



ANNUAL REPORT

Broadband Plans & Operations

as of June 30, 2024

February 1, 2025

Jason E. Mumpower
Comptroller of the Treasury



**DIVISION OF
LOCAL GOVERNMENT FINANCE**

Report on Broadband Plans and Operations

Tenn. Code Ann. §§ 7-36-107 et seq. and 7-52-601 et al.

Comptroller Review of Broadband Plans

As of June 30, 2024

Statutory Requirement

Pursuant to Tenn. Code Ann. §§ 7-36-107 and 7-52-601, a municipal energy authority, county, metropolitan government, or incorporated city or town operating an electric plant has the power, with certain limitations, to operate a **broadband** system. These local governments must develop a detailed **business plan** as described in Tenn. Code Ann. § 7-52-602 that is subject to review by the Comptroller's Division of Local Government Finance (LGF). Once a complete plan is submitted, LGF has 60 days to review the plan and present the local government with a report on the plan's feasibility. After the report is presented to the governing body, or after the expiration of the 60-day period, the governing body may proceed with the actions described in statute to approve and initiate the plan.

Key Terms

broadband – as pertaining to this report—the provision of services offered under Title 7, Chapter 52, Part 6, including cable TV and internet service.

business plan – a financial plan containing: a detailed explanation of the services to be provided; proforma financial schedules for proposed system; proposed financing; rate structure; and statistically relevant survey results to support assumptions in the plan, including prospective broadband customers of the electric system residing in the service area.

feasible – a determination that the **business plan**, as presented, is expected to have revenues sufficient to cover expenses and remain cash flow positive.

take rate – is the percentage of electric customers that subscribe to the broadband service. The take rate is a key determinate in projecting the success of a broadband system.

History and Purpose

Tennessee's General Assembly passed legislation in 1999 allowing county, metropolitan, and municipal electric systems to provide **broadband** services to its customers. Later, municipal energy authorities were given this same authority. Pursuant to the 1999 legislation, in 2005, the Comptroller of the Treasury evaluated and reported on the operations of the new systems to the state legislature and recommended that the authority to provide **broadband** services continue. In accord with subsequent

legislation, in 2008 the Comptroller of the Treasury reported to state legislators on a pilot project initiated to determine the feasibility of extending **broadband** services beyond a local government’s service area. In the 2008 report, the Comptroller recommended no changes to the existing statutory authority.

Before a local government provides **broadband** services, state law requires that local officials prepare a **business plan** that demonstrates their ability to operate a standalone **broadband** system without subsidies from the electric system. The Comptroller’s Local Government Finance division is charged with determining if the **business plan** presented is **feasible** and in compliance with state law. Additional information may be found at: <https://comptroller.tn.gov/office-functions/lgf/resources/broadband.html>.

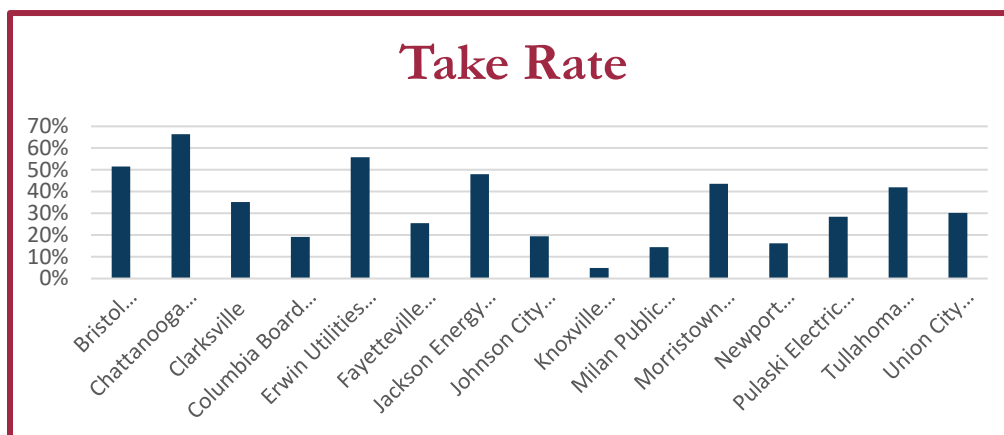
As summarized below, as of June 30, 2024, the Comptroller’s Office had reviewed 29 plans for 27 local governments since the law took effect in 1999.

