



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

**May 24, 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; Philip Luce, Water and Wastewater Engineering Manager; Aaron Kinser, Meter Lab Supervisor; Rev. Shane Lawson; and Rick Norton, *Cleveland Daily Banner*. Following the Pledge of Allegiance to the American Flag, Rev. Shane Lawson, CU Customer Data Manager and Pastor at Parkway Baptist Church, delivered the invocation.

**MINUTES OF APRIL 28, 2016**

On motion by Vice Chairman Eddie Cartwright and seconded by Mayor Tom Rowland, the Board of Public Utilities voted unanimously to approve the April 28, 2016, minutes as written.

**MANAGER'S UPDATE AND ANNOUNCEMENTS**

**Memorial Day Holiday**

Cleveland Utilities will be closed on Monday, May 30, 2016, in observance of Memorial Day. Regular emergency and standby service will be maintained.

**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 June 2012 through June 2016 was reviewed. For the month of June, the residential electric rate will change to 9.362 cents per kilowatt-hour, an increase of 11.07 percent over May's rate of 8.429 cents. This rate change is driven by TVA's Fuel Cost Adjustment and the start of summer rates.
2. The April 2016 financial and statistical statements were presented to the Utility Board. During the month of April, the cost of purchased power as a percentage of retail sales was 78.4 percent, as compared to 78.7 percent for the month of March. The year-to-date percentage is 81.8, compared to a budgeted percentage of 82.8 for FY 2016. The results for April are electric sales revenue of \$6,730,425, which was offset by purchased power of \$5,277,269. This resulted in an operating margin of \$1,453,156 and can be compared to a budgeted margin of \$1,304,089 for the month of April. Operating expenses for the month were \$1,521,494, compared to a budgeted amount of \$1,518,775. The division serviced 31,012 customers. Net income for the month was \$72,312. This brings the year-to-date net income to

**\$1,037,776. The previous year-to-date as of April 2015 was a net loss of \$833,450.**

- 3. For April 2016, water sales revenue was \$1,084,202, compared to the budgeted amount of \$1,062,475. Other revenue sources added an additional \$92,782 for the month. The division serviced 31,060 customers. Operating expenses for April were \$1,113,206. This can be compared to the budgeted amount of \$1,145,776. The division recorded an operating income of \$63,778 and can be compared to a budgeted operating income of \$18,439.**
- 4. For April 2016, wastewater treatment revenue was \$948,200, compared to the budgeted amount of \$963,268. Other revenue sources contributed an additional \$65,073 for the month. The division serviced 18,510 customers. Operating expenses for April were \$856,492 and can be compared to a budgeted amount of \$880,223. The division recorded an operating income of \$156,781, compared to the budgeted operating income of \$165,759 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, TDOT's electrical contractor Service Electric completed the installation of six (6) 556 MCM AAC conductors on the relocated South Cleveland 614 and 624 transmission line circuits. CU's crews immediately moved in to install the next six (6) 556 MCM conductors directly underneath each of the previously installed conductors. This brings the ampacity rating of this line section up to 1,400 amps. It was less costly for CU's crews to install the additional conductors versus paying TDOT's contractor for the additional work. 95 percent of the required work has been completed. Several photographs of the work that has transpired at the location were shown.**
- 2. Work progressed for the Peach Orchard Hill Road Community Development Block Grant project. CU's line crew continued laying out the existing conductors on temporary arms. The first load of steel distribution poles was delivered to the job site on May 6. The second truckload was successfully galvanized and delivered to the job site on May 16. Crews have begun the process of framing and setting these new poles.**
- 3. The installation for the Blue Springs Road and APD-40 69 kV line design project remained on hold through the month. This project will begin when the South Cleveland transmission work is completed.**
- 4. The relocation of two power poles on the west side of I-75 and inside the southbound ramp construction was completed by CU's crews, immediately after the contractor completed the final grade work.**
- 5. An update was presented on traffic lighting:**
  - CU received a 2040 Regional Transportation Draft Report. The draft report shows that several intersections experienced high traffic growth between 2010 and 2014. For example, Keith and 25th Streets experienced an 18 percent increase in the average annual daily traffic count.**

- TDOT awarded contracts for the intersections of APD-40 & King Street and 20th Street NE at the northbound APD-40 off-ramp to Stansell Electric. At this time, pre-construction meeting dates and start dates have not been set for either locations.

