



MINUTES OF MEETING
CLEVELAND UTILITIES BOARD

April 28, 2016

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; Chari Buckner, Cleveland Utilities Board; Ken Webb, President/CEO; Amy Ensley, Utility Board Secretary; Marshall Stinnett, VP/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; Aaron Kinser; Rev. Nathan Sneed; and Rick Norton, *Cleveland Daily Banner*. Following the Pledge of Allegiance to the American Flag, Rev. Nathan Sneed, Youth Pastor at Philippi Baptist Church, delivered the invocation.

MINUTES OF MARCH 29, 2016

On motion by Mayor Tom Rowland and seconded by Eddie Cartwright, the Board of Public Utilities voted unanimously to approve the March 29, 2016, minutes as written.

MANAGER'S UPDATE AND ANNOUNCEMENTS

Arbor Day Celebration

The local Arbor Day ceremony was held on Tuesday, April 26, 2016, next to the Greenway at 20th and Keith Streets. Cleveland Utilities was recognized as a Tree Line USA utility for the 16th consecutive year. A photograph taken at the event with CU representatives and Smokey Bear was shown.

Retirement Announcement

President/CEO Ken Webb announced his retirement effective February 1, 2017, following over 28 years of service to Cleveland Utilities. Depending on accumulated leave, Webb anticipates being out of the office prior to the end of 2016.

Next month will make 40 years since Webb graduated from Tennessee Wesleyan College with an accounting degree. Almost immediately after completing college, he began working in Cleveland with Tommy Randolph and Gerry Kersey in their accounting firm for 5 years. The next 6 years were spent at American Uniform Company where Webb worked for Gary Smith, John Ward and Ken Hart. Webb stated, "I am very appreciative of the opportunity these five men gave me and the life and work lessons I learned from them." In 1987, he joined Cleveland Utilities. "Joe Beavers and Tom Wheeler gave me an opportunity most people only dream about. Again, I was blessed to work alongside two utility professionals who mentored me at every turn." Additionally, today's board meeting marked the 341st board meeting attended by Webb during his career at CU. He noted his desire to spend more undivided time with his family.

Webb expressed appreciation to the staff and employees of Cleveland Utilities. He said, "This is like announcing you are leaving your family. I will miss each and every

one of you and the time we spend together. I truly believe we have a family at Cleveland Utilities, and I hope I will be welcome to come back and visit.”

Webb sincerely thanked all the members, past and present, of the Utility Board for the opportunities given to him. He added, “It has truly been an honor to work for you and those before you for over 28 years. My family and I have been blessed beyond measure.”

Webb committed his full cooperation during this transition. He said, “I am confident with the board and employees currently in place, Cleveland Utilities will continue to be a high quality, well run provider of utility services in our community and a well-respected member of the community.”

Mayor Rowland teasingly made a motion to not accept Webb’s resignation, quickly seconded by Chari Buckner. Mayor Rowland added, “It’s not the end of an era. You are starting a new beginning with grandchildren.” On behalf of the Board of Public Utilities, Chairman Ector congratulated Webb on his retirement and thanked him for his loyal service.

DIVISION REPORTS

Financial

Marshall Stinnett reported on the following:

1. Stinnett began his report by clarifying false information circulating in the community. Recently, customers started receiving notifications that CU will no longer be accepting payments in the field. There has been some confusion over what “in the field” means. In the past and as a convenience to customers, CU’s field service personnel would accept cash or check payments from customers at their homes or businesses. However, CU stopped taking cash payments from customers at their homes and businesses earlier in 2016 and will no longer accept checks via this method. Customers are still able to pay with a check online, by phone, in CU’s Power Service Center or the newly installed kiosk. Payment options have been increased, not diminished. The drive-thru is not being removed or closed. Stinnett advised the rumors are not true.
2. A chart tracking the kilowatt-hour cost in residential retail electric rates for the months of May 2012 through May 2016 was reviewed. For the month of May, the residential electric rate will change to 8.429 cents per kilowatt-hour, a decrease of 1.04 percent over April’s rate of 8.518 cents. This rate change is driven by TVA’s Fuel Cost Adjustment. Stinnett pointed out this is the lowest rate since October 2013.
3. The March 2016 financial and statistical statements were presented to the Utility Board. During the month of March, the cost of purchased power as a percentage of retail sales was 78.7 percent, as compared to 84.2 percent for the month of February. The year-to-date percentage is 82.2, compared to a budgeted percentage of 82.8 for FY 2016. The results for March are electric sales revenue of \$6,880,523, which was offset by purchased power of \$5,416,582. This resulted in an operating margin of \$1,463,941 and can be compared to a budgeted margin of \$1,370,126 for the month of March.

