

LENOIR CITY

LCUB

UTILITIES BOARD

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(Note: All statements are attributable to LCUB General Manager Fred Nelson unless otherwise noted.)

1. Dixie Lee Utility District

Statement: "When I became general manager I asked for a review of these payments as soon as I became aware of them. Payment was stopped and a lawsuit was filed, two actions I believe were in the best interests of the ratepayers of LCUB. The issues the comptroller raises are valid and important. As there is a lawsuit pending I must reserve further comment."

(Prior news release attached)

2. Unauthorized payroll payment

Statement by Shannon Littleton, LCUB Attorney: "This occurred before Fred Nelson became general manager. We agree with the comptroller's office that there was an administrative problem with respect to the agreement. Now that we have the comptroller's report in hand, we are conducting an analysis to determine how this situation occurred. Regardless, we agree with the comptroller that the handbook should be followed, and it is being followed."

3. Unauthorized payment from retirement account.

Statement: "This case went to litigation and was resolved through a settlement."

4. Contractor not licensed as required by state law

Statement: "We checked with the state and we could find no contracting license that exists for tree-trimming. Our present tree-trimming service now has a contractor's license. Our approach saves our ratepayers several hundred thousand dollars annually."

5. Inadequate written cutoff policy

Statement: "We're not like the utility up north that several months ago cut off a woman's power because she was one cent short paying her bill. Our goal is to provide service and to receive payment for that service. What we learned is that

the computer wasn't picking up delinquencies below \$20. We've changed the system so that all delinquencies are now picked up and we can take appropriate action. The comptroller's audit was helpful in making the correction. We were awaiting the comptroller's final report to begin revamping our cutoff policy.

When I became general manager I personally examined the records to ensure that utility and government employees were current in their bills and that is the way it remains."

6. Fringe benefit not properly reported for some employees

Statement: "LCUB was not taking out the fringe benefit payments required by the IRS for service crew employees that were performing standby duties in the event of emergencies; we agree with the comptroller's office that this issue must be addressed and we will do so in accordance with the comptroller's recommendations."

7. Violation of retirement rules

Statement: "We agree with the comptroller that previous management should not have had this arrangement with an employee, and we have controls in place to make sure that it does not occur again."