| | Feasible | Not able to Determine | Not Feasible | Total Plans |
|---------------------|----------|-----------------------|--------------|-------------|
| Comptroller Reviews | 25 | 4 | 0 | 29 |

Of the 27 local governments that submitted **business plans** to our office, 20 were providing broadband services, one was building out infrastructure, four did not move forward with providing broadband services, one was reported to our office and is pending local approval, and one sold their system to a private company as of June 30, 2024 (See Appendix B).

Take Rate Summary

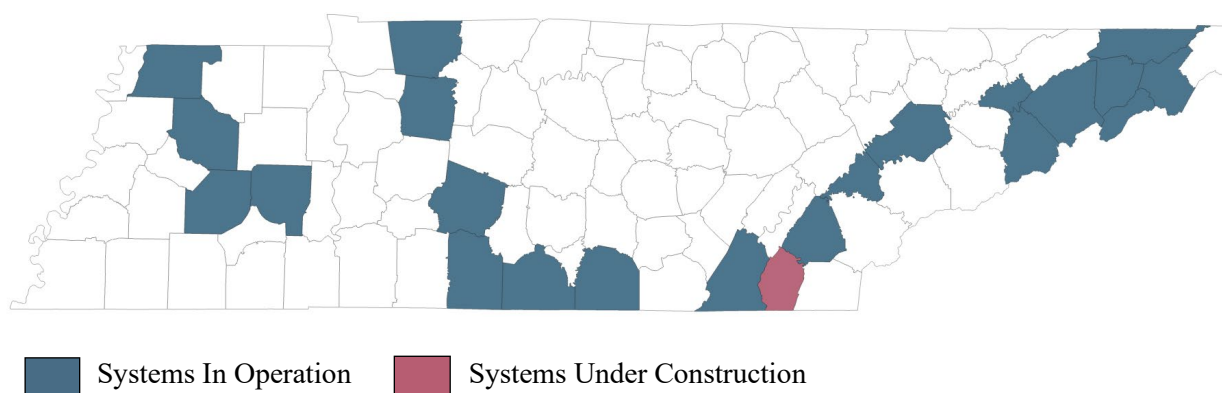
The **take rate** represents the percentage of electric customers that will subscribe to the broadband service and is a key determining factor of the feasibility of a proposed **business plan**. In the **business plan**, the percentage is based upon feedback from customer surveys and can take several years to realize once the system is in operation. For example, the lowest take rates in the following chart represent newer systems that began operations in the past few years.



The above **take rates** are for the 15 systems that reported a customer base in the audit for the fiscal year ended June 30, 2024, that resulted in a take rate greater than 2%. Note: Athens Utility Board, Dickson Electric System, Greeneville Energy Authority, Lenoir Utilities Board and Lexington Electric reported a rate of $\leq 2\%$.

Map of Local Governments Providing Broadband Services

The following map depicts counties where broadband services were being offered or where broadband infrastructure was being built out by local governments as of June 30, 2024. Twenty-two counties are represented, with the highest concentration in the state's eastern division. Some of the systems serve more than one county.



Financial Overview of Broadband Systems

As of June 30, 2024, there were 21 local government-run broadband systems in Tennessee, with 20 in operation and one building out infrastructure. The Comptroller's Local Government Finance Division monitors the finances of these systems each year and compiles financial and customer data from the most recent audit for review and analysis. This information is included in Appendix A and is taken from fiscal year 2024 audits. Copies of the audits can be found at: <https://comptroller.tn.gov/advanced-search>. The system that had not started operations as of June 30, 2024, was the Cleveland Utilities Authority, which has been excluded from the financial overview found in Appendix A.