Operating expenses for the month were \$1,526,130, compared to a budgeted amount of \$1,514,111. The division serviced 31,185 customers. Net income for the month was \$79,992. This brings the year-to-date net income to \$965,468. The previous year-to-date as of March 2015 was a net loss of \$834,500.

4. For March 2016, water sales revenue was \$1,004,350, compared to the budgeted amount of \$987,403. Other revenue sources added an additional \$136,257 for the month. The division serviced 31,182 customers. Operating expenses for March were \$1,147,151. This can be compared to the budgeted amount of \$1,120,302. The division recorded an operating loss of \$6,544 and can be compared to a budgeted operating loss of \$38,349.
5. For March 2016, wastewater treatment revenue was \$887,057, compared to the budgeted amount of \$926,453. Other revenue sources contributed an additional \$89,250 for the month. The division serviced 18,611 customers. Operating expenses for March were \$835,304 and can be compared to a budgeted amount of \$869,187. The division recorded an operating income of \$141,003, compared to the budgeted amount of \$136,820 for the month.

Electric Division

Bart Borden reported on the following:

1. In reference to the design to relocate the 69/13.2 kV lines for the new Honorable Mayor Tom Rowland Interchange at Stone Lake Road, CU's line crew installed two (2) 90-foot, H4 galvanized steel transmission poles just west of South Lee Highway at APD-40. The poles are needed to dead-end the 6 conductor, double circuit 69 kV transmission lines out of South Cleveland Substation, which are being relocated. An 85-foot concrete pole was cut just above the energized 13 KV distribution circuit and the section was removed with the assistance of Water Division Crane Operator Greg McCluskey, which was very much appreciated. The pole section was lowered safely with the crane and CU's digger/derrick truck. The cost to salvage the concrete pole was twice the salvage value of the concrete pole. Photographs showing the various stages of this work were viewed. The completion of this work allowed TDOT's contractor, Service Electric, to begin pulling and dead-ending the twelve (12) double circuit conductors and static wire.
2. CU's line crew began work for the Peach Orchard Hill Road Community Development Block Grant project by laying out the existing conductors on temporary arms to allow for the new galvanized steel poles to be installed, framed and the installation of new primary and neutral conductors. The steel poles were slated to be delivered in the early part of May, based on the quotation. CU received notification of two problems with the pole manufacturing and delivery process. The first truckload of poles left the manufacturing facility April 16th and was shipped to United Galvanizing in Houston, Texas. Due to the flooding in Houston, the galvanizing plant was closed for several days. Galvanizing of the first truckload is nearing completion and should be shipped very soon. The 2nd truckload of poles was detained at the Mexico-United States border on April 25th by the Mexican Customs Authority. The poles were unloaded, inspected, reloaded and have cleared Mexican Customs. The 2nd truckload is currently at the galvanizer. A

firm shipment update has not been received from the manufacturer for the 2nd truckload.

3. The installation for the Blue Springs Road and APD-40 69 kV line design project remained on hold through the month.
4. CU's engineering department is working with contractors on an expansion project for Life Care Centers on Keith Street. The work includes relocation of an existing 500 KVA pad-mount transformer, primary and secondary conduits and conductors.
5. An analysis was presented for the power transformer rewind at Payne Gap Substation. A tremendous amount of information was obtained to analyze the option of purchasing a new power transformer for Payne Gap Substation compared to having the failed unit rewound. Through this process, CU recommends the failed unit be rewound by low bidder Solomon Corporation, being contingent upon a plant visit by Cleveland Utilities personnel with acceptable findings in Solomon's manufacturing and testing process.

