



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

September 24, 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; Tim Henderson, VP Administrative Services; Jan Runyon, Assistant VP Administrative Services; Jamie Creekmore, Customer Relations Representative; Steve Barger, Supervisor of Environmental & Regulatory Compliance; Karen Hall, Industrial Pretreatment Coordinator; Dr. Sammy Hooker; Rick Norton, *Cleveland Daily Banner*; Ben Armstrong, Sr. Environmental Engineer at Whirlpool Corporation; Mike Bacon, Manufacturing Services Leader at Whirlpool Corporation; David Wilson, Utilities Manager at Mars Chocolate North America; Dennis Burge, Wastewater Treatment Plant Manager with Stover and Associates; Lisa Pickel, Executive Director of Cleveland Associated Industries. Webb asked for everyone to remember Walt Vineyard and his family during the prayer. Following the Pledge of Allegiance to the American Flag, Dr. Sammy Hooker, Pastor at Philippi Baptist Church, delivered the invocation.

**MINUTES OF AUGUST 27, 2015**

On motion by Eddie Cartwright and seconded by Mayor Tom Rowland, the Board of Public Utilities voted unanimously to approve the August 27, 2015, minutes as written.

**MANAGER'S UPDATE AND ANNOUNCEMENTS**

**Waterville Golf Course Improvements**

After the recent purchase of 5 acres around the springs at the Waterville Golf Course, work has been completed to update and improve the looks of CU's facilities. President/CEO Ken Webb expressed appreciation to Mayor Rowland and the City Council for working with CU on this transaction. Water & Wastewater VP Craig Mullinax explained the process that took place to update the facilities and presented before and after photos showing the improvements. Before, the spring boxes were dark in color and stained from exposure to elements and mildew. The two spring boxes were cleaned, and the old pump house was demolished. In addition, the lawn was seeded and strawed. Webb thanked Craig Mullinax and Philip Luce for leading this project.

**Results of Annual United Way Drive**

Assistant VP of Administrative Services Jan Runyon reported on the results of the annual United Way campaign for Cleveland Utilities. This year's campaign goal was \$50,000; however, CU exceeded that amount by raising \$52,172. Even with the workforce being the smallest it has been in the last 12 years, CU raised more than ever. From this number, 114 employees (75 percent) gave at the Fair Share level, 2 were 365-Club givers, 17 contributed at the Leadership level, and 2 are Pillars Club members. Runyon pointed out this speaks volumes about the character of the

employees of Cleveland Utilities. She said, "They are always trying to give back to the community."

#### Volleyball Tournament

Cleveland Utilities recently participated in the River Counties Association of Realtors "Volley for a Cure" Volleyball Tournament at Cleveland State Community College. CU's team finished in second place. Monies raised by all teams went to the American Cancer Society.

#### KY / TN Water Environment Association Award Winners

Each year, the Kentucky-Tennessee Water Environment Association awards industries for the outstanding performance in the pretreatment of industrial wastewater. This award signifies a commitment to the partnership between industries and utilities, and ultimately, to the protection of the environment. This year, Whirlpool Corporation-Cleveland Operations and Mars Chocolate North America, two of Cleveland's Associated Industries, received this award.

President/CEO Webb presented the award to Whirlpool attendees Ben Armstrong and Mike Bacon. Whirlpool is the world's largest manufacturer of premium cooking appliances including ranges, ovens, and cooktops. Outstanding performance includes Leadership in Energy & Environmental Design (LEED) Gold Certified Facility, detailed Standard Operating and Maintenance Procedures, continuous effluent pre-testing, and quarterly monitoring and reporting.

Dennis Burge and David Wilson accepted the award on behalf of Mars Chocolate North America. Mars Chocolate is the only industry in CU's pretreatment program to utilize biological treatment. This process enables Mars Chocolate to substantially reduce the amount of conventional parameters to discharge into CU's collection system. Mars outstanding performance includes implementation of an Environmental Management System, detailed Standard Operating and Maintenance Procedures, effluent pre-testing before discharge, and quarterly monitoring and reporting.

The performance measures of both industries have resulted in no pretreatment violations over the past 3 years. The plaques read, "This award is conferred to recognize the dedication, resolve, and outstanding effort of the employees of this facility in the pretreatment of industrial wastewater."

Steve Barger, Karen Hall and Lisa Pickel were also in attendance for the presentation. Barger and Hall lead the pretreatment program for CU. Lisa Pickel is the Executive Director for Cleveland Associated Industries.

#### Annual Picnic

President/CEO Ken Webb reminded everyone about Cleveland Utilities' annual family picnic at Fletcher Park. The event will begin at 5:00 p.m. on Thursday, October 22<sup>nd</sup>.

