



Board of Light, Gas and Water Commissioners

220 S. Main Street
Memphis, TN 38103
www.mlgw.com

Board Meeting

~ Minutes ~

Friday, October 19, 2018

3:00 PM

Auditorium

CALL TO ORDER:

Chairman Wishnia

The meeting was called to order at 2:59 p.m.

PLEDGE OF ALLEGIANCE:

Chairman Wishnia

The Pledge of Allegiance was recited.

SAFETY BRIEFING:

J. T. Young

President Young addressed the audience giving instructions in the event of an emergency during the meeting. He explained that an alarm would sound with instructions given over the loud speaker. He pointed out exits and explained the responsibilities of the Security Officers. He asked for everyone's cooperation should an emergency arise.

OPENING REMARKS:

In the opening of the meeting, Chairman Wishnia advised the attendees that the Budget is the only topic of discussion today.

ROLL CALL:

Dana Jeanes

Attendee Name	Title	Status	Arrived
Steven Wishnia	Chairman	Present	
Carlee McCullough	Vice Chairman	Late	3:16 PM
Mitch Graves	Board Member	Present	
Leon Dickson	Board Member	Present	
Michael Pohlman	Board Member	Present	

The following staff members were present: J. T. Young, President and CEO; Dana Jeanes, SVP, CFO and CAO (Secretary-Treasurer); Cheryl Patterson, VP and General Counsel; Alonzo Weaver, SVP & COO; Cliff DeBerry, VP Design, Construction & Delivery; Christopher Bieber, VP, Innovation & Business Analytics; Von Goodloe, VP, Shared Services; Lashell Vaughn, VP & CIO; Roland McElrath, Controller; and Lesa Walton, Chief Internal Auditing Officer. Nick Newman, VP, Engineering & Operations and Gale Carson, VP Community and External Affairs did not attend the meeting.

**Advisory Board Members - Dwain Kicklighter - Absent
Kevin Young - Absent**

BUDGET PRESENTATION:

President Young addressed the Board noting that their questions and recommendations made on October 3 are being discussed in today's presentation. He pointed out that the overall goal is to improve the customer experience, modernize to improve reliability and resilience and make investments sooner than later, which will bring value to the community.

He discussed comparisons of MLGW utility rates to other cities across the United States and the fact MLGW holds first place of lowest combined electric, gas, water and sewer rates in the U. S. for the sixth consecutive year. He also noted that the definition of "energy burden" is defined by the American Council for an Energy Efficient Economy and the analysis shows that the energy burden for MLGW customers has been decreasing. He also talked about various programs available to customers needing assistance and the efforts being made to publicize the programs to the customers.

President Young discussed the fact that MLGW is embarking on an electric reliability and modernization improvement plan and emphasized each of the primary components. In regard to the water pumping stations, he showed a graph which demonstrates the average age of water pumping stations to be at 57 years old and the need for rehabilitation of those. He also covered the gas supply infrastructure and meeting regulatory compliance.

He highlighted cost containment and revenue enhancements. He noted the TVA power supply pre-pay cumulative savings of \$225,000,000 since 2004. He discussed the pension and medical cumulative savings and cumulative sales revenue of LNG. He made note that the 2019 Budget includes additional OPEB funding reduction of \$13,000,000 due in part to medical plan changes made in 2018. The total cumulative impact is \$470,200,000. He reminded the Board that MLGW employees do not receive social security upon retirement and MLGW is 100.8% funded from a market value of assets standpoint as of September 30, 2018. The market value of assets is \$1.52 billion. MLGW's contribution has been decreasing and with actions implemented, there is a saving of \$16,200,000 per year of funding reduction. Pension funding is only 1.1% of the typical EGW utility bill.

Contingent on the MLGW BOC approving the Budget today, the next step will be to take the Budget to the MLGW Committee Meeting on October 23. In closing, President Young reviewed the commitments and goals that MLGW is making to the customers and the community with this Budget. He reiterated that the first rate adjustment would not be in effect until July, 2019, giving customers the time to plan for the increase. He also reminded the Board that even with a 5-year Budget Plan, there would be annual reviews with the Board and the City Council. In the event that MLGW's financial performance exceeds expectations, benefits will accrue to the customer.

