



MINUTES OF MEETING
CLEVELAND UTILITIES BOARD

March 4, 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; 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 and Wastewater VP; Walt Vineyard, Information Technology VP; Tim Henderson, VP Administrative Services; Jan Runyon, Assistant VP Administrative Services; and Joyanna Love, *Cleveland Daily Banner*. Dr. Jay McCluskey, Pastor at North Cleveland Baptist Church, was scheduled to deliver the invocation; however, he was unable to attend due to a medical emergency with a family member. Webb asked for everyone to remember Jay McCluskey and his family during the prayer. Following the Pledge of Allegiance to the American Flag, Rev. Rev. Shane Lawson, Customer Data Manager for Cleveland Utilities, delivered the invocation. Lawson is the Pastor at Parkway Baptist Church.

MINUTES OF JANUARY 22, 2015

On motion by Chari Buckner and seconded by Joe Cate, the Board of Public Utilities voted to approve the January 22, 2015, minutes as written.

MANAGER'S UPDATE AND ANNOUNCEMENTS

Perfect Attendance and Service Awards

Cleveland Utilities Awards Luncheon was held at 11:30 a.m. on Wednesday, March 4. Eighty employees received perfect attendance for 2014. In addition, service awards were presented to employees in five-year increments. Thirty-nine employees received service awards. Webb challenged the group to encourage coworkers to strive toward being at the banquet next year and stated he is very proud of what these employees have achieved.

Citywide Budget Retreat

Work is ongoing for the FY 2016 budget preparation. Everything is on track to present the budget for the Utility Board's review prior to presenting to the City Council at the Citywide Budget Retreat to be held on Monday, April 13.

Preliminary numbers indicate internal rate increases in electric and sewer and a pass-thru increase in water for the FY 2016 budget. These were the same percentages and numbers included in the review this time last year.

Fluoride Statement

Staff continues to compile information on water fluoridation. A summary of the research compiled to this point was given to the Utility Board for review. Last week, the American Water Works Association (AWWA) announced new material on the subject, which has been requested. As soon as the information is received, it will be shared with the Utility Board.

DIVISION REPORTS

Financial

Marshall Stinnett reported on the following:

- 1. A graph tracking the residential kilowatt-hour cost from March 2011 through March 2015 was reviewed. The rate for residential customers for March will change to 8.784 cents per kilowatt-hour, a decrease from last month's rate of 8.856 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 January 2015 financial and statistical statements were presented to the Utility Board. In the electric division, the cost of purchased power as a percentage of retail sales was 86.1 percent for the month of January. For the year to date, this percentage is 84.1 percent as compared to a budgeted percentage of 83.2 percent for FY 2015. Electric sales revenue for January 2015 totaled \$8,965,367, which was offset by purchased power of \$7,716,318. This resulted in an operating margin of \$1,249,049 compared to a budgeted margin of \$1,488,607 for the month of January. These revenue numbers were driven by a customer base of 30,547. Operating expenses for the month were \$1,545,716. The net loss for the month was \$167,167. This is compared to a budgeted net income of \$177,284. The results for FY 2015 are electric sales revenue of \$58,324,046, which was offset by purchased power of \$49,041,930. This resulted in an operating margin of \$9,282,116. This is compared to a budgeted margin of \$9,865,022. This brings the division to a combined net loss of \$491,611 for the year to date. This is compared to a budgeted net income of \$720,567 for the same period ended.**
- 3. For January 2015, water sales revenue was \$1,056,140. The division served 30,653 customers during the month of January. Operating expenses for the month were \$1,134,374. The water division recorded an operating income of \$32,072, which is compared to a budgeted operating loss of \$17,389. The results for FY 2015 are water sales revenue of \$7,654,941. Operating expenses for FY 2015 are \$7,751,879. The resulting operating income for FY 2015 is \$568,675, which is compared to a budgeted operating income of \$602,425.**
- 4. For January 2015, wastewater treatment revenue was \$899,262. The division serviced 18,224 customers during the month. Operating expenses for the month were \$895,389. The wastewater division recorded an operating income for January of \$62,095, which is compared to a budgeted operating income of \$60,337 for the month. The results for FY 2015 are wastewater sales revenue of \$6,207,856. Operating expenses for FY 2015 are \$5,860,472. The resulting operating income for FY 2015 is \$845,197, which is compared to a budgeted operating income of \$580,148.**

Electric Division

Bart Borden reported on the following:

- 1. In reference to the Harrison building renovation, bid specifications are being prepared for the site work, which includes grading and new fencing.**

Work on the backup dispatch center is continuing with the specifications for the console and equipment.

