



MINUTES OF MEETING
CLEVELAND UTILITIES BOARD

November 2, 2015

The Board of Public Utilities met at 3:00 p.m. at the Tom Wheeler Training Center. Present were the following: Aubrey Ector, Chairman; Eddie Cartwright, Vice Chairman; Tom Rowland, Mayor; Chari Buckner, Cleveland Utilities Board; Joe Cate, Cleveland Utilities Board; Ken Webb, President/CEO; Amy Ensley, Utility Board Secretary; Marshall Stinnett, CFO; Bart Borden, Electric Division VP; Craig Mullinax, Water & Wastewater VP; Walt Vineyard, Information Technology VP; Tim Henderson, VP Administrative Services; Jan Runyon, Assistant VP Administrative Services; Philip Luce, Water & Wastewater Engineering Manager; Rev. Gary Sears; Paul Leach, *Chattanooga Times Free Press*; Rick Norton, *Cleveland Daily Banner*; Following the Pledge of Allegiance to the American Flag, Rev. Gary Sears, Senior Pastor at Mt. Olive Ministries, delivered the invocation.

MINUTES OF SEPTEMBER 24, 2015

On motion by Mayor Tom Rowland and seconded by Chari Buckner, the Board of Public Utilities voted unanimously to approve the September 24, 2015, minutes as written.

MANAGER'S UPDATE AND ANNOUNCEMENTS

Offices Closed

Cleveland Utilities will be closed on Wednesday, November 11, 2015, in observance of Veterans Day and Thursday and Friday, November 26 & 27, 2015, in recognition of Thanksgiving. Regular emergency and standby service will be maintained.

Report on Annual Picnic

The annual CU picnic held at Fletcher Park on October 22 was a success. An estimated 325 people were in attendance. The weather was perfect, the food was tasty, and everyone seemed to have a good time. Webb thanked the Utility Board for allowing CU to hold this annual event.

Update on Project Round-Up

Project Round-Up continues to do well. A proposal is anticipated to be presented at the December board meeting to add additional agencies to the list of those eligible for participation. To date, 1,498 individuals/families have received utility assistance and 363 individuals/families received rent assistance. Webb said, "It's a good program and is making an impact in the community."

New Logo

Several months ago, the process of developing a new logo began internally. The new logo is almost complete and will be presented in the near future.

Fiber Study Update

Walt Vineyard presented a brief update on the fiber study. Vineyard spoke to the consultant this morning. Two different areas are being studied to determine which one would be the most feasible. Originally, it was going to take the consultant 6 to 8 weeks from the day CU staff consulted with them, and they are still on schedule. Vineyard anticipates for Uptown to have a proposal within the next 3 to 4 weeks.

Webb advised it has been a slow process; however, staff wants to be certain it is done right.

DIVISION REPORTS

Financial

Marshall Stinnett reported on the following:

1. A chart tracking the kilowatt-hour cost in residential retail electric rates for the months of November 2011 through November 2015 was reviewed. For the month of November, the residential electric rate will change to 8.895 cents per kilowatt-hour, a decrease of 0.16 percent over last month's rate of 8.909 cents. This rate change is driven by TVA's Fuel Cost Adjustment. As a continued trend, Cleveland Utilities will pass the TVA fuel cost rate adjustment to its consumers.
2. The September 2015 financial and statistical statements were presented to the Utility Board. During September, the cost of purchased power as a percentage of retail sales was 84.3 percent as compared to 84.5 percent for the month of August. The year to date percentage is 83.6 percent, compared to a budgeted percentage of 82.8 percent for FY 2016. The results for September are electric sales revenue of \$8,242,917, which was offset by purchased power of \$6,949,013. This resulted in an operating margin of \$1,293,904. Operating expenses for the month were \$1,448,082, compared to a budgeted amount of \$1,490,427. The division serviced 31,021 customers during the month. This is the first time Stinnett has seen this number exceed 31,000. The net loss for September was \$2,229.
3. For September 2015, water sales revenue was \$1,175,168, which is compared to the budgeted amount of \$1,249,454. Other revenue sources added an additional \$111,816 for the month. The division serviced 31,013 customers. Operating expenses for September were \$1,085,142. An operating income of \$201,842 was recorded, which is compared to a budgeted operating income of \$189,051.
4. For September 2015, wastewater treatment revenue was \$959,183, compared to a budgeted amount of \$1,012,311. Other revenue sources contributed an additional \$82,691 for the month. The division serviced 18,454 customers. Operating expenses for September were \$853,654 and can be compared to a budgeted amount of \$865,897. The division recording an operating income of \$188,220, compared to a budgeted operating income of \$233,338.
5. Since August 2012, there has been a monthly \$10 AMR opt-out rate for customers that choose not to have the automated "smart" meters installed at their homes. The customer count in the opt-out program has declined from 29 to 21. Stinnett is in the process of analyzing this cost to determine what the rate should now be. The new amount is expected to be proposed for consideration at the December board meeting.