BUDGET QUESTIONS/DISCUSSION:

Questions from the Board of Commissioners were asked and answered by J. T. Young, Dana Jeanes, Cheryl Patterson, Roland McElrath, Rodney Cleek, Alonzo Weaver, Chris Bieber and Tamara Nolen.

Chairman Wishnia asked about areas of poverty in measuring consumption and how they are affected. He also asked about the tree trimming cycle and holding the contractor accountable. Mr. Weaver responded and noted that staffing is a problem with tree trimming.

Commissioner Graves asked questions pertaining to previous budgets related to projected dollars vs. actual dollars. Mr. Jeanes explained the previous Administration's philosophies and how target dollars for each department were set. Mr. Jeanes noted in the case of unexpected storms or other unforeseen issues, if the budget is exceeded, then it must go back to the City Council. President Young and Mr. Jeanes agreed that discussions for future budgets may need to include tighter projections vs. actual dollars and discussions of possibly adding a separate line item for storm reserve.

Commissioner Graves also asked about the smart meter FTE's and would like an update on this subject at the next Board Meeting. In addition he asked about pole attachments and Attorney Patterson stated that contracts have been in place for a long time.

Vice-Chair McCullough asked if MLGW is legally prohibited in providing assistance to the disabled and senior citizens. Attorney Patterson noted that under the TN state laws, we must charge everyone the same rate. Vice-Chair McCullough expressed her concern and pointed out that she would like to see more programs offered. Ms. Nolen told of various marketing tools used to educate the customers, including bill inserts, MIFA and many others noted. Vice-Chair McCullough also mentioned the extra fees on the bills that are not a part of MLGW and how that should be looked at.

Upon completion of answering questions, the Board was satisfied with the responses and moved to vote.

GENERAL STATEMENTS FROM THE PUBLIC (BUDGET):

(None)

The original of the resolutions and documents relating to each item is filed in the vault on the fifth floor of the MLGW Administration Building, 220 South Main. The original documents shall control in the event of any conflict between the description and these minutes and the original documents.

REGULAR AGENDA – (ITEM 1)

1. Resolution approving the Budgets for the Electric, Gas and Water Divisions for the 2019 operating and maintenance expenses and the 2019 capital expenditures which includes rate increases for each Division. In addition, the resolution petitions the Memphis City Council to convene as a rate making body at a public hearing at a future date to be set by the Memphis City Council and to consider and determine revisions in MLGW tariffs and rates. The resolution also authorizes the President to publish a public notice of the intention of MLGW to seek approval from the Memphis City Council of the rate revisions. (J. T. Young/Dana Jeanes) (REQUIRES CITY COUNCIL APPROVAL)

RESULT: APPROVED [UNANIMOUS]
MOVER: Mitch Graves, Board Member
SECONDER: Carlee McCullough, Vice Chairman
AYES: Wishnia, McCullough, Graves, Dickson, Pohlman

CLOSING STATEMENTS:

Commissioner Graves asked for updates on the pole attachments, tree trimming and smart meters at the next Board Meeting.

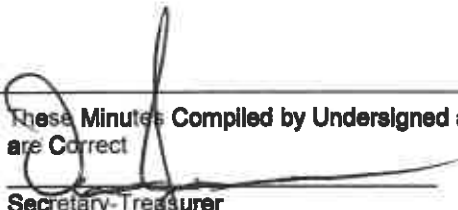
ADJOURNMENT:

Prior to adjournment, Chairman Wishnia thanked President Young for answering and clarifying the questions asked at the last meeting. There being no further business, the meeting was adjourned at 4:05 p.m.

(See Minute File No. 1430.)

Approved Without Interlineation

Chairman

These Minutes Compiled by Undersigned and
are Correct

Secretary-Treasurer