### Water Division

Craig Mullinax reported on the following:

1. In reference to phase 2 of the AMR/AMI water project, a total of 13,838 registers and transmitters have been installed to date. There are a total of 1,042 registers and transmitters remaining. Three crews are working, and the project is anticipated to be completed in the near future.
2. King Industries has painted a total of 139 fire hydrants as of May 10, 2016. This is the final phase of the 3-year fire hydrant painting contract.
3. 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 is one (1) easement left to obtain. Philip Luce was able to successfully acquire the easement from property owners Kyle and Sheila Jones where eminent domain proceedings were previously requested.
4. Hampton Backhoe Service completed the installation of 3,066 feet of new 6-inch water main on Morgan Johnston Circle. The services are currently being transferred to customers in the subdivision.
5. Kleen-All is expected to begin the project for the pressure washing of the water tanks this week. The contractor will begin with the 10 million gallon overflow tank on Mouse Creek Road.
6. Engineering approved plans for NTB Tire & Service Center located at Mouse Creek Crossing. A total of 88 feet of 8-inch sewer main will be installed for this commercial development.
7. The project for Kensington Park, Phase 2 is under construction. CU will be providing inspection services. The development will consist of 11 lots and 376 feet of 6-inch water main and 385 feet of 8-inch sewer main. Dennis Epperson is the developer.
8. The meter department set 44 meters through April 2016, compared to 34 for April 2015 and 33 for April 2014. The FY total meter sets is 320. Of the 44 sets, 21 were for single-family homes, 17 were for townhomes, 3 were for apartments and 3 were commercial.

### OLD BUSINESS

#### Approval of Change Order with Hampton Backhoe Service

On motion by Mayor Tom Rowland and seconded by Joe Cate, the Utility Board took action to approve a final change order with Hampton Backhoe Service in the amount of \$90,375.20 for construction of the Pleasant Grove Church Road sewers. The change order will increase the contract from \$532,217.50 to \$622,592.70. The change in contract amount is related to adjustment for final quantities for rock excavation.

### NEW BUSINESS

#### Engagement Letter for Fiscal Year 2016 Audit

On motion by Vice Chairman Eddie Cartwright and seconded by Chari Buckner, the Utility Board voted to approve an engagement letter to audit Cleveland Utilities' accounts for the year ending June 30, 2016, 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 2015. The City Council approved their engagement letter with this same firm on May 23, 2016.

**Approval of Resolution for Other Post-Employment Benefits (OPEB) Trust**

On motion by Joe Cate and seconded by Mayor Tom Rowland, the Board of Public Utilities took action to approve a resolution allowing for CU to create an OPEB Trust, fund the investment policy and finalize the Declaration of Trust form. VP/CFO Stinnett gave a brief update on what has transpired since his last report.

CU contracted with USI Consulting Group to conduct and manage the request for proposal (RFP) for the scope of services requested. The original RFP was issued, which was a separation of the trustee and the advisor. One response was received, and the fees were substantially higher than was anticipated. Through this process, the advisorship and trustee were combined and a second RFP was issued. Three responses were received, one of which was disqualified due to not having the advisorship ability. First Tennessee Bank was able to meet all of the qualifications with the lowest fee (1 percent). On the initial investment of \$300,000, First Tennessee Bank would charge a fee of approximately \$3,000 for the year. The other firm responding to the RFP charged a yearly fee of an estimated \$40,000. Stinnett advised state law has always allowed for consolidation of the advisorship and trusteeship.