Local Government Broadband Systems in Operation as of June 30, 2024

Appendix A

| | Athens Utility Board | Bristol Tennessee Essential Services | Chattanooga Electric Power Board | Clarksville | Columbia Board of Public Utilities |
|--|----------------------|---|-------------------------------------|---------------|---------------------------------------|
| First Full Year of Operation | FY 2016 | FY 2007 | FY 2005 | FY 2009 | FY 2004 |
| Comptroller Plan Review Status | Feasible | Feasible | Feasible | Feasible | Feasible |
| Electric Customers | 13,941 | 34,227 | 197,174 | 83,901 | 36,235 |
| Broadband Customers | 70 | 17,621 | 131,000 | 29,558 | 6,951 |
| Take Rate | 0.5% | 51.5% | 66.4% | 35.2% | 19.2% |
| Revenues | \$ 189,219 | \$ 25,530,734 | \$ 169,969,000 | \$ 30,791,283 | \$ 9,103,905 |
| Expenses | 70,999 | 26,462,243 | 143,904,000 | 28,798,453 | 7,461,814 |
| Operating Income | 118,220 | (931,509) | 26,065,000 | 1,992,830 | 1,642,091 |
| Other Income | 2,024 | 933,080 | 5,417,000 | 286,413 | (24,882) |
| Income Before Contributions | 120,244 | 1,571 | 31,482,000 | 2,279,243 | 1,617,209 |
| Contributions and Transfers | - | (45,910) | 20,000 | (132,406) | - |
| Change in Net Position | \$ 120,244 | \$ (44,339) | \$ 31,502,000 | \$ 2,146,837 | \$ 1,617,209 |
| Beginning Net Position | \$ 560,451 | \$ 29,425,083 | \$ 209,509,000 | \$ 18,320,731 | \$ 6,829,171 |
| Ending Net Position | 680,695 | 29,380,744 | 241,011,000 | 20,467,568 | 8,446,380 |
| Change in Net Position as a % Revenues | 64% | 0% | 19% | 7% | 18% |
| Cash | \$ 442,551 | \$ 27,112,594 | \$ 114,535,000 | \$ 5,523,658 | \$ 1,446,801 |

Local Government Broadband Systems in Operation as of June 30, 2024

Appendix A (cont.)

| | Dickson Electric System | Erwin Utilities Authority | Fayetteville Public Utilities | Greenville Energy Authority | Jackson Energy Authority |
|--|----------------------------|------------------------------|----------------------------------|--------------------------------|-----------------------------|
| First Full Year of Operation | FY 2024 | FY 2015 | FY 2002 | FY 2024 | FY 2004 |
| Comptroller Plan Review Status | Feasible | Feasible | Feasible | Determine/Feasible | Feasible |
| Electric Customers | 38,473 | 9,121 | 19,235 | 40,529 | 38,314 |
| Broadband Customers | 690 | 5,092 | 4,911 | 567 | 18,406 |
| Take Rate | 1.8% | 55.8% | 25.5% | 1.4% | 48.0% |
| Revenues | \$ 190,471 | \$ 4,069,481 | \$ 4,310,413 | \$ 161,538 | \$ 35,484,751 |
| Expenses | 3,442,181 | 3,040,093 | 2,684,312 | 476,359 | 33,650,552 |
| Operating Income | (3,251,710) | 1,029,388 | 1,626,101 | (314,821) | 1,834,199 |
| Other Income | - | 110,266 | 22,616 | (78,693) | (447,394) |
| Income Before Contributions | (3,251,710) | 1,139,654 | 1,648,717 | (393,514) | 1,386,805 |
| Contributions and Transfers | - | - | 2,292,278 | - | 195,342 |
| Change in Net Position | \$ (3,251,710) | \$ 1,139,654 | \$ 3,940,995 | \$ (393,514) | \$ 1,582,147 |
| Beginning Net Position | \$ (2,281) | \$ 3,448,417 | \$ 7,467,077 | \$ (130,183) | \$ 20,476,799 |
| Ending Net Position | (3,253,991) | 4,588,071 | 11,408,072 | (523,697) | 22,058,946 |
| Change in Net Position as a % Revenues | -1707% | 28% | 91% | -244% | 4% |
| Cash | \$ 3,126,645 | \$ 3,506,163 | \$ 1,032,182 | \$ 2,852,947 | \$ 7,594,433 |