### 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 October 2011 through October 2015 was reviewed. For the month of October, the residential electric rate will change to 8.909 cents per kilowatt-hour,

- a decrease of 3.99 percent over last month's rate of 9.279 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 August 2015 financial and statistical statements were presented to the Utility Board. During August, the cost of purchased power as a percentage of retail sales increased to 84.5 percent as compared to 82.1 percent for the month of July. The year to date percentage was 83.2 percent, compared to a budgeted percentage of 82.8 for FY 2016. The results for August are electric sales revenue of \$9,269,203, which was offset by purchased power of \$7,833,481. This resulted in an operating margin of \$1,435,722. Operating expenses for the month were \$1,426,860, compared to a budgeted operating expense of \$1,485,640. The division serviced 30,868 customers during the month. Net income for August was \$241,441. The pension adjustment for the month was approximately \$90,000. Stinnett pointed out the pension adjustment is driving the net income higher than typical. Although the pension adjustment is not listed on the income statement, the cost is still there. The pension adjustment amounts can be found as a line item on the cash flow statements.
  3. For August 2015, water sales revenue was \$1,217,268, which is compared to the budgeted amount of \$1,254,756. Other revenue sources added an additional \$117,030 for the month. The division serviced 31,014 customers. Operating expenses for August were \$1,125,153. An operating income of \$209,145 was recorded, which is compared to a budgeted operating income of \$196,741. The pension adjustment for the water division was approximately \$55,000.
  4. For August 2015, wastewater treatment revenue was \$971,155. Other revenue sources contributed an additional \$80,635 for the month. The division serviced 18,456 customers. Operating expenses for August were \$830,382 and can be compared to a budgeted amount of \$861,643. The division recording an operating income of \$221,408, compared to a budgeted operating income of \$235,903 for August.
  5. Stinnett advised the month of August was a good month and fell in line with the budget.

### Electric Division

Bart Borden reported on the following:

1. Wheeler Electronics completed the installation of the security system at the Harrison Building including cameras, motion detectors and door proxy card readers. Greenstar Construction is currently performing the site work to transform the upper and lower yards into useable storage areas. Their work is expected to be complete in a few weeks. Borden presented photographs showing the progress and transformation of the site.
2. In reference to the design to relocate 69/13.2 kV lines for the new Honorable Tom Rowland Interchange at Stone Lake Road, Attorney George McCain successfully negotiated the purchase of the final transmission line easement from First Bank of Tennessee. All of the necessary documents have been prepared, sent to First Bank of Tennessee's Attorney for approval, and are awaiting signatures and payment.
3. In reference to the Peach Orchard Hill Road Community Development Block Grant Project, the legal documents to secure two required easements have been

completed and furnished to the State Grant office for approval. CU is also waiting for approval of the submitted environmental impact report. It has been communicated by the Southeast Tennessee Development District this normally takes several months for State approval.

4. The switchgear replacement was completed at Bayer Manufacturing on Michigan Avenue Road. CU's line crews installed a new 50-foot ductile iron pole and constructed the underground primary riser, along with a 50-foot run of 3-inch conduits to the new switchgear location. The 8-foot by 17-foot concrete pad was formed and poured by Farmer Brothers Concrete. CU crews then installed the S&C Vista switchgear and pulled in three (3) 750 mcm copper underground cables. The switchgear was energized and readied for Bayer to work their scheduled outage to pull in three (3) new 15 KV primary underground cables to the new switchgear. The project cost to date is \$115,483. Photographs of the old and new switchgear were shown. Borden advised from an employee safety standpoint, the new equipment is much safer.
5. At the request of Duracell on Coppertop Lane, CU's engineering department released a work order to install a new 1,000 KVA, 277/480 volt pad-mount transformer. Duracell is relocating an existing electrical panel and will not be adding load at this time according to their engineers. All labor, overheads and material will be paid by Duracell through a contribution-in-aid of construction.
6. An update was presented on traffic lighting:
  - TDOT's contractor began work on resurfacing 25<sup>th</sup> Street from Spring Creek Drive to Crown Colony Drive. All of the loop detection on SR-60, including the straight through lanes and the left turn lanes were affected, due to the contractor milling them up with the asphalt removal. The northbound loops at Oakland Drive and at Peerless Road are the only side street loops affected by the milling. This results in the traffic controller giving maximum time for all affected loops, regardless if there is a traffic demand. Delays will be expected, especially during low volume hours, until the detection is replaced by the contractor.
  - TDOT's contractor, Stansell Electric, has completed the punch list of items needing correction at the two new traffic light intersections on Benton Pike at Durkee Road and Michigan Avenue. The corrections consisted of better wiring terminations and reinforced pole bases. Cleveland Utilities performs inspections and feedback duties on Cleveland City and Bradley County traffic light intersections installed for TDOT, since the facilities will be maintained by CU personnel.
7. Borden informed he has several site plans available for viewing.