**Approval of Resolution and Contract with City of Cleveland-Greenway Connector Lighting**

On motion by Vice Chairman Eddie Cartwright and seconded by Chari Buckner, the Board of Public Utilities approved a resolution and contract with the City of Cleveland for the Greenway Connector lighting from Tinsley Park to North Ocoee Street. The total estimated cost of the project is \$135,003.47. The City Council passed a companion resolution on May 23, 2016. This is part of a grant project and requires the resolution for CU to assist the City with the installation. The City will be reimbursing CU for the cost of the installation.

**Approval of Purchase Order with KMS Electrical Products**

On motion by Mayor Tom Rowland and seconded by Chari Buckner, the Utility Board voted unanimously to approve a purchase order with KMS Electrical Products in the amount of \$502,325.00 for the replacement of the failed transformer at Payne Gap Substation. The prior approval for the rewind of the existing unit at the March board meeting is rescinded with the approval of this purchase. There were contingencies with the previous approval, which did not turn out favorable for a rewind.

Electric Division VP Bart Borden further explained the prior contingences were based upon a plant visit to Solomon, Kansas, and continued reference checks. Electric Engineering Manager Jimmy Isom did make a site visit to Solomon's facility for a plant inspection and was very impressed with Solomon's engineering and rewinding processes. While Isom was at the plant, he met with Solomon's engineers to review the repair work that would be required on the existing

transformer. Initially, pictures showing the internals of the existing transformer were sent to three different manufacturers. All three manufacturer representatives looked at the photographs incorrectly and deemed the transformer to be of a different design. It was not until Isom was at Solomon's plant that it was discovered the transformer had rectangular windings. Representatives immediately advised that Solomon would not rewind the transformer and would furthermore not recommend the transformer be rewound. CU then contacted OTC Services (one of the other bidders for the transformer rewind and the company CU's insurance provider recommended) to get a second opinion. OTC advised they would perform the rewind, but would also not advise it. The particular design of the transformer is an older one with a history of failures.

Due to these findings, staff recommended the purchase of a new unit as opposed to the rewind of the existing unit. Borden pointed out an additional \$50,000 could have been added to the price of the rewind, if there was damage to the transformer's core. This is still an unknown, and the only way of determining this type of damage would have been at the beginning of the rewind process during disassembly. There will be some salvage value of the existing transformer.

**Approval of Contract with Jacobs Engineering Group Inc.**

On motion by Chari Buckner and seconded by Vice Chairman Eddie Cartwright, the Board of Public Utilities took action to approve a contract with Jacobs Engineering Group Inc., in the amount of \$171,000.00 for professional services in the Design, Bid and Award and Construction Administration of the improvements at the Hiwassee River Wastewater Treatment Plant to include the design and construction of modifications to headworks including new screening equipment, conveyors, compactors and upgrade of electrical systems. The project is budgeted for fiscal year 2016 and fiscal year 2017. The existing screens are approximately 20 years old, not functioning properly and allowing debris to enter the plant.

**Approval of Contract with J.R. Wauford & Company**

On motion by Mayor Tom Rowland and seconded by Joe Cate, the Utility Board voted unanimously to approve a contract with J. R. Wauford & Company in the amount of \$98,000.00 for professional services in the Design, Bid and Award, and Construction Administration of the improvements at the Peak Wastewater Flow Diversion Pumping Station to include the design and construction of a new diversion structure, modifications to Junction Box No. 1 and existing wetwell, installation of a new low flow pump and electrical modifications. The project is budgeted for FY16, FY17, and FY18. A control valve will be installed on the interceptor line to allow for testing of the existing pump and an extension of time water flow to the plant preserving tank capacity. A weir will be installed, and a second large pump will be purchased as a spare. These modifications will add reliability.