Electric Division

Bart Borden reported on the following:

1. Site work at the Harrison Property progressed very well during the month of September and into October. The gravel has been placed on the site. The back portion of the site serves as stormwater retention. Security fencing is

scheduled to be installed in 2 to 3 weeks, due to a delay in getting schedule 80 galvanized fence posts from the supplier. Several photographs of the site were shown.

2. In reference to the design to relocate the 69/13.2 kV lines for the new Honorable Tom Rowland Interchange at Stone Lake Road, all transmission line right-of-way easements have now been obtained. The transmission poles are scheduled to be delivered within 2 weeks. This will allow the contractor to begin the relocation of CU's south S-654 69 KV transmission line, while the system load is down. TVA is scheduling the temporary relocation of their 161 KV line for the spring of 2016.
3. The Tennessee Department of Conservation approved the submitted environmental plan for the Peach Orchard Hill Road Community Development Block Grant Project. This completed step allows CU to secure the needed easements for the new section of distribution line. The distribution line design is 95 percent complete. In-house engineering personnel are conducting all of the design work.
4. After multiple requests for Charter Communications to transfer to poles changed out that are over three years old, Cleveland Utilities exercised the rights within the pole attachment contract to transfer Charter's cables to 26 new poles. CU requested Charter identify their preference of a communications contractor to use, with no reply. CU's line crew department worked 18 of the required transfers along Peerless Road and 8 in various other locations of the City. Pending transfers that were of a complicated nature were not worked. Charter Communications or a communications contractor will be required to work those with special circumstances. CU's work up to this point has totaled \$15,325.80 (labor and overheads) and will be billed to Charter. As of this morning, Charter has 243 pending pole transfers to work on CU's system. When CU installs a new pole, Charter and AT&T must transfer their conductors over to the new pole before CU can pull the old pole, which creates an aesthetic issue. It is a step process. Charter must complete their transfer before AT&T can complete theirs. The National Joint Utilities Notification System (NJUNS) is utilized by CU, Charter, and AT&T. This system sends notifications and tracks all required pole transfers.
5. Another concern involving Charter Communications deals with the metering of their power supplies. When the Cleveland cable system was initially built, it was communicated to Cleveland Utilities that all the cable power supplies were of a consistent load. At that time, one power supply was metered on Mimosa Drive NW and a multiplier was added for each unmetered power supply connected to the electric system. In 2006, CU temporarily metered five different cable power supplies and found the loads to be very inconsistent. Charter Communications was then notified of the need to meter each individual cable power supply. For eight years, CU requested for Charter to complete the required metering, with very little progress. On November 7, 2014, Borden notified Charter with a deadline of January 1, 2017, for all non-metered cable power supplies to be metered or they will be deemed an illegal connection to the power system and disconnected. This action could result in some Charter subscribers losing or receiving degraded services. This is a potential issue the Utility Board and public should be aware of. Since the

letter notification in November 2014, there has been very little progress, with only four cable power supplies being metered. Last week, Charter contacted CU's engineering department, requesting to cut over one more metered power supply. There is a great deal of work remaining to accomplish the required task to meter all cable power supplies. To date, records indicate Charter Communications has 75 unmetered cable power supplies of a total of 216. It can be accomplished; however, it will take effort and work to meet the deadline.

6. The installation of solar metering was completed at the Bailey Company at 2605 20th Street NE. The customer installed an 11.5 KW solar generation unit. This brings CU's solar customer total to eight (8).
7. With the addition of security cameras at the Springbrook and Mars Chocolate substations, security camera installations have been completed at all CU substations. Each camera can distinguish the difference in a human and an animal or vehicle. Staff can define regions of monitored areas that result in a video alert. The video alerts are instantly streamed to smart phones for review. When personnel identifies an intruder, the appropriate law enforcement agency is contacted to investigate. CU personnel have been instructed to not confront an intruder for obvious safety reasons.
8. An update was presented on traffic lighting:
 - A work order was issued to convert the signal heads to LED and raise the signals at Georgetown Road and Harrison Pike. The "No Turn on Red" sign was removed for the westbound right-turn movement and was replaced with a "Right on Red Arrow" sign after an engineering study revealed all conditions were met for this change. The study also showed that the eastbound turning north movement should remain a protected only phase.
 - Traffic Signal Coordinator Tad Bacon made timing changes at North Lee Highway and Paul Huff Parkway during the P.M. peak from 5 to 6 p.m. Complaints of new traffic volumes coming from the Charleston area appear to be generated from the Wacker plant addition. In previous years, the majority of volume was northbound during the p.m. period and now the volumes are more balanced. This intersection will continue to be observed to make sure the changes are working.

