



NASHVILLE ELECTRIC SERVICE

ELECTRIC POWER BOARD OF THE METROPOLITAN
GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

LAURA SMITH TIDWELL
Vice President & General Counsel
LSTidwell@nespower.com

CAMILLE WEBB STEWARD
Attorney
CSteward@nespower.com

RON CINA
Claims and Contracts Attorney
RCina@nespower.com

LEGAL DEPARTMENT
1214 CHURCH STREET
NASHVILLE, TN 37246

TELEPHONE (615) 747-3701
FACSIMILE (615) 747-3667

September 19, 2014

Mr. Drew Rawlins
Executive Director
Tennessee Ethics Commission
404 James Robertson Parkway, Suite 104
Nashville, TN 37243

Dear Mr. Rawlins:

NES amended its existing ethics policy in 2008 to be in compliance with T.C.A. § 8-17-101, *et seq.*; however, the Commission's website does not reflect that a copy of the policy was filed with the Commission. In an abundance of caution and to ensure our compliance, you will find NES's ethics policy attached.

Sincerely,

Laura Smith Tidwell
Vice President & General Counsel

LST/pkb
Enclosure

2.0 ETHICS

Public service is a public trust. As such, Board members and employees are expected to abide by laws and ethical principles and to place the best interests of NES customers and the public trust above personal interests. Situations in which an individual's financial or personal considerations directly or indirectly affect, or have the appearance of affecting, an individual's judgment in exercising any NES duty or responsibility, violate that trust.

The purpose of this policy is to establish a standard of ethical conduct for Board members and employees and to assist Board members and employees in avoiding real or perceived conflicts of interest. This policy is written in accordance with the Comprehensive Governmental Ethics Reform Act of 2006, requiring municipalities and other entities created by municipalities, to adopt ethical standards for its officials and employees (T.C.A. § 8-17-101 et seq).

2.01 ETHICS COMMITTEE

The Board has created an Audit and Ethics Committee to deal with questions which may arise pursuant to this policy or any subsequent changes adopted by the Board.

A. COMMITTEE MEMBERSHIP

The Audit and Ethics Committee composition shall be in accordance with the Bylaws of the EPB.

B. REQUEST OF EMPLOYEES OR BOARD MEMBERS

The Audit and Ethics Committee will consider requests by employees or Board members concerning exceptions, clarifications, or modifications of the Ethics Policy.

C. REPORTS TO THE BOARD

The Audit and Ethics Committee will make recommendations to the Board for any changes in the Ethics Policy and related disclosure statements adopted by the Board.

2.02 ETHICAL BEHAVIOR

A. Board members and employees will perform their duties with diligence, loyalty, honesty, and in an impartial manner.

1) Any relationship or activity which influences or could be construed as influencing normal independent decision making at NES shall be avoided. Board members and employees are expected to disclose relationships with organizations that do business with NES or propose to do business with NES. Generally, there will be no conflict of interest if the individual is not in a position to influence NES with respect to the business in which the individual or family member (as defined in 2.03.C.3) has an interest.

2) Board members and employees shall not use information which they have obtained (as Board members or employees) for any

personal gain or in any manner which would adversely reflect on NES.

- B. The acceptance of gifts, hospitality, or entertainment in excess of \$100 from customers, suppliers, contractors or other parties doing business with, or seeking to do business with, NES is prohibited, except in the case of supplier/manufacturer facility visits as described in 2.02.C below. Acceptance of normal business courtesies, such as a modest lunch or dinner in connection with a business meeting or charitable fund raising event would not constitute a violation of this policy, unless an obligation is inferred. Similarly, meals, receptions or gratuities made available to all attendees at professional or industry conferences would not constitute violations unless obligations are inferred.
- 1) Any Board member who is offered an inducement that, if accepted, would violate this policy should respond that NES does not accept gifts or gratuities and report the offer to the VP – General Counsel.
 - 2) It is recognized that a Board member may receive unsolicited and without any advance notice, a prohibited gratuity. The receipt of any prohibited gratuity shall be reported to the VP - General Counsel.
 - 3) Any employee offered an inducement that, if accepted, would violate this policy should respond that NES does not accept gifts or gratuities and report the offer to the employee’s manager. The manager shall inform the appropriate vice president and the VP – General Counsel.
 - 4) It is recognized that an employee may receive unsolicited and without any advance notice, a prohibited gratuity. The receipt of any prohibited gratuity shall be reported immediately to the employee’s manager. The manager will inform the appropriate vice president and the VP – General Counsel.
 - 5) The VP – General Counsel will make a determination of actions to be taken as a result of the reports based upon the individual circumstances.
- C. An exception to the prohibition of the acceptance of gifts, hospitality, or entertainment in excess of \$100 shall exist for transportation and lodging costs incurred in connection with NES employee visits to suppliers or manufacturers’ facilities for equipment testing or facility evaluation in connection with the supplier approval process. The exception applies to transportation and lodging costs only for travel within the North American continent.

2.03 CONFLICT OF INTEREST

- A. DIRECT INTEREST IN CONTRACT OR SUB-CONTRACTS
- 1) Board members or employees with a role in materials, supplies or equipment selection, bidding of goods or services, participation in goods or services contract award decisions, or whose duty it is to

direct or supervise the work performed by contractors or vendors, may not have any direct interest in any contract or sub-contract with the Board other than for the purchase of electric power.

- 2) Direct interest is any situation in which the Board member or employee is the sole proprietor, a partner, or the person having the controlling interest. "Controlling interest" includes the individual with the ownership or control of the largest number of outstanding shares owned by any single individual or corporation.

