

MINUTES – JUNE 23, 2016

CLEVELAND UTILITIES BOARD

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; Philip Luce, Water and Wastewater Engineering Manager; Walt Vineyard, Information Technology VP; Tim Henderson, Senior VP; Jan Runyon, Assistant VP Administrative Services; Aaron Kinser, Meter Lab Supervisor; Rev. Jeff Rogers; and Larry Bowers, *Cleveland Daily Banner*. Following the Pledge of Allegiance to the American Flag, Rev. Jeff Rogers, Pastor at Living Water Community Church and Executive Vice President at Wholesale Supply Group, delivered the invocation.

MINUTES OF MAY 24, 2016

On motion by Mayor Tom Rowland and seconded by Chari Buckner, the Board of Public Utilities voted unanimously to approve the May 24, 2016, minutes as written.

MANAGER'S UPDATE AND ANNOUNCEMENTS

Independence Day Holiday

Cleveland Utilities will be closed on Monday, July 4, 2016, in observance of Independence Day. Regular emergency and standby service will be maintained.

Drought Monitor Report

Two maps monitoring drought conditions across the country were distributed and reviewed. A map released earlier in the month was compared to another released earlier in the day. Cleveland is currently in an area classified as a short-term drought, meaning under 6-months duration. Additional details will be provided by Philip Luce during the Water Division report.

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 July 2012 through July 2016 was reviewed. For the month of July, the residential electric rate will change to 9.740 cents per kilowatt-hour, an increase of 4.04 percent over June's rate of 9.362 cents. This rate change is driven by TVA's Fuel Cost Adjustment.
2. The May 2016 financial and statistical statements were presented to the Utility Board. During the month, the cost of purchased power as a percentage of retail sales was 81.2 percent, as compared to 78.4 percent for the month of April. The year-to-date percentage is 81.8, compared to a budgeted percentage of 82.8 for FY 2016. The results for May are electric sales revenue of \$7,107,855, which was offset by purchased power of \$5,773,466. This resulted in an operating margin of \$1,334,389 and can be compared to a budgeted margin of \$1,269,804 for the month. Operating expenses for the month were \$1,418,880, compared to a budgeted amount of \$1,523,436. The division serviced 31,125 customers. Net

- income for the month was \$58,148. This brings the year-to-date net income to \$1,095,930. The previous year-to-date as of May 2015 was a net loss of \$842,417.
3. For May 2016, water sales revenue was \$1,132,483, compared to the budgeted amount of \$1,114,478. Other revenue sources contributed an additional \$101,584 for the month. The division serviced 31,136 customers. Operating expenses for May were \$1,138,364. This can be compared to the budgeted amount of \$1,164,476. The division recorded an operating income of \$95,703 and can be compared to a budgeted operating income of \$56,721.
 4. For May 2016, wastewater treatment revenue was \$964,296, compared to the budgeted amount of \$942,924. Other revenue sources contributed an additional \$66,938 for the month. The division serviced 18,555 customers. Operating expenses for May were \$865,151 and can be compared to a budgeted amount of \$880,269. The division recorded an operating income of \$166,083, compared to the budgeted operating income of \$143,622 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, the only remaining work on the transmission lines at the end of May involves TDOT's contractor pulling the concrete poles from the lines former position and the transfer of one phase conductor on the S-644 transmission line.
2. Work progressed on the Peach Orchard Hill Road Community Development Block Grant project. By the end of May, the majority of the steel poles were framed and installed on the east side of the project from Benton Pike. When work on the South Cleveland transmission lines was completed, an additional crew worked on the west side of the project.
3. The installation for the Blue Springs Road and APD-40 69 kV line design project remained on hold through the month and will likely be scheduled for this fall when CU's system loads will allow for the removal of this section of transmission line.
4. The following work was completed for the South Cleveland S-614 and S-624 transmission lines:
 - Two (2) 90-foot steel poles were installed, and the section of concrete pole was removed. Photographs of this project were presented during May's Board meeting. The double conductor per phase presently dead-ends at the location of the two (2) newly installed 90-foot steel poles. There are plans to continue this process to carry larger loads.
 - CU's line crews completed the installation of the second 556 MCM conductors, tensioned the line to match the sag of the conductors installed by TDOT's contractor and made up all of the dead-ends and jumpers. (Borden noted some of the material removed on this job will be salvaged for future use.)
5. During the month, engineering issued the following:
 - A work order to install underground fed electric facilities in Phase 2 of Kensington Park. Phase 2 will consist of 11 new lots. When fully populated, an anticipated load of 88 kW is expected.
 - A work order to provide electric service to the newly constructed McDonald's Restaurant located at Georgetown Road and Paul Huff Parkway. The new

service required a 150 KVA pad-mount transformer to serve the anticipated load of 150 kW. All work was completed by the Operations department.