Local Government Broadband Systems in Operation as of June 30, 2024

Appendix A (cont.)

| | Johnson City Brightridge | Knoxville Utilities Board | Lenoir Utilities Board | Lexington Electric | Milan Board of Public Utilities |
|--|-----------------------------|------------------------------|------------------------|--------------------|------------------------------------|
| First Full Year of Operation | FY 2019 | FY 2023 | FY 2024 | FY 2024 | FY 2020 |
| Comptroller Plan Review Status | Unable to Determine | Feasible | Feasible | Feasible | Feasible |
| Electric Customers | 82,891 | 220,227 | 75,619 | 23,101 | 8,452 |
| Broadband Customers | 16,155 | 10,732 | 724 | 1,260 | 1,215 |
| Take Rate | 19.5% | 4.9% | 1.0% | 5.5% | 14.4% |
| Revenues | \$ 15,471,025 | \$ 6,419,654 | \$ 207,331 | \$ 257,153 | \$ 701,416 |
| Expenses | 15,355,683 | 13,722,427 | 2,142,341 | 130,175 | 546,297 |
| Operating Income | 115,342 | (7,302,773) | (1,935,010) | 126,978 | 155,119 |
| Other Income | (1,460,779) | (897,193) | (171,921) | 3,034 | 11,686 |
| Income Before Contributions and Transfers | (1,345,437) | (8,199,966) | (2,106,931) | 130,012 | 166,805 |
| Change in Net Position | \$ (1,345,437) | \$ (8,199,966) | \$ (2,106,931) | \$ 130,012 | \$ 166,805 |
| Beginning Net Position | \$ (17,642,433) | \$ (11,807,864) | \$ (1,909,524) | \$ - | \$ 634,942 |
| Ending Net Position | (18,987,870) | (20,007,830) | (4,016,455) | 130,012 | 801,747 |
| Change in Net Position as a % Revenues | -9% | -128% | -1016% | 51% | 24% |
| Cash | \$ 1,678,123 | \$ 9,394,082 | \$ 1,690,961 | \$ 2,727,113 | \$ 293,356 |

Local Government Broadband Systems in Operation as of June 30, 2024

Appendix A (cont.)

| | Morristown Utilities Commission | Newport Electric & Broadband System | Pulaski Electric System | Tullahoma Utilities Authority | Union City Energy Authority |
|--|------------------------------------|--|----------------------------|----------------------------------|--------------------------------|
| First Full Year of Operation | FY 2007 | FY 2019 | FY 2007 | FY 2010 | FY 2018 |
| Comptroller Plan Review Status | Feasible | Unable to Determine | Feasible | Feasible | Feasible |
| Electric Customers | 16,111 | 24,093 | 15,108 | 11,206 | 6,413 |
| Broadband Customers | 7,011 | 3,891 | 4,284 | 4,710 | 1,934 |
| Take Rate | 43.5% | 16.1% | 28.4% | 42.0% | 30.2% |
| Revenues | \$ 11,717,479 | \$ 3,804,367 | \$ 3,287,907 | \$ 6,620,788 | \$ 1,628,626 |
| Expenses | 10,202,310 | 3,552,949 | 2,047,755 | 5,646,609 | 788,986 |
| Operating Income | 1,515,169 | 251,418 | 1,240,152 | 974,179 | 839,640 |
| Other Income | 67,441 | (156,243) | 215,869 | 324,942 | 131,189 |
| Income Before Contributions and Transfers | 1,582,610 | 95,175 | 1,456,021 | 1,299,121 | 970,829 |
| Contributions and Transfers | - | - | - | - | - |
| Change in Net Position | \$ 1,582,610 | \$ 95,175 | \$ 1,456,021 | \$ 1,299,121 | \$ 970,829 |
| Beginning Net Position | \$ 9,510,434 | \$ (3,192,971) | \$ 3,064,017 | \$ 7,764,067 | \$ 2,847,092 |
| Ending Net Position | 11,093,044 | (3,097,796) | 4,520,038 | 9,063,188 | 3,817,921 |
| Change in Net Position as a % Revenues | 14% | 3% | 44% | 20% | 60% |
| Cash | \$ 3,977,691 | \$ 1,195,019 | \$ 4,465,885 | \$ 9,142,646 | \$ 3,550,211 |

