



**MINUTES OF MEETING**  
**CLEVELAND UTILITIES BOARD**

June 23, 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; Jimmy Isom, Electric Engineering Manager; Philip Luce, Water & Wastewater Engineering Manager; Walt Vineyard, Information Technology VP; Tim Henderson, VP Administrative Services; Jan Runyon, Assistant VP Administrative Services; Dean Watson, Electric Operations Manager; Caden Watson; Jamie Creekmore, Customer Relations Representative; Rev. Eric Atkins; Rick Norton, *Cleveland Daily Banner*; and Paul Leach, *Chattanooga Times Free Press*. Following the Pledge of Allegiance to the American Flag, Rev. Eric Atkins, Pastor at New Friendship Baptist Church, delivered the invocation.

**MINUTES OF MAY 28, 2015**

On motion by Mayor Tom Rowland and seconded by Eddie Cartwright, the Board of Public Utilities approved the May 28, 2015, minutes as written.

**MANAGER'S UPDATE AND ANNOUNCEMENTS**

**Offices Closed**

Cleveland Utilities will close on Friday, July 3, 2015, in observance of Independence Day. Regular emergency and standby service will be maintained.

**Caden Watson Recognition**

As mentioned last month, Caden was one of the recipients of TVA's Power Distributors Scholarships in the amount of \$4,000. He is the son of Dean Watson (Electric Operations Manager) and wife, Tracey. Caden advised he is a recent graduate of Walker Valley High School and will be attending Tennessee Technological University in August to study civil engineering with an emphasis on environmental engineering. Everyone congratulated him for this accomplishment.

**Fiber Study**

The telecommunications fiber study has been completed, and staff is currently reviewing the information. Copies of the study and details will be provided at July's meeting. Webb said, "I will go ahead and tell you it's not overly optimistic about us providing triple-play services. The capital requirements are extensive and the startup costs could present issues." There is the possibility of offering limited services; however, no definite decisions have been made, and there is still a lot of assessing to do.

**APPA Community Service Award**

In June, CU was one of four utilities in the country recognized by the American Public Power Association as the recipient of a Community Service Award at the National Conference in Minneapolis, MN. A brief video (the same one shown at

the National Conference) was presented recognizing three community service projects as the basis for the award: Project Round-Up, Habitat for Humanity, and Junior Achievement. Board Chairman Ector, Board Member Cate and President/CEO Webb were in attendance to accept the award on behalf of the Utility Board and employees. Webb said, "This award recognizes the board's commitment, the utility's commitment and the employees' commitment to community service. Once again, I want to thank the employees for what they do in the community and the Board for their support."

Chairman Ector interjected with a comment. "From the perspective of the Board, we very much appreciate you, Mr. Manager, and your staff, as well as all of the employees, because as you say, it is a joint, cooperative, corporate effort."

## **DIVISION REPORTS**

### **Financial**

Marshall Stinnett reported on the following:

1. A graph tracking the residential kilowatt-hour cost from July 2011 through July 2015 was reviewed. The rate for residential customers for July will change to 9.547 cents per kilowatt-hour, an increase from last month's rate of 9.442 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. In the electric division, the cost of purchased power as a percentage of retail sales was 78.6 percent for the month of May. For the year to date, this percentage is 82.2 percent as compared to a budgeted percentage of 83.2 percent for FY 2015. Electric sales revenue for May 2015 totaled \$7,490,610, which was offset by purchased power of \$6,155,974. This resulted in an operating margin of \$1,334,636 compared to a budgeted margin of \$1,207,648 for the month of May. These revenue numbers were driven by a customer base of 30,778. Operating expenses for the month were \$1,467,396. The net loss for the month was \$8,969 compared to a budgeted net loss of \$135,573. The results for FY 2015 are electric sales revenue of \$88,360,932, which was offset by purchased power of \$73,944,994. This resulted in an operating margin of \$14,415,938. This brings the division to a combined net loss of \$842,417 for the year to date, compared to a budgeted net income of \$583,793 for the same period ended.
3. For May 2015, water sales revenue was \$1,081,095. The division served 30,921 customers during the month. Operating expenses for the month were \$1,111,736. The water division recorded an operating income of \$71,231, compared to a budgeted operating income of \$50,775. The results for FY 2015 are water sales revenue of \$11,811,664. Operating expenses for FY 2015 are \$12,215,728. The resulting operating income for FY 2015 is \$683,453 compared to a budgeted operating income of \$613,063.
4. For May 2015, wastewater treatment revenue was \$852,651. The division serviced 18,447 customers during the month. Operating expenses for the month were \$827,426. The wastewater division recorded an operating income for May of \$95,163, which is compared to a budgeted operating income of \$54,947 for the month. The results for FY 2015 are wastewater

