of year	7,237,246	-	1,022,996
Cash and cash equivalents at end of year	\$ 6,730,779	\$ -	\$ 1,843,300

Bristol Tennessee Essential Services

Business Unit Schedules of Cash Flows (Unaudited) (continued)

Year ended June 30, 2011

	Electric	Cable/Internet	Telephone
<b>Reconciliation of operating income to net cash provided by operating activities</b>			
Operating income	\$ 7,872,145	\$ 1,566,476	\$ 831,844
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	3,404,645	569,111	119,192
Provision for losses on accounts receivable	62,691	48,765	9,791
Redemption of discounted energy units	1,044,000	-	-
Changes in operating assets and liabilities:			
Accounts receivable	(802,075)	(236,514)	(21,877)
Accrual for unbilled revenues	(326,547)	-	-
Materials and supplies inventories	(97,925)	(39,726)	-
Customer notes receivable	(176,872)	-	-
Prepaid pension cost	55,457	-	-
Other assets	(5,271)	(16,328)	(4,146)
Trade accounts payable	(3,420,527)	(1,105,812)	(21,785)
Due to City of Bristol, Tennessee	-	-	-
Unbilled power expense	-	-	-
Customer deposits and prepayments	64,532	-	-
Other accrued liabilities	(182,280)	55,136	14,905
Net cash provided by operating activities	<u>\$ 7,491,973</u>	<u>\$ 841,108</u>	<u>\$ 927,924</u>

**Supplemental disclosure of noncash activities**

Accounts payable at June 30, 2011 and 2010 included \$29,935 and \$1,307,113, respectively for capital assets.

## Mark Smith

---

**From:** Adam Allen [aallen@cj-pc.com]  
**Sent:** Thursday, November 10, 2011 6:03 PM  
**To:** McVey, Lola  
**Subject:** RE: CAFR Final!

Wonderful. I looks great.

I've already submitted it through CARS.

---

**From:** McVey, Lola [mailto:Lmcvey@btes.net]  
**Sent:** Thursday, November 10, 2011 16:41  
**To:** Adam Allen  
**Subject:** CAFR Final!

Adam,

I have finally finished!!!! I have learned a lot today, but feel very old in the process. Thanks for your help!

Lola D. McVey, CPA, CGFM  
Director of Accounting and Finance  
Bristol Tennessee Essential Services  
423-793-5517 Office  
423-575-5517 Cell  
423-793-5545 Fax  
[lmcvey@btes.net](mailto:lmcvey@btes.net)

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**Mark Smith**

---

**From:** Adam Allen [aallen@cj-pc.com]  
**Sent:** Thursday, November 10, 2011 10:25 AM  
**To:** McVey, Lola  
**Subject:** RE: CAFR  
**Attachments:** 6-30-11 BTES SAS 114 Communications-Outline.docx

Lola,

Attached is the outline for our part of the board presentation.

When you finish the final .pdf (including our reports), will you send it to me?

Thanks!

---

**From:** McVey, Lola [mailto:Lmcvey@btes.net]  
**Sent:** Thursday, November 10, 2011 07:44  
**To:** Adam Allen  
**Subject:** RE: CAFR

Adam,

I cannot print the reports. The documents are restricted. Help!

Lola

---

**From:** Adam Allen [mailto:aallen@cj-pc.com]  
**Sent:** Wednesday, November 09, 2011 6:30 PM  
**To:** McVey, Lola  
**Subject:** RE: CAFR

Lola,

Attached is a .pdf of our reports and some final suggested changes.

If you have any questions, please do not hesitate to call.

Thanks,  
Adam

---

**From:** McVey, Lola [mailto:Lmcvey@btes.net]  
**Sent:** Wednesday, November 09, 2011 16:11  
**To:** Adam Allen  
**Subject:** CAFR

Lola D. McVey, CPA, CGFM  
Director of Accounting and Finance  
Bristol Tennessee Essential Services

10/3/2012

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[lmcvey@btes.net](mailto:lmcvey@btes.net)

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## **Required Board Communication**

### **Bristol Tennessee Essential Services**

**June 30, 2011**

**1. Auditor's Responsibility Under Generally Accepted Auditing Standards**

- Discussion of our audit and related report thereon
- Management's or "those charged with governance" responsibilities

**2. Planned Scope and Timing of the Audit**

- Addressed in our Board communication dated January 20, 2011

**3. Significant Audit Findings**

**A. Qualitative Aspects of Accounting Practices**

- Significant Accounting Policies
- Significant Estimates

**B. Difficulties Encountered in Performing the Audit**

- None

**C. Corrected and Uncorrected Misstatements**

- None

**D. Disagreements with Management**

- None

**E. Management Representations**

- Certain representations have been requested of management

**F. Management Consultations with Other Independent Accountants**

- None

**G. Other Audit Findings or Issues**

- None

## Mark Smith

---

**From:** Adam Allen [aallen@cj-pc.com]  
**Sent:** Thursday, February 17, 2011 9:54 AM  
**To:** McVey, Lola  
**Subject:** RE: OPEB Trust

Lola,

You're welcome for the tax information... anytime you have a question like that don't hesitate to ask.

We will eventually need the original, but you can hold onto it if you want to and we'll grab it when we come up for planning (that way you can save on courier costs). I really just needed the .pdf for the Contract to Audit.

Thanks!  
Adam

---

**From:** McVey, Lola [mailto:Lmcvey@btes.net]  
**Sent:** Thursday, February 17, 2011 09:13  
**To:** Adam Allen  
**Subject:** RE: OPEB Trust

Adam,

Thanks for the tax info.

Attached is the signed Engagement Letter. Do you need the original?

Lola

---

**From:** Adam Allen [mailto:aallen@cj-pc.com]  
**Sent:** Wednesday, February 16, 2011 9:47 AM  
**To:** McVey, Lola  
**Subject:** RE: OPEB Trust

Lola,

Great to hear from you! I guess it's good that our lack of communication might indicate we're staying out of trouble ☺.

I discussed with Sue and Nan in our tax department and we all concur that you do not need to file a tax return associated with the plan.

I'll put together the contract to audit whenever we get the engagement letter back (we have to attach a .pdf with the new "electronic" contracts).

Let me know if you have any other questions.

Adam

---

**From:** McVey, Lola [mailto:Lmcvey@btes.net]  
**Sent:** Wednesday, February 16, 2011 09:10  
**To:** Adam Allen  
**Subject:** OPEB Trust

Adam,

I haven't had to talk to you in a while. That's good, right? I hope you are doing well. We received a Form 1099 for the trust account that shows over \$4,000 in dividends. We do not need to file a tax return, do we? It shows BTES Tax ID number, so I am assuming that we do not, but wanted to make sure.

The audit proposal is on the Board agenda today, so I will be sending it to you soon.

Have a good day!  
Lola

---

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**Mark Smith**

---

**From:** Adam Allen [aallen@cj-pc.com]  
**Sent:** Wednesday, February 16, 2011 9:47 AM  
**To:** McVey, Lola  
**Subject:** RE: OPEB Trust

Lola,

Great to hear from you! I guess it's good that our lack of communication might indicate we're staying out of trouble ☺.

I discussed with Sue and Nan in our tax department and we all concur that you do not need to file a tax return associated with the plan.

I'll put together the contract to audit whenever we get the engagement letter back (we have to attach a .pdf with the new "electronic" contracts).

Let me know if you have any other questions.

Adam

---

**From:** McVey, Lola [mailto:Lmcvey@btes.net]  
**Sent:** Wednesday, February 16, 2011 09:10  
**To:** Adam Allen  
**Subject:** OPEB Trust

Adam,

I haven't had to talk to you in a while. That's good, right? I hope you are doing well. We received a Form 1099 for the trust account that shows over \$4,000 in dividends. We do not need to file a tax return, do we? It shows BTES Tax ID number, so I am assuming that we do not, but wanted to make sure.

The audit proposal is on the Board agenda today, so I will be sending it to you soon.

Have a good day!  
Lola

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IRS CIRCULAR 230 WRITTEN ADVICE STANDARDS: IRS regulations require us to advise you that, unless otherwise specifically noted, any federal tax advice in this communication (including any attachments, enclosures, or other accompanying materials) is not intended or written to be used, and it cannot be used, by any taxpayer for the purpose of avoiding penalties; furthermore, this communication is not intended or written to support the promotion or marketing of any of the transactions or matters it addresses.



**Mark Smith**

---

**From:** Adam Allen [aallen@cj-pc.com]  
**Sent:** Thursday, February 17, 2011 10:51 AM  
**To:** McVey, Lola  
**Subject:** RE: OPEB Trust

It will be... with the weather right now I'm getting spring fever.

I've submitted the contract to audit, and hopefully you've gotten an e-mail. If you have any questions going through the process to sign it, please do not hesitate to ask.

Thanks,  
Adam

---

**From:** McVey, Lola [mailto:Lmcvey@btes.net]  
**Sent:** Thursday, February 17, 2011 10:00  
**To:** Adam Allen  
**Subject:** RE: OPEB Trust

It will be time for planning before we know it!!! I will hold the original until then. Thanks!

---

**From:** Adam Allen [mailto:aallen@cj-pc.com]  
**Sent:** Thursday, February 17, 2011 9:54 AM  
**To:** McVey, Lola  
**Subject:** RE: OPEB Trust

Lola,

You're welcome for the tax information... anytime you have a question like that don't hesitate to ask.

We will eventually need the original, but you can hold onto it if you want to and we'll grab it when we come up for planning (that way you can save on courier costs). I really just needed the .pdf for the Contract to Audit.

Thanks!  
Adam

---

**From:** McVey, Lola [mailto:Lmcvey@btes.net]  
**Sent:** Thursday, February 17, 2011 09:13  
**To:** Adam Allen  
**Subject:** RE: OPEB Trust

Adam,

Thanks for the tax info.

Attached is the signed Engagement Letter. Do you need the original?

Lola

10/3/2012



---

**From:** Adam Allen [mailto:aallen@cj-pc.com]  
**Sent:** Wednesday, February 16, 2011 9:47 AM  
**To:** McVey, Lola  
**Subject:** RE: OPEB Trust

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**Subject:** OPEB Trust

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Coulter & Justus, P.C. 9717 Cogdill Road, Suite 201, Knoxville, TN 37932; Telephone 865-637-4161; Fax: 865-524-2952

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**Mark Smith**

---

**From:** Browder, Mike  
**Sent:** Wednesday, November 09, 2011 7:08 AM  
**To:** McVey, Lola  
**Subject:** RE: Rep Letter

Lola,  
This looks correct to me.  
Thanks,  
Mike

---

**From:** McVey, Lola  
**Sent:** Tuesday, November 08, 2011 5:00 PM  
**To:** Browder, Mike  
**Subject:** FW: Rep Letter

Please let me know if you are okay with this letter and we will add your signature.

Thanks!  
Lola

**Mark Smith**

---

**From:** Boughers, Leslie  
**Sent:** Wednesday, September 28, 2011 6:52 AM  
**To:** McVey, Lola  
**Subject:** RE: Safe Working Hours  
234,312.91 through June 30

---

**From:** McVey, Lola  
**Sent:** Tuesday, September 27, 2011 5:21 PM  
**To:** Boughers, Leslie  
**Subject:** Safe Working Hours

Leslie,

Can you tell me how many safe working hours we have had through June 30, 2011? I thought it might be in the Telowatt.

Thanks!

Lola D. McVey, CPA, CGFM  
Director of Accounting and Finance  
Bristol Tennessee Essential Services  
423-793-5517 Office  
423-575-5517 Cell  
423-793-5545 Fax  
lmcvey@btes.net

10/3/2012

**Mark Smith**

---

**From:** Adam Allen [aallen@cj-pc.com]  
**Sent:** Monday, November 07, 2011 7:19 PM  
**To:** McVey, Lola  
**Subject:** Rep Letter  
**Attachments:** A7 - BTES - 6-30-11 Rep. Letter.doc

Lola,

Attached is the representation letter. Please print on BTES letterhead, read, sign, e-mail (or fax) me a copy, keep a copy for yourself, and mail me back the original.

I'm going through Conor's suggestions this evening and will get with you tomorrow to discuss any potential changes.

Thanks,  
Adam

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November 7, 2011

Coulter and Justus, P.C.  
9717 Cogdill Rd.  
Suite 201  
Knoxville, TN 37932

### **Letter of Representation**

We are providing this letter in connection with your audits of the financial statements of Bristol Tennessee Essential Services and the Bristol Tennessee Essential Services Post Employment Benefits Trust (collectively "BTES") as of June 30, 2011 and 2010, and for the years then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position of BTES and the changes in financial position and, where applicable, the cash flows thereof in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control over financial reporting, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief, as of the date of this letter, the following representations made to you during your audits.

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America.
2. We have made available to you all—
  - a. Financial records and related data.
  - b. Minutes of the meetings of the Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.

5. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
6. We have no knowledge of any fraud or suspected fraud affecting BTES involving—
  - a. Management,
  - b. Employees who have significant roles in internal control, or
  - c. Others where the fraud could have a material effect on the financial statements.
7. We have no knowledge of any allegations of fraud or suspected fraud affecting BTES received in communications from employees, former employees, analysts, regulators, or others.
8. BTES has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net assets.
9. The following, if any, have been properly recorded or disclosed in the financial statements:
  - a. Related party transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
  - b. Guarantees, whether written or oral, under which BTES is contingently liable.
  - c. All accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates and measurements. We believe the estimates and measurements are reasonable in the circumstances, consistently applied, and adequately disclosed.
10. We are responsible for compliance with laws, regulations, and provisions of contracts and agreements applicable to us including tax and debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and agreements that we believe have a direct and material effect on the determination of financial statement amounts, or other financial data significant to the audit objectives.

11. There are no—

- a. Violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and agreements, tax or debt limits and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency or for reporting on noncompliance.
  - b. Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with accounting principles generally accepted in the United States of America.
  - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by accounting principles generally accepted in the United States of America.
12. BTES has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
13. BTES has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
14. Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.
15. The activity and balances between the Electric Business Unit, the Cable and Internet Business Unit, and the Telephone Business Unit have been appropriately classified and reported.
16. All deposits were entirely insured or collateralized with securities held by BTES agents in BTES' name.
17. Regulatory assets are properly capitalized, reported, and, if applicable, depreciated. Non-regulatory assets are properly expensed.
18. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior year. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
19. Deposits and investment securities are properly classified as to risk, and investments are properly valued.



20. Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the balance sheet date and have been appropriately reduced to their estimated net realizable value.
21. Provisions, when material, has been made to reduce excess or obsolete inventories to their estimated net realizable value.
22. At June 30, 2011, BTES had no purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of prevailing market prices.
23. The fiber optic transmission lines were constructed with the intent to serve the Electric Business Unit.
24. We believe the actuarial assumptions and methods used to measure pension and OPEB liabilities and costs for financial accounting purposes are appropriate in the circumstances.
25. The allocation method being used to allocate both operational and non-operational (depreciation, interest expense, etc.) costs between the business units is an accurate estimate of the allocation for the use of those costs.

No events, including instances of noncompliance, have occurred subsequent to the balance sheet date, and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

Very truly yours,

---

R. Michael Browder, Chief Executive Officer

---

Lola McVey, Director of Accounting

b) Documents provided by BTES to the auditors.

**RESPONSE:** Subject to BTES' objection as to the relevance of these documents, given that the audit did not identify any material weaknesses, please see the attached documents.

c) All auditor workpapers.

**RESPONSE:** BTES objects to this request, as BTES' auditors' workpapers are not in the possession or subject to the control of BTES.

07/11/11 16:22:27

## LOSS ANALYSIS REPORT

PAGE: 1

UNDERWRITER: 001 MCA ADMINISTRATORS

GROUP: 374 0374

BRISTOL TN ESSENTIAL SERVICES

ALL DEPARTMENTS

INCURRED: 01/01/10 THRU: 06/30/11

PAID: 07/01/10 THRU: 06/30/11

COVERAGE TYPE: ALL

BENEFIT PLAN: ALL

MONTH	MONTH PAID												TOTAL
INCURRED	JUL 10	AUG 10	SEP 10	OCT 10	NOV 10	DEC 10	JAN 11	FEB 11	MAR 11	APR 11	MAY 11	JUN 11	INCURRED
JAN 10	1231	1126	829		1161	9				477		2344	7180
FEB 10	1944	190	260	50	100	124	909		13	100			3693
MAR 10	912	-445	3408	-65	285	241	128	96		-109	-55		4397
APR 10	566	932	5949		192				13		-69		7585
MAY 10	13226	7186	3979		172	638	10	111	100			-75	25352
JUN 10	31896	4892	979	184	3753	119	222	32		122	-55		42148
JUL 10	628	44698	12224	207	7396			62		58	-108	-160	65008
AUG 10		2326	21560	21180	15814	19316	515	331109	13	75	143		412056
SEP 10			525	24537	29646	1488	229	13253	35	446			70163
OCT 10				152	40285	11781	2550	1912	143	429	388	-1532	56109
NOV 10					230	29705	13349	4479	1871	407	97	672	50815
DEC 10						2300	6267	16395	4716	1050	6	459	31197
JAN 11								22031	22046	1609	498	1470	47656
FEB 11									11354	11750	2762	2038	27904
MAR 11									1301	19287	17095	5887	43572
APR 11											55537	26314	81851
MAY 11											115	22328	22443
JUN 11												56	56
	50407	60908	49718	46247	99039	65726	24183	389484	41610	35705	76357	59805	999194

\*\*\*\* END OF REPORT \*\*\*\*

DR 243.00  
CL 926.10

77850.00

77850.00

## Cash Investments

June 2011

<u>Type</u>	<u>Date Acquired</u>	<u>Maturity Date</u>	<u>Cost</u>	<u>Interest Rate</u>	<u>Source of Funds</u>
Bank of Tennessee Money Market			\$21,887.38	0.10%	Revenue
Green Bank Money Market			\$558,609.30	0.13%	Revenue
Bank of Tennessee CD #1011983851	03/25/11	06/30/11	\$2,900,000.00	0.69%	Revenue
Bank of Tennessee CD #1012349129	06/10/11	09/15/11	\$1,500,000.00	0.59%	Revenue
Bank of Tennessee CD #1012290094	05/27/11	09/01/11	\$1,000,000.00	0.59%	Revenue
Bank of Tennessee CD #1011983819	03/25/11	06/30/11	\$2,400,000.00	0.69%	R & R Fund
Bank of Tennessee CD #1011983878	03/25/11	06/30/11	\$267,837.76	0.69%	R & R Fund
Bank of Tennessee CD #1011983754	03/25/11	06/30/11	\$2,226,256.63	0.69%	R & R Fund
Bank of Tennessee CD #1012124771	04/22/11	07/28/11	\$3,105,905.61	0.64%	R & R Fund

Applicable: June 1, 2011

**TENNESSEE VALLEY AUTHORITY**  
  
**STATEMENT OF AMOUNTS**  
**APPLICABLE TO ENERGY AND DEMAND CHARGES**  
**OF DESIGNATED RATE SCHEDULES**  
**FOR**  
**BRISTOL TENNESSEE ESSENTIAL SERVICES**

The following Wholesale Fuel Cost Adjustment and Resale Fuel Cost Adjustment amounts were calculated pursuant to the applicable Adjustment Addendum and are to be used in calculating bills rendered from meter readings taken for TVA and Distributor monthly billing cycles scheduled to begin on or after the applicable date above. Also shown are the Resulting Rates (demand and energy amounts) calculated to reflect the base rate amounts plus all adjustment amounts pursuant to said applicable Adjustment Addendum.

	<u>Fuel Cost Adjustment</u>
<b>STANDARD SERVICE - SUMMER PERIOD</b>	
<u><b>Residential Service</b></u>	
<u>Schedule RS</u>	
Energy Charge	2.537¢
<u><b>General Power Service</b></u>	
<u>Schedule GSA</u>	
Part 1	
Energy Charge	2.498¢
Part 2	
Demand Charge	
First 50 kW	
Excess over 50 kW	
Energy Charge	
First 15,000 kWh	2.498¢
Additional kWh	2.453¢
Part 3	
Demand Charge	
First 1,000 kW	
Excess over 1,000 kW	
Energy Charge	2.453¢
<u><b>Outdoor Lighting Service</b></u>	
<u>Schedule LS</u> Part A and B	
Energy Charge	2.537¢
Offpeak	2.453¢
<u><b>General Power Service</b></u>	
<u>Schedule SGSB</u>	
Demand Charge	
Energy Charge	2.437¢
<u><b>Manufacturing Service</b></u>	
<u>Schedule SMSB</u>	
Demand Charge	
Energy Charge	2.437¢
<u>Schedule SMSC</u>	
Demand Charge	
Energy Charge	2.437¢



## **Outdoor Lighting Rate Schedule LS**

**All Rates Subject to TVA's Total Monthly Fuel Cost (FCA)**

### **Availability**

Available for service to street and park lighting systems, traffic signal systems, athletic field lighting installations, and outdoor lighting for individual customers.

Service under this schedule is for a term of not less than 1 year.

### **Payment**

Bills under this rate schedule will be rendered monthly. Any amount of bill unpaid after due date specified on bill may be subject to additional charges under Bristol Tennessee Essential Services' (BTES) standard policy.

### **Adjustment**

The energy charge in Part A and Part B of this rate schedule shall be increased or decreased in accordance with the current Adjustment Addendum published by TVA. (In addition, the energy charge in Part A and Part B of this rate schedule shall be increased or decreased to correspond to increases or decreases determined by TVA under Adjustment 2 or Adjustment 4 of the wholesale power rate schedule applicable under contractual arrangements between TVA and BTES.)

### **Determination of Seasonal Periods**

Summer Period shall mean the June, July, August and September billing months. Winter Period shall mean the December, January, February and March billing months. Transition Period shall mean the April, May, October and November billing months.

## **PART A- CHARGES FOR STREET AND PARK LIGHTING SYSTEMS, TRAFFIC SIGNAL SYSTEMS, AND ATHLETIC FIELD LIGHTING INSTALLATIONS.**

### **I. Energy Charge:**

Summer Period: 3.823 cents plus .205 cents environmental charge to equal 4.028 cents per kWh plus total monthly fuel cost (FCA)

Winter Period: 3.539 cents plus .205 cents environmental charge to equal 3.744 cents per kWh plus total monthly fuel cost (FCA)

Transition Period: 3.361 cents plus .205 cents environmental charge to equal 3.566 cents per kWh plus total monthly fuel cost (FCA)

### **II. Facility Charge**

The annual facility charge shall be 7 percent of the installed cost to BTES of the facilities devoted to street and park lighting service specified in this Part A. Such installed cost shall be recomputed on July 1 of each year, or more often if substantial changes in the facilities are

made. Each month, one-twelfth of the then total annual facility charge shall be billed to the customer. If any part of the facilities has not been provided at BTES' expense or if the installed cost of any portion thereof is reflected on the books of another municipality or agency or department, the annual facility charge shall be adjusted to reflect properly the remaining cost to be borne by BTES.

Traffic signal systems and athletic field lighting installations shall be provided, owned, and maintained by and at the expense of the customer, except as BTES may agree otherwise in accordance with the provisions of the paragraph next following in the section II. The facilities necessary to provide service to such systems and installations shall be provided by and at the expense of BTES, and the annual facility charge provided for first above in this section II shall apply to the installed cost of such facilities. When so authorized by policy duly adopted by BTES' governing board, traffic signal systems and athletic field lighting installations may be provided, owned, and maintained by BTES for the customer's benefit. In such cases BTES may require reimbursement from the customer for a portion of the initial installed cost of any such system or installation and shall require payment by the customer of a facility charge sufficient to cover all of BTES' cost (except reimbursed costs), including appropriate overheads, of providing, owning, and maintaining such system or installation; provided that, for athletic field lighting installations, such facility charge shall in no case be less than 12 percent per year of such costs. Said facility charge shall be in addition to the annual facility charge on the facilities necessary to provide service to such system or installation as provided for in the preceding paragraph. Replacements of lamps and related glassware for traffic signal systems and athletic field lighting installations provided under this paragraph shall be paid for under the provisions of paragraph A in Section IV.

### III. Customer Charge- Traffic Signal Systems and Athletic Field Lighting Installations.

BTES shall apply a uniform monthly customer charge of \$2.50 for service to each traffic signal system or athletic field lighting installation.

### IV. Replacement of Lamps and Related Glassware- Street and Park Lighting

Customer shall be billed and shall pay for replacements as provided in paragraph B below, which shall be applied to all service for street and park lighting.

- A. BTES shall bill the customer monthly for such replacements during each month at BTES' cost of materials, including appropriate storeroom expense.
- B. BTES shall bill the customer monthly for one-twelfth of the amount by which BTES' cost of materials, including appropriate storeroom expense, exceeds the product of 3 mills multiplied by the number of kilowatt-hours used for street and park lighting during the fiscal year immediately preceding the fiscal year in which such month occurs.