Water Division

Craig Mullinax reported on the following:

1. K. Berry Construction is working on the following projects at the Wastewater Treatment Plant:
 - The coating of the influent flow measurement structures is 50 percent complete. There are two flumes. One flume has been completed, but has not been returned to service. Work on the second flume will begin when the first flume is returned to service.
 - The spiral lift pump rehabilitation project is 60 percent complete. The large metal pump structure was removed from service, sandblasted, and painted; the horizontal concrete trough was replaced. The pump structure will be reinstalled when the concrete is smoothed and coated.

- The project to replace the diffuser membranes in basins 2 and 4 is currently on hold awaiting completion of the above projects.
2. The project to install the new blower motors for the north blower building (part of the 50/50 grant from TDEC) at the Wastewater Treatment Plant was complete as previously reported. There was a cost savings on the project, and staff is working with the State in hopes of receiving approval to replace some soft starters to achieve even greater energy efficiency.
 3. Installation of the control valves and meter at Waterville Springs is scheduled to begin November 9, 2015.
 4. Work is nearing completion on the first phase of the AMR/AMI Water Project funded through the SRF. A total of 19 routes consisting of 4,938 registers and transmitters were installed during September, making the project total to date 68 routes and 14,226 registers and transmitters. There was approximately \$15,000 in funds remaining, and another route consisting of approximately 130 registers/transmitters will be installed as part of this phase. The equipment is on order and with a delivery date in early December.
 5. Hampton Backhoe Service completed the water line replacement project on McDonald School Road. The final construction cost of this project was \$100,660 and the contract amount was \$111,362.
 6. Hampton Backhoe Service began work on the 2010 Annexation Area 2 Water System Improvements project on the north and south sides of APD-40 between South Lee Highway and Exit 20. The project is 20 percent complete.
 7. Talley Construction is nearing completion on the relocation of 5,300 feet of 12-inch water main at the new Honorable Tom Rowland Interchange at APD 40 and Stone Lake Road. Once satisfactory test samples are returned, an estimated 4 property owners will need to transfer their service lines and the project will be complete.
 8. Norris Brothers Construction was awarded the sewer replacement project on Barneys Lane. The start date is December 1. Pipe bursting technology will be utilized to replace approximately 3,927 feet of 10-inch sanitary sewer with 15-inch sanitary sewer. The pipe bursting method lessens damage to property, yards, driveways, etc.
 9. A bid opening will be held on December 1, 2015, for the sewer extension project on Pleasant Grove Church Road. The project will involve installation of approximately 3,000 feet of 8-inch sanitary sewer in the 2010 annexation area.
 10. Engineering approved plans for the following:
 - Cleveland Regional Jetport Meds Trans Hanger (Erlanger helicopter). Hampton Backhoe Service will be installing 400 feet of 8-inch water main.
 - Exit 20, Pleasant Grove Road Commercial Development, to consist of 1,140 feet of 8-inch water main.
 11. Work is progressing on the Wastewater Rehabilitation Project:
 - AITC has lined 45,153 feet of pipe for the Basin 31-45 (Phase 2) and 10-36 (Phase 1) Rehabilitation project. In addition, 74 point repairs have been completed at various locations to allow for lining, 354 services have been renewed, 263 cleanouts have been installed, and

130 manholes have been lined. 4 contractors are working on this project.

- CU is starting to receive information from Littlejohn Engineering for the CCTV interceptor inspection of the large line from Tinsley Park to the old Wastewater Treatment Plant (now the soccer fields on Mouse Creek Road). Greg Clark is in the initial stages of reviewing the data. The concrete line is approximately 50 years old and ranges in size from 42 to 48 inches.
- In reference to the Wildwood and Inman Rehabilitation project, four point repairs were completed last week and lining is scheduled to begin on November 3.

12. The meter department set 55 meters through September 2015, compared to 41 for September 2014 and 39 for September 2013. Of the 55 sets, 26 were for single-family homes, 14 were for townhomes, 13 were for apartments, 1 was for an automobile repair shop, and 1 was for a barn. The total meter sets for the fiscal year is 132 for September 2015, compared to 92 for September 2014 and 80 for September 2013.