sales revenue of \$9,705,353. Operating expenses for FY 2015 are \$9,257,925. The resulting operating income for FY 2015 is \$1,240,522 compared to a budgeted operating income of \$805,125.

5. As a reminder, due to June representing the end of fiscal year 2015, the books will remain open longer than usual in order to make all year-end entries in an effort to eliminate any possible audit adjustments; therefore, the regular financial and statistical report for June will not be presented until August.
6. Phase 1 of CU's new online billing system went into effect on July 1. Information was distributed explaining the changes. The biggest difference and a major benefit is the elimination of convenience fees for customers paying by debit and/or credit cards using the online or pay-by-phone systems. Payments are limited to a maximum of \$7,500 per month.

### Electric Division

Jimmy Isom reported on the following in the absence of Bart Borden:

1. CU's operations department will be opening bids on June 24, 2015, for the site preparation / excavation at the Harrison building to include the stormwater prevention plan, grading, fencing, gravel and a detention pond on the lower yard.
2. In reference to the design to relocate 69/13.2 kV lines for the new Honorable Tom Rowland Interchange at Stone Lake Road, the eminent domain process has been started to acquire the easement required for the 69 kV line relocation on the First Bank of Tennessee property.
3. There have been no changes since the last reporting period regarding Timber Creek Subdivision Phase II.
4. Work continued on the Michigan Avenue reconductoring project. The cost has surpassed estimates due to the amount of time required to work the lines energized, setup and traffic control, and the unexpected replacement of poles and conductor supports due to the age and condition. The project was 53 percent complete by the end of this reporting period and is expected to be finished in two weeks.
5. CU's operations department upgraded two (2) 13 kV breakers at M&M Mars Substation (formerly Burlington substation) serving M&M Mars. Testing indicated the existing breakers were nearing life-end on the vacuum bottle contacts; both were Westinghouse units dating from 1977 and 1983. They were replaced with two (2) new 13KV ABB R-Mag units with Schweitzer 351 electronic relays. New concrete pads, conduit, and wiring were also installed. In addition, the isolation switches on the 69 kV station breaker were replaced.
6. Engineering staff recently met with Cleveland Exit 20 LLC developers to discuss the possible abandonment of the newly proposed Stone Lake Road. The developer has purchased the existing property this road now serves, and it is no longer needed in the TDOT Interchange Project. Cleveland Exit 20 LLC has requested this portion of the road be abandoned since this is the only property it serves and there is no benefit to their future development. This should not affect Cleveland Utilities electric

facilities since the lines will be located just behind the TDOT right-of-way and no significant grade changes are expected.

7. Engineering staff examined plans to construct a new development off of Pleasant Grove Road at Exit 20 and met with engineers of the development to discuss possible future electric and traffic lighting needs. The proposed road will tie into Pleasant Grove Road on the east side of the theater property, extend south and then west. A new automobile dealership is looking at the property between the theater parking lot and I-75.
8. An update was presented on traffic lighting:
  - Engineering has received and evaluated bids for the new traffic lighting poles and mast arms at Ocoee Street and Central Avenue. The purchase order was issued on June 18, 2015, with delivery stated to be 12 weeks (September 10th). It is possible to start the project when the anchor bolts are received, which typically arrive in 4 weeks of the order being placed.
9. The following plats and site plans were reviewed during the month and copies are available for viewing:

Site Plans

- Pleasant Grove Road-SPC Properties New Road Plan

Plat Reviews

- Emmett Avenue-Emmett & Nuckolls Final Plat
- Glenwood Drive-The Haven at Glenwood Drive Final Plat
- Smith Drive-United Christian Church Final Plat
- King Den Drive-King Cove Final Plat
- Georgetown Road-Villa Landing Final Plat

Water Division

Philip Luce reported on the following in the absence of Craig Mullinax:

1. Rehabilitation of the South Sludge Thickener at the Wastewater Treatment Plant is 40 percent complete.
2. Coating of the influent measurement structures at the Wastewater Treatment Plant will begin in July.
3. K. Berry Construction replaced approximately 3,000 diffuser membranes in basin 3 at the Wastewater Treatment Plant. Work on basin 1 will begin on Monday, June 29.
4. Work is progressing on the first phase of the AMR/AMI Water Project funded through the SRF. A total of 8 routes consisting of 1,831 meters were changed out by two crews in the first month, and a total of 10 routes consisting of 2,269 meters have been changed out to date. One additional crew started work today, which will expedite the process.
5. King Industries continued the second phase of the fire hydrant painting project. A total of 252 hydrants have been painted to date during this phase.
6. Hampton Backhoe Service replaced 1,766 feet of water line on Park Avenue and Steed Street, and will soon begin work on Wesdell Lane. Once this project is finished, the contractor will start the project on McDonald School Road.

7. The 2010 annexation project will be presented under new business.
8. Talley Construction relocated 1,000 feet of 12-inch water main at the new Honorable Tom Rowland Interchange on APD 40 at Stone Lake Road, but had to stop work due to revisions for the possible abandonment of the newly proposed Stone Lake Road. The contractor is waiting on revised plans from TDOT.
9. Plans have been completed for the replacement of approximately 3,927 feet of 10-inch sanitary sewer with 15-inch sanitary sewer on Barneys Lane. Twenty (20) easements are needed and will be mailed today.
10. Developments under construction are:
  - An 8-unit apartment complex on Old Harrison Pike. The developer is Thomas Childs and includes 244 feet of 8-inch sanitary sewer. The project is complete with cleanup work remaining.
  - Henegar Farms Subdivision on Mouse Creek Road. The developer is Dee Burris and consists of 11 lots and 1,736 feet of 6-inch water main. The project is complete with cleanup work remaining.
11. Engineering reviewed plans for phase 2 of Windermere Subdivision. The development will consist of 340 feet of 6-inch water main and 325 feet of 2-inch water main. Comments were sent to the engineer, and CU is awaiting a response.
12. Work is progressing on the Wastewater Rehabilitation Project:
  - AITC has lined 36,700 feet of pipe for the Basin 31-45 (Phase 2) and 10-36 (Phase 1) Rehabilitation project. In addition, 50 point repairs have been completed at various locations to allow for lining, 140 services have been renewed, 135 cleanouts installed, 70 manholes have been lined, and 20 manholes have been raised to grade to date.
  - CES continued the CCTV interceptor inspection project of the large mains; approximately 23,000 lineal feet has been completed to date.
  - In reference to the Wildwood and Inman Rehabilitation project, contracts have been completed, signed and approved by the State Revolving Fund (SRF). A preconstruction conference with Morgan Construction was held on June 23, 2015.
13. The meter department set 33 meters through May 2015, compared to 17 for May 2014 and 21 for May 2013. Of the 33 sets, 16 were for single-family homes, 1 was for a townhome, 8 were for apartments, 3 were for irrigation, and 5 were for commercial (one of those being the La Quinta Inn).

## **NEW BUSINESS**

### **Confirm Purchase and Lease of Waterville Golf Course**

As a result of the Utility Board authorizing President/CEO Ken Webb to hold discussions with the City Council and city staff how to best protect the springs as a source of drinking water at Waterville Golf Course, an agreement was reached. The City agreed to sell CU an area of land around the springs in order to further protect the area.

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

1. The purchase of approximately six (6) acres around the springs at Waterville Golf Course in the amount of \$5,118.94 per acre (based on tax appraisal). A survey is currently being done to determine exact acreage and should be finalized within the week; however, Webb does not expect it to exceed six (6) acres.
2. The leaseback of the property to the golf course operator.
3. President/CEO Webb signing the lease obligating CU as a party to the lease (Mayor Rowland, on behalf of the City, also signed the lease prepared by City Attorney John Kimball).