**Approval of Purchase Order with Brown's Custom Fencing and Construction**

On motion by Chari Buckner and seconded by Vice Chairman Eddie Cartwright, the Board of Public Utilities took action to approve a purchase order with Brown's Custom Fencing and Construction in the amount of \$118,040.00 for the purchase and installation of a new fabric cover to be placed on the existing super structure covering the bio-solids pad located at the Wastewater Treatment Plant. The cover keeps the bio-solids dry from rain. The new cover is budgeted for fiscal year 2016.

After awarding the contract approved in February to Structures Unlimited, there was an issue with the company name serving as the general contractor on the purchase order. The project was rebid, and one bid was received from Brown's Custom Fencing and Construction for the same amount. Structures Unlimited and Brown's Custom Fencing will be working together on this project, with Brown serving as the general contractor.

#### **Approval of Purchase Order with Dell Computer Corporation**

On motion by Mayor Tom Rowland and seconded by Chari Buckner, the Utility Board approved a purchase order with Dell Computer Corporation in the amount of \$110,125.06 for the purchase of four (4) servers, a solid-state storage array drive and VMWare software for the AMI server virtualization upgrade. The existing system is several years beyond the life expectancy of 3 to 4 years. Virtualization will increase the life expectancy to an estimated 8 years. Currently, the software for the Elster and Electsolve systems are due an upgrade. It is very critical and important to purchase this infrastructure so the software for both systems can be upgraded to support the storage space. This will also allow for the addition of a disaster recovery system at the Harrison Building as a backup in the event of a disaster at CU's Power Service Center.

#### **President/CEO Interview and Selection Process**

Three application packages consisting of cover letters and resumes were submitted to members of the Board of Public Utilities for consideration in filling the upcoming President/CEO role as a result of Ken Webb's pending retirement. Applicants included Electric Division VP Bart Borden, Information Technology VP Walt Vineyard and Administrative Services VP Tim Henderson. Interviews were conducted by the Utility Board following the regular board meeting in a work session beginning with Vineyard, followed by Borden and then Henderson. After the series of interviews and deliberation amongst the Utility Board, a decision was made for Webb's successor. On motion by Vice Chairman Eddie Cartwright and seconded by Chari Buckner, the Board of Public Utilities voted unanimously to select Tim Henderson as the next President/CEO of Cleveland Utilities. During the transitional period, Henderson will assume the title of Senior Vice President and be an assistant to Webb. Henderson will assume the President/CEO title when Webb retires and vacates the office.

Chairman Ector provided the following remarks. "Cleveland Utilities is very blessed to once again have its next chief executive officer come from a pool of internal candidates. I believe this speaks well of the mentoring and development that continues within the company. Each of the applicants was uniquely qualified, having differing experiences and paths to their current positions. I truly believe that any one of them would carry on the strong leadership that we have seen from the CEO position. That made the selection process a very tough job. As the selected applicant, I know that Tim Henderson will have the support of our Board of Directors; and I also believe that he will have the support of the rest of the management team and the employees at large."

Ken Webb added, "I have worked closely with Tim for over 20 years, and I believe his selection as my successor is a positive decision by the board. The customers, employees and the community in general will be well served by his selection."

**Surplus Equipment**

On recommendation by Mayor Tom Rowland, the Board of Public Utilities took action to declare Ken Webb's nameplate, computer and cell phone as surplus equipment for his devoted service to Cleveland Utilities.

**OTHER BUSINESS**

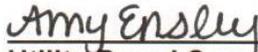
**Future Board Meeting Dates**

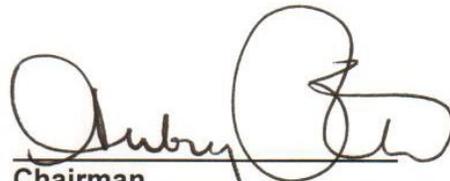
Following is a list of future board meeting dates to be held at the Tom Wheeler Training Center:

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

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

Thursday, August 25, 2016, 3:00 p.m.

  
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Utility Board Secretary

  
\_\_\_\_\_  
Chairman

6-23-16  
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Date