### Metering

For any billing month or part of such month in which the energy is not metered or for which a meter reading is found to be in error or a meter is found to have failed, the energy for billing purposes for that billing month or part of such month shall be computed from the rated capacity of the lamps (including ballast) plus 5 percent of such capacity to reflect secondary circuit losses, multiplied by the number of hours of use.

### Revenue and Cost Review

BTES' costs of providing service under Part A of this rate schedule are subject to review at any time and from time to time to determine if BTES' revenues from the charges being applied are sufficient to cover its costs. (Such costs, including applicable overheads, include, but are not limited to, those incurred in the operation and maintenance of the systems provided and those resulting from depreciation and payments for taxes, tax equivalents and interest.) If any such review discloses that revenues are either less or more than sufficient to cover said costs, BTES shall revise the above facility charges so that revenues will be sufficient to cover said costs. Any such revision of the annual facility charge provided for first above in section II of Part A of this rate schedule shall be by agreement between BTES and TVA.

### PART B- CHARGES FOR OUTDOOR LIGHTING FOR INDIVIDUAL CUSTOMERS

#### Charges Per Fixture Per Month

(A) Type of Fixture	Lamp Size (Watts)	(Lumens)	Rated kWh	Facility Charge
Mercury Vapor	175	7,650	77	\$4.30
	400	19,100	171	\$5.38
High Pressure Sodium	100	8,550	46	\$6.33
	250	23,500	116	\$8.99
Flood Light				
Mercury Vapor	400	19,100	171	\$6.94
	1000	50,000	416	\$10.19
High Pressure Sodium	250	23,000	155	\$7.99
	400	50,000	181	\$25.62

#### (B) Energy Charge: For each lamp size under (A) above

Summer Period: 3.823 cents plus .205 cents environmental charge to equal 4.028 cents per kWh plus total monthly fuel cost (FCA)

Winter Period: 3.539 cents plus .205 cents environmental charge to equal 3.744 cents per kWh plus total monthly fuel cost (FCA)

Transition Period: 3.361 cents plus .205 cents environmental charge to equal 3.566 cents per kWh plus total monthly fuel cost (FCA)

### Additional Facilities

The above charges in this Part B are limited to service from a photoelectrically controlled standard lighting fixture installed on a pole already in place. If the customer wishes to have the fixture installed at a location other than on a pole already in place, BTES may apply an additional monthly charge.

### Lamp Replacements

Replacements of lamps and related glassware will be made in accordance with replacement policies of BTES without additional charge to the customer.



### **Special Outdoor Lighting Installations**

When so authorized by policy duly adopted by BTES' governing board, special outdoor lighting installations (other than as provided for under Parts A and B above) may be provided, owned, and maintained by BTES. In such cases BTES may require reimbursement from the customer for a portion of the initial installed cost of any such installation and shall require payment by the customer of monthly charges sufficient to cover all of BTES' cost (except reimbursed costs), including appropriate overheads, or providing, owning, and maintaining such installations, and making lamp replacements.

\*Service is subject to BTES' Rules and Regulations.



## **Charges for Outdoor Lighting For Individual Customers (Part B of Rate Schedule LS)**

The below charges are limited to service from a photo electrically controlled Standard Street Lighting Fixture installed on a pole already in place. The monthly investment charge plus energy apply to the following lights:

### **Standard Light**

<b>Type of Fixture</b>	<b>Lamp Size</b>	<b>Monthly Rate</b>
Mercury Vapor	175 Watts	9.36
	400 Watts	16.61
High Pressure Sodium	100 Watts	9.35
	250 Watts	16.61

### **Flood Light**

<b>Type of Fixture</b>	<b>Lamp Size</b>	<b>Monthly Rate</b>
Mercury Vapor	400 Watts Wide Angle	18.17
	1000 Watts Wide Angle	37.50
High Pressure Sodium	250 Watts Wide Angle	18.17
	400 Watts Wide Angle	37.50

If the customer wishes to have the fixture installed at a location other than on a pole already in place, BTES will apply the monthly investment charge plus the monthly wood pole charge of \$5.00 per wood pole per month.

Any other special installation may also require a monthly investment charge in addition to the charges stated above. Customers desiring service rendered in this Part B may be required to execute contracts for this service guaranteeing payment at the monthly charges for facilities required. Contract periods will be based on the characteristics of each particular installation.



## RESIDENTIAL ELECTRIC RATE SCHEDULE

All Rates Subject to TVA Monthly Fuel Cost (FCA)

### AVAILABILITY

This rate shall apply only to electric service to a single-family dwelling (including its appurtenances if served through the same meter), where the major use of electricity is for domestic purposes such as lighting, household appliances, and the personal comfort and convenience of those residing therein.

### CHARACTER OF SERVICE

Alternating current, single-phase, 60 hertz. Voltage supplied shall be at the discretion of Bristol Tennessee Essential Services (BTES) and shall be determined by the voltage available from distribution lines in the vicinity and/or other conditions. Multi-phase service shall be supplied in accordance with BTES' standard policy.

### BASE CHARGES

Customer Charge: \$10.02 per delivery point, less \$1.60 Hydro Allocation Credit to equal \$8.42 per month  
Energy Charge: Summer Period: 5.872 cents plus 0.303 cents environmental charge to equal 6.175 cents per kilowatt-hour plus total monthly fuel cost (FCA).  
Winter Period: 5.598 cents plus 0.303 cents environmental charge to equal 5.901 cents per kilowatt-hour plus total monthly fuel cost (FCA).  
Transition Period: 5.427 cents plus 0.303 cents environmental charge to equal 5.730 cents per kilowatt-hour plus total monthly fuel cost (FCA).

### ADJUSTMENT

The base energy charge shall be increased or decreased in accordance with the current Adjustment Addendum published by TVA. (In addition, the base energy charge and the hydro allocation credit shall be increased or decreased to correspond to increases or decreases determined by TVA in the value of the hydro generation benefit allocated to residential customers.)

### DETERMINATION OF SEASONAL PERIODS

Summer Period shall mean the June, July, August and September billing months. Winter Period shall mean the December, January, February and March billing months. Transition Period shall mean the April, May, October and November billing months.

### MINIMUM MONTHLY BILL

The minimum monthly bill for all customers served under this rate schedule, except those customers for which a higher minimum monthly bill is required under BTES' standard policy because of special circumstances affecting BTES' cost of rendering service, shall be \$14.48, less \$1.71 Hydro Allocation Credit to equal \$12.77.

### PAYMENT

Bills under this rate schedule will be rendered monthly. Any amount of bill unpaid after the due date specified on the bill is subject to an additional charge under BTES' standard policy.

### SINGLE-POINT DELIVERY

The charges under this rate schedule are based upon the supply of service through a single delivery and metering point, and at a single voltage. If service is supplied to the same customer through more than one point of delivery or at different voltages, the supply of service at each delivery and metering point and at each different voltage shall be separately metered and billed under the appropriate rate schedule.

\*\*\*Service is subject to the Rules and Regulations of BTES

Effective 04/01/11



## **Charges for Outdoor Lighting For Individual Customers (Part B of Rate Schedule LS)**

The below charges are limited to service from a photo electrically controlled Standard Street Lighting Fixture installed on a pole already in place. The monthly investment charge plus energy apply to the following lights:

### **Standard Light**

Type of Fixture	Lamp Size	Monthly Rate
Mercury Vapor	175 Watts	9.01
	400 Watts	15.83
High Pressure Sodium	100 Watts	9.00
	250 Watts	15.84

### **Flood Light**

Type of Fixture	Lamp Size	Monthly Rate
Mercury Vapor	400 Watts Wide Angle	17.39
	1000 Watts Wide Angle	35.62
High Pressure Sodium	250 Watts Wide Angle	17.40
	400 Watts Wide Angle	35.62

If the customer wishes to have the fixture installed at a location other than on a pole already in place, BTES will apply the monthly investment charge plus the monthly wood pole charge of \$5.00 per wood pole per month.

Any other special installation may also require a monthly investment charge in addition to the charges stated above. Customers desiring service rendered in this Part B may be required to execute contracts for this service guaranteeing payment at the monthly charges for facilities required. Contract periods will be based on the characteristics of each particular installation.



## SMSC ELECTRIC RATE SCHEDULE

All Rates Subject to TVA Monthly Fuel Cost (FCA)

### AVAILABILITY

This rate shall apply to the firm electric power requirements where (a) a customer's currently effective contract demand is greater than 15,000 kW but not more than 25,000 kW and (b) the major use of electricity is for activities conducted at the delivery point serving that customer which are classified with a 2-digit Standard Industrial Classification Code between 20 and 39, inclusive, or classified with 2002 North American Industry Classification System (NAICS) code 5181, or 2007 NAICS codes 5182, 522320, and 541214; provided, however, customers qualifying for service under this schedule on the basis of such a NAICS code shall have an average monthly load factor of at least 80 percent during the preceding 12 months; provided further, however, that for the first 12 months of service to a new customer this load factor requirement shall be based on the customer's expected load factor for those 12 months as projected before the customer begins taking service. As used in the previous sentence "monthly load factor" shall mean a percentage calculated by dividing the total metered energy for a month by the product of the metered demand for that month and the number of clock hours in that month, exclusive of any hours during which power was unavailable due to an interruption or curtailment of the customer's service and of any hours in which the customer was unable to use power due to a Force Majeure event reasonably beyond the customer's control.

Prior to initially taking any service under this schedule, and from time to time thereafter as may be required by Bristol Tennessee Essential Service (BTES) or the Tennessee Valley Authority (TVA), a customer shall certify to both BTES and TVA that it meets the requirements set forth in condition (b) above. The certification form to be used shall be (i) furnished or approved by TVA, (ii) provided by BTES to the customer, and (iii) signed and promptly returned by the customer to BTES. Further, such customer shall promptly certify any change in the status of any of the information contained in the certification form to BTES.

Service during any period for which a customer does not meet the eligibility requirements set forth in condition (b) above will be made available by BTES under, and billed in accordance with, the applicable General Power schedule.

Unless otherwise provided for in a written agreement between TVA and the distributor providing service under this rate schedule, for customers served under this rate schedule, the customer's "meter-reading time" shall be 0000 hours CST or CDT, whichever is currently effective, on the first day of the calendar month following the month for which a bill under this rate schedule is being calculated. Further, in accordance with TVA furnished or approved guidelines or specifications, TVA shall have unrestricted remote access to the metering data at all times, as well as unrestricted physical access to the metering facilities for the purpose of confirming remotely-accessed data during such periods as are specified by TVA.

### CHARACTER OF SERVICE

Power shall be delivered at a transmission voltage of 161 kV or, if such transmission voltage is not available, at the highest voltage available in the vicinity, unless at the Customer's request a lower standard voltage is agreed upon.

### BASE CHARGES

If the customer's contract demand is no more than 5,000 kW:

Customer Charge: \$1,500 per delivery point per month.

Administrative Charge: \$350 per delivery point per month.

#### Demand Charge:

Summer Period: \$16.98 plus \$.73 environmental charge to equal \$17.71 per kW plus an additional \$16.98 plus \$.73 environmental charge to equal \$17.71 per kW per month for each kW by which billing demand exceeds its contract demand.

Winter Period: \$11.10 plus \$.47 environmental charge to equal \$11.57 per kW plus an additional \$11.10 plus \$.47 environmental charge to equal \$11.57 per kW per month for each kW by which billing demand exceeds its contract demand.

Transition Period: \$6.68 plus \$.28 environmental charge to equal \$6.96 per kW plus an additional \$6.68 plus \$.28 environmental charge to equal \$6.96 per kW per month for each kW by which billing demand exceeds its contract demand.

#### Energy Charge:

Summer Period: All kWh per month at 1.550 cents plus .153 cents environmental charge to equal 1.703 cents per kWh plus total monthly fuel cost (FCA).

Winter Period: All kWh per month at 1.145 cents plus .136 cents environmental charge to equal 1.281 cents per kWh plus total monthly fuel cost (FCA).

Transition Period: All kWh per month at 1.049 cents plus .131 cents environmental charge to equal 1.180 cents per kWh plus total monthly fuel cost (FCA).

### ADJUSTMENT

The base demand and energy charges shall be increased or decreased in accordance with the current Adjustment Addendum published by TVA. (In addition, such charges shall be increased or decreased to correspond to increases or decreases determined by TVA in the value of the hydro generation benefit allocated to residential customers.)

### FACILITIES RENTAL CHARGE

There shall be no facilities rental charge under this rate schedule for delivery at bulk transmission voltage levels of 161 kV or higher. For delivery at less than 161 kV, there shall be added to the customer's bill a facilities rental charge. This charge shall be 36 cents per kW per month except for delivery at voltages below 46 kV, in which case the charge shall be 93 cents per kW per month for the first 10,000 kW and 73 cents per kW per month for the excess over 10,000 kW. Such charge shall be applied to the higher of (1) the highest billing demand established during the latest 12-consecutive-month period or (2) the customer's current effective contract demand and shall be in addition to all other charges under this rate schedule including minimum bill charges. Such amounts in cents per kW may be increased or decreased by TVA, effective with the effective date of any Adjustment Addendum published by TVA, to reflect changes in the costs of providing for delivery at voltage levels below 161 kV.

### REACTIVE DEMAND CHARGES

If the reactive demand (in kVAR) is lagging during the 30-consecutive-minute period of the month in which the customer's highest metered demand occurs, there shall be added to the customer's bill a reactive charge of \$1.46 per kVAR of the amount, if any, by which the reactive demand exceeds 33 percent of such metered demand. If the reactive demand (in kVAR) is leading during the 30-consecutive-minute period of the month in which the customer's lowest metered demand (excluding

any metered demands which are less than 25 percent of the highest metered demand) occurs, there shall be added to the customer's bill a reactive charge of \$1.14 per kVAR of the amount of reactive demand. Such charges shall be in addition to all other charges under this rate schedule, including minimum bill charges, and such amounts in cents per kVAR may be increased or decreased by TVA, effective with the effective date of any Adjustment Addendum published by TVA, to reflect changes in the costs of providing reactive power.

#### **DETERMINATION OF SEASONAL PERIODS**

Summer Period shall mean the June, July, August and September billing months. Winter Period shall mean the December, January, February and March billing months. Transition Period shall mean the April, May, October and November billing months.

#### **DETERMINATION OF DEMAND**

BTES shall meter the demands in kW of all customers served under this rate schedule. The metered demand for any month shall be the highest average during any 30-consecutive-minute period beginning or ending on a clock hour of the month of the load metered in kW, and such amount shall be used as the billing demand, except that the billing demand for any month shall in no case be less than the sum of (1) 30 percent of the first 5,000 kW, (2) 40 percent of the next 20,000 kW, and (3) 50 percent of any kW in excess of 25,000 kW of the higher of the current effective contract demand or the highest billing demand established during the preceding 12 months.

#### **MINIMUM BILL**

The monthly bill, excluding any facilities rental charges and any reactive charges, shall not be less than the sum of (1) the base customer charge, (2) the base demand charge, as adjusted (but excluding the additional portion thereof applicable to excess of billing demand over contract demand) applied to the customer's billing demand, and (3) the base energy charge, as adjusted, applied to the customer's energy takings. BTES may require minimum bills higher than those stated above.

#### **CONTRACT REQUIREMENT**

If the customer's demand requirements are in excess of 15,000 kW, the contract shall be for an initial term of at least five years and any renewals or extensions of the initial contract shall be for a term of at least one year; after 10 years of service, any such contract for the renewal or extension of service may provide for termination upon not less than four months' notice. The customer shall contract for its maximum requirements, which shall not exceed the amount of power capable of being used by customer, and BTES shall not be obligated to supply in greater amount at any time than the customer's current effective contract demand. If the customer uses any power other than that supplied by BTES under this rate schedule, the contract may include other special provisions. The rate schedule in any power contract shall be subject to adjustment, modification, change, or replacement from time to time as provided under the power contract between BTES and TVA.

#### **PAYMENT**

Bills under this rate schedule will be rendered monthly. Any amount of bill unpaid after the due date specified on the bill may be subject to additional charges under BTES standard policy.

#### **SINGLE-POINT DELIVERY**

The charges under this rate schedule are based upon the supply of service through a single delivery and metering point, and at a single voltage. If service is supplied to the same customer through more than one point of delivery or at different voltages, the supply of service at each delivery and metering point and at each different voltage shall be separately metered and billed.

**\*\*\*Service is subject to the Rules and Regulations of BTES**



## **GSC ELECTRIC RATE SCHEDULE**

**All Rates Subject to TVA Monthly Total Fuel Cost (FCA)**

### **AVAILABILITY**

This rate shall apply to the firm electric power requirements where a customer's currently effective onpeak or offpeak contract demand, whichever is higher, is greater than 5,000 kW but not more than 15,000 kW; provided that the other conditions of this section are met.

Unless otherwise provided for in a written agreement between TVA and BTES providing service under this rate schedule, for customers served under this rate schedule, the customer's "meter reading time" shall be 0000 hours CST or CDT, whichever is currently effective, on the first day of the calendar month following the month for which a bill under this rate schedule is being calculated. Further, in accordance with TVA furnished or approved guidelines or specifications, TVA shall have unrestricted remote access to the metering data at all times, as well as unrestricted physical access to the metering facilities for the purpose of confirming remotely-accessed data during such periods as are specified by TVA.

For a customer requesting that its onpeak contract demand be different from its offpeak contract demand, this rate schedule shall be available only for (1) a new contract, (2) a replacement or renewal contract following expiration of the existing contract, or (3) a replacement or renewal contract or an amended existing contract in which the customer is increasing its demand requirements above the existing contract demand level, but under this item (3) neither the new onpeak nor the new offpeak contract demand shall be lower than the customer's existing contract demand.

### **CHARACTER OF SERVICE**

Power shall be delivered at a transmission voltage of 161 kV or, if such transmission voltage is not available, at the highest voltage available in the vicinity, unless at the Customer's request a lower standard voltage is agreed upon.

### **BASE CHARGES**

If the customer's contract demand is greater than 5,000 kW but not more than 15,000 kW:

Customer Charge: \$1,500 per delivery point per month

Administrative Charge: \$350 per delivery point per month

Demand Charge:

Summer Period:

\$14.93 plus \$.56 environmental charge to equal \$15.49 per kW per month of the customer's onpeak billing demand, plus

\$3.30 plus \$.11 environmental charge to equal \$3.41 per kW per month of the amount, if any, by which the customer's offpeak billing demand exceeds its onpeak billing demand, plus

\$14.93 plus \$.56 environmental charge to equal \$15.49 per kW per month of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.



Winter Period:

\$8.30 plus \$.30 environmental charge to equal \$8.60 per kW per month of the customer's onpeak billing demand, plus

\$3.30 plus \$.11 environmental charge to equal \$3.41 per kW per month of the amount, if any, by which the customer's offpeak billing demand exceeds its onpeak billing demand, plus

\$8.30 plus \$.30 environmental charge to equal \$8.60 per kW per month of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.

Transition Period:

\$3.30 plus \$.11 environmental charge to equal \$3.41 per kW per month of the amount, if any, by which the customer's offpeak billing demand exceeds its onpeak billing demand, plus

\$3.30 plus \$.11 environmental charge to equal \$3.41 per kW per month of the amount, if any, by which the customer's billing demand exceeds its contract demand

Energy Charge:

Summer Period

6.372 cents plus .325 cents environmental charge to equal 6.697 cents per month for all onpeak kWh plus total monthly fuel cost (FCA), plus

3.226 cents plus .202 cents environmental charge to equal 3.428 cents plus total monthly fuel cost (FCA) per month for the first 425 hours use of maximum metered demand multiplied by the ratio of offpeak energy to total energy, plus

1.482 cents plus .134 cents environmental charge to equal 1.616 cents plus total monthly fuel cost (FCA) per month for the next 195 hours use of maximum metered demand multiplied by the ratio of offpeak energy to total energy, plus

0.004 cents plus .075 cents environmental charge to equal 0.079 cents plus total monthly fuel cost (FCA) per month for the hours use of maximum metered demand in excess of 620 hours multiplied by the ratio of offpeak energy to total energy

Winter Period:

3.579 cents plus .216 cents environmental charge to equal 3.795 cents plus total monthly fuel cost (FCA) per month for all onpeak kWh, plus

3.226 cents plus .202 cents environmental charge to equal 3.428 cents plus total monthly fuel cost (FCA) per month for the first 425 hours use of maximum metered demand multiplied by the ratio of offpeak energy to total energy, plus

1.482 cents plus .134 cents environmental charge to equal 1.616 cents per month plus total monthly fuel cost (FCA) for the next 195 hours use of maximum metered demand multiplied by the ratio of offpeak energy to total energy, plus

0.004 cents plus .075 cents environmental charge to equal 0.079 cents plus total monthly fuel cost (FCA) per month for the hours use of maximum metered demand in excess of 620 hours multiplied by the ratio of offpeak energy to total energy

**Transition Period:**

3.226 cents plus .202 cents environmental charge to equal 3.428 cents plus total monthly fuel cost (FCA) per month for the first 425 hours use of maximum metered demand, plus

1.482 cents plus .134 cents environmental charge to equal 1.616 cents plus total monthly fuel cost (FCA) per month for the next 195 hours use of maximum metered demand, plus

0.004 cents plus .075 cents environmental charge to equal 0.079 cents plus total monthly fuel cost (FCA) per month for the hours use of maximum metered demand in excess of 620 hours

For the Summer, Winter and Transition Period, 3.226 cents plus .202 cents environmental charge to equal 3.428 cents plus total monthly fuel cost (FCA) per kWh per month shall be applied to the portion, if any, of the minimum offpeak energy takings amount that is great than the metered energy

### **ADJUSTMENT**

The base demand and energy charges shall be increased or decreased in accordance with the current Adjustment Addendum published by TVA. (In addition, such charges shall be increased or decreased to correspond to increases or decreases determined by TVA in the value of the hydro generation benefit allocated to residential customers.)

### **FACILITIES RENTAL CHARGE**

There shall be no facilities rental charge under this rate schedule for delivery at bulk transmission voltage levels of 161 kV or higher. For delivery at less than 161 kV, there shall be added to the customer's bill a facilities rental charge. This charge shall be 36 cents per kW per month except for delivery at voltages below 46 kV, in which case the charge shall be 93 cents per kW per month for the first 10,000 kW and 73 cents per kW per month for the excess over 10,000 kW. Such charge shall be applied to the higher of (1) the highest billing demand established during the latest 12-consecutive-month period or (2) the customer's current effective contract demand and shall be in addition to all other charges under this rate schedule including minimum bill charges. Such amounts in cents per kW may be increased or decreased by TVA, effective with the effective date of any Adjustment Addendum published by TVA, to reflect changes in the costs of providing for delivery at voltage levels below 161 kV.

### **REACTIVE DEMAND CHARGES**

If the reactive demand (in kVAR) is lagging during the 30-consecutive-minute period of the month in which the customer's highest metered demand occurs, there shall be added to the customer's bill a reactive charge of \$1.46 per kVAR of the amount, if any, by which the reactive demand exceeds 33 percent of such metered demand. If the reactive demand (in kVAR) is leading during the 30-consecutive-minute period of the month in which the customer's lowest metered demand (excluding any metered demands which are less than 25 percent of the highest metered demand) occurs, there shall be added to the customer's bill a reactive charge of \$1.14 per kVAR of the amount of reactive demand. Such charges shall be in addition to all other charges under this rate schedule, including minimum bill charges, and such amounts in cents per kVAR may be increased or decreased by TVA, effective with the effective date of any Adjustment Addendum published by TVA, to reflect changes in the costs of providing reactive power.

### **DETERMINATION OF DEMAND**

BTES shall meter the demands in kW of all customers served under this rate schedule. The metered demand for any month shall be the highest average during any 30-consecutive-minute period beginning or ending on a clock hour of the month of the load metered in kW, and such amount shall be used as the billing demand, except that the billing demand for any month shall in no case be less than the sum of (1) 30 percent of the

first 5,000 kW, (2) 40 percent of any kW in excess of 5,000 kW of the higher of the current effective contract demand or the highest billing demand established during the preceding 12 months.

### **DETERMINATION OF SEASONAL PERIODS**

Summer Period shall mean the June, July, August and September billing months. Winter Period shall mean the December, January, February and March billing months. Transition Period shall mean the April, May, October and November billing months.