Local Government Broadband System Plans Reviewed as of June 30, 2024

Appendix B

| Local Government | County | Comptroller Report Date | Feasibility Determination | Status |
|---|------------|----------------------------------|---------------------------|----------------------|
| 1. Athens Utility Board | McMinn | June 6, 2002 | Feasible | Providing Service |
| 2. Bolivar Energy Authority | Hardeman | October 29, 1999 | Feasible | Did Not Move Forward |
| 3. Bristol Tennessee Essential Services | Sullivan | October 7, 2004 | Feasible | Providing Service |
| 4. Chattanooga Electric Power Board (Internet Services) | Hamilton | May 13, 2002 | Feasible | Providing Service |
| 5. Chattanooga Electric Power Board (Cable TV) | Hamilton | August 21, 2007 | Feasible | Providing Service |
| 6. Clarksville | Montgomery | January 11, 2006 | Feasible | Providing Service |
| 7. Cleveland Utilities Authority | Bradley | November 18, 2022 | Feasible | Building Out |
| 8. Columbia Board of Public Utilities | Maury | <i>Information Not Available</i> | Feasible | Providing Service |
| 9. Covington | Tipton | December 9, 1999 | Feasible | Sold 2007 |
| 10. Dickson Electric System | Dickson | December 28, 2021 | Feasible | Providing Service |
| 11. Erwin Utilities Authority | Unicoi | August 21, 2014 | Feasible | Providing Service |
| 12. Fayetteville Public Utilities | Lincoln | October 27, 1999 | Feasible | Providing Service |
| 13. Greeneville Energy Authority (City) | Greene | December 14, 2022 | Could Not Determine | Providing Service |
| 14. Greeneville Energy Authority (Rural) | Greene | June 21, 2023 | Feasible | Providing Service |
| 15. Harriman Utility Board | Roane | April 5, 2024 | Feasible | Reported |
| 16. Jackson Energy Authority | Madison | February 28, 2002 | Feasible | Providing Service |

Local Government Broadband System Plans Reviewed as of June 30, 2024

Appendix B (cont.)

| Local Government | County | Comptroller Report Date | Feasibility Determination | Status |
|---|------------------|-------------------------|---------------------------|----------------------|
| 18. Knoxville Utilities Board | Knox | May 11, 2021 | Feasible | Providing Service |
| 19. Lenoir Utilities Board | Loudon | December 17, 2021 | Feasible | Providing Service |
| 20. Lexington Electric | Henderson | February 18, 2022 | Feasible | Providing Service |
| 21. Milan Board of Public Utilities | Gibson | June 21, 2018 | Feasible | Providing Service |
| 22. Morristown Utilities Commission | Hamblen | July 25, 2000 | Feasible | Providing Service |
| 23. Newport Electric & Broadband System | Cocke | May 17, 2017 | Could Not Determine | Providing Service |
| 24. Paris Utilities Authority | Henry | November 7, 2019 | Could Not Determine | Did Not Move Forward |
| 25. Pulaski Electric System | Giles | June 7, 2002 | Feasible | Providing Service |
| 26. Springfield | Robertson | March 20, 2002 | Feasible | Did Not Move Forward |
| 27. Tullahoma Utilities Authority | Franklin, Coffee | March 5, 2007 | Feasible | Providing Service |
| 28. Union City Energy Authority | Obion | August 15, 2016 | Feasible | Providing Service |
| 29. Winchester | Franklin | May 6, 2004 | Feasible | Did Not Move Forward |