- A work order to install permanent service to the new Cookout Restaurant on 25th Street and the west side of Keith Street. The anticipated load is 60 kW.
6. Due to a planned increase in 650 kW of load at Polartec (formerly United Knitting) located on Industrial Drive SE, an existing 750 KVA pad-mount transformer was upgraded to a 1,500 KVA.
 7. A brief video of an interruption experienced at East Cleveland 13 kV Substation on June 19, 2016, at 9:20 p.m. was viewed. A large flash occurred on top of the power transformer where a young raccoon made contact with a lightning arrester. The entire substation locked out, affecting 2,053 customers. All breakers were restored at 10:06 p.m. Borden commended the crews for the quick restoration of service.
 8. An update was presented on traffic lighting:
 - CU's engineering personnel uploaded traffic count data from North Ocoee Street and Sunset Avenue to Miovision for processing. The data was collected by the City Sign Shop. The counts will be used to conduct a signal warrant analysis.
 - A substantial amount of traffic control equipment was installed at the traffic intersections of Georgetown Road and Candies Lane and Exit 25 off-ramps. Wavetronics radar detection, ATC controllers, Cisco Ethernet switches, Opticom preemption and EDI malfunction management units were installed at both intersections.

Water Division

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

1. The project for the coating of the influent measurement structures at the Wastewater Treatment Plant has resumed. The first structure was completed last year, and the second structure is expected to be done by the middle of next week.
2. Brown's Custom Fence and Construction is in the process of manufacturing the cover for the biosolids pad at the Wastewater Treatment Plant. An installation date has not been confirmed.
3. Staff is making site visits to view equipment prior to developing specifications and plans for the screen replacements (part of the headworks rehabilitation project) at the Wastewater Treatment Plant.
4. An update was provided for the following ongoing projects at the Cleveland Filter Plant (CFP):
 - The plans for the pipe gallery access improvement project are expected to be complete by the end of June.
 - Improvements to the flocculation/sedimentation basin are ongoing. A progress meeting was held last week. The plans are anticipated to be finished by the end of August.
 - CTI Engineers is working on the plans for the liquid fluoride conversion project at the CFP and Waterville, which are projected to be complete by the end of June.
5. Phase 2 of the AMR/AMI water project is now complete. A total of 69 routes consisting of 15,333 registers and transmitters were installed during phase 2. The contractor installed 29,698 devices in both phases combined, and CU crews installed 1,372. The entire project consisted of a total of 31,070 registers and

transmitters. Additional funds have been requested from the State Revolving Fund (SRF) to pay for transmitters that were purchased and not included in CU's budget and an Elster mobile communicator for approximately 4,500 meters located outside of CU's electric footprint. The loan amount for the additional funds would total \$110,417.50, with 7 percent loan forgiveness. Luce is awaiting a response from the SRF as to what forms are needed.

6. King Industries has painted a total of 260 fire hydrants as of June 12, 2016. This is the 3rd and final year of the project.
7. The project to paint the water storage tank on Bryant Drive will be presented for board consideration today under new business.
8. 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, all easements have been obtained. The SRF approved CU's loan application in the amount of \$3,725,000.00 with an interest rate of 1.11 percent. There is no loan forgiveness with this project.
9. A summary of projects with loans acquired through the SRF program was provided:
 - Funding for 6 projects has been applied for in the amount of \$16,359,000.00.
 - Interest rates have ranged from 1.11 percent up to 2.91 percent, all on 20-year fixed terms.
 - By going through the SRF, CU has saved just over \$5 million in interest and \$1,669,622 in loan forgiveness, for a combined total of nearly \$6.8 million. The estimated savings were calculated in comparison to the bond market on 20-year terms with interest rates of 3.5 percent.