### **DETERMINATION OF ONPEAK AND OFFPEAK HOURS**

Except for Saturdays and Sundays and the weekdays that are observed as Federal holidays for New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day, onpeak hours for each day shall be from 1 p.m. to 7 p.m. during the Summer Period and from 4 a.m. to 10 a.m. during the Winter Period. For the Summer Period and the Winter Period, all other hours of each day that are not otherwise defined as onpeak hours and all hours of such excepted days shall be offpeak hours. For the Transition Period, all hours shall be offpeak hours. Such times shall be Central Standard Time or Central Daylight Time, whichever is then in effect. Said onpeak and offpeak hours are subject to change by TVA. In the event TVA determines that such changed onpeak and offpeak hours are appropriate, it shall so notify BTES at least 12 months prior to the effective date of such changed hours, and BTES shall promptly notify customer.

### **DETERMINATION OF ONPEAK AND OFFPEAK DEMANDS, MAXIMUM METERED DEMAND AND ENERGY AMOUNTS**

The onpeak and offpeak kWh for any month shall be the energy amounts taken during the respective hours of the month designated under this rate schedule as onpeak and offpeak hours; provided, however, that notwithstanding the metered energy amount, the offpeak energy for any month shall in no case be less than the product of (1) the offpeak billing demand as calculated in the last sentence of the paragraph below and (2) 110 hours (reflecting a 15 percent load factor applied to the average number of hours in a month).

BTES shall meter the onpeak and offpeak demands in kW of all customers taking service under this rate schedule. The onpeak metered demand and offpeak metered demand for any month shall be determined separately for the respective hours of the month designated under this rate schedule as onpeak and offpeak hours and in each case shall be the highest average during any 30-consecutive minute period beginning or ending on a clock hour of the month of the load metered in kW, and, except as provided below in this section, such amounts shall be used as the onpeak and offpeak billing demands. The maximum metered demand for any month shall be the higher of (1) the highest onpeak metered demand in the month or (2) the highest offpeak metered demand in the month. The onpeak billing demand shall in no case be less than the sum of (1) 30 percent of the first 5,000 kW and (2) 40 percent of any kW in excess of 5,000 kW of the higher of the currently effective onpeak contract demand or the highest onpeak billing demand established during the preceding 12 months. The offpeak billing demand shall in no case be less than the sum of (1) 30 percent of the first 5,000 kW and (2) 40 percent of any kW in excess of 5,000 kW of the higher of the currently effective offpeak contract demand or the highest offpeak billing demand established during the preceding 12 months.

### **MINIMUM BILL**

The monthly bill under this rate schedule, excluding any facilities rental charges and any reactive charges, shall not be less than the sum of (1) the base customer charge, (2) the portion of the base demand charge, as adjusted, (but excluding the additional portion thereof applicable to excess of billing demand over contract demand) applicable to onpeak billing demand applied to the customer's onpeak billing demand, (3) the

portion of the base demand charge, as adjusted, (but excluding the additional portion thereof applicable to excess of billing demand over contract demand) applicable to any excess of offpeak over onpeak billing demand applied to the amount, if any, by which the customer's offpeak billing demand exceeds its onpeak billing demand, (4) the base onpeak energy charge, as adjusted, applied to the customer's onpeak energy takings, and (5) the base offpeak energy charge, as adjusted, applied to the higher of customer's actual offpeak energy takings or the minimum offpeak energy takings amount provided for in the first paragraph of the section of this rate schedule entitled "Determination of Onpeak and Offpeak Demands, Maximum Metered Demand, and Energy Amounts". BTES may require minimum bills higher than those stated above, including, without limitation, charges to cover any additional metering and related costs.

### **CONTRACT REQUIREMENT**

If the customer's demand requirements are in excess of 5,000 kW, the contract shall be for an initial term of at least five years and any renewals or extensions of the initial contract shall be for a term of at least one year; after 10 years of service, any such contract for the renewal or extension of service may provide for termination upon not less than four months notice. The customer shall contract for its maximum requirements, which shall not exceed the amount of power capable of being used by customer, and BTES shall not be obligated to supply in greater amount at any time than the customer's current effective onpeak or offpeak contract demand. If the customer uses any power other than that supplied by BTES under this rate schedule, the contract may include other special provisions. The rate schedule in any power contract shall be subject to adjustment, modification, change, or replacement from time to time as provided under the power contract between BTES and TVA.

### **PAYMENT**

Bills under this rate schedule will be rendered monthly. Any amount of bill unpaid after the due date specified on the bill may be subject to additional charges under BTES standard policy.

### **SINGLE-POINT DELIVERY**

The charges under this rate schedule are based upon the supply of service through a single delivery and metering point, and at a single voltage. If service is supplied to the same customer through more than one point of delivery or at different voltages, the supply of service at each delivery and metering point and at each different voltage shall be separately metered and billed.

**\*\*\*Service is subject to the Rules and Regulations of BTES.**



## GSA ELECTRIC RATE SCHEDULE

All Rates Subject to TVA Monthly Fuel Cost (FCA)

### AVAILABILITY

This rate shall apply to the firm power requirements (where a customer's contract demand is 5,000 kW or less) for electric service to commercial, industrial, and governmental customers; and to institutional customers including, without limitation, churches, clubs, fraternities, orphanages, nursing homes, rooming or boarding houses, and like customers. This rate shall also apply to customers to whom service is not available under any other resale rate schedule.

### CHARACTER OF SERVICE

Alternating current, single or three-phase, 60 hertz. Power shall be delivered at a voltage available in the vicinity or agreed to by Bristol Tennessee Essential Services (BTES).

### BASE CHARGES

1. If (a) the higher of (i) the customer's current effective contract demand, if any, or (ii) its highest billing demand during the latest 12-month period is not more than 50 kW and (b) customer's monthly energy takings for any month during such period do not exceed 15,000 kWh:

Customer Charge:

Single-phase, self contained metering facilities:	\$13.86 per delivery point per month or
Single-phase, transformer-rated metering facilities:	\$13.86 per delivery point per month or
Three-phase, self-contained metering facilities:	\$40.90 per delivery point per month or
Three-phase, transformer-rated metering facilities:	\$40.90 per delivery point per month

Energy Charge:

Summer Period: 6.971 cents plus .352 cents environmental charge to equal 7.323 cents per kWh plus total monthly fuel cost (FCA)

Winter Period: 6.697 cents plus .352 cents environmental charge to equal 7.049 cents per kWh plus total monthly fuel cost (FCA).

Transition Period: 6.526 cents plus .352 cents environmental charge to equal 6.878 cents per kWh plus total monthly fuel cost (FCA).

2. If (a) the higher of (i) the customer's current effective contract demand, if any, or (ii) its highest billing demand during the latest 12-month period is greater than 50 kW but not more than 1,000 kW or (b) if the customer's billing demand is less than 50 kW and its energy takings for any month during such period exceed 15,000 kWh:

Customer Charge:

Single-phase, self contained metering facilities:	\$48.43 per delivery point per month or
Single-phase, transformer-rated metering facilities:	\$48.43 per delivery point per month or
Three-phase, self-contained metering facilities:	\$71.99 per delivery point per month or
Three-phase, transformer-rated metering facilities:	\$71.99 per delivery point per month

**Demand Charge:**

Summer Period: First 50 kW of billing demand per month, no demand charge. Excess over 50 kW of billing demand per month, at \$9.67 plus \$.48 environmental charge to equal \$10.15 per kW, plus an additional \$9.67 plus \$.48 environmental charge to equal \$10.15 per kW per month for each kW by which billing demand exceeds the higher of 50kW or contract demand.

Winter Period: First 50 kW of billing demand per month, no demand charge. Excess over 50 kW of billing demand per month, at \$8.85 plus \$.48 environmental charge to equal \$9.33 per kW, plus an additional \$8.85 plus \$.48 environmental charge to equal \$9.33 per kW per month for each kW by which billing demand exceeds the higher of 50kW or contract demand.

Transition Period: First 50 kW of billing demand per month, no demand charge. Excess over 50 kW of billing demand per month, at \$8.85 plus \$.48 environmental charge to equal \$9.33 per kW, plus an additional \$8.85 plus \$.48 environmental charge to equal \$9.33 per kW per month for each kW by which billing demand exceeds the higher of 50kW or contract demand.

**Energy Charge:**

Summer Period: First 15,000 kWh per month at 6.797 cents plus .196 cents environmental charge to equal 6.993 cents per kWh plus total monthly fuel cost (FCA). Additional kWh per month at 3.731 cents plus .193 cents environmental charge to equal 3.924 cents per kWh plus total monthly fuel cost (FCA).

Winter Period: First 15,000 kWh per month at 6.523 cents plus .196 cents environmental charge to equal 6.719 cents per kWh plus total monthly fuel cost (FCA). Additional kWh per month at 3.460 cents plus .193 cents environmental charge to equal 3.653 cents per kWh plus total monthly fuel cost (FCA).

Transition Period: First 15,000 kWh per month at 6.352 cents plus .196 cents environmental charge to equal 6.548 cents per kWh plus total monthly fuel cost (FCA). Additional kWh per month at 3.344 cents plus .193 cents environmental charge to equal 3.537 cents per kWh plus total monthly fuel cost (FCA).

3. If (a) the higher of the customer's current effective contract demand, if any, or (b) its highest billing demand during the latest 12-month period is greater than 1,000 kW:

Customer Charge: \$100.00 per delivery point per month

**Demand Charge:**

Summer Period: \$9.90 plus \$.60 environmental charge to equal \$10.50 per kW plus an additional \$9.90 plus \$.60 environmental charge to equal \$10.50 per kW per month for each kW by which billing demand exceeds its contract demand.

Winter Period: \$9.08 plus \$.60 environmental charge to equal \$9.68 per kW plus an additional \$9.08 plus \$.60 environmental charge to equal \$9.68 per kW per month for each kW by which billing demand exceeds its contract demand.

Transition Period: \$9.08 plus \$.60 environmental charge to equal \$9.68 per kW plus an additional \$9.08 plus \$.60 environmental charge to equal \$9.68 per kW per month for each kW by which billing demand exceeds its contract demand.

**Energy Charge:**

Summer Period: All kWh per month at 3.726 cents plus .198 cents environmental charge to equal 3.924 cents per kWh plus total monthly fuel cost (FCA).

Winter Period: All kWh per month at 3.455 cents plus .198 cents environmental charge to equal 3.653 cents per kWh plus total monthly fuel cost (FCA).

Transition Period: All kWh per month at 3.339 cents plus .198 cents environmental charge to equal 3.537 cents per kWh plus total monthly fuel cost (FCA).

**ADJUSTMENT**

The base demand and energy charges shall be increased or decreased in accordance with the current Adjustment Addendum published by TVA. (In addition, such charges shall be increased or decreased to correspond to Increases or decreases determined by TVA in the value of the hydro generation benefit allocated to residential customers.)

**DETERMINATION OF DEMAND**

BTES shall meter the demands in kW of all customers having loads in excess of 50 kW. The metered demand for any month shall be the highest average during any 30-consecutive-minute period of the month of the load metered in kW. The measured demand for any month shall be the highest average during any 30-consecutive-minute period of the month of (a) the load metered in kW or (b) 85 percent of the load in kVA plus an additional 10 percent for that part of the load over 5,000 kVA, and such measured demand shall be used as the billing demand, except that the billing demand for any month shall in no case be less than 30 percent of the higher of the current effective contract demand or the highest billing demand established during the preceding 12 months.

**DETERMINATION OF SEASONAL PERIODS**

Summer Period shall mean the June, July, August and September billing months. Winter Period shall mean the December, January, February and March billing months. Transition Period shall mean the April, May, October and November billing months.

**MINIMUM BILL**

The monthly bill shall not be less than the higher of (1) \$13.86 or (2) the sum of (a) the base customer charge, (b) the base demand charge, as adjusted, applied to 30 percent of the higher of the current effective contract demand, or the highest billing demand established during the preceding 12 months, and (c) the base energy charge, as adjusted, applied to the customer's energy takings or (3) the sum of (a) the base customer charge and (b) 20 percent of the portion of the base demand charge, as adjusted (but excluding the additional portion thereof applicable to excess of billing demand over contract demand) applicable to the second block (excess over 50 kW) of billing demand, multiplied by the higher of the customer's current effective contract demand or its highest bill demand established during the preceding 12 months.

**SEASONAL SERVICE**

Customers who contract for service on a seasonal basis shall be limited to 2,500 kW and shall pay the above charges, as adjusted, plus an additional seasonal use charge equal to the sum of 1.33 cents per kWh for the first 15,000 kWh per month and \$4.00 per kW per month of billing demand in excess of 50 kW. Consistent with BTES' standard policy, the customer may arrange for seasonal testing of equipment

during off-peak hours. For such customers, the minimum bill provided for above shall not apply. BTES may require additional charges to provide recovery of costs for customer-specific distribution facilities.

#### **CONTRACT REQUIREMENT**

BTES may require contracts for all service provided under this rate schedule. Customers whose demand requirements exceed 50 kW shall be required to execute contracts and such contracts shall be for an initial term of at least one year. The customer shall contract for its maximum requirements, which shall not exceed the amount of power capable of being used by customer, and BTES shall not be obligated to supply in greater amount at any time than the customer's current effective contract demand. If the customer uses any power other than that supplied by BTES under this rate schedule, the contract may include other special provisions. The rate schedule in any power contract shall be subject to adjustment, modification, change, or replacement from time to time as provided under the power contract between BTES and TVA.

#### **PAYMENT**

Bills under this rate schedule will be rendered monthly. Any amount of bill unpaid after the due date specified on the bill may be subject to additional charges under BTES standard policy.

#### **SINGLE-POINT DELIVERY**

The charges under this rate schedule are based upon the supply of service through a single delivery and metering point, and at a single voltage. If service is supplied to the same customer through more than one point of delivery or at different voltages, the supply of service at each delivery and metering point and at each different voltage shall be separately metered and billed.

**\*\*\*Service is subject to the Rules and Regulations of BTES.**





## SMSB ELECTRIC RATE SCHEDULE

All Rates Subject to TVA Total Monthly Fuel Cost (FCA)

### AVAILABILITY

This rate shall apply to the firm electric power requirements where (a) a customer's currently effective contract demand is greater than 5,000 kW but not more than 15,000 kW and (b) the major use of electricity is for activities conducted at the delivery point serving that customer which are classified with a 2-digit Standard Industrial Classification Code between 20 and 39, inclusive, or classified with 2002 North American Industry Classification System (NAICS) code 5181, or 2007 NAICS codes 5182, 522320, and 541214; provided, however, customers qualifying for service under this schedule on the basis of such a NAICS code shall have an average monthly load factor of at least 80 percent during the preceding 12 months; provided further, however, that for the first 12 months of service to a new customer this load factor requirement shall be based on the customer's expected load factor for those 12 months as projected before the customer begins taking service. As used in the previous sentence "monthly load factor" shall mean a percentage calculated by dividing the total metered energy for a month by the product of the metered demand for that month and the number of clock hours in that month, exclusive of any hours during which power was unavailable due to an interruption or curtailment of the customer's service and of any hours in which the customer was unable to use power due to a Force Majeure event reasonably beyond the customer's control.

Prior to initially taking any service under this schedule, and from time to time thereafter as may be required by Distributor or the Tennessee Valley Authority (TVA), a customer shall certify to both Distributor and TVA that it meets the requirements set forth in condition (b) above. The certification form to be used shall be (i) furnished or approved by TVA, (ii) provided by Distributor to the customer, and (iii) signed and promptly returned by the customer to Distributor. Further, such customer shall promptly certify any change in the status of any of the information contained in the certification form to Distributor.

Service during any period for which a customer does not meet the eligibility requirements set forth in condition (b) above will be made available by Distributor under, and billed in accordance with, the applicable General Power schedule.

Unless otherwise provided for in a written agreement between TVA and the distributor providing service under this rate schedule, for customers served under this rate schedule, the customer's "meter-reading time" shall be 0000 hours CST or CDT, whichever is currently effective, on the first day of the calendar month following the month for which a bill under this rate schedule is being calculated. Further, in accordance with TVA furnished or approved guidelines or specifications, TVA shall have unrestricted remote access to the metering data at all times, as well as unrestricted physical access to the metering facilities for the purpose of confirming remotely-accessed data during such periods as are specified by TVA.

### CHARACTER OF SERVICE

Power shall be delivered at a transmission voltage of 161 kV or, if such transmission voltage is not available, at the highest voltage available in the vicinity, unless at the Customer's request a lower standard voltage is agreed upon.

### BASE CHARGES

If the customer's contract demand is no more than 5,000 kW:

Customer Charge: \$1,500 per delivery point per month.

Administrative Charge: \$350 per delivery point per month

Demand Charge:

Summer Period: \$16.87 plus \$.73 environmental charge to equal \$17.60 per kW plus an additional \$16.87 plus \$.73 environmental charge to equal \$17.60 per kW per month for each kW by which billing demand exceeds its contract demand.

Winter Period: \$10.99 plus \$.47 environmental charge to equal \$11.46 per kW plus an additional \$10.99 plus \$.47 environmental charge to equal \$11.46 per kW per month for each kW by which billing demand exceeds its contract demand.

Transition Period: \$6.57 plus \$.28 environmental charge to equal \$6.85 per kW plus an additional \$6.57 plus \$.28 environmental charge to equal \$6.85 per kW per month for each kW by which billing demand exceeds its contract demand.

Energy Charge:

Summer Period: All kWh per month at 1.578 cents plus .155 cents environmental charge to equal 1.733 cents per kWh plus total monthly fuel cost (FCA).

Winter Period: All kWh per month at 1.146 cents plus .136 cents environmental charge to equal 1.282 cents per kWh plus total monthly fuel cost (FCA).

Transition Period: All kWh per month at 1.046 cents plus .131 cents environmental charge to equal 1.177 cents per kWh plus total monthly fuel cost (FCA).

### ADJUSTMENT

The base demand and energy charges shall be increased or decreased in accordance with the current Adjustment Addendum published by TVA. (In addition, such charges shall be increased or decreased to correspond to increases or decreases determined by TVA in the value of the hydro generation benefit allocated to residential customers.)

### FACILITIES RENTAL CHARGE

There shall be no facilities rental charge under this rate schedule for delivery at bulk transmission voltage levels of 161 kV or higher. For delivery at less than 161 kV, there shall be added to the customer's bill a facilities rental charge. This charge shall be 36 cents per kW per month except for delivery at voltages below 46 kV, in which case the charge shall be 93 cents per kW per month for the first 10,000 kW and 73 cents per kW per month for the excess over 10,000 kW. Such charge shall be applied to the higher of (1) the highest billing demand established during the latest 12-consecutive-month period or (2) the customer's current effective contract demand and shall be in addition to all other charges under this rate schedule including minimum bill charges. Such amounts in cents per kW may be increased or decreased by TVA, effective with the effective date of any Adjustment Addendum published by TVA, to reflect changes in the costs of providing for delivery at voltage levels below 161 kV.

### REACTIVE DEMAND CHARGES

If the reactive demand (in kVAR) is lagging during the 30-consecutive-minute period of the month in which the customer's highest metered demand occurs, there shall be added to the customer's bill a reactive charge of \$1.46 per kVAR of the amount, if any, by which the reactive demand exceeds 33 percent of such metered demand. If the reactive demand (in kVAR) is leading during the 30-consecutive-minute period of the month in which the customer's lowest metered demand (excluding any metered demands which are less than 25 percent of the highest metered demand) occurs, there

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shall be added to the customer's bill a reactive charge of \$1.14 per kVAR of the amount of reactive demand. Such charges shall be in addition to all other charges under this rate schedule, including minimum bill charges, and such amounts in cents per kVAR may be increased or decreased by TVA, effective with the effective date of any Adjustment Addendum published by TVA, to reflect changes in the costs of providing reactive power.

#### **DETERMINATION OF SEASONAL PERIODS**

Summer Period shall mean the June, July, August and September billing months. Winter Period shall mean the December, January, February and March billing months. Transition Period shall mean the April, May, October and November billing months.

#### **DETERMINATION OF DEMAND**

BTES shall meter the demands in kW of all customers served under this rate schedule. The metered demand for any month shall be the highest average during any 30-consecutive-minute period beginning or ending on a clock hour of the month of the load metered in kW, and such amount shall be used as the billing demand, except that the billing demand for any month shall in no case be less than the sum of (1) 30 percent of the first 5,000 kW, (2) 40 percent of any kW in excess of 5,000 kW of the higher of the current effective contract demand or the highest billing demand established during the preceding 12 months.

#### **MINIMUM BILL**

The monthly bill, excluding any facilities rental charges and any reactive charges, shall not be less than the sum of (1) the base customer charge, (2) the base demand charge, as adjusted (but excluding the additional portion thereof applicable to excess of billing demand over contract demand) applied to the customer's billing demand, and (3) the base energy charge, as adjusted, applied to the customer's energy takings. BTES may require minimum bills higher than those stated above.

#### **CONTRACT REQUIREMENT**

If the customer's demand requirements are in excess of 15,000 kW, the contract shall be for an initial term of at least five years and any renewals or extensions of the initial contract shall be for a term of at least one year; after 10 years of service, any such contract for the renewal or extension of service may provide for termination upon not less than four months notice. The customer shall contract for its maximum requirements, which shall not exceed the amount of power capable of being used by customer, and BTES shall not be obligated to supply in greater amount at any time than the customer's current effective contract demand. If the customer uses any power other than that supplied by BTES under this rate schedule, the contract may include other special provisions. The rate schedule in any power contract shall be subject to adjustment, modification, change, or replacement from time to time as provided under the power contract between BTES and TVA.

#### **PAYMENT**

Bills under this rate schedule will be rendered monthly. Any amount of bill unpaid after the due date specified on the bill may be subject to additional charges under BTES standard policy.

#### **SINGLE-POINT DELIVERY**

The charges under this rate schedule are based upon the supply of service through a single delivery and metering point, and at a single voltage. If service is supplied to the same customer through more than one point of delivery or at different voltages, the supply of service at each delivery and metering point and at each different voltage shall be separately metered and billed.

**\*\*\*Service is subject to the Rules and Regulations of BTES**

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## Outdoor Lighting Rate Schedule LS

All Rates Subject to TVA's Total Monthly Fuel Cost (FCA)

### Availability

Available for service to street and park lighting systems, traffic signal systems, athletic field lighting installations, and outdoor lighting for individual customers.

Service under this schedule is for a term of not less than 1 year.

### Payment

Bills under this rate schedule will be rendered monthly. Any amount of bill unpaid after due date specified on bill may be subject to additional charges under Bristol Tennessee Essential Services' (BTES) standard policy.

### Adjustment

The energy charge in Part A and Part B of this rate schedule shall be increased or decreased in accordance with the current Adjustment Addendum published by TVA. (In addition, the energy charge in Part A and Part B of this rate schedule shall be increased or decreased to correspond to increases or decreases determined by TVA under Adjustment 2 or Adjustment 4 of the wholesale power rate schedule applicable under contractual arrangements between TVA and BTES.)

### Determination of Seasonal Periods

Summer Period shall mean the June, July, August and September billing months. Winter Period shall mean the December, January, February and March billing months. Transition Period shall mean the April, May, October and November billing months.

### PART A- CHARGES FOR STREET AND PARK LIGHTING SYSTEMS, TRAFFIC SIGNAL SYSTEMS, AND ATHLETIC FIELD LIGHTING INSTALLATIONS.

#### I. Energy Charge:

Summer Period: 3.823 cents plus .205 cents environmental charge to equal 4.028 cents per kWh plus total monthly fuel cost (FCA)

Winter Period: 3.539 cents plus .205 cents environmental charge to equal 3.744 cents per kWh plus total monthly fuel cost (FCA)

Transition Period: 3.361 cents plus .205 cents environmental charge to equal 3.566 cents per kWh plus total monthly fuel cost (FCA)

#### II. Facility Charge

The annual facility charge shall be 7 percent of the installed cost to BTES of the facilities devoted to street and park lighting service specified in this Part A. Such installed cost shall be recomputed on July 1 of each year, or more often if substantial changes in the facilities are

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made. Each month, one-twelfth of the then total annual facility charge shall be billed to the customer. If any part of the facilities has not been provided at BTES' expense or if the installed cost of any portion thereof is reflected on the books of another municipality or agency or department, the annual facility charge shall be adjusted to reflect properly the remaining cost to be borne by BTES.

Traffic signal systems and athletic field lighting installations shall be provided, owned, and maintained by and at the expense of the customer, except as BTES may agree otherwise in accordance with the provisions of the paragraph next following in the section II. The facilities necessary to provide service to such systems and installations shall be provided by and at the expense of BTES, and the annual facility charge provided for first above in this section II shall apply to the installed cost of such facilities. When so authorized by policy duly adopted by BTES' governing board, traffic signal systems and athletic field lighting installations may be provided, owned, and maintained by BTES for the customer's benefit. In such cases BTES may require reimbursement from the customer for a portion of the initial installed cost of any such system or installation and shall require payment by the customer of a facility charge sufficient to cover all of BTES' cost (except reimbursed costs), including appropriate overheads, of providing, owning, and maintaining such system or installation; provided that, for athletic field lighting installations, such facility charge shall in no case be less than 12 percent per year of such costs. Said facility charge shall be in addition to the annual facility charge on the facilities necessary to provide service to such system or installation as provided for in the preceding paragraph. Replacements of lamps and related glassware for traffic signal systems and athletic field lighting installations provided under this paragraph shall be paid for under the provisions of paragraph A in Section IV.