2. In reference to the design to relocate 69/13.2 kV lines for TDOT's APD-40 Interchange at Stone Lake Road, a resolution will be presented as an agenda item under new business to be voted on today for consideration for easement acquisition. The easement acquisition contractor has reached an impasse with one property owner to secure the needed easements.
3. Progress has slowed for Timber Creek Subdivision Phase II, Part 1 due to the weather.
4. Work is progressing for Silver Springs Subdivision Phase II. Electric operations installed 2,060 feet of electrical conduit and service pedestals in this new subdivision development at a cost of \$15,625.58
5. An update was presented for the new apartment development on Greenwood Drive off of North Lee Highway. The development has been named the Preserve at Hardwick, and grade work has begun. A directional bore from an existing three-phase primary sector will be necessary to install electrical conduits to the site property; a work order has been issued. The developer will be responsible for installing the remaining electrical primary, secondary and service conduits to serve the buildings.
6. Design work has been completed to upgrade the 69 kV transmission line from Lang Street substation to District substation. Materials to upgrade the poles, insulators and conductors are being acquired. A purchase order is on the agenda under new business to be voted on today for approval to purchase fifteen (15) steel poles for this project.
7. A work order has been issued to provide underground fed electrical facilities to serve 18 new lots in Kings Cove Subdivision located on King Den Drive. A total of 2,200 feet of conduit, 850 feet of primary conductor and three (3) pad-mount transformers will be installed to serve the anticipated 180 KW load, when fully occupied.
8. A work order has been issued to provide temporary electric service to a new medical building in Spring Creek for an Oral and Facial Surgery Center. One (1) 37.5 KVA pad-mount transformer will be installed to serve the new 35 KW expected load.
9. An update was presented on traffic lighting:
 - The Exit 20 Bridge Project is ahead of schedule, and the final bridge beams have been set. Three out of the four permanent traffic light strain poles have been set for the northbound ramp. Traffic is expected to be moved to the final northbound ramp in the coming weeks.
 - TDOT's contractor installed Wavetronix radar detection for Durkee Road at the Whirlpool exit drive after numerous complaints from the public. The remaining approaches are being delayed by a needed mast arm that has to be replaced due to a code clearance issue in the design. The arm is scheduled to be installed this month.
10. CU sent two crews to Sweetwater, Tennessee, for three days to assist with repairs from ice damage. No outages related to weather were

experienced on CU's system. Borden stated it speaks well for tree trimming efforts and maintenance programs in place.

Water Division

Craig Mullinax reported on the following:

1. A pre-bid meeting will be held on March 12 for the Rehabilitation of Sludge Thickener No. 2 project at the Cleveland Wastewater Treatment Plant. Bid opening for this project is scheduled for March 19.
2. The project for the second floor remodel including the control room at the Filter Plant is 70 percent complete and progressing very well. P&C Construction estimates to finish the project in three weeks.
3. A tentative start date of April 13, 2015 has been set for the first phase of the AMR/AMI Water Project through the SRF.
4. There was previous discussion in reference to CU and the County working together on the Cabrera Water Line Extension project. This project was bid with a group of other projects in hopes of obtaining better pricing. Three bids were received; unfortunately, it only reduced the project price by \$200. The other parties will need to review the bid information to determine if they want to proceed with CU to extend the water line.
5. Engineering is reviewing the following plans:
 - Henegar Farms subdivision located on Mouse Creek Road. This development will consist of 11 lots and 1,736 feet of 6-inch water main. Dee Burris is the developer.
 - Westmore Church of God Youth Building located on Legacy Parkway off of Candies Lane.
6. Work is progressing on the Wastewater Rehabilitation Project:
 - Plans and specifications for the Wildwood Avenue and Inman Street project have been approved by the State. A mandatory pre-bid meeting will be held on March 10 and bids will be opened on March 19th.
 - AITC has lined 22,204.5 feet of pipe for the Basin 31-45 & 10-36 Rehabilitation project. In addition, 45 point repairs have been completed at various locations, 40 services renewed, 51 cleanouts installed and 23 manholes have been lined.
 - Westco was awarded the contract for the Sewer Maintenance and Clearing project. To date, approximately 16,230 feet of sewer line easement has been cleared; 1,370 feet were cleared in January.