#### Water Division

Craig Mullinax reported on the following:

1. In reference to the replacement of the diffuser membrane project at the Wastewater Treatment Plant, basins 1 and 3 were completed in the spring. K. Berry Construction will begin work on basins 2 and 4 as soon as 6,000 of the 9-inch membrane discs are received. These discs are on order at an approximate cost of \$29,000.
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 of September 23, 2015. King Industries and Gardner Denver installed three (3) high efficiency motors.
3. A bid opening will be held on September 29, 2015, for installation of the control valves and meter at Waterville Springs.
  4. Work is progressing on the first phase of the AMR/AMI Water Project funded through the SRF. A total of 10 routes consisting of 2,201 registers and transmitters were installed during August, making the project total to date 51 routes and 10,188 registers and transmitters. The goal is to complete the project by October 31, 2015.
  5. King Industries has painted a total of 688 hydrants during year 2 of the fire hydrant painting project. This is a 3 year project and includes the repainting of 2,600 fire hydrants, with approximately 900 hydrants painted per year.
  6. The water line replacement on Wesdell Lane, Park Avenue, and Steed Street has been completed, and all lines are in service. The total project cost was \$175,386 and came in \$13,111 below the contract amount of \$188,497.
  7. Hampton Backhoe Service completed installation of 3,587 feet of water line on McDonald School Road. Testing has been done. The services will be transferred when good samples are returned. Once these lines are in service, Hampton Backhoe will begin the project for the 2010 Annexation Area 2 Water System Improvements on the north and south sides of APD-40 between South Lee Highway and Exit 20.
  8. TDOT approved the plan revisions for the new Honorable Tom Rowland Interchange at APD 40 and Stone Lake Road. Talley Construction will soon resume work on this project.
  9. Norris Brothers Construction was awarded the sewer replacement project on Barneys Lane. The notice to proceed is effective November 16, 2015.
  10. Engineering reviewed plans for the installation of approximately 3,000 feet of 8-inch sanitary sewer on Pleasant Grove Church Road (2010 Annexation area). Comments were sent to CTI Enginners, and CU is awaiting plan revisions.
  11. Engineering approved plans for Eagle Creek Subdivision, Phase 2. This 34-lot development will include the installation of 2,070 feet of 6-inch water main and 1,550 feet of 8-inch sewer main. Although this subdivision is in the county, the sewer was approved prior to the change in City ordinance prohibiting sewer extensions in the county.
  12. Engineering is awaiting plan modifications from developers for the following:
    - Installation of a water booster pumper station for a proposed extension to Falcon Crest Subdivision on Frontage Road.
    - Exit 20, Pleasant Grove Road Commercial Development, to consist of 1,140 feet of 8-inch water main.
  13. Work is progressing on the Wastewater Rehabilitation Project:
    - AITC has lined 44,143 feet of pipe for the Basin 31-45 (Phase 2) and 10-36 (Phase 1) Rehabilitation project. In addition, 71 point repairs have been completed at various locations to allow for lining, 244 services have been renewed, 189 cleanouts have been installed, and 116 manholes have been lined. As of today, 8 subcontractors are working on this project.
    - In reference to the Wildwood and Inman Rehabilitation project, the contractor, Layne, began pre-CCTV work and cleaning the lines.

Ken Webb interjected with a comment. He advised staff is mindful there is a lot of work happening in the Wildwood Avenue area as part of the energy makeover grant project. Mullinax advised CU's staff is coordinating work in this area with Impact Cleveland.

14. The meter department set 30 meters through August 2015, compared to 24 for August 2014 and 27 for August 2013. Of the 30 sets, 20 were for single-family homes, 3 were for townhomes, 4 were for apartments, 1 was for a mobile classroom at Black Fox Elementary School, and 1 was for an irrigation meter.
15. Consumption through September has been very strong. Some of this can be attributed to dry weather. Over the last 31 days, there were 24 days with no rain, 1.67 inches over 3 days, and 4 days with a very small trace.