Webb praised the leadership and efforts of Philip Luce and Greg Clark for being the primary drivers in coordinating the funding of these projects and the significant success seen in dealing with the SRF.

10. Kleen-All completed the pressure washing of the water tanks at the Cleveland Filter Plant. The contractor is currently working on the tanks at the Hiwassee Utilities Commission.
11. The sewer replacement project on Barneys Lane is complete with the exception of minimal cleanup work.
12. Hampton Backhoe Service completed the sewer extension project on Pleasant Grove Church Road (part of the 2010 annexation area). An estimated 3,000 feet of 8-inch sanitary sewer was installed.
13. The modifications for the overflow pump station are currently in design. Staff expects to have 50 percent plans to review by September 1, 2016.
14. An update was provided on the following projects under construction:
 - The project for Kensington Park, Phase 2 is complete. The contractor installed 376 feet of 6-inch water main and 385 feet of 8-inch sewer main for this 11-lot development.
 - Hampton Backhoe Service installed 1,140 feet of 8-inch water main at Exit 20 for the new Nissan dealership on Pleasant Grove Road. Testing of the line is underway.
 - Hampton Backhoe Service has completed 50 percent of the sewer main installation for Ocoee Landing at Emmylie Court. The scope of the project is 420 feet of 8-inch sewer main.
15. The engineering department has the following plans under review:

- Brook Hollow Subdivision on Peach Orchard Hill Road. This 18-lot development will consist of 480 feet of 6-inch water main and 487 feet of 8-inch sewer main. Eddie Botts is the developer.
 - Phase 4 of Silver Springs on Old Freewill Road. This 12-lot development will consist of 445 feet of 8-inch sewer main. Dennis Epperson is the developer.
16. In reference to the Wastewater Rehabilitation project, smoke testing began in Basin 10A-8 on June 15, 2016.
17. The meter department set 13 meters through May 2016, compared to 33 for May 2015 and 17 for May 2014. The FY total meter sets is 333. Of the 13 sets, 12 were for single-family homes, and 1 was for an irrigation meter.
18. Due to the lack of rain, there has been an increase in water usage. Demand has averaged approximately 12.4 million gallons per day as of June 22, 2016. Compared to this same period last year, the demand was 11.5 million gallons per day. As of today, the peak demand for 2016 (to this point) is 15.5 million gallons and occurred on June 20, 2016; the peak for 2015 was 13.5 million gallons and occurred on June 22. The percentage of the total system capacity was roughly 73 percent at the highest point for this year.

OLD BUSINESS

Rate Adjustment / Resolution – Hiwassee Utilities Commission

Webb began by advising of some exciting news. There is a statement at the bottom of the water rate schedules included in the FY 17 budget previously approved by the Utility Board and City Council stating rates are subject to adjustment as rate adjustments are received from water suppliers. This statement is included so that any mid-year rate increases received from suppliers could be passed through to customers. CU recently received a letter from the Hiwassee Utilities Commission announcing a rate decrease. The HUC Board has elected to not have the anticipated 2 percent increase and additionally offer a one-time 4 percent rate reduction. A 5.13 percent rate increase was initially approved in CU's fiscal year 2017 budget; however, this action will result in a 1.74 percent rate increase in water.

On motion by Vice Chairman Eddie Cartwright and seconded by Joe Cate, the Board of Public Utilities took action to approve a resolution directing the President/CEO of Cleveland Utilities to compose a letter to the Board of the Hiwassee Utilities Commission expressing appreciation for their decision to forego the anticipated 2 percent rate increase in their fiscal year 2017 rate schedule and offer a one-time rate decrease of 4 percent for fiscal year 2017.

NEW BUSINESS

Property Liability and Workers' Compensation Insurance for FY 2017

On motion by Mayor Tom Rowland and seconded by Chari Buckner, the Utility Board took action to approve property, casualty, and workers' compensation insurance from July 1, 2016, and ending June 30, 2017, with Distributors Insurance Company for a premium of \$881,429. There is a reduction in premium of approximately \$15,000.00 from fiscal year 2016 and can partly be attributed to the softening insurance market. Distributors Insurance Company is a wholly-owned subsidiary of the Tennessee Valley Public Power Association, Inc.