OLD BUSINESS

Approval of Change Order with Talley Construction

On motion by Eddie Cartwright and seconded by Chari Buckner, the Utility Board voted to approve Change Order 2 (final) with Talley Construction for a decrease in the contract amount by \$2,675.84. The decrease relates to the adjustment in material quantities for the construction of Contract No. 1 of the North-South Water Main. The change decreases the contract amount from \$924,481.90 to \$921,806.06. The original contract price was \$909,871.90.

Approval of Change Order with Cleary Construction, Inc.

On motion by Joe Cate and seconded by Chari Buckner, the Utility Board took action to approve Change Order 1 (final) with Cleary Construction Inc., for an increase in the contract amount by \$5,370. The increase relates to the adjustment in material quantities for the construction of Contract No. 2 of the North-South Water Main. The change increases the contract amount from \$869,700 to \$875,070.

Approval of Change Order with Cleary Construction, Inc.

On motion by Eddie Cartwright and seconded by Joe Cate, the Utility Board voted to approve Change Order 1 (final) with Cleary Construction Inc., for a decrease in the contract amount by \$28,193. The decrease relates to the adjustment in material quantities for the construction of Contract No. 3 of the North-South Water Main, Phase I. The change decreases the contract amount from \$1,174,455 to \$1,146,262.

NEW BUSINESS

Approval of New Rules and Regulations

On motion by Chari Buckner and seconded by Eddie Cartwright, the Board of Public Utilities took action to approve CU's new Rules and Regulations. CU has been operating with the same set of Rules and Regulations since 1982. In their role as regulator in the electric division, TVA requested updated rules and regulations be developed. The most significant changes dealt with cutoffs for non-pay under certain weather conditions and in case of certain medical issues. TVA previously approved the revisions.

Approval of Resolution Regarding Broadband and Internet Services

On motion by Joe Cate and seconded by Chari Buckner, the Board of Public Utilities voted to approve resolution 15-02 requesting support of legislation regarding local determination of broadband and internet services. A similar resolution has already been passed by the City Council. The House bill is sponsored by local representative Kevin Brooks, and the Senate bill is sponsored by Janice Bowling from Tullahoma. This would remove from state law the barrier to prevent municipal utilities to provide broadband services outside their electric service areas. This would make it possible for CU to joint venture with a company such as EPB in providing broadband services.

Approval of Change in Round-Up Distribution Formula

On motion by Eddie Cartwright and seconded by Chari Buckner, the Utility Board voted to approve a change in the distribution formula for Project Round-Up. In December 2012, Project Round-Up was implemented and has been very successful to this point. Currently, 80 percent of the funds collected are distributed for utility needs and the remaining 20 percent is designated for housing, medical and other related needs. The proposed adjustment would adjust the funds collected to be distributed to 75 percent for utility needs, 20 percent for housing, medical and other related needs and 5 percent for food. This proposed adjustment would allow for The Caring Place to fill gaps in the type food provided through the Neighbors in Need program. As an example, there are times when noodles are available, but sauce is not. This would contribute the funds to purchase the additional items needed for the bags that are prepared.

Approval of Purchase Order with ABB, Inc., c/o Yoder Sales Agency

On motion by Joe Cate and seconded by Chari Buckner, the Board of Public Utilities took action to approve a purchase order with ABB, Inc., c/o Yoder Sales Agency in the amount of \$93,548 for four (4) 13 kV distribution vacuum breakers to be installed at East Cleveland substation to replace four (4) 1976 breakers; test indicates the need to replace these breakers. Two bids were received. ABB, Inc., returned the low bid with an acceptable delivery date.

Approval of Purchase Order with Utility Specialists, Inc.

On motion by Chari Buckner and seconded by Eddie Cartwright, the Utility Board voted to approve a Purchase Order with Utility Specialists, Inc., in the amount of \$50,222 for fifteen (15) steel transmission poles for the 69 kV transmission line Phase I upgrade from Lang Street substation to 6th Street NE. Three bids were received, and prices ranged from \$50,222 to \$59,699.