The process involved securing three bids each from transformer repair companies and new transformer manufacturers. The repair companies are OTC Services of Louisville, Ohio, who was recommended by CU's insurance provider. They have been in operation under this name since 2007. The plant was closed from 2005 to 2007 and had been operated by other transformer manufacturing companies prior to the closing. Solomon Corporation of Solomon, Kansas, began rewinding and repair operation in 1981. Jordan Transformer LLC, in Jordan, Minnesota, began power transformer repair in 1973. References were checked and the low bidder meeting all specifications was Solomon Corporation at a total price of \$326,734, with a 14-16 week delivery, a 36-month warranty, on-site loading and offloading, a new Reinhausen vacuum load tap changer, transformer high and low side bushings, relays, gauges, seal gaskets and related equipment wiring. OTC's bid of \$318,854 did not meet specifications for the transformer bushings, and they did not make a site visit to evaluate the work necessary to remove and reinstall the unit.

Borden reminded of prior issues and costs CU experienced with the power transformer bushings at East Cleveland delivery substation and Lang Street distribution substation. Delta Star was the low bidder for a new replacement unit at \$505,559 with a 30-36 week delivery, followed by ABB at \$507,270 and Waukesha at \$693,496.

The following were the deciding factors in the staff's recommendation:

- Cost savings of \$178,825 over the purchase of a new transformer;
- Delivery reduced by 16 weeks, which will result in returning the Payne Gap Substation to service quicker and ahead of the winter months;
- Additional cost to modify existing bus work and connections for the new transformer is estimated to be \$50,000;
- All Solomon references, including Georgia Power and the City of Dayton, Tennessee, Electric Department were excellent (staff will continue with further reference checks);

- A rewind transformer with a new LTC and equipment will be warranted like a new transformer and will technically be a new unit. Additionally, a \$285,757.87 settlement has been requested from CU's insurance provider that will offset these costs. The purchase orders related to this project were voted on and approved by the Utility Board. Details are listed under the first topic in new business of these minutes.
6. CU's substation maintenance crew replaced four (4) 15 kV vacuum feeder breakers rated at 1200 amps each at the East Cleveland 69/13 kV Substation. The existing breakers were indicating the contacts were failing and at the end of their life. Three (3) of the breakers were manufactured in 1976 and one (1) in 1980. The crew also replaced the Network Terminal Unit (NTU), which is the computer that interfaces with CU's substation equipment and Dispatch Master Computer. A Schweitzer Engineering Laboratories (SEL) Real-Time Automation Controller (RTAC) communications unit replaced the NTU.
 7. CU's Substation Maintenance Electricians installed the necessary power and Ethernet cables to serve the new payment kiosk in the foyer of the Power Service Center. The lighting in this area was upgraded to LED fixtures.
 8. CU's substation maintenance and line crews installed a 48-count fiber optics cable from TVA's 161 kV tower at their fiber splice point to the inside of CU's East Cleveland Substation control building. The fiber will be leased to data network companies desiring to co-locate with a communications rack or boost signal along the TVA fiber path. Staff is presently negotiating with two data network companies desiring to co-locate inside CU's control building. This will be an additional source of revenue to CU.
 9. Cleveland Utilities has connected and metered 59 of the 77 previously unmetered Charter Communications power supplies to date. Charter removed 2 of the unmetered power supplies for their system. They have made very good progress by installing 32 meter bases and obtained electrical inspections for each of the required locations.
 10. An update was presented on traffic lighting:
 - CU Traffic Signal Coordinator Tad Bacon provided TDOT with loop quantities for the replacement of detection along Keith Street during next year's planned Keith Street resurfacing project. CU has requested TDOT install Wavetronix radar detection at all intersections. TDOT will evaluate the additional cost to have traffic detection moved from the pavement to pole structures versus reinstalling loops in the pavement.
 - Last month, Traffic Signal Coordinator Tad Bacon attended a pre-construction meeting for the Stuart Road resurfacing project and issued a work order to remove the in-pavement Sensys puck detection at the intersection of Stuart & Old Tasso Roads. Milling began this month, with lane closures throughout the day. Timing changes were made to help with the disruption of normal traffic patterns. All in-pavement loop detection damaged from Keith Street to Michigan Avenue was replaced with pole-mounted Wavetronix radar.