### III. Customer Charge- Traffic Signal Systems and Athletic Field Lighting Installations.

BTES shall apply a uniform monthly customer charge of \$2.50 for service to each traffic signal system or athletic field lighting installation.

### IV. Replacement of Lamps and Related Glassware- Street and Park Lighting

Customer shall be billed and shall pay for replacements as provided in paragraph B below, which shall be applied to all service for street and park lighting.

- A. BTES shall bill the customer monthly for such replacements during each month at BTES' cost of materials, including appropriate storeroom expense.
- B. BTES shall bill the customer monthly for one-twelfth of the amount by which BTES' cost of materials, including appropriate storeroom expense, exceeds the product of 3 mills multiplied by the number of kilowatt-hours used for street and park lighting during the fiscal year immediately preceding the fiscal year in which such month occurs.

### Metering

For any billing month or part of such month in which the energy is not metered or for which a meter reading is found to be in error or a meter is found to have failed, the energy for billing purposes for that billing month or part of such month shall be computed from the rated capacity of the lamps (including ballast) plus 5 percent of such capacity to reflect secondary circuit losses, multiplied by the number of hours of use.

### Revenue and Cost Review

BTES' costs of providing service under Part A of this rate schedule are subject to review at any time and from time to time to determine if BTES' revenues from the charges being applied are sufficient to cover its costs. (Such costs, including applicable overheads, include, but are not limited to, those incurred in the operation and maintenance of the systems provided and those resulting from depreciation and payments for taxes, tax equivalents and interest.) If any such review discloses that revenues are either less or more than sufficient to cover said costs, BTES shall revise the above facility charges so that revenues will be sufficient to cover said costs. Any such revision of the annual facility charge provided for first above in section II of Part A of this rate schedule shall be by agreement between BTES and TVA.

### PART B- CHARGES FOR OUTDOOR LIGHTING FOR INDIVIDUAL CUSTOMERS

#### Charges Per Fixture Per Month

(A) Type of Fixture	Lamp Size (Watts)	(Lumens)	Rated kWh	Facility Charge
Mercury Vapor	175	7,650	77	\$4.30
	400	19,100	171	\$5.38
High Pressure Sodium	100	8,550	46	\$6.19
	250	23,500	116	\$8.75
Flood Light				
Mercury Vapor	400	19,100	171	\$6.94
	1000	50,000	416	\$10.19
High Pressure Sodium	250	23,000	155	\$7.92
	400	50,000	181	\$24.56

#### (B) Energy Charge: For each lamp size under (A) above

Summer Period: 3.823 cents plus .205 cents environmental charge to equal 4.028 cents per kWh plus total monthly fuel cost (FCA)

Winter Period: 3.539 cents plus .205 cents environmental charge to equal 3.744 cents per kWh plus total monthly fuel cost (FCA)

Transition Period: 3.361 cents plus .205 cents environmental charge to equal 3.566 cents per kWh plus total monthly fuel cost (FCA)

### Additional Facilities

The above charges in this Part B are limited to service from a photoelectrically controlled standard lighting fixture installed on a pole already in place. If the customer wishes to have the fixture installed at a location other than on a pole already in place, BTES may apply an additional monthly charge.

### Lamp Replacements

Replacements of lamps and related glassware will be made in accordance with replacement policies of BTES without additional charge to the customer.

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### **Special Outdoor Lighting Installations**

When so authorized by policy duly adopted by BTES' governing board, special outdoor lighting installations (other than as provided for under Parts A and B above) may be provided, owned, and maintained by BTES. In such cases BTES may require reimbursement from the customer for a portion of the initial installed cost of any such installation and shall require payment by the customer of monthly charges sufficient to cover all of BTES' cost (except reimbursed costs), including appropriate overheads, or providing, owning, and maintaining such installations, and making lamp replacements.

\*Service is subject to BTES' Rules and Regulations.



## GSB ELECTRIC RATE SCHEDULE

All Rates Subject to TVA Monthly Total Fuel Cost (FCA)

### AVAILABILITY

This rate shall apply to the firm electric power requirements where a customer's currently effective onpeak or offpeak contract demand, whichever is higher, is greater than 5,000 kW but not more than 15,000 kW; provided that the other conditions of this section are met.

Unless otherwise provided for in a written agreement between TVA and BTES providing service under this rate schedule, for customers served under this rate schedule, the customer's "meter reading time" shall be 0000 hours CST or CDT, whichever is currently effective, on the first day of the calendar month following the month for which a bill under this rate schedule is being calculated. Further, in accordance with TVA furnished or approved guidelines or specifications, TVA shall have unrestricted remote access to the metering data at all times, as well as unrestricted physical access to the metering facilities for the purpose of confirming remotely-accessed data during such periods as are specified by TVA.

For a customer requesting that its onpeak contract demand be different from its offpeak contract demand, this rate schedule shall be available only for (1) a new contract, (2) a replacement or renewal contract following expiration of the existing contract, or (3) a replacement or renewal contract or an amended existing contract in which the customer is increasing its demand requirements above the existing contract demand level, but under this item (3) neither the new onpeak nor the new offpeak contract demand shall be lower than the customer's existing contract demand.

### CHARACTER OF SERVICE

Power shall be delivered at a transmission voltage of 161 kV or, if such transmission voltage is not available, at the highest voltage available in the vicinity, unless at the Customer's request a lower standard voltage is agreed upon.

### BASE CHARGES

If the customer's contract demand is greater than 5,000 kW but not more than 15,000 kW:

Customer Charge: \$1,500 per delivery point per month

Administrative Charge: \$350 per delivery point per month

Demand Charge:

Summer Period:

\$14.82 plus \$.56 environmental charge to equal \$15.38 per kW per month of the customer's onpeak billing demand, plus

\$3.19 plus \$.11 environmental charge to equal \$3.30 per kW per month of the amount, if any, by which the customer's offpeak billing demand exceeds its onpeak billing demand, plus

\$14.82 plus \$.56 environmental charge to equal \$15.38 per kW per month of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.



Winter Period:

\$8.19 plus \$.30 environmental charge to equal \$8.49 per kW per month of the customer's onpeak billing demand, plus

\$3.19 plus \$.11 environmental charge to equal \$3.30 per kW per month of the amount, if any, by which the customer's offpeak billing demand exceeds its onpeak billing demand, plus

\$8.19 plus \$.30 environmental charge to equal \$8.49 per kW per month of the amount, if any, by which (1) the customer's onpeak billing demand exceeds its onpeak contract demand or (2) the customer's offpeak billing demand exceeds its offpeak contract demand, whichever is higher.

Transition Period:

\$3.19 plus \$.11 environmental charge to equal \$3.30 per kW per month of the amount, if any, by which the customer's offpeak billing demand exceeds its onpeak billing demand, plus

\$3.19 plus \$.11 environmental charge to equal \$3.30 per kW per month of the amount, if any, by which the customer's billing demand exceeds its contract demand

Energy Charge:

Summer Period

6.707 cents plus .339 cents environmental charge to equal 7.046 cents per month for all onpeak kWh plus total monthly fuel cost (FCA), plus

3.471 cents plus .211 cents environmental charge to equal 3.682 cents plus total monthly fuel cost (FCA) per month for the first 425 hours use of maximum metered demand multiplied by the ratio of offpeak energy to total energy, plus

1.728 cents plus .143 cents environmental charge to equal 1.871 cents plus total monthly fuel cost (FCA) plus total monthly fuel cost (FCA) per month for the next 195 hours use of maximum metered demand multiplied by the ratio of offpeak energy to total energy, plus

0.250 cents plus .084 cents environmental charge to equal 0.334 cents plus total monthly fuel cost (FCA) per month for the hours use of maximum metered demand in excess of 620 hours multiplied by the ratio of offpeak energy to total energy

Winter Period:

3.845 cents plus .227 cents environmental charge to equal 4.072 cents plus total monthly fuel cost (FCA) per month for all onpeak kWh, plus

3.471 cents plus .211 cents environmental charge to equal 3.682 cents plus total monthly fuel cost (FCA) per month for the first 425 hours use of maximum metered demand multiplied by the ratio of offpeak energy to total energy, plus

1.728 cents plus .143 cents environmental charge to equal 1.871 cents plus total monthly fuel cost (FCA) per month for the next 195 hours use of maximum metered demand multiplied by the ratio of offpeak energy to total energy, plus

0.250 cents plus .084 cents environmental charge to equal 0.334 cents plus total monthly fuel cost (FCA) per month for the hours use of maximum metered demand in excess of 620 hours multiplied by the ratio of offpeak energy to total energy

**Transition Period:**

3.471 cents plus .211 cents environmental charge to equal 3.682 cents plus total monthly fuel cost (FCA) per month for the first 425 hours use of maximum metered demand, plus

1.728 cents plus .143 cents environmental charge to equal 1.871 cents plus total monthly fuel cost (FCA) per month for the next 195 hours use of maximum metered demand, plus

0.250 cents plus .084 cents environmental charge to equal 0.334 cents plus total monthly fuel cost (FCA) per month for the hours use of maximum metered demand in excess of 620 hours

For the Summer, Winter and Transition Period, 3.471 cents plus .211 cents environmental charge to equal 3.682 cents plus total monthly fuel cost (FCA) per kWh per month shall be applied to the portion, if any, of the minimum offpeak energy takings amount that is great than the metered energy

**ADJUSTMENT**

The base demand and energy charges shall be increased or decreased in accordance with the current Adjustment Addendum published by TVA. (In addition, such charges shall be increased or decreased to correspond to increases or decreases determined by TVA in the value of the hydro generation benefit allocated to residential customers.)

**FACILITIES RENTAL CHARGE**

There shall be no facilities rental charge under this rate schedule for delivery at bulk transmission voltage levels of 161 kV or higher. For delivery at less than 161 kV, there shall be added to the customer's bill a facilities rental charge. This charge shall be 36 cents per kW per month except for delivery at voltages below 46 kV, in which case the charge shall be 93 cents per kW per month for the first 10,000 kW and 73 cents per kW per month for the excess over 10,000 kW. Such charge shall be applied to the higher of (1) the highest billing demand established during the latest 12-consecutive-month period or (2) the customer's current effective contract demand and shall be in addition to all other charges under this rate schedule including minimum bill charges. Such amounts in cents per kW may be increased or decreased by TVA, effective with the effective date of any Adjustment Addendum published by TVA, to reflect changes in the costs of providing for delivery at voltage levels below 161 kV.

**REACTIVE DEMAND CHARGES**

If the reactive demand (in kVAR) is lagging during the 30-consecutive-minute period of the month in which the customer's highest metered demand occurs, there shall be added to the customer's bill a reactive charge of \$1.46 per kVAR of the amount, if any, by which the reactive demand exceeds 33 percent of such metered demand. If the reactive demand (in kVAR) is leading during the 30-consecutive-minute period of the month in which the customer's lowest metered demand (excluding any metered demands which are less than 25 percent of the highest metered demand) occurs, there shall be added to the customer's bill a reactive charge of \$1.14 per kVAR of the amount of reactive demand. Such charges shall be in addition to all other charges under this rate schedule, including minimum bill charges, and such amounts in cents per kVAR may be increased or decreased by TVA, effective with the effective date of any Adjustment Addendum published by TVA, to reflect changes in the costs of providing reactive power.

**DETERMINATION OF DEMAND**

BTES shall meter the demands in kW of all customers served under this rate schedule. The metered demand for any month shall be the highest average during any 30-consecutive-minute period beginning or ending on a clock hour of the month of the load metered in kW, and such amount shall be used as the billing demand, except that the billing demand for any month shall in no case be less than the sum of (1) 30 percent of the

first 5,000 kW, (2) 40 percent of any kW in excess of 5,000 kW of the higher of the current effective contract demand or the highest billing demand established during the preceding 12 months.

### **DETERMINATION OF SEASONAL PERIODS**

Summer Period shall mean the June, July, August and September billing months. Winter Period shall mean the December, January, February and March billing months. Transition Period shall mean the April, May, October and November billing months.

### **DETERMINATION OF ONPEAK AND OFFPEAK HOURS**

Except for Saturdays and Sundays and the weekdays that are observed as Federal holidays for New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day, onpeak hours for each day shall be from 1 p.m. to 7 p.m. during the Summer Period and from 4 a.m. to 10 a.m. during the Winter Period. For the Summer Period and the Winter Period, all other hours of each day that are not otherwise defined as onpeak hours and all hours of such excepted days shall be offpeak hours. For the Transition Period, all hours shall be offpeak hours. Such times shall be Central Standard Time or Central Daylight Time, whichever is then in effect. Said onpeak and offpeak hours are subject to change by TVA. In the event TVA determines that such changed onpeak and offpeak hours are appropriate, it shall so notify BTES at least 12 months prior to the effective date of such changed hours, and BTES shall promptly notify customer.

### **DETERMINATION OF ONPEAK AND OFFPEAK DEMANDS, MAXIMUM METERED DEMAND AND ENERGY AMOUNTS**

The onpeak and offpeak kWh for any month shall be the energy amounts taken during the respective hours of the month designated under this rate schedule as onpeak and offpeak hours; provided, however, that notwithstanding the metered energy amount, the offpeak energy for any month shall in no case be less than the product of (1) the offpeak billing demand as calculated in the last sentence of the paragraph below and (2) 110 hours (reflecting a 15 percent load factor applied to the average number of hours in a month).

BTES shall meter the onpeak and offpeak demands in kW of all customers taking service under this rate schedule. The onpeak metered demand and offpeak metered demand for any month shall be determined separately for the respective hours of the month designated under this rate schedule as onpeak and offpeak hours and in each case shall be the highest average during any 30-consecutive minute period beginning or ending on a clock hour of the month of the load metered in kW, and, except as provided below in this section, such amounts shall be used as the onpeak and offpeak billing demands. The maximum metered demand for any month shall be the higher of (1) the highest onpeak metered demand in the month or (2) the highest offpeak metered demand in the month. The onpeak billing demand shall in no case be less than the sum of (1) 30 percent of the first 5,000 kW and (2) 40 percent of any kW in excess of 5,000 kW of the higher of the currently effective onpeak contract demand or the highest onpeak billing demand established during the preceding 12 months. The offpeak billing demand shall in no case be less than the sum of (1) 30 percent of the first 5,000 kW and (2) 40 percent of any kW in excess of 5,000 kW of the higher of the currently effective offpeak contract demand or the highest offpeak billing demand established during the preceding 12 months.

### **MINIMUM BILL**

The monthly bill under this rate schedule, excluding any facilities rental charges and any reactive charges, shall not be less than the sum of (1) the base customer charge, (2) the portion of the base demand charge, as adjusted, (but excluding the additional portion thereof applicable to excess of billing demand over contract demand) applicable to onpeak billing demand applied to the customer's onpeak billing demand, (3) the

portion of the base demand charge, as adjusted, (but excluding the additional portion thereof applicable to excess of billing demand over contract demand) applicable to any excess of offpeak over onpeak billing demand applied to the amount, if any, by which the customer's offpeak billing demand exceeds its onpeak billing demand, (4) the base onpeak energy charge, as adjusted, applied to the customer's onpeak energy takings, and (5) the base offpeak energy charge, as adjusted, applied to the higher of customer's actual offpeak energy takings or the minimum offpeak energy takings amount provided for in the first paragraph of the section of this rate schedule entitled "Determination of Onpeak and Offpeak Demands, Maximum Metered Demand, and Energy Amounts". BTES may require minimum bills higher than those stated above, including, without limitation, charges to cover any additional metering and related costs.

### **CONTRACT REQUIREMENT**

If the customer's demand requirements are in excess of 5,000 kW, the contract shall be for an initial term of at least five years and any renewals or extensions of the initial contract shall be for a term of at least one year; after 10 years of service, any such contract for the renewal or extension of service may provide for termination upon not less than four months notice. The customer shall contract for its maximum requirements, which shall not exceed the amount of power capable of being used by customer, and BTES shall not be obligated to supply in greater amount at any time than the customer's current effective onpeak or offpeak contract demand. If the customer uses any power other than that supplied by BTES under this rate schedule, the contract may include other special provisions. The rate schedule in any power contract shall be subject to adjustment, modification, change, or replacement from time to time as provided under the power contract between BTES and TVA.

### **PAYMENT**

Bills under this rate schedule will be rendered monthly. Any amount of bill unpaid after the due date specified on the bill may be subject to additional charges under BTES standard policy.

### **SINGLE-POINT DELIVERY**

The charges under this rate schedule are based upon the supply of service through a single delivery and metering point, and at a single voltage. If service is supplied to the same customer through more than one point of delivery or at different voltages, the supply of service at each delivery and metering point and at each different voltage shall be separately metered and billed.

**\*\*\*Service is subject to the Rules and Regulations of BTES.**

Interest Receivable

6/30/2011

Balance per books	\$ 10,155.18
Less interest received on CD 1011845114	\$ (942.74)
Less interest received on CDs for June maturing 6-30	\$ (4,420.23)

<b>Balance 6-30-11</b>	<b>\$ 4,792.21</b>
------------------------	--------------------

Composed of

1012124771	April	\$ 435.68
	May	\$ 1,688.25
	June	\$ 1,633.79

1012290094	May	\$ 64.66
	June	\$ 484.93

1012349129	June	\$ 484.93
------------	------	-----------

**\$ 4,792.24**

<b>Difference</b>	<b>\$ (0.03)</b>
-------------------	------------------

## Cash Investments

April 2011

<u>Type</u>	<u>Date Acquired</u>	<u>Maturity Date</u>	<u>Cost</u>	<u>Interest Rate</u>	<u>Source of Funds</u>	
Bank of Tennessee Money Market			\$21,885.58	0.10%	Revenue	
Green Bank Money Market			\$558,548.63	0.13%	Revenue	
Bank of Tennessee CD #1011983851	03/25/11	06/30/11	\$2,900,000.00	0.69%	Revenue	1,644.66
Bank of Tennessee CD #1011845114	03/04/11	06/09/11	\$1,500,000.00	0.74%	Revenue	912.33
Bank of Tennessee CD #1011798221	02/17/11	05/26/11	\$1,000,000.00	0.74%	Revenue	608.22
Bank of Tennessee CD #1011983819	03/25/11	06/30/11	\$2,400,000.00	0.69%	R & R Fund	1,361.10
Bank of Tennessee CD #1011983878	03/25/11	06/30/11	\$267,837.76	0.69%	R & R Fund	151.90
Bank of Tennessee CD #1011983754	03/25/11	06/30/11	\$2,226,256.63	0.69%	R & R Fund	1,262.56
Bank of Tennessee CD #1012124771	04/22/11	07/28/11	\$3,105,905.61	0.64%	R & R Fund	435.68
						6,376.44

## Cash Investments

May 2011

<u>Type</u>	<u>Date Acquired</u>	<u>Maturity Date</u>	<u>Cost</u>	<u>Interest Rate</u>	<u>Source of Funds</u>	
Bank of Tennessee Money Market			\$21,887.38	0.10%	Revenue	
Green Bank Money Market			\$558,609.30	0.13%	Revenue	
Bank of Tennessee CD #1011983851	03/25/11	06/30/11	\$2,900,000.00	0.69%	Revenue	1,699.48
Bank of Tennessee CD #1011845114	03/04/11	06/09/11	\$1,500,000.00	0.74%	Revenue	942.74
Bank of Tennessee CD #1012290094	05/27/11	09/01/11	\$1,000,000.00	0.59%	Revenue	64.66
Bank of Tennessee CD #1011983819	03/25/11	06/30/11	\$2,400,000.00	0.69%	R & R Fund	1,406.47
Bank of Tennessee CD #1011983878	03/25/11	06/30/11	\$267,837.76	0.69%	R & R Fund	156.96
Bank of Tennessee CD #1011983754	03/25/11	06/30/11	\$2,226,256.63	0.69%	R & R Fund	1,304.66
Bank of Tennessee CD #1012124771	04/22/11	07/28/11	\$3,105,905.61	0.64%	R & R Fund	1,688.25
						7,263.20

## Cash Investments

June 2011

<u>Type</u>	<u>Date Acquired</u>	<u>Maturity Date</u>	<u>Cost</u>	<u>Interest Rate</u>	<u>Source of Funds</u>	
Bank of Tennessee Money Market			\$21,887.38	0.10%	Revenue	
Green Bank Money Market			\$558,609.30	0.13%	Revenue	
Bank of Tennessee CD #1011983851	03/25/11	06/30/11	\$2,900,000.00	0.69%	Revenue	1,644.66
Bank of Tennessee CD #1012349129	06/10/11	09/15/11	\$1,500,000.00	0.59%	Revenue	484.93
Bank of Tennessee CD #1012290094	05/27/11	09/01/11	\$1,000,000.00	0.59%	Revenue	484.93
Bank of Tennessee CD #1011983819	03/25/11	06/30/11	\$2,400,000.00	0.69%	R & R Fund	1,361.10
Bank of Tennessee CD #1011983878	03/25/11	06/30/11	\$267,837.76	0.69%	R & R Fund	151.90
Bank of Tennessee CD #1011983764	03/25/11	06/30/11	\$2,226,266.63	0.69%	R & R Fund	1,262.56
Bank of Tennessee CD #1012124771	04/22/11	07/28/11	\$3,105,905.61	0.64%	R & R Fund	1,633.79
						7,023.87



FOR ACCT: 171.10 INTEREST RECEIVABLE  
DATE RANGE FROM 07/01/10 TO 06/30/11

RUN DATE 9/7/2011 14:04:09

DATE	ITEM ID	DEPT	R-ACCT	BATCH	DEBIT	CREDIT DESCRIPTION	VENDOR	SO VOUCHER	TR	CHECK	QUANTITY
1/01/10	MISC	00	1	2033	.00	9,659.79- INTEREST EARNED ON CD 1009792461		JE CD	49		.00
1/01/10	BFWD	00	1	1	18,981.86	.00 BALANCE FORWARD YEAR END CLOSING		BF	99		.00
1/31/10	MISC	00	1	2089	17,506.75	.00 Record accrued interest July		JE	40		.00
3/05/10	MISC	00	1	2033	.00	3,322.19- INTEREST ON CD 1010065441		JE CD	49		.00
3/24/10	MISC	00	1	2033	.00	4,188.08- INTEREST ON CD 1010156072		JE CD	49		.00
3/31/10	MISC	00	1	2089	16,453.97	.00 Accrued interest receivable		JE	40		.00
3/30/10	MISC	00	1	2089	10,011.67	.00 Accrued interest		JE	40		.00
3/31/10	MISC	00	1	2089	12,907.42	.00 Accrued interest receivable		JE	40		.00
1/15/10	MISC	00	1	2033	.00	3,039.45- INTEREST ON CD 1010642376		JE	40		.00
1/26/10	MISC	00	1	2033	.00	3,816.98- INTEREST ON CD 1010763181		JE CD	49		.00
1/30/10	MISC	00	1	2033	.00	26,747.04- INTEREST EARNED ON TRISUMMIT CDS		JE CD	49		.00
1/30/10	MISC	00	1	2089	11,684.08	.00 Accrued interest Nov		JE	40		.00
2/16/10	MISC	00	1	2033	.00	20,610.58- cd interest		JE CD	49		.00
1/25/11	MISC	00	1	2033	.00	15,549.04- INTEREST ON CDS		JE CD	49		.00
1/31/11	MISC	00	1	2089	8,051.94	.00 Record accrued interest		JE	40		.00
1/31/11	MISC	00	1	2089	9,717.29	.00 Record accrued interest		JE	40		.00
2/17/11	MISC	00	1	2033	.00	2,250.96- INTEREST EARNED ON CD 1011268567		JE CD	49		.00
2/28/11	MISC	00	1	2089	9,041.41	.00 Accrued Interest Receivable		JE	40		.00
3/03/11	MISC	00	1	2033	.00	3,974.79- CD INTEREST		JE CD	49		.00
3/24/11	MISC	00	1	2033	.00	14,652.90- CD INTEREST		JE CD	49		.00
3/31/11	MISC	00	1	2089	4,549.46	.00 Record accrued interest		JE	40		.00
4/26/11	MISC	00	1	2033	.00	5,503.83- INTEREST EARNED ON CD 1011611113		JE CD	49		.00
4/29/11	MISC	00	1	2033	.00	3,033.58- INTEREST EARNED ON CDS		JE CD	49		.00
4/30/11	MISC	00	1	2089	6,376.44	.00 Record accrued interest		JE	40		.00
5/31/11	MISC	00	1	2089	7,263.20	.00 Record accrued interest May		JE	40		.00
5/01/11	MISC	00	1	2033	.00	1,459.72- INTEREST EARNED ON CD 1011798221		JE CD	49		.00
5/14/11	MISC	00	1	2033	.00	1,733.43- INTEREST EARNED ON CD 1011845114		JE CD	49		.00
5/30/11	MISC	00	1	2033	.00	9,871.82- INTEREST EARNED ON CD		JE CD	49		.00
5/30/11	MISC	00	1	2089	7,023.87	.00 Record accrued interest June		JE	40		.00
Total Records: 29					Total Debit:		139,569.36	Total Credit:		129,414.18-	10,155.18
					Total Quantity:			Net Balance:			



**Bristol Tennessee Essential Services**

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423/968-1526 • Fax 423/793-5545

August 12, 2011

Ms. Naomi Smith  
AmSouth Bank  
P. O. Box 1959  
Kingsport, TN 37660

Dear Naomi:

Our auditors, Coulter & Justus, P.C., 9717 Cogdill Road, Suite 201, Knoxville, Tennessee 37932, are conducting an audit of our financial statements as of and for the year ended June 30, 2011. In connection therewith, they wish to confirm that your financial institution participates in the Tennessee Bank Collateral Pool and the following accounts are identified as public funds and are therefore fully collateralized as and for the year ended June 30, 2011:

Account Name	Account Number
Revenue	70947104
Petty Cash	15685
Electrical Inspection	1114991

If your financial institution does not participate in the Tennessee Bank Collateral Pool, please provide our auditors with a copy of the safekeeping receipt held by you detailing the securities pledged against our accounts. If you have any questions please feel free to give me a call.