OLD BUSINESS

Approval and Acceptance of Fiscal Year 2015 Audit Report

On motion by Chari Buckner and seconded by Eddie Cartwright, the Board of Public Utilities voted unanimously to approve and accept the Fiscal Year 2015 audit report.

NEW BUSINESS

Approval of Purchase Orders associated with Phase 2 of the AMR/AMI Water Meter Conversion Project.

Philip Luce delivered a background review and brief update on the AMR/AMI Water Meter Conversion Project. Phase 1 of the project was funded by the Tennessee Department of Environment and Conservation State Revolving Fund (SRF) in the amount of \$2.5 million with \$500,000 in loan forgiveness. There was approximately \$15,000 of funds remaining, and the installation of one additional route will be included in this phase as reported by Mullinax. The equipment associated with this route will be installed in December when the order is received.

In December 2014, the opportunity was presented for an additional low, fixed-rate loan through the SRF for phase 2 in the amount of \$2.5 million with loan forgiveness in the amount of \$175,000. CU acted on this opportunity and decided to proceed with the project. Initially, the entire project was budgeted over a 4-year period; however, the additional funding from the SRF will allow for the project to be completed in approximately 2 years. Bids for installation of the water meter registers and transmitters will be opened on November 19, 2015, and it typically takes two months from the order date to receive the equipment. The second phase is expected to begin mid-January, and construction time will take an estimated 7 months. It is anticipated for phase 2 to take longer than phase 1 due to the residences being in Bradley County where the area is rural and residences are more spread out. The entire water system will be converted to AMR/AMI during the summer of 2016.

On motion by Eddie Cartwright and seconded by Mayor Tom Rowland, the Board of Public Utilities approved the following purchase orders for registers, transmitters and equipment associated with the second phase of this project (approval has been received from the SRF for the following acquisitions as proposed):

- A purchase order with Badger Meter in the amount of \$238,877.50 for new water meters registers. Badger Meter held their pricing from Phase 1.
- A purchase order with Southern Pipe & Supply in the amount of \$669,498.75 for new Neptune water meter registers. Southern Pipe & Supply held their pricing from Phase 1.
- A purchase order with WESCO Distribution, Inc., in the amount of \$1,315,875 for new water meter modules/transmitters and mounting kits. WESCO is the authorized distributor for Elster. This standardizes the electric and water systems.

Approval of Agreement with Stantec Consulting Services, Inc.

On motion by Mayor Tom Rowland and seconded by Joe Cate, the Utility Board voted unanimously to approve an agreement with Stantec Consulting Services, Inc., in the amount of \$90,000 for consulting services to include easement preparation, permit application preparation, supplemental construction drawings/procurement manual, bidding services during construction, and State Revolving Fund support as part of the North-South Waterline Extension, Phase 3. The project is budgeted for FY 2016 and FY 2017. This is the last phase of the new water line coming from the Hiwassee Utilities Commission (HUC) plant in Charleston. John Sparkman is the Principal for Stantec. Sparkman was formerly employed with Arcadis and has worked on other phases of this project during his employment with Arcadis. Stantec also worked on the motor replacement project at the Wastewater Treatment Plant. These plans have been submitted to SRF for funding; there is a possibility of receiving a low interest, fixed-rate loan.

Approval of Amendment to the existing Locating Services Agreement with Heath Consultants, Inc.

On motion by Eddie Cartwright and seconded by Chari Buckner, the Board of Public Utilities took action to approve an Amendment to the existing Locating Services Agreement dated December 21, 2001, with Health Consultants, Inc. The locating services are for the Water, Wastewater and Electric Divisions. This agreement has been in place for approximately 15 years without any rate adjustment. There is a provision that allows for renewal with approval of both parties. This is the first time CU has asked to renew this agreement due to some changes in the pricing structure. In addition, the new agreement calls for an annual renewal. Staff recommends renewal of this agreement for one year due to the experience with Heath Consultants, Inc., and their knowledge of CU's system.

OTHER BUSINESS

Future Board Meeting Dates

Following is a list of future board meeting dates to be held at the Tom Wheeler Training Center:

Thursday, December 3, 2015, 3:00 p.m.
Thursday, January 7, 2016, 3:00 p.m.

Thursday, January 28, 2016, 3:00 p.m.

Amy Ensley
Utility Board Secretary


Chairman

12-3-15
Date