Water Division

Craig Mullinax reported on the following:

1. **K. Berry Construction completed the project to replace the diffuser membranes at the Wastewater Treatment Plant. All eight (8) basins have been fitted with new diffuser membranes that should last an estimated 12-13 years.**
2. **Consultants are actively working on the design for the following projects approved by the Board of Public Utilities in March:**
 - **Pipe gallery access improvements (Cleveland Filter Plant)**
 - **Flocculation/sedimentation basin improvements (Cleveland Filter Plant)**
 - **Liquid fluoride conversion (Cleveland Filter Plant and Waterville Plant)**
3. **In reference to phase 2 of the AMR/AMI water project, a total of 43 routes consisting of 9,098 registers and transmitters have been installed to date. Baird Contracting was moving at a rapid pace and was ahead of schedule, but had to stop work due to running out of equipment. A shipment of 2,000 registers was received today, which will allow the project to soon resume.**
4. **King Industries began the third and final phase of the fire hydrant painting project. The entire project consisted of 2,600 hydrants or approximately 867 per year for 3 years. A total of 78 hydrants have been painted during this phase, with 852 remaining. This project will be ongoing as touch-up work will be required for aesthetic purposes. Webb thanked Mullinax for taking on this project and advised it sends a good signal when infrastructure is being maintained.**
5. **CTI Engineers has started preparing specifications and bid documents for the painting of the water storage tank located on Bryant Drive. This is a TDEC requirement. The goal is to present this project to the Utility Board for consideration in June.**
6. **As part of the project to GPS survey the water valves, 1,685 valves of the 3,695 have been surveyed to date.**
7. **In reference to phase 3 of the 24-inch water main project from Tasso Lane NE, to the Hiwassee Utility Commission (HUC) Water Treatment Plant, there are two (2) easements left to obtain, one of which the Utility Board approved CU's request to proceed with eminent domain for water line easements from property owners Kyle and Sheila Jones in March. The water division will continue negotiation proceedings to try and avoid eminent domain.**
8. **Hampton Backhoe Service has installed 3,066 feet of 6-inch pipe for the water main replacement project on Morgan Johnston Circle, 13th Street SE and 24th Street NW.**
9. **Norris Brothers completed the installation of the pipe for the sewer replacement project on Barneys Lane. Approximately 3,927 feet of 10-inch sanitary sewer was replaced with 15-inch sanitary sewer. Clean-up and testing are in progress.**
10. **Hampton Backhoe Service completed the installation of an estimated 3,000 feet of 8-inch sanitary sewer for the Pleasant Grove Church Road sewer extension project (part of the 2010 annexation area). The line is currently being tested.**
11. **Hampton Backhoe Service completed the installation of 2,070 feet of 6-inch water main and 1,550 feet of 8-inch sewer main in Eagle Creek Subdivision, Phase 2. The testing process has been completed. CU will now take over the water and sewer lines.**

12. Work is progressing or nearing completion on the following projects for the Wastewater Rehabilitation Program:

- AITC is completing cleanup work to close out the Basin 31-45 (Phase 2) & 10-36 (Phase 1) Rehabilitation project.
- The CCTV Interceptor Inspection project is complete and came in \$16,243 below the budgeted amount of \$103,595.
- Morgan Construction has installed 80 clean-outs and lined 72 manholes to date for the Wildwood and Inman Rehabilitation project.

13. The meter department set 29 meters through March 2016, compared to 32 for March 2015 and 20 for March 2014. The FY total meter sets is 276, which is 19 percent higher than this same period last year. This is a good indication of residential growth. Of the 29 sets, 22 were for single-family homes, 1 was for a townhome, 5 were for apartments and 1 was commercial.

14. A graph was reviewed on rainfall totals from 2012 through 2016. The total amount of rainfall recorded at the Cleveland Filter Plant thru April 2016 was 15.68 inches (3.8 inches below normal) compared to 19.69 inches for April 2015.