## **OLD BUSINESS**

### **Presentation of Fiscal Year 2015 Audit Report**

Mark Lay, representing Arnett, Kirksey, Kimsey, Sullivan, Lay & Hall, PLLC, reviewed the Required Auditors' Communications in relation to the 2015 audit report. There were two new statements issued by the Governmental Accounting Standards Board (GASB) effective June 30, 2015: Statement No. 68, Accounting and Financial Reporting for Pensions, and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. In the past, government agencies have not been required to reflect the pension liability on their financial statements, if they made their annual contribution for the year. With these new changes, a pension liability amount will be listed on the statement of net assets. For 2015, the pension liability for the electric and water divisions is \$7,219,057 and \$5,651,676 respectively. As a result, there will be a slight decrease in net position. CU has two retirement plans in effect: the Mass Mutual plan and the Tennessee Consolidated Retirement System (TCRS).

Board members were requested to review the 2015 audit report and contact Lay with any questions. Lay commended Stinnett and his staff for complete cooperation and an excellent job on preparation of the financial statements. If there are no questions, the Utility Board will be asked to vote on the acceptance of the audit report at the next board meeting.

## **NEW BUSINESS**

### **Approval of Lease with Volunteer Energy Cooperative VEC for Dark Fiber Lease**

On motion by Chari Buckner and seconded by Mayor Tom Rowland, the Board of Public Utilities approved a new Dark Fiber Lease with Volunteer Energy Cooperative (VEC). Electric Division VP Bart Borden advised the project will leverage CU's existing fiber system and include the installation of new fiber by CU's electric division from CU's East Cleveland substation to VEC's Tasso substation on Dry Valley Road.

VEC will be installing fiber at the following locations:

1. Route 1 will be from VEC's Tasso substation to CU's Water Filter Plant (WFP) at 481 Dry Valley Road;
2. Route 2 will be from CU's WFP at 481 Dry Valley Road to CU's Hiwassee Utilities Commission (HUC) at 3973 Chatata Valley Road;
3. Route 3 will be from CU's HUC plant at 3973 Chatata Valley Road to CU's Wastewater Treatment Plant (WWTP) at 1860 Old Lower River Road;

4. Route 4 will be from CU's WWTP at 1860 Old Lower River Road to a Splice Case on Frontage Road at Paul Huff Parkway.

The project will include a total of 4.67 miles of new fiber to be built and approximately 20.72 miles of existing fiber. A total of 25.38 miles of fiber will be involved at a capital expenditure of \$91,005. Of that amount, the HUC Board approved a payment of \$13,945. In addition, there will be a \$1,542 per month lease cost. Of that lease cost, each of those entities will be paying monthly fees of \$462.20 to VEC and \$47.33 to CU's electric division. CU's total portion for the fiber buildout will be \$45,650.92.

There are good benefits for all parties involved. CU's WFP, WWTP, and HUC are presently being served with a T1 phone line at a rate of 1 megabit per second. This new fiber line will provide service at a rate of 100 megabits per second. Outages are routinely experienced with the existing T1 line. There will be an improvement in service for a slight increase in cost. The present T1 service costs \$1,432 per month, and the new service will be \$1,542. VEC's interest in the project is to tie into Iris Networks at CU's East Cleveland substation site. Iris Networks wants a link into Athens, TN, to have more redundancy in their fiber system. This is a multiple partnership between VEC, CU, and Iris Networks. The agreement will tie all three systems together and strengthen the networks.

Webb said, "This is an example of the good that can come when utilities are allowed to cooperate across their service territory lines."

#### Approval of Purchase Order with WESCO

On motion by Eddie Cartwright and seconded by Joe Cate, the Utility Board voted unanimously to approve a purchase order with WESCO in the contract amount of \$137,280 for 1,056 Form 2S, AMI-ready, class 200 electric meters with remote service disconnect modules. This purchase order was signed on September 4, 2015, as an emergency purchase due to CU's meter inventory becoming too low, the long lead times involved in meter purchases, and the recent increased demand for meters due to replacements and the surge in apartment construction in CU's service area. WESCO is the sole authorized distributor for Elster's AMI electric meters.

#### Approval of Purchase Order with Wavetronix

On motion by Mayor Tom Rowland and seconded by Eddie Cartwright, the Board of Public Utilities took action to approve a contract with Wavetronix in the amount of \$61,963.50 for Wavetronix radar vehicle detection equipment to be installed at the intersection of Stuart & Old Tasso and to replace stock inventory. The existing vehicle detection system at Stuart & Old Tasso has continuously failed, leading to increased maintenance costs. CU has been utilizing the Wavetronix detection system as the standard for several years and has seen excellent performance with little or no maintenance required, resulting in cost savings. TDOT has approved the use of this equipment in the signalization component on any scheduled projects within the City of Cleveland's control and maintenance. This is a sole source purchase.

### OTHER BUSINESS

#### Future Board Meeting Dates

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

Monday, November 2, 2015, 12:00 p.m.

Amy Enslin  
Utility Board Secretary

[Signature]  
Chairman

11/2/2015  
Date