



MINUTES OF MEETING
CLEVELAND UTILITIES BOARD

May 28, 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; 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, VP Information Technology; Jan Runyon, Assistant VP Administrative Services; Rev. James "Jimmy" Long; Larry Bowers, *Cleveland Daily Banner*; and Paul Leach, *Chattanooga Times Free Press*. Following the Pledge of Allegiance to the American Flag, Rev. Jimmy Long, Pastor at New Hopewell Baptist Church in Athens, TN, delivered the invocation. Long works in CU's Meter Lab as a journeyman meterman.

MINUTES OF APRIL 23, 2015

On motion by Mayor Tom Rowland and seconded by Eddie Cartwright, the Board of Public Utilities voted to approve the April 23, 2015, minutes as written.

MANAGER'S UPDATE AND ANNOUNCEMENTS

Customer Letter

A letter was received from a customer, Ms. Midge Burnette, complimenting CU's crews who assisted with a recent sewer issue at her residence on a late Friday afternoon. Webb stated it is very rewarding to receive letters of this nature and he really appreciates Ms. Burnette for taking the time to send the letter and the employees who handled the issue. Employees named specifically in the letter were Brad Hunt, Ken Flowers, Tony Burns, Bryan Kelley, Dustin Hicks and the lady answering the phone.

Better Business Bureau (BBB) 2015 "Torch Award for Marketplace Ethics"

Cleveland Utilities was recently named as the recipient of the 2015 BBB Torch Award for Marketplace Ethics. This award recognizes organizations with a strong commitment to ethical and professional practices in the marketplace. Webb said, "Once again, I want to thank all of the employees for the work they do. The employees are the reason we received this award."

Fiscal Year 2016 Budget

On May 26, 2015, the fiscal year 2016 budget was approved by the City Council on the second reading. This budget was not an easy budget due to having rate increases. Webb sincerely thanked the Utility Board and City Council for supporting the 2016 budget.

CDBG Disaster Grant

For months, staff has been waiting to find out if CU's application for a CDBG grant was approved. This week, approval was received for a \$250,000 grant in the electric division. Borden will be providing details on this project during his report.

TVA Scholarship

Caden Watson, son of employee Dean Watson, was a recipient of one of the TVA Power Distributors Scholarships. Webb hopes to recognize Caden for this accomplishment at June's board meeting.

DIVISION REPORTS

Financial

Marshall Stinnett reported on the following:

1. A graph tracking the residential kilowatt-hour cost from June 2011 through June 2015 was reviewed. The rate for residential customers for June will change to 9.442 cents per kilowatt-hour, an increase from last month's rate of 8.948 cents. This rate change is driven by TVA's Fuel Cost Adjustment and the difference between the summer rates of June and the transition rates of May. As a continued trend, Cleveland Utilities will pass all TVA rates changes along to its consumers.
2. In the electric division, the cost of purchased power as a percentage of retail sales was 78.6 percent for the month of April. For the year to date, this percentage is 83.8 percent as compared to a budgeted percentage of 83.2 percent for FY 2015. Electric sales revenue for April 2015 totaled \$6,585,279, which was offset by purchased power of \$5,180,606. This resulted in an operating margin of \$1,404,673 compared to a budgeted margin of \$1,233,044 for the month of April. These revenue numbers were driven by a customer base of 30,663. Operating expenses for the month were \$1,536,396. The net income for the month was \$1,046 compared to a budgeted net loss of \$104,566. The results for FY 2015 are electric sales revenue of \$80,870,320, which was offset by purchased power of \$67,789,021. This resulted in an operating margin of \$13,081,299. This brings the division to a combined net loss of \$833,450 for the year to date.
3. For April 2015, water sales revenue was \$1,031,894. The division served 30,790 customers during the month. Operating expenses for the month were \$1,107,114. The water division recorded an operating income of \$41,037, compared to a budgeted operating income of \$18,030. The results for FY 2015 are water sales revenue of \$10,730,570. Operating expenses for FY 2015 are \$11,103,990. The resulting operating income for FY 2015 is \$612,225 compared to a budgeted operating income of \$562,000.
4. For April 2015, wastewater treatment revenue was \$878,097. The division serviced 18,340 customers during the month. Operating expenses for the month were \$865,973. The wastewater division recorded an operating income for April of \$98,825, which is compared to a budgeted operating income of \$68,157 for the month. The results for FY 2015 are wastewater sales revenue of \$8,852,703. Operating expenses for FY 2015 are \$8,430,498. The resulting operating income for FY 2015 is \$1,145,361.