Approval of Policies and Procedures

On motion by Chari Buckner and seconded by Mayor Tom Rowland, the Board of Public Utilities voted to approve policies addressing bereavement, education reimbursement, equal employment opportunity, disability, genetic information, harassment, hazard communication and Tennessee right-to-know law, holidays, longevity, outside employment, preventable accident, promotions, records and workplace violence.

This is a continuation of the process that has been occurring with Goal 2 in CU's Strategic Plan. The majority of these policies are an update to what CU has been practicing for a number of years and several are patterned after the City of Cleveland. There were updates in the education reimbursement and longevity amounts. The education reimbursement policy applies to courses or degrees meeting the requirements for at least one existing job classification / description within CU's compensation plan. Additionally, online courses are recognized at Southern Association of Colleges and Schools (SACS) accredited colleges, universities, and business and technical schools for single courses or programs leading to a degree or certificate.

Approval of Contract with Planet Inc.

On motion by Joe Cate and seconded by Mayor Tom Rowland, the Board of Public Utilities voted to approve a contract with Planet Inc., in the amount of \$382,000.00 for the rehabilitation of the 1.0 million gallon steel water storage tank on Bryant Drive. The project is budgeted for FY16 and FY17. Four bids were received. The total project was budgeted at \$390,000.00. It appears as if the total project cost will be closer to \$457,500.00. This project is necessary to stay in compliance with state requirements. Consideration will be given to the weather in determining when the project will begin, as the tank will be out of service during the rehabilitation. The contractor has four months to complete the work.

Approval of Purchase Order with Jackie Evans Trucking Company

On motion by Mayor Tom Rowland and seconded by Vice Chairman Eddie Cartwright, the Utility Board took action to approve a purchase order with Jackie Evans Trucking Company in the amount not to exceed \$116,250.00 for the removal of alum sludge, approximately 750 loads, from the Cleveland Filter Plant. The service period is from July 1, 2016 to June 30, 2017, and is budgeted for FY 2017. This is the renewal of an ongoing agreement and allows for the issuance of a blanket purchase order.

Approval of Purchase Order with Vulcan Materials Company

On motion by Chari Buckner and seconded by Joe Cate, the Board of Public Utilities voted unanimously to approve a purchase order with Vulcan Materials Company in the amount not to exceed \$80,000.00 for the purchase of stone backfill. The purchase period is from July 1, 2016 to June 30, 2017, and is budgeted for FY2017. This is an annual ongoing agreement to purchase backfill material as needed on a blanket purchase order at the current published prices.

Approval of Purchase Order with Allied Universal Corporation

On motion by Mayor Tom Rowland and seconded by Joe Cate, the Utility Board took action to approve a purchase order with Allied Universal Corporation in the amount of \$178,350.00 for the annual purchase of chlorine gas and sulfur dioxide. Chlorine will be used at the Cleveland Filter Plant, Waterville Springs, Hiwassee Utilities Commission and Wastewater Treatment Plant as a disinfectant for both potable water and wastewater. Sulfur dioxide will be used to remove the chlorine at the Wastewater Treatment Plant. Two bids were received. Allied Universal Corporation submitted the low bid, and CU currently purchases these chemicals from Allied Universal.

Check Signing Authority and Purchase Order Limit

On motion by Mayor Tom Rowland and seconded by Vice Chairman Eddie Cartwright, the Board of Public Utilities voted unanimously to approve Senior Vice President Tim Henderson as an authorized check signer for CU accounts and the same purchase order authority as Webb effective July 1, 2016. In order to comply with internal controls established by Cleveland Utilities, two signatures are required on all checks. These changes are necessary with the transition and naming of Henderson as Webb's successor.

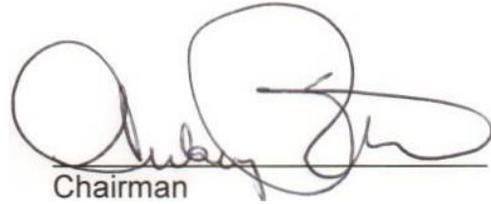
OTHER BUSINESS

Future Board Meeting Dates

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

- Thursday, July 28, 2016, 3:00 p.m.
- Thursday, August 25, 2016, 3:00 p.m.
- Thursday, September 22, 2016, 3:00 p.m.

Amy Ensley
Utility Board Secretary


Chairman

8/4/2016
Date