Very truly yours,

Lola McVey  
Director of Accounting & Finance

To: Coulter & Justus, P.C.

The above information is correct as noted.

Financial Institution: \_\_\_\_\_

Signature: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_



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August 12, 2011

Bank of America  
Fred Brown  
Vice President, Business Banking  
100 Century Park Drive  
Tampa, FL 33607

Dear Fred:

Our auditors, Coulter & Justus, P.C., 9717 Cogdill Road, Suite 201, Knoxville, Tennessee 37932, are conducting an audit of our financial statements as of and for the year ended June 30, 2011. In connection therewith, they wish to confirm that your financial institution participates in the Tennessee Bank Collateral Pool and the following accounts are identified as public funds and are therefore fully collateralized as and for the year ended June 30, 2011:

Account Name	Account Number
Revenue	5578000379
Life Insurance	5500276679
General Fund	5578013299

If your financial institution does not participate in the Tennessee Bank Collateral Pool, please provide our auditors with a copy of the safekeeping receipt held by you detailing the securities pledged against our accounts. If you have any questions please feel free to give me a call.

Very truly yours,

Lola McVey  
Director of Accounting & Finance

To: Coulter & Justus, P.C.

The above information is correct as noted.

Financial Institution: \_\_\_\_\_

Signature: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

# Standard Form to Confirm Account Balance Information with Financial Institutions

We have provided to our auditors, Coulter & Justus, P.C., the following information as of the close of business on **June 30, 2011** regarding our deposit and loan balances. Please confirm the accuracy of the information, noting any exceptions to the information provided. If the balances have been left blank, please complete this form by furnishing the balance in the appropriate space below. **If the answer to any question is "none," please so indicate.** Although we do not request nor expect you to conduct a comprehensive, detailed search of your records, if, during the process of completing this confirmation, additional information about other deposit or loan accounts we may have with you comes to your attention, please include such information below. Please use the enclosed envelope to return this confirmation directly to our auditors, Coulter & Justus, P.C., 9717 Cogdill Road, Suite 201, Knoxville, Tennessee 37932.

To: Bank of America  
Fred Brown, Vice President, Business Banking  
100 Century Park Drive  
Tampa, FL 33607


Customer Name: Bristol TN Essential Services  
P. O. Box 549  
Bristol, TN 37621

1. At the close of business on the date listed above, our records indicated the following deposit balance(s):

Account Name	Account Number	Interest Rate	Balance
Revenue	5578000379		
Life Insurance	5500276679		
General Fund	5578013299		

2. We were directly liable to the financial institution for loans at the close of business on the date listed above as follows:

Account Number/ Description	Balance	Date Due	Interest Rate	Date Through Which Interest is Paid	Description of Collateral

  
(Customer's Authorized Signature)

8/12/2011  
(Date)

The information presented above by the customer is in agreement with our records. Although we have not conducted a comprehensive, detailed search of our records, no other deposit or loan accounts have come to our attention, except as noted below.

\_\_\_\_\_  
(Financial Institution's Authorized Signature)

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
(Title)

## Exceptions and/or Comments



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

August 12, 2011

Bank of Tennessee  
Attention: David Wagner  
1223 Volunteer Parkway  
Bristol, TN 373620

Dear David:

Our auditors, Coulter & Justus, P.C., 9717 Cogdill Road, Suite 201, Knoxville, Tennessee 37932, are conducting an audit of our financial statements as of and for the year ended June 30, 2011. In connection therewith, they wish to confirm that your financial institution participates in the Tennessee Bank Collateral Pool and the following accounts are identified as public funds and are therefore fully collateralized as and for the year ended June 30, 2011:

Account Name	Account Number
Money Market	111724
Revenue (Payments)	18465
Sweep	9801864
Revenue (Daily Deposits)	122866
Deposit Refund	130370
CD	1012423345
CD	1012349129
CD	1012290094
CD	1012423337
CD	1012423353
CD	1012423329
CD	1012124771

If your financial institution does not participate in the Tennessee Bank Collateral Pool, please provide our auditors with a copy of the safekeeping receipt held by you detailing the securities pledged against our accounts. If you have any questions please feel free to give me a call.

Very truly yours,

Lola McVey

Director of Accounting & Finance

To: Coulter & Justus, P.C.

The above information is correct as noted.

Financial Institution: \_\_\_\_\_

Signature: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

# Standard Form to Confirm Account Balance Information with Financial Institutions

We have provided to our auditors, Coulter & Justus, P.C., the following information as of the close of business on **June 30, 2011** regarding our deposit and loan balances. Please confirm the accuracy of the information, noting any exceptions to the information provided. If the balances have been left blank, please complete this form by furnishing the balance in the appropriate space below. **If the answer to any question is "none," please so indicate.** Although we do not request nor expect you to conduct a comprehensive, detailed search of your records, if, during the process of completing this confirmation, additional information about other deposit or loan accounts we may have with you comes to your attention, please include such information below. Please use the enclosed envelope to return this confirmation directly to our auditors, Coulter & Justus, P.C., 9717 Cogdill Road, Suite 201, Knoxville, Tennessee 37932.

To: Bank of Tennessee  
David Wagner  
1223 Volunteer Parkway  
Bristol, TN 37620

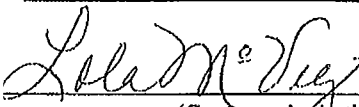
Customer Name: Bristol TN Essential Services  
P. O. Box 549  
Bristol, TN 37621

1. At the close of business on the date listed above, our records indicated the following deposit balance(s):

Account Name	Account Number	Interest Rate	Balance
CD	1012423345		
CD	1012349129		
CD	1012290094		
CD	1012423337		
CD	1012423353		
CD	1012423329		
CD	1012124771		
Money Market	111724		
Revenue	18465		
Sweep	9801864		
Revenue	122866		
Deposit Refund	130370		

2. We were directly liable to the financial institution for loans at the close of business on the date listed above as follows:

Account Number/ Description	Balance	Date Due	Interest Rate	Date Through Which Interest is Paid	Description of Collateral

  
(Customer's Authorized Signature)

8/8/2011  
(Date)

The information presented above by the customer is in agreement with our records. Although we have not conducted a comprehensive, detailed search of our records, no other deposit or loan accounts have come to our attention, except as noted below.

\_\_\_\_\_  
(Financial Institution's Authorized Signature)

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
(Title)

Exceptions and/or Comments



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August 12, 2011

Glenda Stout  
Citizens Bank  
P. O. Box 889  
Bristol, TN 37621-0889

Dear Tony:

Our auditors, Coulter & Justus, P.C., 9717 Cogdill Road, Suite 201, Knoxville, Tennessee 37932, are conducting an audit of our financial statements as of and for the year ended June 30, 2011. In connection therewith, they wish to confirm that your financial institution participates in the Tennessee Bank Collateral Pool and the following accounts are identified as public funds and are therefore fully collateralized as of and for the year ended June 30, 2011:

Account Name	Account Number
Revenue	579201211

If your financial institution does not participate in the Tennessee Bank Collateral Pool, please provide our auditors with a copy of the safekeeping receipt held by you detailing the securities pledged against our accounts. If you have any questions please feel free to give me a call.

Very truly yours,

Lola McVey  
Director of Accounting & Finance

To: Coulter & Justus, P.C.

The above information is correct as noted.

Financial Institution: \_\_\_\_\_

Signature: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

# Standard Form to Confirm Account Balance Information with Financial Institutions

We have provided to our auditors, Coulter & Justus, P.C., the following information as of the close of business on **June 30, 2011** regarding our deposit and loan balances. Please confirm the accuracy of the information, noting any exceptions to the information provided. If the balances have been left blank, please complete this form by furnishing the balance in the appropriate space below. **If the answer to any question is "none," please so indicate.** Although we do not request nor expect you to conduct a comprehensive, detailed search of your records, if, during the process of completing this confirmation, additional information about other deposit or loan accounts we may have with you comes to your attention, please include such information below. Please use the enclosed envelope to return this confirmation directly to our auditors, Coulter & Justus, P.C., 9717 Cogdill Road, Suite 201, Knoxville, Tennessee 37932.

To: Citizens Bank  
Glenda Stout  
FAX: 423-378-0415

Customer Name: Bristol TN Essential Services  
P. O. Box 549  
Bristol, TN 37621

1. At the close of business on the date listed above, our records indicated the following deposit balance(s):

Account Name	Account Number	Interest Rate	Balance
Revenue	579201211		

2. We were directly liable to the financial institution for loans at the close of business on the date listed above as follows:

Account Number/ Description	Balance	Date Due	Interest Rate	Date Through Which Interest is Paid	Description of Collateral

  
(Customer's Authorized Signature)

8/12/2011  
(Date)

The information presented above by the customer is in agreement with our records. Although we have not conducted a comprehensive, detailed search of our records, no other deposit or loan accounts have come to our attention, except as noted below.

\_\_\_\_\_  
(Financial Institution's Authorized Signature)

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
(Title)

## Exceptions and/or Comments





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

August 12, 2011

City of Bristol Tennessee  
Attn: Tara Musick  
P. O. Box 1189  
Bristol, TN 37621-1189

Dear Tara:

Our auditors, Coulter and Justus, P. C., 9717 Cogdill Road, Suite 201, Knoxville, TN 37932, are making an examination of our financial statements and wish to obtain direct confirmation of the following information regarding in lieu of tax payments:

TAX EQUIVALENT PAYMENTS MADE FROM 7/1/10 – 6/30/11      \$1,646,426  
TAX EQUIVALENT PAYMENTS DUE FOR PERIOD 7/1/11 – 6/30/12

Please compare this amount with your records and note exceptions, if any, in the space provided below. Then, please sign this letter in the space provided and return the letter in the return envelope enclosed.

Yours very truly,

Lola McVey  
Director of Accounting & Finance

---

To: Coulter & Justus, P.C.:

The information above is      Correct ( )      Incorrect ( )  
Exceptions \_\_\_\_\_

\_\_\_\_\_  
Signature \_\_\_\_\_  
Title \_\_\_\_\_  
Date \_\_\_\_\_



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423/968-1526 • Fax 423/793-5545

August 12, 2011

Mr. C. Thomas Davenport, Jr.  
Attorney  
P. O. Box 966  
Bristol, TN 37621-0966

Dear Tom:

In connection with an audit of our financial statements as of June 30, 2011, and for the year then ended, please furnish to our independent auditors, Coulter & Justus, P.C., 9717 Cogdill Road, Suite 201, Knoxville, Tennessee 37932, with the information requested below regarding pending or threatened litigation, claims and assessments (excluding unasserted claims and assessments) involving matters with respect to which you have been engaged and to which you have devoted substantive attention on behalf of Bristol Tennessee Essential Services, in the form of legal consultation or representation.

For your purposes in providing the information requested, your response need not include any pending or threatened litigation, claim or assessment involving potential losses (or gains) whose expected effects on the financial statements would be less than \$100,000 unless the aggregate for all such individual amounts is more than \$100,000.

**Pending or Threatened Litigation, Claims and Assessments (excluding unasserted claims and assessments):**

Please describe (1) the nature of the litigation, claim or assessment; (2) the progress to date; (3) Bristol Tennessee Essential Services' response or its intentions with respect to its response (for example, to contest the case vigorously or to seek an out-of-court settlement); and provide (4) an estimate, if one can be made, of the amount or range of potential loss (or gain). It is important that, if possible, you express an upper limit on reasonably possible losses. If no such matters exist, please so indicate.

**Unasserted Claims and Assessments (considered by management to be probable of assertion and which, if asserted, would have at least a reasonable possibility of an unfavorable outcome, or a favorable outcome if asserted by the Bristol Tennessee Essential Services):**

Management, on behalf of Bristol Tennessee Essential Services, has represented to our independent auditors, Coulter & Justus, P.C. that there are no unasserted claims or assessments that you have advised us are probable of assertion and must be disclosed in accordance with Statement of Financial Accounting Standards No. 5.

Mr. C. Thomas Davenport, Jr.  
Page 2  
August 12, 2011

We understand that whenever, in the course of performing legal services for Bristol Tennessee Essential Services with respect to a matter recognized to involve an unasserted claim or assessment that may require financial statement disclosure, you have formed a professional conclusion that we should disclose or consider disclosure of any such possible claim or assessment in our financial statements as a matter of professional responsibility to us, you will advise us and will consult with us concerning the question of such disclosure and the applicable requirements of Statement of Financial Accounting Standards No. 5. Please specifically confirm to our independent auditors that our understanding is correct.

**Other Matters:**

Please provide a summarization of material litigation, claims and assessments relating to the System that were settled during the period.

**Response:**

Your response should include matters that existed as of June 30, 2009, and additional information about those matters or new matters that arose during the period from June 30, 2009, to the effective date of your response.

Please specifically identify the nature of and reasons for any limitation on your response to this letter.

We are currently completing our audit, so we would appreciate receiving your reply as soon as possible.

Your response will not be quoted or referred to in our financial statements without prior consultation with you.

Please send your response directly to Coulter & Justus, P.C., 9717 Cogdill Road, Suite 201, Knoxville, Tennessee 37932, with a copy to Bristol Tennessee Essential Services.

Yours very truly,

BRISTOL TENNESSEE ESSENTIAL SERVICES



By: Lola McVey  
Director of Accounting & Finance

Copy to Coulter & Justus, P.C.



**Bristol Tennessee Essential Services**

*Electric • Internet • Telephone • Cable*

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

August 12, 2011

Gerald Hallenbeck  
First Tennessee Bank  
P. O. Box 3189  
Bristol, TN 37625-3189

Dear Gerald:

Our auditors, Coulter & Justus, P.C., 9717 Cogdill Road, Suite 201, Knoxville, Tennessee 37932, are conducting an audit of our financial statements as of and for the year ended June 30, 2011. In connection therewith, they wish to confirm that your financial institution participates in the Tennessee Bank Collateral Pool and the following accounts are identified as public funds and are therefore fully collateralized as and for the year ended June 30, 2011:

Account Name	Account Number
Payroll	6013376
Health Insurance	177925560
Deposit Refund	6002188
Business Account (Money Market)	1091492
Revenue	6000312
Clearing	103002660

If your financial institution does not participate in the Tennessee Bank Collateral Pool, please provide our auditors with a copy of the safekeeping receipt held by you detailing the securities pledged against our accounts. If you have any questions please feel free to give me a call.

Very truly yours,

Lola McVey  
Director of Accounting & Finance

To: Coulter & Justus, P.C.  
The above information is correct as noted.

Financial Institution: \_\_\_\_\_

Signature: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

# Standard Form to Confirm Account Balance Information with Financial Institutions

We have provided to our auditors, Coulter & Justus, P.C., the following information as of the close of business on **June 30, 2011** regarding our deposit and loan balances. Please confirm the accuracy of the information, noting any exceptions to the information provided. If the balances have been left blank, please complete this form by furnishing the balance in the appropriate space below. **If the answer to any question is "none," please so indicate.** Although we do not request nor expect you to conduct a comprehensive, detailed search of your records, if, during the process of completing this confirmation, additional information about other deposit or loan accounts we may have with you comes to your attention, please include such information below. Please use the enclosed envelope to return this confirmation directly to our auditors, Coulter & Justus, P.C., 9717 Cogdill Road, Suite 201, Knoxville, Tennessee 37932.

To: First Tennessee  
Gerald Hallenbeck  
P. O. Box 3189  
Bristol, TN 37625-3189

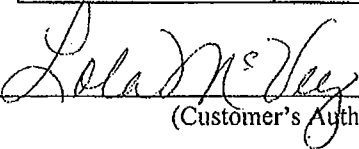
Customer Name: Bristol TN Essential Services  
P. O. Box 549  
Bristol, TN 37621

1. At the close of business on the date listed above, our records indicated the following deposit balance(s):

Account Name	Account Number	Interest Rate	Balance
Revenue	6000312		
Payroll	6013376		
Health Insurance	177925560		
Deposit Refund	6002188		
Money Market	1091492		
Clearing	103002660		

2. We were directly liable to the financial institution for loans at the close of business on the date listed above as follows:

Account Number/ Description	Balance	Date Due	Interest Rate	Date Through Which Interest is Paid	Description of Collateral

  
(Customer's Authorized Signature)

8/12/2011  
(Date)

The information presented above by the customer is in agreement with our records. Although we have not conducted a comprehensive, detailed search of our records, no other deposit or loan accounts have come to our attention, except as noted below.

\_\_\_\_\_  
(Financial Institution's Authorized Signature)

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
(Title)

## Exceptions and/or Comments



**Bristol Tennessee Essential Services**

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423/968-1526 • Fax 423/793-5545

August 12, 2011

Michelle Moore  
GreenBank  
P. O. Box 3067  
Bristol, TN 37621

Dear Michelle:

Our auditors, Coulter & Justus, P.C., 9717 Cogdill Road, Suite 201, Knoxville, Tennessee 37932, are conducting an audit of our financial statements as of and for the year ended June 30, 2011. In connection therewith, they wish to confirm that your financial institution participates in the Tennessee Bank Collateral Pool and the following accounts are identified as public funds and are therefore fully collateralized as and for the year ended June 30, 2011:

**Account Name**

**Account Number**

Money Market

2171363

If your financial institution does not participate in the Tennessee Bank Collateral Pool, please provide our auditors with a copy of the safekeeping receipt held by you detailing the securities pledged against our accounts. If you have any questions please feel free to give me a call.

Very truly yours,

Lola McVey  
Director of Accounting & Finance

To: Coulter & Justus, P.C.

The above information is correct as noted.

Financial Institution: \_\_\_\_\_

Signature: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

# Standard Form to Confirm Account Balance Information with Financial Institutions

We have provided to our auditors, Coulter & Justus, P.C., the following information as of the close of business on **June 30, 2011** regarding our deposit and loan balances. Please confirm the accuracy of the information, noting any exceptions to the information provided. If the balances have been left blank, please complete this form by furnishing the balance in the appropriate space below. **If the answer to any question is "none," please so indicate.** Although we do not request nor expect you to conduct a comprehensive, detailed search of your records, if, during the process of completing this confirmation, additional information about other deposit or loan accounts we may have with you comes to your attention, please include such information below. Please use the enclosed envelope to return this confirmation directly to our auditors, Coulter & Justus, P.C., 9717 Cogdill Road, Suite 201, Knoxville, Tennessee 37932.

To: Green Bank  
Michelle Moore  
P. O. Box 3067  
Bristol, TN 37621

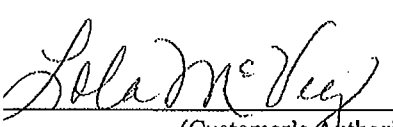
Customer Name: Bristol TN Essential Services  
P. O. Box 549  
Bristol, TN 37621

1. At the close of business on the date listed above, our records indicated the following deposit balance(s):

Account Name	Account Number	Interest Rate	Balance
Money Market	2171363		

2. We were directly liable to the financial institution for loans at the close of business on the date listed above as follows:

Account Number/ Description	Balance	Date Due	Interest Rate	Date Through Which Interest is Paid	Description of Collateral

  
(Customer's Authorized Signature)

8/12/2011  
(Date)

The information presented above by the customer is in agreement with our records. Although we have not conducted a comprehensive, detailed search of our records, no other deposit or loan accounts have come to our attention, except as noted below.

\_\_\_\_\_  
(Financial Institution's Authorized Signature)

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
(Title)

## Exceptions and/or Comments



**Bristol Tennessee Essential Services**

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423/968-1526 • Fax 423/793-5545

August 12, 2011

Department of Audit  
Division of Municipal Audit  
Comptroller of the Treasury  
State of Tennessee  
Suite 1600  
James K. Polk State Office Building  
Nashville, TN 37243-0721

Gentlemen:

Our auditors, Coulter & Justus, P.C., 9717 Cogdill Road, Suite 201, Knoxville, TN 37932, are currently conducting an audit of our financial statements for the year ended June 30, 2011. In connection with that audit, we are requesting you to provide the following information regarding our participation in the Tennessee Consolidated Retirement System (TCRS) directly to our auditors Coulter & Justus, P.C.

Plan Description  
Funding Provisions  
Payroll for Employees covered by TCRS  
Contributions in Fiscal Year 2011

Please mail the information directly to Coulter & Justus, P.C., 9717 Cogdill Road, Suite 201, Knoxville, TN 37932. A return envelope is enclosed for your convenience.

Sincerely,

Lola McVey  
Director of Accounting & Finance

Enclosure





**Bristol Tennessee Essential Services**

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423/968-1526 • Fax 423/793-5545

August 12, 2011

Treasurer's Office  
Sullivan County Courthouse  
3411 Highway 126, Suite 104  
Blountville, TN 37617

Our auditors, Coulter and Justus, P. C., 9717 Cogdill Road, Suite 201, Knoxville, TN 37932, are making an examination of our financial statements and wish to make a direct confirmation of the following information regarding in lieu of tax payments:

TAX EQUIVALENT PAYMENTS MADE FROM 7/1/10 - 6/30/11      \$480,968  
TAX EQUIVALENT PAYMENTS DUE FOR PERIOD 7/1/10 - 6/30/11

Please compare these amounts with your records and note exceptions, if any, in the space provided below. Then, please sign this letter in the space provided and return the letter in the pre addressed envelope enclosed.

Yours very truly,

Lola McVey  
Director of Accounting & Finance

Enclosure

To: Coulter and Justus

The information above is    Correct ( )    Incorrect ( )

Exceptions: \_\_\_\_\_

Signature \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_



**Bristol Tennessee Essential Services**

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August 12, 2011

TriSummit Bank  
Attention: Brock Fleenor  
P. O. Box 1537  
Bristol, VA 24203

Dear Brock:

Our auditors, Coulter & Justus, P.C., 9717 Cogdill Road, Suite 201, Knoxville, Tennessee 37932, are conducting an audit of our financial statements as of and for the year ended June 30, 2011. In connection therewith, they wish to confirm that your financial institution participates in the Tennessee Bank Collateral Pool and the following accounts are identified as public funds and are therefore fully collateralized as and for the year ended June 30, 2011:

Account Name	Account Number
Accounts Payable	1000020568
Money Market	1000020626

If your financial institution does not participate in the Tennessee Bank Collateral Pool, please provide our auditors with a copy of the safekeeping receipt held by you detailing the securities pledged against our accounts. If you have any questions please feel free to give me a call.

Very truly yours,

Lola McVey  
Director of Accounting & Finance

To: Coulter & Justus, P.C.

The above information is correct as noted.

Financial Institution: \_\_\_\_\_

Signature: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

# Standard Form to Confirm Account Balance Information with Financial Institutions

We have provided to our auditors, Coulter & Justus, P.C., the following information as of the close of business on **June 30, 2011** regarding our deposit and loan balances. Please confirm the accuracy of the information, noting any exceptions to the information provided. If the balances have been left blank, please complete this form by furnishing the balance in the appropriate space below. **If the answer to any question is "none," please so indicate.** Although we do not request nor expect you to conduct a comprehensive, detailed search of your records, if, during the process of completing this confirmation, additional information about other deposit or loan accounts we may have with you comes to your attention, please include such information below. Please use the enclosed envelope to return this confirmation directly to our auditors, Coulter & Justus, P.C., 9717 Cogdill Road, Suite 201, Knoxville, Tennessee 37932.