Information Presented for Future Consideration for CU to Discontinue Paying for Installation of Underground Electrical Conduit Systems

Borden presented information regarding CU's current policy of installing underground electrical conduit systems in residential developments and explained the request for future consideration for CU to discontinue paying for these installations effective October 1, 2015. If the current practice were stopped, it would make it a consistent policy with CU's water and wastewater divisions. Out of multiple TVPPA distributors surveyed, CU's electric system is the only system in the surrounding area and valley that pays to install these systems. The cost for conduit installations range anywhere from \$10,000 to \$130,000. This places more risk on CU as to the success of the development, where it should reside on the developer.

CU has been completing these installations since 1992, and a variety of issues have been experienced over the years. Numerous dig-ins have occurred by contractors when facilities are being installed. On occasion, developers will change the grade level on sites after all facilities have been installed, which then puts CU's conduit at being too shallow; it then becomes an issue of CU having to lower those conduits. One installer coordinating all installations would make the process flow better, and all of these issues would be resolved with this proposed change in CU's current policy.

Webb stated as we expect to request a rate increase in electric in the coming months, it is important to know and look at what is driving our costs and who needs to be covering those costs.

Approval of Resolution to Proceed with Eminent Domain

On Motion by Chari Buckner and seconded by Eddie Cartwright, the Utility Board took action to approve resolution 15-03 to pursue eminent domain for relocation of 69 kV easements on a property owned by First Bank of Tennessee. This is related to the New Industrial Park Interchange on APD-40 at Stone Lake Road (TDOT PROJECT - STONE LAKE EXTENSION IN CLEVELAND: SR-311 (US 74) FROM I-75 (EXIT 20) TO SR-2 (US 11)). Diligent efforts have been made to settle

with First Bank of Tennessee, but to no avail thus far. These efforts will continue; however, the process needs to be started due to the pace of this project.

Approval of Contract, Resolution and Purchase Orders related to AMR/AMI Water Project Funded by the SRF Program in the Amount of \$2,500,000 (All items have already been approved by the SRF)

On motion by Eddie Cartwright and seconded by Joe Cate, the Board of Public Utilities voted to approve the following:

- A contract and resolution with Baird Contracting Co., Inc., in the amount of \$378,300 for the installation of approximately 15,000 water meter registers and transmitters as part of the AMR/AMI Water Meter Conversion Project, Phase 1. Five bids were received; two bids were late and one bid was incomplete.
- A purchase order with Badger Meter in the amount of \$197,682.50 for new water meter registers as part of the AMR/AMI Water Meter Conversion Project, Phase 1. This is a sole source purchase and replaces Badger registers already in service.
- A purchase order with Southern Pipe & Supply in the amount of \$667,562.85 for new water meter registers as part of the AMR/AMI Water Meter Conversion Project, Phase 1. Two bids were received for Neptune registers; Southern Pipe & Supply was the low bid.
- A purchase order with WESCO Distribution, Inc., in the amount of \$1,196,250 for new water meter modules/transmitters and mounting kits as part of the AMR/AMI Water Meter Conversion Project, Phase 1. This is a sole source provider for Elster modules/transmitters and will match up with the electric AMI's already in service.

These projects are being funded through the State of Tennessee State Revolving Loan Fund (SRF) and approval has been received from the SRF for the acquisitions as proposed.

Approval of Agreement with GRW Engineers, Inc.

On motion by Chari Buckner and seconded by Eddie Cartwright, the Utility Board took action to approve an agreement with GRW Engineers, Inc., in the amount of \$57,500 for engineering services which includes design, bidding/award, construction administration, surveying, and permitting as part of the Barney Lane Sewer Line Replacement project. The project consists of the replacement of 4,000 feet of 10-inch clay sewer. A 15-inch line will be replacing a 10-inch line between two 15-inch lines. This was budgeted for FY 2015 and will eliminate a bottleneck and overflow that periodically occurs.

Approval of Purchase Order with Hampton Backhoe

On motion by Joe Cate and seconded by Eddie Cartwright, the Board of Public Utilities voted to approve a purchase order with Hampton Backhoe in the amount of \$188,496.70 for the installation of new waterlines to replace existing galvanized waterlines on Park Avenue, Steed Street, Wesdell Lane, and Greenridge Drive, NW. The project is budgeted for FY 2015 and will address some problem lines where leaks have occurred.

OTHER BUSINESS

Future Board Meeting Dates

Following is a list of future board meeting dates to be held at 3:00 p.m. at the Tom Wheeler Training Center:

March 26, 2015

Thursday

April 23, 2015

Thursday

Amy Enslin Utility Board Secretary

[Signature] Chairman

3/26/2015
(Date)