Electric Division

Bart Borden reported on the following:

1. CU's operations and IT departments have been working jointly on specifications for external and internal security systems for the Harrison Building on Freewill Road. Wheeler Electronics was selected as the security monitoring company and equipment installer. In addition, a proxy

- card read control door access is to be installed and will be an extension of the existing Paxton system.
2. In reference to the design to relocate 69/13.2 kV lines for TDOT's APD-40 Interchange at Stone Lake Road, there have been no changes to this project since May's report.
 3. The project for Timber Creek Subdivision Phase II was 50 percent complete as of this reporting period and is 80 percent complete to date.
 4. The Silver Springs Subdivision Phase II project was completed as reported last month. The actual cost of the project was \$26,391.75 tracking very closely to the estimated cost of \$24,415.85.
 5. Work continued on the Michigan Avenue reconductoring project and involved a great amount of temporary work to lay the existing conductors out to allow the new wire to be pulled in and maintain power in the area. The project was 30 percent complete as of this reporting period and is 65 complete to date. This will tie in to Chatata Creek and East Cleveland substations via two circuits.
 6. Engineering issued a work order for Ron Barker's development at Georgetown Road and Paul Huff Parkway to install three spans of primary wire along the proposed Paul Huff Parkway extension. The work included a self-supporting concrete pole, two steel poles, and approximately 800 feet of three-phase #336 AAC primary. This is the first step in providing electrical service to the business development at the new sight being constructed, and this work has been completed.
 7. Engineering issued a temporary service work order for the plant expansion at Mueller Company. The work included the installation of a lift pole, service wire, and a transformer. Engineering is currently working with the electrical contractor on the requirements for permanent service for this expansion. The building currently under construction is approximately 50 percent of the size of the existing facility.
 8. The operations department completed the installation of underground fed electric service to the new King's Cove subdivision. A total of 3,220 feet of electrical conduit was installed, 900 feet of underground primary conductor, 850 feet of secondary conductor, two (2) 100 KVA and one (1) 50 KVA pad-mount transformers were installed to serve the new 18 lot development with an expected load of 216 KW when fully populated.
 9. An update was presented on traffic lighting:
 - Cleveland Utilities engineering department received a TDOT permit for the installation of mast-arm traffic light poles at Ocoee Street and Central Avenue adjacent to Lee University's Communication Arts building. This permit allows Cleveland Utilities to open cut Ocoee Street for the installation of conduit and control wiring. Requests for bids were sent out for the poles and received back on May 6, 2015. The poles have been placed on order with Union Metal and are due to be shipped 12 weeks after the approval of engineering design drawings, which have not been received to date, but are expected by next week.

10. A preliminary plat for Brook Hollow was reviewed during the month of April and consists of a residential 18 lot cluster development. Borden informed he always brings a copy of all plats and site plans reviewed during the month if anyone is interested in viewing them.
11. Cleveland Utilities received notification from the Southeastern Industrial Development Association of a \$250,000 project grant awarded by the Tennessee Department of Economic and Community Development. The Peach Orchard Hill Road tie line project will require an additional \$201,000 in matching funds by Cleveland Utilities, which has been included in the capital budget.

The new tie line from Benton Pike NE to Michigan Ave NE will provide an alternate electrical feed to the Michigan Avenue Road area, which serves industrial, commercial and residential loads for service redundancy. Borden pointed out this load also includes the Regional Jetport. The electric service to this area was affected by the tornadoes of 2011 and is the reason for requesting the grant. The project is just over 2 miles in length and will consist of steel power poles, 795 MCM AAC primary and 336 MCM AAC neutral conductors. The project is expected to be completed in 18 months.

Webb interjected with a comment, "We really appreciate the assistance from the development office in Chattanooga and also from our local state delegation for being supportive of us applying for this grant."

Water Division

Craig Mullinax reported on the following:

1. King Industries will be completing the rehabilitation of the South Sludge Thickener at the Wastewater Treatment Plant. CU's staff and King Industries had a preconstruction conference on May 19, 2015, to discuss various aspects of the project. The contractor began work on May 26.
2. K. Berry Construction will be completing the following projects at the Wastewater Treatment Plant:
 - Coating the influent measurement structures; this will help minimize the growth of algae on the water leaving the facility.
 - Replacing 10,560 diffuser membranes in basins 1, 2, 3 & 4. This project will be ongoing and is considered a biohazard. Work will begin immediately in hopes of completing at least one and possibly two of the basins before the extreme heat.
3. An update was presented on the first phase of the AMR/AMI Water Project funded through the SRF. Baird Contracting started installing transmitters and replacing registers on May 18. A total of two routes consisting of 438 meters were changed out by two crews in the first week.
4. King Industries began the second phase of the fire hydrant painting project. There are a total of 2,600 hydrants on CU's system, and this project was budgeted over a 3-year period. A total of 896 hydrants were