NEW BUSINESS

Approval of Purchase Orders for Payne Gap Substation Transformer Rewind (Presented under Borden's Electric Report)

On motion by Mayor Tom Rowland and seconded by Chari Buckner, the Utility Board took action to approve the following three (3) purchase orders with a combined total of \$336,934 for items associated with the Payne Gap Substation transformer rewind project, contingent upon a site visit to Solomon Corporation's facility and continued reference checks:

- A purchase order with Solomon Corporation in the amount of \$197,200 for the complete transformer rewind.
- A purchase order with Barnhart Crane in the amount of \$24,000 to load the unit for shipping and unload the unit once repaired. Barnhart initially installed the unit, and Solomon requested a local crane and rigging company perform this work.
- A purchase order with Solomon Corporation in the amount of \$115,734 to replace all bushings, gauges and the LTC on the unit.

Approval of Purchase Order with ERMCO

On motion by Vice Chairman Eddie Cartwright and seconded by Joe Cate, the Board of Public Utilities took action to approve a purchase order with ERMCO c/o Utility Sales Agency in the amount of \$77,974 for 30 pole-mounted transformers and 26 pad-mounted transformers to replenish stock inventory. Bids were solicited, evaluated and awarded through the TVPPA buyer's group contract. ERMCO is one of the approved bidders and has always provided a quality product.

Approval of Purchase Order with Elster

On motion by Mayor Tom Rowland and seconded by Chari Buckner, the Utility Board voted to approve a purchase order with Elster in the amount of \$81,130 for an EnergyAxis Mobile Communicator. This is a drive-by meter reading solution for approximately 6,000 water meters located outside of CU's electric footprint and is an anticipated cost related to the project.

Information Technology VP Walt Vineyard provided additional details. The purchase of this device was intentionally delayed until the end of the project to allow for the newest technology to become available, which proved to be beneficial. This device allows for hourly interval data to be obtained (the previous model did not) and is important for water loss calculation comparisons.

The water meters communicate and provide readings to an electric meter, which in turn sends the information to a gatekeeper. The data can then be retrieved from the office. Since these water meters are located outside of CU's electric footprint, there are no electric meters to communicate with. The only other option would be to install repeaters on Volunteer Energy Cooperative's system and enter into a pole attachment agreement; the EnergyAxis Mobile Communicator is by far the most economical option. Chairman Ector asked if there is a backup plan in the event there are any issues with the unit. Vineyard advised the meters could be manually read.

Approval of Records Request Policy

On motion by Joe Cate and seconded by Vice Chairman Eddie Cartwright, the Board of Public Utilities took action to approve a Records Request Policy that defines the guidelines, procedures and costs associated for Tennessee citizens to obtain CU's public records. This policy follows the best practice guidelines for the State of Tennessee. All local government entities will be required to establish a written policy no later than July 1, 2017. Additionally, this is a component of CU's Strategic Plan. The document has been reviewed by Attorney John Kimball. Only information that is considered to be public will be released. Any confidential or private information will not be disclosed.

CEO Selection Process

On recommendation by Chairman Ector, the Utility Board will prioritize the consideration of internal candidates from within the current executive staff for Webb's successor. Ken Webb added, "There is a tremendous amount of internal talent for you to review." Vice Chairman Cartwright advised, "I would want anybody on that (executive) staff to feel free to submit a resume and express their desire to be looked at." Candidates will have until the next board meeting (May 24) to submit an application package consisting of a cover letter and resume to the board members through Board Secretary Amy Ensley. Board Member Cate pointed out beginning the selection process soon will allow ample time for a smooth transition.

Special Projects Committee

On recommendation by Mayor Rowland and at the request of Chairman Ector, Vice Chairman Cartwright will manage preparations for a reception in honor of Ken Webb's retirement, with the assistance of Chari Buckner, Jan Runyon, Tim Henderson and Amy Ensley.

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, May 24, 2016, 3:00 p.m.

Thursday, June 23, 2016, 3:00 p.m.

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



Utility Board Secretary



Chairman

May 24, 2016

Date