#### Property, Liability and Workers' Comp Insurance

CFO Marshall Stinnett presented a summary on the renewal of Cleveland Utilities' property, casualty, and workers' compensation insurance proposal from Distributors Insurance Company. On motion by Joe Cate and seconded by Eddie Cartwright, the Board of Public Utilities voted to approve property, casualty, and workers' compensation insurance from July 1, 2015, and ending June 30, 2016, with Distributors Insurance Company for a premium of \$896,382. There is a reduction in premium of approximately \$16,000 and is the result of CU's claims experience and softening of the insurance market. The pollution liability coverage changed slightly. Before, there were 3 separate policies, which have now been combined into one policy with a higher limit. Distributors Insurance Company is a wholly-owned subsidiary of the Tennessee Valley Public Power Association, Inc. Several years back, other carriers' premiums were compared against those of DIC, and the numbers for DIC were very favorable.

#### Approval of Purchase Order with K. Berry Construction

On motion by Mayor Tom Rowland and seconded by Joe Cate, the Board of Public Utilities voted to approve a purchase order with K. Berry Construction in the amount of \$139,396 for the rehabilitation of a spiral lift pump located at the Wastewater Treatment Plant. This is the sixth and final spiral lift pump requiring rehabilitation. The project is budgeted for FY 2016. K. Berry Construction has completed the rehabilitation of the previous five lift pumps and agreed to keep pricing the same as the previous project. This is very specialized work and K. Berry Construction has done an excellent job.

#### Approval of Purchase Order with Hampton Backhoe Service, LLC

On motion by Joe Cate and seconded by Mayor Tom Rowland, the Utility Board approved a purchase order with Hampton Backhoe Service, LLC, in the amount of \$120,100 for the installation of 3,000 linear feet of 6 & 8 inch PVC waterline and 7 fire hydrants. This is the 2010 Annexation Area 2 Water System Improvement Project located on the north and south side of APD 40 between South Lee Highway and Exit 20. The project is budgeted for FY2015. Hampton Backhoe Service, LLC, submitted the low bid; one other bid was received from Mayse Construction in the amount of \$160,248.15

#### Approval of Purchase Order with Jackie Evans Trucking

On motion by Eddie Cartwright and seconded by Mayor Tom Rowland, the Board of Public Utilities voted to approve a purchase order with Jackie Evans Trucking Company in the amount not to exceed \$85,050 for the removal of alum sludge, approximately 567 loads, from the Cleveland Filter Plant. The service period is from July 1, 2015 – June 30, 2016. The work is budgeted for FY 2016. This is the

same unit price as FY 2015. Specialized equipment is required to haul and spread the sludge.

**Approval of a purchase order with Allied Universal Corporation**

On motion by Eddie Cartwright and seconded by Mayor Tom Rowland, the Utility Board approved a purchase order with Allied Universal Corporation in the amount of \$131,770.25 for the annual purchase of chlorine gas to be used at the Cleveland Filter Plant, Waterville Springs, Hiwassee Utility Commission and the Wastewater Treatment Plant. Chlorine is used as a disinfectant for both potable water and wastewater. Allied Universal Corporation was the low bid; one other bid was received from Benntag Mid-South in the amount of \$142,292.50.

**OTHER BUSINESS**

**Future Board Meeting Dates**

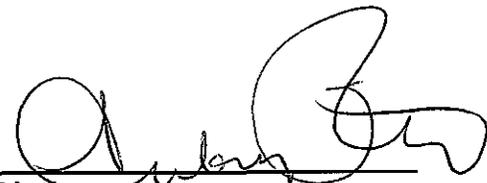
Following is a list of future board meeting dates to be held at the Tom Wheeler Training Center:

Thursday, July 23, 2015, 3:00 p.m.

Thursday, August 27, 2015, 3:00 p.m.

Thursday, September 24, 2015, 3:00 p.m.

  
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Utility Board Secretary

  
\_\_\_\_\_  
Chairman

7-23-15  
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Date