- Painted during the first phase and 132 have currently been painted during this phase. King Industries has done an excellent job.
5. Hampton Backhoe Service replaced 800 feet of water line of Park Avenue. This project also consists of water line replacements on Wesdell Lane and Steed Street.
 6. Talley Construction will be relocating 5,300 feet of 12-inch water main at the new Honorable Tom Rowland Interchange on APD 40 at Stone Lake Road under a TDOT contract. CU's staff will be inspecting this project.
 7. An update was presented on the Cabrera Lane water line extension. Hampton Backhoe Service will be performing the work at a contract price of \$28,764. CU's portion of the project is \$12,500, Bradley County's is \$11,516, and the customers' portion is \$4,748. The project is on hold awaiting payment from the four customers.
 8. Engineering is reviewing plans for Windermere subdivision, Phase 2. A total of 340 feet of 6-inch water main and 325 feet of 2-inch water main will be installed for this new development.
 9. Facilities Maintenance has completed the exterior piping painting project at the Cleveland Filter Plant. Other ongoing projects include the Breckinridge Booster Station rehabilitation and the feasibility study to install the generator at the Cleveland Filter Plant.
 10. Work is progressing on the Wastewater Rehabilitation Project:
 - AITC has lined 33,800 feet of pipe for the Basin 31-45 (Phase 2) and 10-36 (Phase 1) Rehabilitation project. In addition, 48 point repairs have been completed at various locations to allow for lining, 120 services have been renewed, 110 cleanouts installed and 55 manholes have been lined to date.
 - CES began the CCTV interceptor inspection project of the large mains on May 18th; approximately 3,000 lineal feet has been completed to date. No significant findings have been discovered at this point in the project.
 - In reference to the Wildwood and Inman Rehabilitation project, contracts have been signed and are being submitted to the State Revolving Fund (SRF) for approval. A preconstruction conference will be held on June 23, 2015.
 11. The meter department set 34 meters through April 2015, compared to 33 for April 2014 and 24 for April 2013. Of the 34 sets, 20 were for single-family homes, 10 were for townhomes, 2 were for irrigation, 1 was for a warehouse expansion, and 1 was for the concession stand at the Greater Cleveland Soccer Complex.
 12. A chart was reviewed on rainfall totals. There was a minimal amount of rainfall over the last 22 days, which caused an increase in water demand and is associated with irrigation. By the end of May, the system demand for water will be approximately 346 million gallons compared to 323 million gallons this time last year.

NEW BUSINESS

Engagement Letter for Fiscal Year 2015 Audit

On motion by Joe Cate and seconded by Mayor Tom Rowland, the Utility Board voted to approve an engagement letter to audit Cleveland Utilities' accounts for the year ending June 30, 2015, for the contract amount of \$36,000 with the certified public accounting firm of Arnett, Kirksey, Kimsey, Sullivan, Lay & Hall, PLLC. There was no increase in price from 2014 and will involve additional work due to the two new GASB's being implemented. A peer review was conducted for Arnett, Kirksey, Kimsey, Sullivan, Lay & Hall, PLLC, by their reviewer, Mann & Miller, P.C.; the firm passed with no exceptions.

Protection of Waterville Springs

On motion by Mayor Tom Rowland and seconded by Eddie Cartwright, the Utility Board approved for President/CEO Webb to pursue talks with City staff regarding how to best protect the spring at Waterville Golf Course as a source of drinking water. The spring is very important to the water supply in Cleveland and CU will make every effort to protect the spring. Webb will be in discussions with the City immediately; proposals have been requested tomorrow.

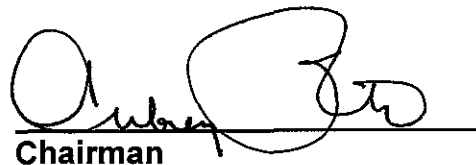
OTHER BUSINESS

Future Board Meeting Dates

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

Tuesday, June 23, 2015, 3:00 p.m.
Thursday, July 23, 2015, 3:00 p.m.
Thursday, August 27, 2015, 3:00 p.m.

Amy Ensley
Utility Board Secretary


Chairman

U-23-15
Date