To: TriSummit Bank  
Brock Fleenor  
P. O. Box 1537  
Bristol, VA 24203

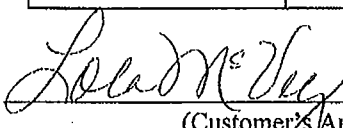
Customer Name: Bristol TN Essential Services  
P. O. Box 549  
Bristol, TN 37621

1. At the close of business on the date listed above, our records indicated the following deposit balance(s):

Account Name	Account Number	Interest Rate	Balance
Accounts Payable	1000020568		
Money Market	1000020626		

2. We were directly liable to the financial institution for loans at the close of business on the date listed above as follows:

Account Number/ Description	Balance	Date Due	Interest Rate	Date Through Which Interest is Paid	Description of Collateral

  
(Customer's Authorized Signature)

8/12/2011  
(Date)

The information presented above by the customer is in agreement with our records. Although we have not conducted a comprehensive, detailed search of our records, no other deposit or loan accounts have come to our attention, except as noted below.

\_\_\_\_\_  
(Financial Institution's Authorized Signature)

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
(Title)

Exceptions and/or Comments



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August 12, 2011

Attn: Manager, Revenue Billing  
Tennessee Valley Authority  
WT 4B-K  
400 West Summit Hill Drive  
Knoxville, TN 37902-1499

Dear Barry:

Our auditors, Coulter and Justus, P. C., 9717 Cogdill Road, Suite 201, Knoxville, TN 37932, are making an examination of our financial statements and wish to obtain direct confirmation of the following information regarding Discounted Energy Units:

ORIGINAL AMOUNT OF PREPAYMENT MADE ON 12/17/02	\$8,000,000.00
PAYMENTS RECEIVED AS OF 6/30/11 (\$87,000.00 x 90)	\$8,874,000.00
STATED INTEREST RATE	5.5%

Please compare this amount with your records and note exceptions, if any, in the space provided below. Then, please sign this letter in the space provided and return the letter in the return envelope enclosed.

Yours very truly,

Lola McVey  
Director of Accounting & Finance

Enclosure

---

To: Coulter & Justus, P.C.:

The information above is      Correct ( )      Incorrect ( )  
Exceptions \_\_\_\_\_

\_\_\_\_\_  
Signature \_\_\_\_\_  
Title \_\_\_\_\_  
Date \_\_\_\_\_



**Bristol Tennessee Essential Services**

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

August 12, 2011

U. S. Bank, National Association  
Attention: Czarina Farmer  
150 4<sup>th</sup> Avenue North, 2<sup>nd</sup> Floor  
Nashville, TN 37219

Dear Ms. Farmer:

Our auditors, Coulter & Justus, P.C., 9717 Cogdill Road, Suite 201, Knoxville, TN 37932, are auditing our financial statements. Accordingly, please provide directly to them the following information about our indebtedness to you as of June 30, 2011, then sign and date at the bottom.

1. Unpaid principal balance.
2. Interest rate.
3. Terms for payment of principal
4. Date to which interest has been paid.
5. Nature of collateral and description or address of assets pledged as collateral.
6. The nature of defaults, if any.

A reply envelope is enclosed for your convenience. A prompt reply would be appreciated.

Sincerely,

Lola McVey  
Director of Accounting & Finance

Enclosure

The above information is complete and accurate.

Date \_\_\_\_\_

Signed \_\_\_\_\_  
Title \_\_\_\_\_



**Bristol Tennessee Essential Services**

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

August 12, 2011

Tennessee Valley Authority  
Attention: Manager Revenue Billing  
400 West Summit Hill Drive  
WT 4B-K  
Knoxville, TN 37902-1499

Dear Sir:

Our auditors, Coulter and Justus, P.C., 9717 Cogdill Road, Suite 201, Knoxville, TN 37932 are making an examination of our financial statements and wish to obtain a direct confirmation of the attached information concerning our purchased power for the year ended June 30, 2011. According to our records, there are no other amounts that should be recorded for the period.

Please sign, date, and note any exceptions in the space provided below. A return envelope is enclosed for your convenience.

Yours very truly,

Lola McVey  
Director of Accounting & Finance

Enclosure

To: Coulter and Justus

The attached information is correct except as noted:

Company \_\_\_\_\_  
Signature \_\_\_\_\_  
Date \_\_\_\_\_  
Title \_\_\_\_\_

Total KWH/Demand and Energy Charges	74,981,553.88
Distribution Loss Charges	2,630,578.15
Green Power	12,045.36
Hydro Customer Credit	(595,561.80)
Enhanced Growth Credit	(128,803.55)
Small Manufacturing Credit	(289,381.26)
Manufacturing Credit Admin. Reimbursement	(3,300.00)
TDHUD	22,000.61
Load Control Credit	(913,971.82)
Interruptible Power Surcharge Credit	0.00
Valley Investment Initiative Credits	(2,595.28)
Competitive Index Credit	(415,347.38)
Charges Determined by TVA	(1,411,955.30)

Total Amount Due TVA	73,885,261.61
----------------------	---------------

Total Amount Paid TVA	63,092,270.35
-----------------------	---------------

Payable to TVA at June 30, 2011	
---------------------------------	--

May 2010 Power Bill	5,060,215.67
---------------------	--------------

June 2010 Power Bill	5,732,775.59
----------------------	--------------

Total Payable to TVA	10,792,991.26
----------------------	---------------

Prepaid Power at June 30, 2010	5,047,267.58
--------------------------------	--------------

**BRISTOL TENNESSEE ESSENTIAL SERVICE**  
**80032**

***Plan Description***

Employees of BRISTOL TENNESSEE ESSENTIAL SERVICE are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as BRISTOL TENNESSEE ESSENTIAL SERVICE participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PSL>.

***Funding Policy***

BRISTOL TENNESSEE ESSENTIAL SERVICE requires employees to contribute 5.0 percent of earnable compensation.

BRISTOL TENNESSEE ESSENTIAL SERVICE is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2011 was 12.76% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for BRISTOL TENNESSEE ESSENTIAL SERVICE is established and may be amended by the TCRS Board of Trustees.

***Annual Pension Cost***

For the year ending June 30, 2011, BRISTOL TENNESSEE ESSENTIAL SERVICE's annual pension cost of \$484,250 to TCRS was equal to BRISTOL TENNESSEE ESSENTIAL SERVICE's required and actual contributions. The required contribution was determined as part of the July 1, 2009 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. BRISTOL TENNESSEE ESSENTIAL SERVICE's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009 was 20 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.



**BRISTOL TENNESSEE ESSENTIAL SERVICE 80032**
**Trend Information**

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost(APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2011	\$484,250	100.00%	\$0.00
June 30, 2010	\$490,763	100.00%	\$0.00
June 30, 2009	\$471,232	100.00%	\$0.00

**Funded Status and Funding Progress**

As of July 1, 2009, the most recent actuarial valuation date, the plan was 79.26% percent funded. The actuarial accrued liability for benefits was \$17.6 million, and the actuarial value of assets was \$14.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$3.7 million. The covered payroll (annual payroll of active employees covered by the plan) was \$3.5 million, and the ratio of the UAAL to the covered payroll was 103.36%percent.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

(Dollar amounts in thousands)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) -Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b) - (a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
July 01, 2009	\$13,951	\$17,603	\$3,652	79.26%	\$3,533	103.36%
July 01, 2007	\$13,703	\$16,362	\$2,659	83.75%	\$3,222	82.53%

**Required Supplementary Information**
**Schedule of Funding Progress for BRISTOL TENNESSEE ESSENTIAL SERVICE 80032**

(Dollar amounts in thousands)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) -Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Annual Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
July 01, 2009	\$13,951	\$17,603	\$3,652	79.26%	\$3,533	103.36%
July 01, 2007	\$13,703	\$16,362	\$2,659	83.75%	\$3,222	82.53%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost method went into affect during the year of the 2007 actuarial valuation, therefore only the two most recent valuations are presented.

g. Contribution deficiencies or excess contributions of the employer—A contribution deficiency or excess contribution is the difference between the ARC for a given year and the employer's contributions <sup>(13)</sup> in relation to the ARC. For the purposes of this Statement, an employer has made a contribution in relation to the ARC if the employer has (1) made payments of benefits directly to or on behalf of a retiree or beneficiary, (2) made premium payments to an insurer, or (3) irrevocably transferred assets to a trust, or equivalent arrangement, in which plan assets are dedicated to providing benefits to retirees and their beneficiaries in accordance with the terms of the plan and are legally protected from creditors of the employer(s) or plan administrator. Earmarking of employer assets or other means of financing that do not meet the conditions in the preceding sentence do not constitute contributions in relation to the ARC, and the assets earmarked or otherwise accumulated should be considered employer assets for the purposes of this Statement. Amortization of a contribution deficiency or excess contribution should begin at the next actuarial valuation, unless settlement is expected not more than one year after the deficiency or excess occurred. If settlement has not occurred by the end of that term, amortization should begin at the next actuarial valuation. Calculation of interest on the net OPEB obligation and the adjustment to the ARC

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GASB

Original Pronouncements

Statements of the Governmental Accounting Standards Board (GASBS)

GASBS 45 — Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions

2008 ARC	\$241,607	
2009 "	247,432	
	<hr/>	
06/30/09 LIABILITY	\$489,039	
2010 ARC	\$506,568	
06/30/10 LIABILITY	\$795,607	
	<u>(-\$200,000)</u>	Contribution
	<u>\$595,607</u>	LIABILITY
2011 ARC	319,075	
	<u>- 595,607</u>	Contribution
	319,075	Liability

330k

\$ 506k

13 As used in this Statement, the term employer's contributions means contributions made in relation to the ARC. The term does not include amounts attributable to plan members under the terms of the plan (for example, employee contributions transmitted to the plan by the employer and contributions paid by the employer on the employees' behalf that are not included in the ARC). Similarly, the net OPEB obligation should not include amounts attributable to plan members under the terms of the plan.

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Standards and Regulations

GASB

Original Pronouncements

Statements of the Governmental Accounting Standards Board (GASBS)

GASBS 45 — Accounting and Financial Reporting by Employers for Postemployment

Benefits Other Than Pensions

Bristol Tennessee Essential Services Post Employment Benefits Trust

Statement of Changes in Plan Net Assets

Years ended June 30, 2010 and 2009

	June 30	
	2010	2009
<b>Additions</b>	<b>642,242</b>	
BTES Contributions	\$ 506,211	\$ 273,641
Dividend Income	1,217	-
	<u>507,428</u>	<u>273,641</u>
	643,459	
	(442,242)	(323,934)
<b>Deductions</b>		
Pension Benefits	(306,211)	(273,641)
	(6,322)	
Depreciation in the fair value of investments	(11,322)	-
	<u>192,895</u>	
Net increase	189,895	-
Net assets held in trust for OPEB, beginning of year	-	-
Net assets held in trust for OPEB, end of year	\$ 189,895	\$ -
See accompanying Notes to Financial Statements.	192,895	
ADMINISTRATIVE FEES	(2,000)	-
	<u>(444,242)</u>	<u>(323,934)</u>

Bristol Tennessee Essential Services Post Employment Benefits Trust

Statement of Plan Assets

June 30, 2010 and 2009

	June 30	
	2010	2009
<b>Assets</b>		
Cash and cash equivalents	12,752	
Investments	\$ 9,752	\$ -
Net assets held in trust for OPEB	180,143	-
	<u>\$ 189,895</u>	<u>\$ -</u>
	192,895	

See accompanying Notes to Financial Statements.

Bristol Tennessee Essential Services Post Employment Benefits Trust

Statement of Plan Assets

June 30, 2010 and 2009

	June 30	
	2010	2009
<b>Assets</b>		
Cash and cash equivalents	\$ 12,752	\$ -
Investments	180,143	-
<b>Net assets held in trust for OPEB</b>	<u>\$ 192,895</u>	<u>\$ -</u>

*See accompanying Notes to Financial Statements.*

Bristol Tennessee Essential Services Post Employment Benefits Trust

Statement of Changes in Plan Net Assets

Years ended June 30, 2010 and 2009

	June 30	
	2010	2009
<b>Additions</b>		
BTES Contributions	\$ 642,242	\$ 323,934
Dividend Income	1,217	-
	<u>643,459</u>	<u>323,934</u>
<b>Deductions</b>		
Pension Benefits	(442,242)	(323,934)
Administrative fees	(2,000)	-
	<u>(444,242)</u>	<u>(323,934)</u>
Depreciation in the fair value of investments	<u>(6,322)</u>	<u>-</u>
Net increase	<u>192,895</u>	<u>-</u>
Net assets held in trust for OPEB, beginning of year	-	-
Net assets held in trust for OPEB, end of year	<u>\$ 192,895</u>	<u>\$ -</u>

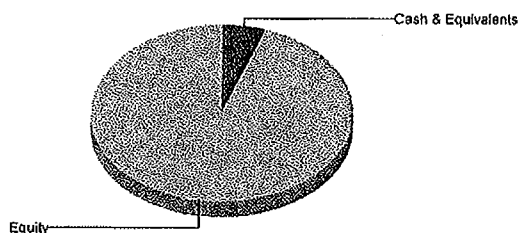
*See accompanying Notes to Financial Statements.*

THE BOARD OF TRUSTEES OF THE  
BRISTOL TENNESSEE ESSENTIAL  
SERVICES POST-EMPLOYMENT  
BENEFITS TRUST U/A 6-18-08, AS  
TRUSTEE BY CBTC CUSTODIAN

From 04/01/2011 To 06/30/2011

## Asset Allocation

Asset Type	Market Value	% Portfolio
Cash & Equivalents	\$43,364.89	5.23 %
Equity	\$786,065.65	94.77 %
<b>Total Assets</b>	<b>\$829,430.54</b>	<b>100.00 %</b>



## Activity Summary

Activity	Cost Value	Market Value
Previous Statement Balance	\$200,858.52	\$227,534.23
Contributions	\$595,607.00	\$595,607.00
Dividends	\$2,436.72	\$2,436.72
Realized Gains	\$0.00	
Account Fees	(\$750.00)	(\$750.00)
Net Portfolio Change		\$4,602.59
<b>Ending Balance</b>	<b>\$798,152.24</b>	<b>\$829,430.54</b>



THE BOARD OF TRUSTEES OF THE  
BRISTOL TENNESSEE ESSENTIAL  
SERVICES POST-EMPLOYMENT  
BENEFITS TRUST U/A 6-18-08, AS  
TRUSTEE BY CBTC CUSTODIAN  
From 04/01/2011 To 06/30/2011

**Statement of Assets**

Symbol	Asset Description	Units/Shares or Face Value	Unit Price	Total Cost	Market Value
<b>040 Equity Mutual Funds</b>					
ATASX	ASTON/TAMRO SMALL CAP CL N ASTON/TAMRO SMALL CAP CL N	3,672.7470	\$22.80	\$76,018.08	\$83,738.64
FNICX	FIDELITY ADVISOR NEW INSIGHTS CLASS C FIDELITY ADVISOR NEW INSIGHTS CLASS C	7,498.4510	\$19.73	\$141,162.75	\$147,944.43
JCMVX	J P MORGAN MID CAP VALUE FUND CLASS C J P MORGAN MID CAP VALUE FUND CLASS C	2,414.3950	\$24.13	\$53,703.06	\$58,259.35
FRUGX	FRANKLIN US GOVT CLASS C FRANKLIN US GOVT CLASS C	22,102.7320	\$6.79	\$147,621.77	\$150,077.57
FCHIX	FRANKLIN HIGH INCOME FUND CLASS C FRANKLIN HIGH INCOME FUND CLASS C	28,375.0620	\$2.04	\$57,555.19	\$57,885.13
PEGCX	PRUDENTIAL JENNISON MID-CAP GROWTH CLASS C; NAME CHANGED FROM JENNISON MID-CAP GR ON 2/12/10	2,176.6820	\$26.72	\$53,650.00	\$58,160.95
MEICX	MFS VALUE CLASS C MFS VALUE CLASS C	6,217.9120	\$23.70	\$142,720.21	\$147,364.53
PTTCX	PIMCO TOTAL RETURN CLASS C PIMCO TOTAL RETURN CLASS C	7,519.1120	\$10.99	\$82,356.29	\$82,635.05
Total:				\$754,787.35	\$786,065.65
<b>500 Money Market Funds</b>					
TOIXX	TREASURY OBLIGATIONS FUND #68 TREASURY OBLIGATIONS FUND #68	2,360.0500	\$1.00	\$2,360.05	\$2,360.05
FPRXX	PRIME FUND NEWBERRY STR TR FIDELITY NEWBERRY STR TR FIDELITY PRIME FUND	40,754.8400	\$1.00	\$40,754.84	\$40,754.84
Total:				\$43,114.89	\$43,114.89
<b>CASH</b>					
CASH				\$250.00	\$250.00
<b>Grand Total</b>				<b>\$798,152.24</b>	<b>\$829,430.54</b>

THE BOARD OF TRUSTEES OF THE  
BRISTOL TENNESSEE ESSENTIAL  
SERVICES POST-EMPLOYMENT  
BENEFITS TRUST U/A 6-18-08, AS  
TRUSTEE BY CBTC CUSTODIAN

From 04/01/2011 To 06/30/2011

**Statement of Transactions**

Date	Transaction Description	Units	Cash Change	Investment Change
	Payee			
<b>MONEY MKT FUND INCOME</b>				
04/01/2011	MONEY MKT FUND INCOME TREASURY OBLIGATIONS FUND #68	0.0000	\$0.01	\$0.00
04/29/2011	MONEY MKT FUND INCOME TREASURY OBLIGATIONS FUND #68	0.0000	\$0.34	\$0.00
05/31/2011	MONEY MKT FUND INCOME TREASURY OBLIGATIONS FUND #68	0.0000	\$0.03	\$0.00
			<u>\$0.38</u>	<u>\$0.00</u>
<b>DIVIDEND REINV</b>				
03/31/2011	DIVIDEND REINV PIMCO TOTAL RETURN CLASS C	3.5370	\$0.00	\$38.48
04/05/2011	DIVIDEND REINV FRANKLIN US GOVT CLASS C FRANKLIN US GOVT CLASS C \$0.0192 per Share on 5,538.031 Shares	15.9650	\$0.00	\$106.33
04/05/2011	DIVIDEND REINV FRANKLIN HIGH INCOME FUND CLASS C FRANKLIN HIGH INCOME FUND CLASS C \$0.0111 per Share on 7,642.723 Shares	41.3800	\$0.00	\$84.83
04/29/2011	DIVIDEND REINV PRIME FUND NEWBERRY STR TR FIDELITY NEWBERRY STR TR FIDELITY PRIME FUND	1.3500	\$0.00	\$1.35
04/29/2011	DIVIDEND REINV PIMCO TOTAL RETURN CLASS C	5.8500	\$0.00	\$64.53
05/04/2011	DIVIDEND REINV FRANKLIN US GOVT CLASS C FRANKLIN US GOVT CLASS C \$0.0192 per Share on 21,971.906 Shares	62.7770	\$0.00	\$421.86
05/04/2011	DIVIDEND REINV FRANKLIN HIGH INCOME FUND CLASS C FRANKLIN HIGH INCOME FUND CLASS C \$0.0111 per Share on 28,072.453 Shares	150.5310	\$0.00	\$311.60
05/31/2011	DIVIDEND REINV PRIME FUND NEWBERRY STR TR FIDELITY NEWBERRY STR TR FIDELITY PRIME FUND	0.3500	\$0.00	\$0.35
05/31/2011	DIVIDEND REINV PIMCO TOTAL RETURN CLASS C	14.2970	\$0.00	\$158.13
06/03/2011	DIVIDEND REINV FRANKLIN US GOVT CLASS C FRANKLIN US GOVT CLASS C \$0.021 per Share on 22,034.683 Shares	68.0490	\$0.00	\$462.73
06/03/2011	DIVIDEND REINV FRANKLIN HIGH INCOME FUND CLASS C FRANKLIN HIGH INCOME FUND CLASS C \$0.0111 per Share on 28,222.984 Shares	152.0780	\$0.00	\$313.28
06/23/2011	DIVIDEND REINV MFS VALUE CLASS C MFS VALUE CLASS C	14.0480	\$0.00	\$324.65
06/30/2011	DIVIDEND REINV PRIME FUND NEWBERRY STR TR FIDELITY NEWBERRY STR TR FIDELITY PRIME FUND	0.3400	\$0.00	\$0.34
06/30/2011	DIVIDEND REINV PIMCO TOTAL RETURN CLASS C	13.4560	\$0.00	\$147.88

THE BOARD OF TRUSTEES OF THE  
BRISTOL TENNESSEE ESSENTIAL  
SERVICES POST-EMPLOYMENT  
BENEFITS TRUST U/A 6-18-08, AS  
TRUSTEE BY CBTC CUSTODIAN

From 04/01/2011 To 06/30/2011

Date	Transaction Description	Payee	Units	Cash Change	Investment Change
				\$0.00	\$2,436.34
CUSTODIAL FEE					
04/27/2011	CUSTODIAL FEE Collected for Period Ending 04/27/2011		0.0000	(\$250.00)	\$0.00
05/31/2011	CUSTODIAL FEE Collected for Period Ending 05/31/2011		0.0000	(\$250.00)	\$0.00
06/30/2011	CUSTODIAL FEE Collected for Period Ending 06/30/2011		0.0000	(\$250.00)	\$0.00
				(\$750.00)	\$0.00
EMPLOYER CONTRIBUTION					
04/12/2011	EMPLOYER CONTRIBUTION WIRE RECEIVED		0.0000	\$595,607.00	\$0.00
				\$595,607.00	\$0.00
PURCHASE OF ASSET					
04/20/2011	PURCHASE OF ASSET ASTON/TAMRO SMALL CAP CL N ASTON/TAMRO SMALL CAP CL N		2,496.6560	(\$56,000.00)	\$56,000.00
04/25/2011	PURCHASE OF ASSET PRUDENTIAL JENNISON MID-CAP GROWTH CLASS C; NAME CHANGED FROM JENNISON MID-CAP GR ON 2/12/10		1,527.3000	(\$40,000.00)	\$40,000.00
04/25/2011	PURCHASE OF ASSET J P MORGAN MID CAP VALUE FUND CLASS C J P MORGAN MID CAP VALUE FUND CLASS C		1,691.3320	(\$40,000.00)	\$40,000.00
04/25/2011	PURCHASE OF ASSET FIDELITY ADVISOR NEW INSIGHTS CLASS C FIDELITY ADVISOR NEW INSIGHTS CLASS C		5,402.6500	(\$106,000.00)	\$106,000.00
04/25/2011	PURCHASE OF ASSET PIMCO TOTAL RETURN CLASS C PIMCO TOTAL RETURN CLASS C		5,555.5560	(\$61,000.00)	\$61,000.00
04/25/2011	PURCHASE OF ASSET MFS VALUE CLASS C MFS VALUE CLASS C		4,518.5810	(\$107,000.00)	\$107,000.00
04/25/2011	PURCHASE OF ASSET FRANKLIN HIGH INCOME FUND CLASS C FRANKLIN HIGH INCOME FUND CLASS C		20,388.3500	(\$42,000.00)	\$42,000.00
04/25/2011	PURCHASE OF ASSET FRANKLIN US GOVT CLASS C FRANKLIN US GOVT CLASS C		16,417.9100	(\$110,000.00)	\$110,000.00
				(\$562,000.00)	\$562,000.00
TOTAL SWEEP PURCHASES				(\$1,188,607.38)	\$1,188,607.38
TOTAL SWEEP SALES				\$1,156,000.00	(\$1,156,000.00)
				\$250.00	\$597,043.72