B. INDIRECT INTEREST IN CONTRACTS

- 1) Board members or employees with a role in materials, supplies or equipment selection, the bidding of goods or services, participation in goods or services contract award decisions, or whose duty it is to direct or supervise the work performed by contractors or vendors, may not be "indirectly interested" in any contract unless the Board member or employee publicly acknowledges his/her interest.
- 2) "Indirectly interested" means any contract in which the Board member or employee is interested but not directly, i.e., holds a non-controlling interest. Indirect interests include contracts where the Board member or employee is directly interested but is the sole supplier.
- 3) In the event a Board member has an "indirect interest" in a matter to be voted upon, he/she shall abstain from voting and shall announce such indirect interest to the Chairman.
- 4) Payments, fees, or commissions to Board members or employees for arranging the purchase or ordering of materials, supplies, equipment, work, services, or the timing of work performed, is strictly prohibited.

C. EMPLOYEE COMPENSATION

- 1) NES employees and family members of NES employees may not be employed by or receive other compensation or loans from businesses which provide goods or services to NES and with whom the NES employees have direct business relationships as part of their NES duties.
- 2) A direct business relationship is one in which the employee has a responsibility for any of the following: materials, supplies or equipment selection, bidding of goods or services, participating in goods or services contract award decisions, directing or supervising work performed by contractors and vendors.
- 3) Family members include spouse, children, step-children, parents, and siblings.

2.04 EMPLOYEE CONFLICT OF COMMITMENT

- A. NES employees must avoid conflicts of commitment.

- B. A conflict of commitment relates to an individual's distribution of effort between NES responsibilities and outside professionally related or personal activities. A conflict of commitment arises when outside commitments interfere with the employee's primary obligations and commitments to NES. External employment and/or consulting may lead to conflicts of commitment.
- C. Supervision's outside employment opportunities and/or consulting must be reviewed and approved by the responsible vice president, chief operating officer or chief executive officer prior to acceptance and outside employment/consulting reviewed at least annually.

2.05 VENDOR CERTIFICATIONS

All contractors and vendors must submit a notarized Contractor/Vendor Affidavit, which includes statements on nondiscriminatory employment practices and the absence of any conflict of interest, to NES Procurement prior to becoming an approved source. Companies that provide personal services or perform construction work must also submit a Statement of Independent Price Determination for each contract before it will be awarded.

2.06 REPORTING

- A. Each year on or before July 1, or within 30 days of confirmation, all Board members, Board Committee members, Executive Management, all supervision, and other designated employees must complete a Conflict of Interest Disclosure Statement. Designated employees are defined as non-supervisory employees or employee groups, designated by management as possessing job responsibilities which may involve or allow influence over the selection or purchase of materials, supplies or equipment, bidding of goods or services, participating in goods or services award decisions, or whose duty it is to direct or supervise work performed by contractors or vendors.
- B. Employee statements will be submitted to and reviewed by the responsible Manager and Vice President. The Manager and Vice President will sign the statement indicating whether a conflict of interest or commitment exists.
- C. Vice President reviewed and signed employee disclosure statements and Board disclosure statements will be filed with the CFO and reviewed by the VP – General Counsel and the VP of Internal Audit for compliance with the provisions of the Ethics Policy. The General Counsel and Internal Audit review may require additional information from the disclosing party or the disclosing party's Manager and Vice President. The VP – General Counsel and the VP of Internal Audit will report review results to the CFO.
- D. The CFO will report the review results to the Audit and Ethics Committee.
- E. A list of relationships with other businesses will be provided to the VP – Finance/Administration to be considered in awarding bids.

- F. Employees are responsible for reporting changes in status within thirty (30) calendar days of the change and submitting an updated disclosure statement to the responsible Vice President.

2.07 SUSPECTED VIOLATIONS

- A. Anyone suspecting a violation of this policy shall report his/her suspicions to the VP of Internal Audit.
- B. The VP of Internal Audit will notify the implicated Board member or employee that an allegation has been made and an investigation is beginning.
 - 1) If the allegations involve an employee, the VP of Internal Audit will submit a report to the CEO. Employees who violate the Ethics Policies may be subject to disciplinary action up to and including charges being preferred.
 - 2) If the allegation involves a Board member, the VP of Internal Audit will submit a report to the Chairman of the Audit and Ethics Committee. The Audit and Ethics Committee will make recommendations to the full Board.
 - 3) Violations of this policy may also be violations of local, state, or federal laws and may subject the employee to criminal prosecution and forfeiture of retirement benefits. Applicable statutes include, but are not limited to the following:
 - a. T.C.A. §§ 6-54-107 and 12-4-101 generally prohibit any NES Board member or employee from having a direct or undisclosed indirect interest in any entity that does business with NES.
 - b. T.C.A. § 8-35-124 provides that no state or local government employee shall receive a public retirement benefit if convicted of a felony arising out of the employee's employment, constituting a malfeasance (wrongdoing or misconduct) in office.

2.08 FINANCIAL REPORTING

- A. To avoid the appearance of conflict of interest, the Board is prohibited from employing an individual as the CEO, Treasurer, CFO, Chief Accounting Officer or person in an equivalent position if the Board's audit firm employed such individual during the one-year period preceding NES employment.
- B. If any officer takes any action to fraudulently influence, coerce, manipulate, or mislead any auditor engaged in the performance of an audit for the purpose of rendering the financial statements materially misleading, such officer shall be subject to disciplinary action up to and including termination.
- C. The VP of Internal Audit shall establish a post office box and a secure complaint box for communications channels for employees reporting

questionable accounting or auditing matters. The Audit and Ethics Committee should review the nature and disposition of reported matters. Employees bringing such reports will not be subject to retaliation or adverse action based on the disclosure of the complaint.