ACCOUNT ANALYSIS  
FOR ACCT: 232.11 ACCOUNTS PAYABLE MISC CLEARING  
DATE RANGE FROM 07/01/08 TO 06/30/09

DEBIT	SO	TR	R-ACCT	ITEM	ID	DATE	BALANCE	VENNAME	VOUCHER	REC	BATCH	JOB
241,607.00-	.00	BF 99	232.11	BFWD	00	07/01/08	241,607.00-			0	1	
17,600.00-	.00	JE 40	926.10	MISC	00	08/31/08	258,607.00-			0	2035	
198,902.33-	.00	JE 49		MISC	00	11/30/08	455,509.33-			0	2091	
.00	.00	JE 40	163.00	MISC	00	12/02/08	411,052.12-			0	2033	
.00	.00	JE 49		MISC	00	12/02/08	258,607.00-		1138	0	2091	
.00	.00	JE 49		MISC	00	12/31/08	249,232.00-			0	2033	
.00	.00	JE 49		MISC	00	12/31/08	258,607.00-			0	2033	
.00	.00	JE 40	926.10	MISC	00	01/31/09	272,892.00-			0	2035	
.00	.00	JE 40	926.10	MISC	00	02/28/09	287,177.00-			0	2035	
.00	.00	JE 40	926.10	MISC	00	03/31/09	301,462.00-			0	2091	
.00	.00	JE 40	123.11	MISC	00	03/31/09	315,747.00-			0	2091	
.00	.00	JE 40	921.00	MISC	00	03/31/09	300,999.50-			0	2089	
.00	.00	JE 40	123.10	MISC	00	03/31/09	311,337.50-			0	2089	
.00	.00	JE 40	123.11	MISC	00	03/31/09	314,598.17-			0	2089	
.00	.00	JE 40	926.10	MISC	00	04/30/09	315,747.00-			0	2091	
.00	.00	JE 40	926.10	MISC	00	05/31/09	330,032.00-			0	2035	
.00	.00	JE 40	926.10	MISC	00	06/30/09	344,317.00-			0	2091	
.00	.00	JE 40	921.00	MISC	00	06/30/09	358,602.00-			0	2089	
.00	.00	JE 40	184.00	MISC	00	06/30/09	363,353.93-			0	2089	
.00	.00	JE 40	591.10	MISC	00	06/30/09	492,908.99-			0	2035	
.00	.00	JE 40	926.10	MISC	00	06/30/09	475,908.99-			0	2089	
Total Records: 22	Total Quantity:						Total Debit:	238,024.83	Total Credit:	713,933.82-	Net Balance:	475,908.99

341,603  
+ 129,555.19  
471,158.19

off 475.80

6/30/08 341,607  
6/30/09 99,995.00  
147,437  
171,420  
135,148  
282,585.00

ACCOUNT ANALYSIS  
FOR ACCT: 232.11 ACCOUNTS PAYABLE MISC CLEARING  
DATE RANGE FROM 07/01/09 TO 06/30/10

CREDIT	DEBIT	SO TR	R-ACCT	ITEM	ID	DATE	BALANCE	VENDORNAME	VOUCHER	REC	BATCH	JOB	Net Balance:
475,908.99-	.00	BF 99	232.11	BFWD	00	07/01/09	475,908.99-			0	1		
14,285.00-	.00	JE 40	591.10	MISC	00	07/31/09	346,353.80-			0	2035		
14,285.00-	.00	JE 40	926.10	MISC	00	07/31/09	360,638.80-			0	2091		
14,285.00-	.00	JE 40	926.10	MISC	00	08/31/09	374,923.80-			0	2091		
14,285.00-	.00	JE 40	926.10	MISC	00	09/30/09	389,208.80-			0	2091		
14,285.00-	.00	JE 40	926.10	MISC	00	10/31/09	403,493.80-			0	2035		
14,285.00-	200,000.00	JE 40	131.71	MISC	00	11/24/09	203,493.80-			0	2033		
14,285.00-	.00	JE 40	926.10	MISC	00	11/30/09	217,778.80-			0	2091		
14,285.00-	.00	JE 40	926.10	MISC	00	12/31/09	232,063.80-			0	2091		
14,285.00-	.00	JE 40	926.10	MISC	00	01/31/10	246,348.80-			0	2091		
14,285.00-	.00	JE 40	926.10	MISC	00	02/28/10	260,633.80-			0	2091		
14,285.00-	.00	JE 40	926.10	MISC	00	03/09/10	169,281.80-			89	2035		
14,285.00-	.00	JE 40	926.10	MISC	00	03/31/10	260,633.80-			84	2035		
14,285.00-	.00	JE 40	926.10	MISC	00	04/30/10	274,918.80-			0	2091		
14,285.00-	.00	JE 40	926.10	MISC	00	04/30/10	289,203.80-			0	2091		
14,285.00-	.00	JE 40	926.10	MISC	00	05/01/10	309,543.38-			0	2033		
14,285.00-	.00	JE 40	926.10	MISC	00	05/01/10	363,535.55-			0	2033		
14,285.00-	.00	JE 40	926.10	MISC	00	05/01/10	343,192.97-			0	2033		
14,285.00-	.00	JE 40	926.10	MISC	00	05/31/10	289,203.80-			0	2033		
14,285.00-	.00	JE 40	926.10	MISC	00	06/30/10	317,773.80-			0	2091		
388,794.20-	.00	JE 49		MISC	00	06/30/10	706,568.00-			0	2089		
Total Records: 22	Total Quantity:		1.00	Total Debit:			495,238.94	Total Credit:		1,201,806.94-			Net Balance:
													706,568.0

171,420

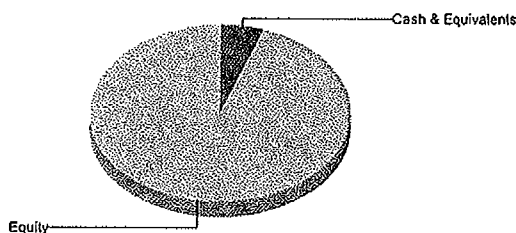
513,023.0  
388,794.0  
901,816.0  
- 200,000.0  
701,816.0

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From 04/01/2011 To 06/30/2011

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SERVICES POST-EMPLOYMENT  
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From 04/01/2011 To 06/30/2011

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Total:				\$43,114.89	\$43,114.89
<b>CASH</b>					
CASH				\$250.00	\$250.00
<b>Grand Total</b>				<b>\$798,152.24</b>	<b>\$829,430.54</b>

THE BOARD OF TRUSTEES OF THE  
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SERVICES POST-EMPLOYMENT  
BENEFITS TRUST U/A 6-18-08, AS  
TRUSTEE BY CBTC CUSTODIAN

From 04/01/2011 To 06/30/2011

**Statement of Transactions**

Date	Transaction Description	Units	Cash Change	Investment Change
	Payee			
<b>MONEY MKT FUND INCOME</b>				
04/01/2011	MONEY MKT FUND INCOME TREASURY OBLIGATIONS FUND #68 TREASURY OBLIGATIONS FUND #68	0.0000	\$0.01	\$0.00
04/29/2011	MONEY MKT FUND INCOME TREASURY OBLIGATIONS FUND #68 TREASURY OBLIGATIONS FUND #68	0.0000	\$0.34	\$0.00
05/31/2011	MONEY MKT FUND INCOME TREASURY OBLIGATIONS FUND #68 TREASURY OBLIGATIONS FUND #68	0.0000	\$0.03	\$0.00
			<u>\$0.38</u>	<u>\$0.00</u>
<b>DIVIDEND REINV</b>				
03/31/2011	DIVIDEND REINV PIMCO TOTAL RETURN CLASS C PIMCO TOTAL RETURN CLASS C	3.5370	\$0.00	\$38.48
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04/29/2011	DIVIDEND REINV PIMCO TOTAL RETURN CLASS C PIMCO TOTAL RETURN CLASS C	5.8500	\$0.00	\$64.53
05/04/2011	DIVIDEND REINV FRANKLIN US GOVT CLASS C FRANKLIN US GOVT CLASS C \$0.0192 per Share on 21,971.906 Shares	62.7770	\$0.00	\$421.86
05/04/2011	DIVIDEND REINV FRANKLIN HIGH INCOME FUND CLASS C FRANKLIN HIGH INCOME FUND CLASS C \$0.0111 per Share on 28,072.453 Shares	150.5310	\$0.00	\$311.60
05/31/2011	DIVIDEND REINV PRIME FUND NEWBERRY STR TR FIDELITY NEWBERRY STR TR FIDELITY PRIME FUND	0.3500	\$0.00	\$0.35
05/31/2011	DIVIDEND REINV PIMCO TOTAL RETURN CLASS C PIMCO TOTAL RETURN CLASS C	14.2970	\$0.00	\$158.13
06/03/2011	DIVIDEND REINV FRANKLIN US GOVT CLASS C FRANKLIN US GOVT CLASS C \$0.021 per Share on 22,034.683 Shares	68.0490	\$0.00	\$462.73
06/03/2011	DIVIDEND REINV FRANKLIN HIGH INCOME FUND CLASS C FRANKLIN HIGH INCOME FUND CLASS C \$0.0111 per Share on 28,222.984 Shares	152.0780	\$0.00	\$313.28
06/23/2011	DIVIDEND REINV MFS VALUE CLASS C MFS VALUE CLASS C	14.0480	\$0.00	\$324.65
06/30/2011	DIVIDEND REINV PRIME FUND NEWBERRY STR TR FIDELITY NEWBERRY STR TR FIDELITY PRIME FUND	0.3400	\$0.00	\$0.34
06/30/2011	DIVIDEND REINV PIMCO TOTAL RETURN CLASS C PIMCO TOTAL RETURN CLASS C	13.4560	\$0.00	\$147.88



THE BOARD OF TRUSTEES OF THE  
BRISTOL TENNESSEE ESSENTIAL  
SERVICES POST-EMPLOYMENT  
BENEFITS TRUST U/A 6-18-08, AS  
TRUSTEE BY CBTC CUSTODIAN

From 04/01/2011 To 06/30/2011

Date	Transaction Description	Payee	Units	Cash Change	Investment Change
				\$0.00	\$2,436.34
CUSTODIAL FEE					
04/27/2011	CUSTODIAL FEE Collected for Period Ending 04/27/2011		0.0000	(\$250.00)	\$0.00
05/31/2011	CUSTODIAL FEE Collected for Period Ending 05/31/2011		0.0000	(\$250.00)	\$0.00
06/30/2011	CUSTODIAL FEE Collected for Period Ending 06/30/2011		0.0000	(\$250.00)	\$0.00
				(\$750.00)	\$0.00
EMPLOYER CONTRIBUTION					
04/12/2011	EMPLOYER CONTRIBUTION WIRE RECEIVED		0.0000	\$595,607.00	\$0.00
				\$595,607.00	\$0.00
PURCHASE OF ASSET					
04/20/2011	PURCHASE OF ASSET ASTON/TAMRO SMALL CAP CL N ASTON/TAMRO SMALL CAP CL N		2,496.6560	(\$56,000.00)	\$56,000.00
04/25/2011	PURCHASE OF ASSET PRUDENTIAL JENNISON MID-CAP GROWTH CLASS C; NAME CHANGED FROM JENNISON MID-CAP GR ON 2/12/10		1,527.3000	(\$40,000.00)	\$40,000.00
04/25/2011	PURCHASE OF ASSET J P MORGAN MID CAP VALUE FUND CLASS C J P MORGAN MID CAP VALUE FUND CLASS C		1,691.3320	(\$40,000.00)	\$40,000.00
04/25/2011	PURCHASE OF ASSET FIDELITY ADVISOR NEW INSIGHTS CLASS C FIDELITY ADVISOR NEW INSIGHTS CLASS C		5,402.6500	(\$106,000.00)	\$106,000.00
04/25/2011	PURCHASE OF ASSET PIMCO TOTAL RETURN CLASS C PIMCO TOTAL RETURN CLASS C		5,555.5560	(\$61,000.00)	\$61,000.00
04/25/2011	PURCHASE OF ASSET MFS VALUE CLASS C MFS VALUE CLASS C		4,518.5810	(\$107,000.00)	\$107,000.00
04/25/2011	PURCHASE OF ASSET FRANKLIN HIGH INCOME FUND CLASS C FRANKLIN HIGH INCOME FUND CLASS C		20,388.3500	(\$42,000.00)	\$42,000.00
04/25/2011	PURCHASE OF ASSET FRANKLIN US GOVT CLASS C FRANKLIN US GOVT CLASS C		16,417.9100	(\$110,000.00)	\$110,000.00
				(\$562,000.00)	\$562,000.00
TOTAL SWEEP PURCHASES				(\$1,188,607.38)	\$1,188,607.38
TOTAL SWEEP SALES				\$1,156,000.00	(\$1,156,000.00)
				\$250.00	\$597,043.72

# Bristol Tennessee Essential Services Post Employment Benefits Trust

## Statement of Changes in Plan Net Assets

Years ended June 30, 2011 and 2010

	June 30	
	2011	2010
<b>Additions</b>		
BTES Contributions	\$ 972,578	\$ 642,242
Dividend Income	6,325	1,217
	<u>978,903</u>	<u>643,459</u>
<b>Deductions</b>		
Pension Benefits	(386,971)	(442,242)
Administrative fees	(3,000)	(2,000)
	<u>(389,971)</u>	<u>(444,242)</u>
APPROXIMATE (Depreciation) in the fair value of investments	37,601	(6,322)
Net increase	<u>626,533</u>	<u>192,895</u>
Net assets held in trust for OPEB, beginning of year	192,895	-
Net assets held in trust for OPEB, end of year	<u>\$ 819,428</u>	<u>\$ 192,895</u>

See accompanying Notes to Financial Statements.

## RECAP OF FISCAL YEAR 2011 (continued)

We installed Alcatel 7450 Ethernet Service Switches at each of six POP sites along with two Alcatel 7750 core routers at the Service Center. These will be used to deliver IPTV services along with increased bandwidth to our customers. The 7750s will provide growth for our connections to the Internet, as well.

We installed our first primary rate interface (PRI) service over GPON. This provides 23 phone lines over a digital circuit. Because it was built using the GPON network, we now have a template to be able to offer these enhanced voice services to other customers in our service area.

We increased our Internet capacity from 400 Mbps to 700 Mbps in July 2010. In April of 2011, we increased again to a total of 1.2 Gbps between two carriers.

In April 2011, TVA changed the way it accounted for fuel costs in its wholesale electricity price. Previously, fuel appeared in two categories; most was included in the base rate, but some was recovered in the monthly "fuel cost adjustment". Beginning in April 2011, all fuel was included in a single fuel category, which still changes monthly, depending on the cost of fuel, purchased power and related items. This change lowered the "base rate" amount. The new "total monthly fuel cost" was larger than the past "fuel cost adjustment" because fuel costs that were included in the "base rate" were moved to the "total monthly fuel cost" category. This shift did not alter the total amount charged per kWh.

On April 1, 2011, TVA and the distributors of TVA power implemented new seasonal rate structures. TVA's costs to provide power vary significantly based on when customers are using electricity – both the time of year and time of day. The new rates better reflect those cost differences. In the summer months, the demand for power is higher in the afternoon when temperatures rise because consumers are running air conditioning at full power to keep cool. In the winter, demand for power is higher in the morning because that is when the temperature normally drops to the lowest point. When demand for power increases during these peak periods of the day, TVA has to operate its higher cost power plants or purchase power from others to meet demand. This increases TVA's costs. Since demand for power at peak times continues to increase, TVA has had to build or buy new power plants to ensure it has electricity available when consumers need it. Investing in new plants that are needed only a few hours a day is not the most efficient way to operate the power system. On April 1, 2011, BTES also changed its rate structure to reflect the seasonal differences. Summer rates will go from June through September, winter rates from December through March and transition rates from April through May and again from October through November. Residential customers also experienced an additional change in their rate structure. Previously, residential customers paid one rate for the first 1,000 kWh and another rate for any additional kWh usage. With the new rate structure, residential customers only pay one rate for all kWh. This will allow an easier transition to time-of-use rates in the future.

BTES is participating in a Voltage Reduction pilot program through TVA to operate a load control program. Voltage regulators are at each substation to reduce the feeder voltage during high-demand periods, thus reducing the peak load. When TVA changed the wholesale rate structure to demand and energy in April 2011, BTES will save each month on demand charges.

*Line capacity is remotely controlled and voltage is controlled along with first & last locations*

## RECAP OF FISCAL YEAR 2011 (continued)

As the city's largest taxpayer, we paid the maximum in-lieu-of-tax payments as provided by Tennessee State Law and the TVA Contract to the City of Bristol in the amount of \$1,646,246 for fiscal year 2011. Combined with taxes paid to Sullivan County and Bluff City, Tennessee and Washington County, Virginia, a grand total of \$2,137,636 was paid by BTES.

We planted 165 dogwoods during fiscal year 2011 through our Trade-A-Tree program. We also planted one Eastern Red Oak. We planted fifteen trees for the Vance Middle School Campus Sustainable Garden/Orchard project.

Currently, BTES has mapped all pole locations in the BTES service territory. We continue to update the mapping system as changes are made in the field.

Our electric bad debts, as a percentage of electric retail revenue, are 0.1 percent for the fiscal year 2011, which is below our stated goal of 0.25 percent. The industry target is 0.5 percent. This has been accomplished in a variety of ways. We diligently work to prevent customers from falling too far behind in paying their electric bill and thoroughly screen new applications to determine inclination to pay. In an effort to help those in need find necessary funding, we work with area churches, the Salvation Army, Bristol Faith in Action, United Way and the Upper East Tennessee Human Development Agency. BTES, our customers, United Way and Salvation Army come together to assist customers through our *Help Your Neighbor* program. Our deposit procedure seems to be working well. Residential customers who demonstrate a history of paying their bills in a timely manner may have their deposit waived. A general power customer with a calculated standard deposit of \$10,000 or less, which has a principal owner who has lived in our service area five or more years with good pay and credit history and is willing to guarantee the account, may have the deposit reduced or waived. To date, no adverse effects have been detected.

We continually update metering and billing functions and processes to provide documentation needed for TVA's compliance with the Sarbanes-Oxley Act.

We have been prepaying our power bill. Under this arrangement, we use an automated clearing house to send our money to TVA before actual payment is due. In return, we receive interest payments from TVA for the amount of their cost of short-term borrowing. This is used when TVA's rate is higher than we are able to receive through other investment vehicles.

We continued working with a local bank to process mail and drop box payments. This increases productivity for our Customer Service Department, while improving our cash management.

In December 2002, we purchased \$8 million of Discounted Energy Units from TVA. Our participation in the program will assure a long-term supply of power at a low price and increase our return on investments. Our power bill is being discounted by the principle and interest earned.

Efforts to increase sales of electricity continued. Efforts are ongoing to increase the use of electric heat pumps and electric water heaters, especially load-managed water heaters that can be switched off during peak-demand periods. During calendar year 2010, we inspected 164 heat pump installations and installed 694 water heaters. As of June 2011, BTES has over 15,600 load-managed water heaters. During calendar year 2010, TVA paid us \$976,754 for the ability to cycle these water

# Bristol Tennessee Essential Services

## Balance Sheets

June 30, 2011 and 2010

	June 30	
	2011	2010
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 8,574,079	\$ 8,260,242
Accounts receivable:		
Trade	7,318,895	6,378,649
Other	837,641	742,309
Allowance for bad debt	(707,095)	(619,563)
Net accounts receivable	✓ 7,449,441	6,501,395
Accrual for unbilled revenues	✓ 3,318,744	2,992,197
Due from City of Bristol, TN	235,631	54,307
Interest receivable	<del>10,155</del>	<del>18,982</del>
Materials and supplies inventories	✓ 1,204,776	1,067,125
Current portion of customer notes receivable	✓ 440,000	410,000
Current portion of discounted energy units	✓ 986,131	933,485
Current portion of prepaid expense	1,100,000	
Other current assets	<del>116,801</del> 153,646	<del>108,455</del> 127,437
Total current assets	23,472,603	20,346,188
Unrestricted noncurrent assets:		
Capital assets:		
Capital assets in service	131,253,059	126,207,139
Less accumulated depreciation	(54,738,213)	(51,123,696)
	76,514,846	75,083,443
Construction in progress	1,092,637	2,750,894
Non-utility property	251,434	250,334
Net capital assets	✓ 77,858,917	78,084,671
Other assets:		
Customer notes receivable, less current portion	✓ 2,427,430	2,280,558
Long-term investments	✓ 8,000,000	8,000,000
Prepaid pension cost	✓ 397,822	453,279
Prepaid expense, less current portion	1,100,000	-
Discounted energy units, less current portion	✓ 513,778	1,499,894
Unamortized bond issue costs	290,555	301,173
Total other assets	12,729,585	12,534,904
Total noncurrent assets	90,588,502	90,619,575
Total assets	\$ 114,061,105	\$ 110,965,763

# Bristol Tennessee Essential Services

## Balance Sheets (continued)

June 30, 2011 and 2010

	June 30	
	2011	2010
<b>Liabilities and net assets</b>		
Current liabilities:		
Trade accounts payable	\$ 2,535,342	\$ 7,083,466
Customer deposits and prepayments	2,143,249	2,078,716
X <del>Franchise fee</del> due to City of Bristol, Tennessee	45,016	41,459
Interest payable	332,946	335,775
Deferred revenue	594,362	523,152
Other accrued liabilities	1,233,654	1,144,128
Current portion of bonds payable	505,000	485,000
Total current liabilities	7,389,569	11,691,696
Other noncurrent accrued liabilities	319,075	595,607
Bonds payable, less current portion	21,920,614	22,438,976
Total liabilities	29,629,258	34,726,279
Net position:		
Net investment in capital assets	55,433,303	53,974,367
Unrestricted	28,998,544	22,265,117
Total net position	84,431,847	76,239,484

Total liabilities and net position

\$ 114,061,105   \$ 110,965,763

*See accompanying Notes to Financial Statements.*

Bristol Tennessee Essential Services

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

Years ended June 30, 2011 and 2010

	Year ended June 30	
	2011	2010
Nonoperating revenue (expense):		
Grant income	\$ 181,324	\$ -
Interest income (including \$110,530 in 2011 and \$160,378 in 2010 related to amortization of discounted energy units)	502,266	589,533
Interest expense	(982,807)	(998,144)
Amortization of bond issue costs	(10,618)	(11,583)
Income before transfers and income taxes	9,960,630	6,535,592
State income tax expense	(121,841)	(66,352)
Transfers out--tax equivalents to the City of Bristol, Tennessee	(1,646,426)	(1,558,418)
Change in net position	8,192,363	4,910,822
Net position at beginning of year	76,239,484	71,328,662
Net position at end of year	<u>\$ 84,431,847</u>	<u>\$ 76,239,484</u>

See accompanying Notes to Financial Statements.

# Bristol Tennessee Essential Services

## Statements of Cash Flows

Years ended June 30, 2011 and 2010

	Year ended June 30	
	2011	2010
<b>Cash flows from operating activities</b>		
Cash received from customers	\$ 98,102,705	\$ 86,668,496
Cash received from City of Bristol, Tennessee	2,888,465	2,234,163
Cash paid to suppliers and vendors	(87,720,435) (89,920,635)	(75,195,305)
Cash paid to employees for services	(4,009,530)	(3,906,026)
Net cash provided by operating activities	7,061,005 9,161,005	9,801,328
<b>Cash flows from noncapital financing activities</b>		
Transfers to City of Bristol, Tennessee	(1,646,426)	(1,558,418)
State income tax	(121,841)	(66,352)
Net cash used in noncapital financing activities	(1,768,267)	(1,624,770)
<b>Cash flows from investing activities</b>		
Interest received on investments	400,563	438,422
Purchases of certificates of deposit	(27,105,906)	(31,203,351)
Sales of certificates of deposit	27,105,906	31,203,351
Net cash provided by investing activities	400,563	438,422
<b>Cash flows from capital and related financing activities</b>		
Principal payments on bonds payable	(485,000)	(470,000)
Interest payments on bonds payable	(985,636)	(1,015,550)
Net additions to capital assets	(3,908,828)	(6,782,283)
Net cash used in capital and related financing activities	(5,379,464) (7,579,464)	(8,267,833)
Increase (decrease) in cash and cash equivalents	313,837	347,147
Cash and cash equivalents at beginning of year	8,260,242	7,913,095
Cash and cash equivalents at end of year	\$ 8,574,079	\$ 8,260,242

CASH RECEIVED FROM TVA

CASH PAID FOR PURCHASE OF CAPITAL ASSETS (2,200,000)



Bristol Tennessee Essential Services

Statements of Cash Flows (continued)

Years ended June 30, 2011 and 2010

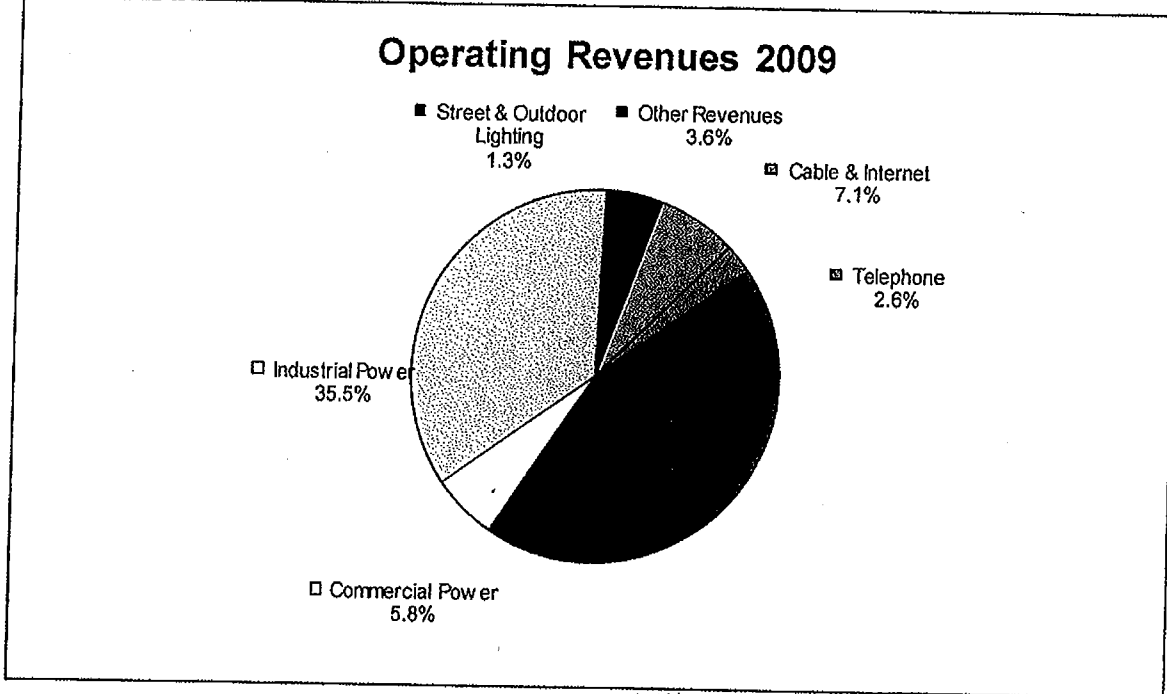
	Year ended June 30	
	2011	2010
<b>Reconciliation of operating income to net cash provided by operating activities</b>		
Operating income	\$10,270,465 <b>\$ 10,451,789</b>	\$ 6,955,786
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	4,092,948 ✓	3,583,004
Provision for losses on accounts receivable	121,247 ✓	100,330
Redemption of discounted energy units	1,044,000 ✓	1,044,000
Changes in operating assets and liabilities:		
Accounts receivable	(1,060,466)	(1,122,275)
Accrual for unbilled revenues	(326,547) ✓	506,671
Materials and supplies inventories	(137,651) ✓	17,589
Customer notes receivable	(176,872) ✓	(113,936)
Prepaid pension cost	55,457 ✓	55,458
Other assets	(257,115) (2,407,069) ✓	52,421
Trade accounts payable	(4,548,124) ✓	1,023,182
Due to City of Bristol, Tennessee	- ✓	(213,744)
Unbilled power expense	- ✓	(3,054,352)
Customer deposits and prepayments	64,532 ✓	402,894
Other accrued liabilities	(112,239) ✓	564,300
Net cash provided by operating activities	<b>\$ 7,061,005</b>	<b>\$ 9,801,328</b>

**Supplemental disclosure of noncash activities**

Accounts payable at June 30, 2011 and 2010 included \$29,935 and \$1,307,113, respectively for capital assets.

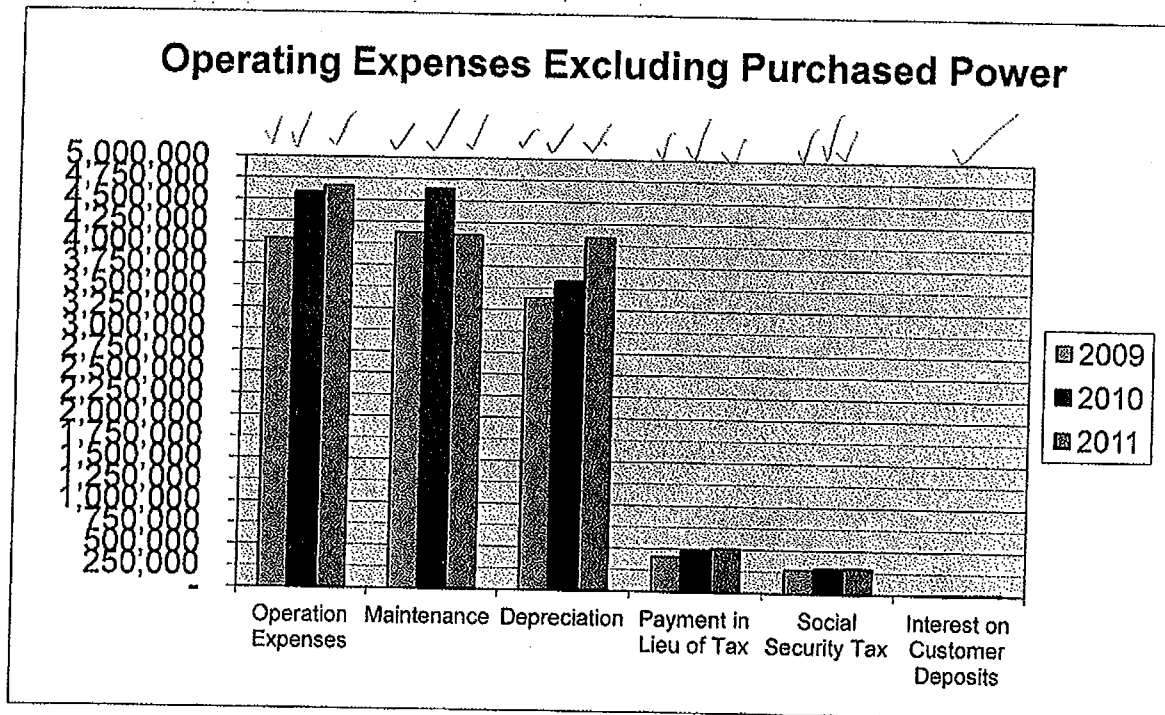
See accompanying Notes to Financial Statements.

Figure 3



Operating expenses, not including purchased power and cost of sales for cable, Internet and telephone continues to increase, as indicated in Figure 4 as a result of additional services being provided to an increased number of customers.

Figure4



# Management's Discussion and Analysis (continued)

Figure 1

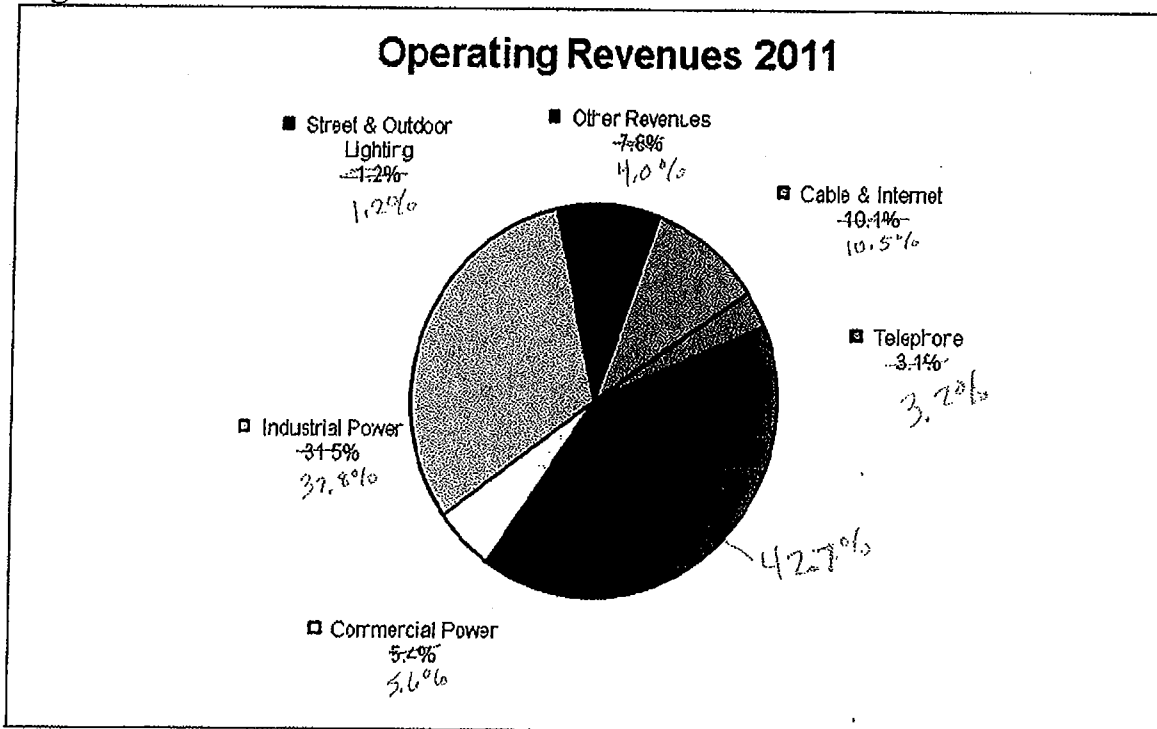
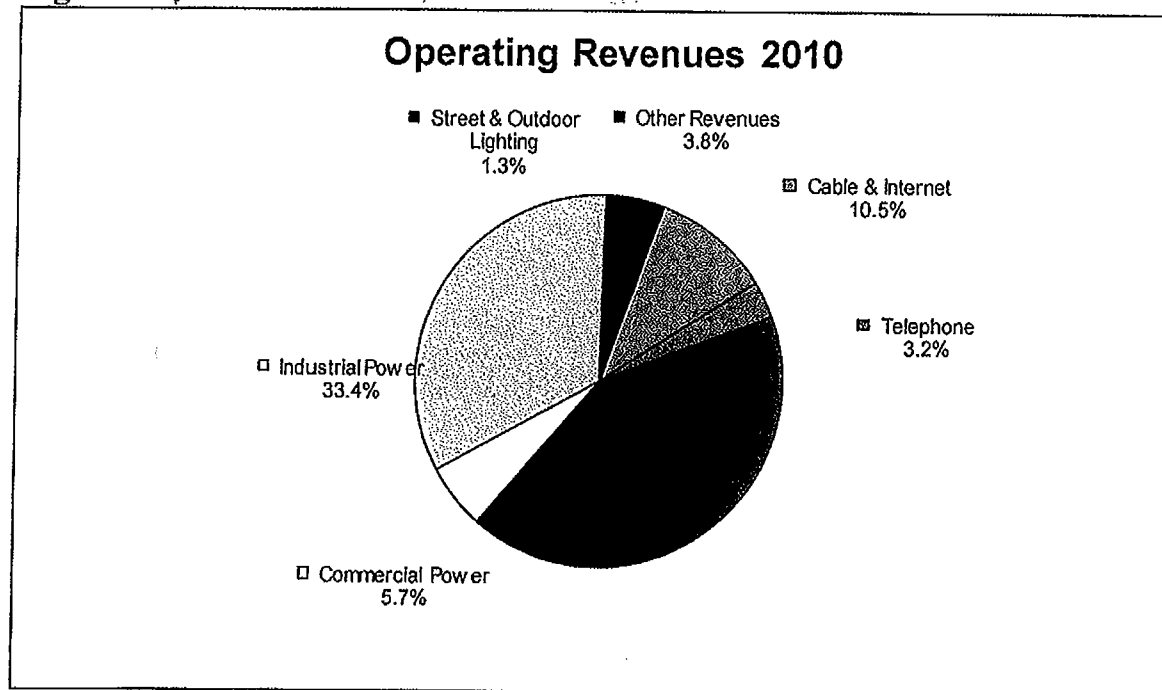


Figure 2 ✓



# Management's Discussion and Analysis (continued)

Table 2

Bristol Tennessee Electric System				
Capital Assets				
Years ended June 30,				
	2011	Net of Accumulated Depreciation	2010	Net of Accumulated Depreciation
<b>Transmission Plant</b>				
Land and land rights	\$ 94,696	\$ 94,696	\$ 94,696	\$ 94,696
Station equipment	2,823,268	884,304	2,823,268	999,560
<b>Total Transmission Plant</b>	<u>2,917,964</u>	<u>979,000</u>	<u>2,917,964</u>	<u>1,094,256</u>
<b>Distribution Plant</b>				
Land & land rights	881,765	881,765	855,111	855,111
Structures & improvements	862,742	53,439	862,742	81,764
Station equipment	12,141,863	2,620,288	11,930,652	2,648,873
Poles, towers, and fixtures	14,244,533	5,073,456	14,031,079	5,340,983
Overhead conductors and devices	7,237,042	2,082,843	7,128,205	2,125,051
Underground conduit	1,174,453	321,960	1,168,243	328,720
Underground conductors and devices	4,156,067	784,610	3,983,321	752,012
Line transformers	12,560,054	5,545,250	12,377,629	5,658,425
Services	3,482,052	1,108,929	3,337,260	1,068,678
Meters	4,167,915	2,462,452	4,065,754	2,436,129
Installation on customers' premises	1,089,559	(133,360)	1,076,633	(168,811)
Street lighting and signal systems	3,308,871	476,666	3,151,728	371,462
<b>Total Distribution Plant</b>	<u>65,306,015</u>	<u>21,278,299</u>	<u>63,958,357</u>	<u>21,498,397</u>
<b>General Plant</b>				
Land and land rights	101,831	101,831	101,831	101,831
Structures and Improvements	1,158,943	573,465	1,158,943	576,817
Office Furniture and Equipment	787,557	470,479	787,557	491,086
Transportation Equipment	2,456,423	1,085,759	2,020,382	518,944
Stores Equipment	24,143	1,718	24,143	1,718
Tools, shop, and garage equipments	131,389	10,133	131,383	10,127
Laboratory equipment	104,035	5,965	104,035	5,964
Power operated equipment	104,946	10,203	104,946	10,203
Communication equipment	57,103,613	50,975,495	54,854,191	50,770,448
Miscellaneous equipment	43,407	3,653	43,407	3,652
<b>Total General Plant</b>	<u>62,016,288</u>	<u>53,238,700</u>	<u>59,330,818</u>	<u>52,490,790</u>
Total Utility Plant In Service	130,241,168	75,495,998	126,207,139	75,083,443
Construction work in progress	1,043,935	1,043,935	2,750,894	2,750,894
Non-utility property	251,434	251,434	250,334	250,334
<b>Total Capital Assets All Sources</b>	<u>131,536,537</u>	<u>76,791,367</u>	<u>129,208,367</u>	<u>78,084,671</u>

## Management's Discussion and Analysis (continued)

Table 1

Bristol Tennessee Essential Services Condensed Balance Sheet			
	2011	June 30, 2010	2009
Current and other assets	\$ 36,202,188 ✓	\$ 32,881,092 ✓	\$ 32,923,094 ✓
Capital assets net of accumulated depreciation	77,858,917 ✓	78,084,671 ✓	74,900,953 ✓
Total assets	<u>114,061,105 ✓</u>	<u>110,965,763</u>	<u>107,824,047 ✓</u>
Current liabilities	7,389,569 ✓	11,691,696 ✓	13,067,795 ✓
Other Accrued Liabilities	319,075 ✓	595,607 ✓	489,039 ✓
Bonds Payable	21,920,614 ✓	22,438,976 ✓	22,938,551 ✓
Total liabilities	<u>29,629,258</u>	<u>34,726,279 ✓</u>	<u>36,495,385 ✓</u>
Net assets:			
Invested in capital assets	55,433,303 ✓	53,974,367 ✓	51,492,401 ✓
Unrestricted	28,998,544 ✓	22,265,117 ✓	19,836,261 ✓
Total net assets	<u>\$ 84,431,847</u>	<u>\$ 76,239,484</u>	<u>\$ 71,328,662 ✓</u>

During the year, gross capital assets increased by \$2,328,170 or 2%. The change in capital additions over the past two years is a result of build out of the fiber backbone and fiber to the home system. Refer to the Note 1 on Page 23 and Note 7 on Page 28 for more information regarding capital assets.

## Management's Discussion and Analysis (continued)

**Table 3**

### Bristol Tennessee Essential Services Additions and Retirements to Utility Plant in Service Years ended June 30,

	2011	2010
Plant in service beginning	\$ 125,155,502	\$ 119,988,458
Increases	5,649,833	5,800,885
Decreases	630,566	633,841
Plant in service ending	<u>\$ 130,174,769</u>	<u>\$ 125,155,502</u>

Note: Plant in service does not include land, non-utility property or construction work in progress

### Results of Operations

As indicated in Table 4, the net position of BTES increased by \$8,192,363 from fiscal year 2010 to 2011 and increased by \$4,910,822 from fiscal year 2009 to 2010. Operating revenues were principally derived from retail sales of electricity. Temperature throughout the year has historically been a main driver of electric sales. In addition, the Fuel Cost Adjustment has fluctuated monthly since October 2009 and has been negative for 8 months in fiscal year 2010. In 2006 cable and Internet revenue was added as a form of operating revenue, and in 2007 telephone was added as a form of operating revenue. Revenues from these sources continue to grow as our subscriber base grows. See Figures 1, 2 and 3. As shown in Table 4, the internal tax equivalent payments made to the City of Bristol, Tennessee are reported as transfers.

# Management's Discussion and Analysis (continued)

Table 4

## Bristol Tennessee Essential Services Condensed Statement of Revenues, Expenses and Changes in Net Assets Years ended June 30,

	2011	2010	2009
Revenues:			
Power revenues:			
Residential	\$ 44,671,055	\$ 37,557,979	\$ 42,051,413
Commercial (general power - under 50 kw)	5,864,765	5,086,485	5,567,336
Industrial ( general power - 50 kw and over)	34,338,102	29,831,995	33,840,683
Street and outdoor lighting	1,284,120	1,182,331	1,269,807
Total power revenues	86,158,042	73,658,790	82,729,239
Cable revenues	6,660,565	5,763,092	4,405,446
Internet revenues	4,380,089	3,571,391	2,321,562
Telephone revenues	3,335,118	2,894,491	2,458,309
Other revenues	4,242,531	3,402,534	3,387,662
Non-operating revenues:			
Interest income	502,266	589,533	816,209
Total Revenues	109,578,874	89,879,831	96,118,427
Expenses:			
Purchased power	75,426,055	64,460,545	74,785,352
Cable programing	4,406,643	3,601,999	2,619,886
Internet cost of sales	233,413	160,521	158,416
Telephone cost of sales	582,337	518,424	442,856
Operation expenses	4,659,765	4,581,593	4,042,459
Maintenance	4,104,859	4,636,085	4,129,790
Depreciation	4,092,948	3,583,004	3,387,977
Tax equivalents	506,799	489,528	407,073
Social security taxes	293,771	291,766	275,326
Interest expense on customer deposits	12,970	11,047	11,047
Interest expense on bonds payable	982,807	998,144	1,013,180
Amortization of bond issue costs	10,618	11,583	11,583
Total expenses	99,618,241	83,344,239	91,284,945
Income before transfers and taxes	9,960,630	6,535,592	4,833,482
Transfers out - tax equivalents to City of Bristol	1,646,426	1,558,418	1,444,412
State income tax	121,841	66,352	44,105
Changes in net assets	8,192,363	4,910,822	3,344,965
Beginning net assets	76,239,484	71,328,662	67,983,697
Ending net assets	\$ 84,431,847	\$ 76,239,484	\$ 71,328,662

## **Management's Discussion and Analysis (continued)**

### **Deregulation**

Over the last few years, Congress has been debating legislation to restructure the electric utility industry. Because of TVA's unique situation, deregulation and competition at both national and state levels are moving more slowly to the Tennessee Valley. Under the existing law, TVA is the exclusive supplier of power within its statutorily defined service territory, an 80,000 square-mile area that includes virtually the entire state of Tennessee and parts of Kentucky, Mississippi, Alabama, Georgia, North Carolina and Virginia. BTES is shielded from competition until federal restructuring addresses the current law. BTES continues to be involved in the restructuring effort individually and also as a member of the Tennessee Valley Public Power Association, the American Public Power Association, Tennessee Municipal Electric Power Association and the State of Tennessee Legislature.

### **Debt**

On July 27, 2005, BTES issued \$23,910,000 in Electric Revenue Bonds, Series 2005 for the purpose of financing improvements to BTES' system and pre-purchasing electrical power from TVA. The bonds are limited obligations of BTES payable solely from the net revenues of BTES.

The activity in the bond liability for 2010 and 2011 represents the scheduled principal payments. Refer to the Note 10 on Page 29 for more information regarding long term debt.

### **Payment In Lieu of Taxes**

BTES makes an in-lieu-of-tax payment to the municipalities and counties in which it sells power and has utility plant. For the City of Bristol, Tennessee, City of Bluff City, Tennessee and Sullivan County, Tennessee, the in-lieu-of-tax payment is based on the formula provided by the State of Tennessee Municipal Electric System Tax Equivalent Law of 1987. The formula includes a property tax equivalency calculation plus 4% of operating revenue less power costs (three-year average). For Washington County, Virginia the in-lieu-of-tax payment is based on the real property tax rate of the utility plant.

For fiscal year 2011, BTES made in-lieu-of-tax payments to the City of Bristol, Tennessee (treated as transfers) in the amount of \$1,646,246. For Sullivan County, Tennessee, Bluff City, Tennessee and Washington County, Virginia BTES made in-lieu-of-tax payments for fiscal year 2011 in the amount of \$491,390.

### **Non-Operating Revenue**

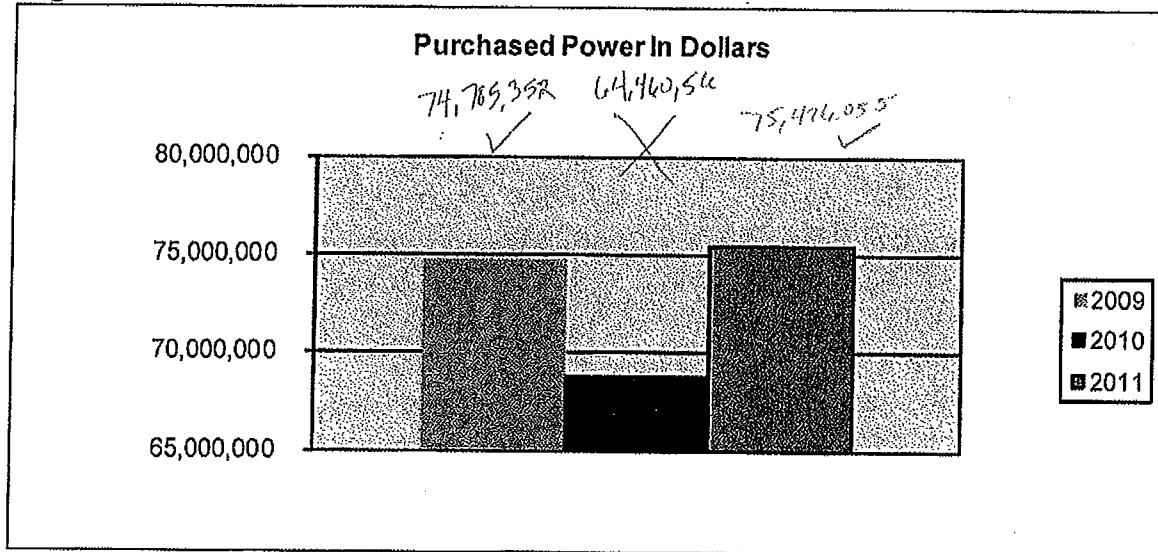
Interest from investments decreased from \$589,533 in 2010 to \$502,266 in 2011, resulting in an approximate 17.4% decrease due to lower interest rates and reduction of cash through capital asset acquisitions. As shown in Table 4, interest from investments is categorized as non-operating revenue. BTES continues to look for ways to maximize their earnings, such as the TVA's Discounted Energy Units Program discussed below.



## Management's Discussion and Analysis (continued)

As indicated in Figure 5, purchased power costs were \$75,426,055 in 2011 as compared to \$64,460,545 in 2010, resulting in a 17% increase. Temperature is a main driver; however the Fuel Cost Adjustment has been negative for 8 months in fiscal year 2010. This followed a 16.28% increase in October 2008 and is now being adjusted monthly to try to avoid large fluctuations.

**Figure 5**



### Power Rates

BTES purchases its entire year power supply requirements from Tennessee Valley Authority ("TVA"). Rate options available to BTES' retail customers include firm, Time Differentiated, Hours of Use (TDHUD) and interruptible service rates. The contract between TVA and BTES provides for TVA regulation over retail rates to customers.

The interruptible rate programs provide large commercial and industrial customers with the potential for reduced rates along with the right for TVA to interrupt service as needed. There are two customers participating in interruptible rate programs. TVA's last curtailment of interruptible customers occurred in September 2010.

The TDHUD rate provides an opportunity for large customers to pay lower rates for electric usage in non-peak hours than in peak hours. BTES has three customers on this rate. Rate surveys show that BTES' rates are some of the most competitive in the U.S.