

MINUTES – AUGUST 25, 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; Tim Henderson, Senior VP; 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; Jan Runyon, Assistant VP Administrative Services; Rev. Kevin Mendel; and Rick Norton, *Cleveland Daily Banner*. Following the Pledge of Allegiance to the American Flag, Rev. Kevin Mendel, Pastor at Grace Community Church, delivered the invocation.

MINUTES OF AUGUST 4, 2016

On motion by Chari Buckner and seconded by Mayor Tom Rowland, the Board of Public Utilities voted unanimously to approve the August 4, 2016, minutes as written.

MANAGER'S UPDATE AND ANNOUNCEMENTS

Post-Surgery Update

President/CEO Ken Webb thanked Tim Henderson for filling in for him at the last board meeting. It has been 23 days since Webb's back surgery, and he is doing well. Webb expressed appreciation for everyone's thoughts, concerns and prayers.

Labor Day Holiday

Cleveland Utilities will be closed on Monday, September 5, 2016, in observance of Labor Day. Regular emergency and standby services will be maintained.

Annual Picnic

Cleveland Utilities' annual family picnic is tentatively scheduled for Thursday, October 20, 2016, at Fletcher Park beginning at 5:00 p.m. This annual event is an excellent opportunity to enjoy a variety of festivities and delicious food.

Volleyball Tournament

Walt Vineyard provided a brief report on the River Counties Association of Realtors "Volley for a Cure" Volleyball Tournament recently held at Cleveland State Community College. Cleveland Utilities participated in this event for the third year and finished in first place out of 13 teams. Employees participating on CU's team included Lafeomia Bowerman, Jamie Creekmore, Nathan Davis, Dalton Montgomery, Abu Swafford, Walt Vineyard and David Yost. Vineyard expressed gratitude to Jamie Creekmore and David Yost for driving this initiative every year and organizing CU's team. Proceeds benefited the American Cancer Society.

DIVISION REPORTS

Financial

Marshall Stinnett reported on the following:

1. A letter was received from the CPA accounting firm of Arnett, Kirksey, Kimsey, Sullivan, Lay & Hall, PLLC, notifying the board and management they are in the audit process. The annual audit was initiated an estimated 3 weeks ago. At this point, the field work at CU's office has been completed, and there have been no exceptions or findings.

2. An update was provided on the prepay program. Since inception approximately a month ago, over 150 customers have enrolled in the program and almost \$3,000.00 in bad debt has been collected. This is a great initiative for customers.
3. A chart tracking the kilowatt-hour cost in residential retail electric rates for the months of September 2012 through September 2016 was reviewed. For the month of September, the residential electric rate will change to 9.723 cents per kilowatt-hour, a decrease of 0.01 percent over August's rate of 9.724 cents. This rate change is driven by TVA's Fuel Cost Adjustment.
4. The July 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 78.7 percent, as compared to 78.1 percent for the month of June. The year-to-date percentage is 78.7, compared to a budgeted percentage of 80.9 for FY 2017. The results for July are electric sales revenue of \$10,508,367, which was offset by purchased power of \$8,266,517. This resulted in an operating margin of \$2,241,850 and can be compared to a budgeted margin of \$1,764,167 for the month. Operating expenses for the month were \$1,367,587, compared to a budgeted amount of \$1,501,142. The division serviced 31,040 customers. Net income for the month was \$996,131. Stinnett noted the month of July was extremely warm.
5. For July 2016, water sales revenue was \$1,377,769, compared to the budgeted amount of \$1,343,894. Other revenue sources contributed an additional \$107,450 for the month. The division serviced 31,168 customers. Operating expenses for July were \$1,132,780. This can be compared to the budgeted amount of \$1,221,244. The division recorded an operating income of \$352,439 and can be compared to a budgeted operating income of \$250,908.
6. For July 2016, wastewater treatment revenue was \$1,043,601, compared to the budgeted amount of \$1,021,145. Other revenue sources contributed an additional \$53,921 for the month. The division serviced 18,591 customers. Operating expenses for July were \$866,502 and can be compared to a budgeted amount of \$887,865. The division recorded an operating income of \$231,020, compared to the budgeted operating income of \$220,760 for the month.

Electric Division

Bart Borden reported on the following:

1. Work progressed on the Peach Orchard Hill Road Community Development Block Grant project. Crews continued to install the new 795 MCM all aluminum conductors from the top of the hill westward to Michigan Avenue. 90 percent of the required work for this project was completed during July. The line is 9,622 feet in total length and involves the installation of 53 new steel distribution poles and just under 40,000 feet of new conductor.
2. The installation for the Blue Springs Road and APD-40 69 kV line design project remained on hold.
3. The transmission line for the Harriman Road/Spring Branch Industrial Park is in the design phase. CU is waiting on Light Detection and Ranging (LIDAR) to be flown with a drone to obtain survey topography data. The data will be loaded into the PLS-CADD software so the design of pole structures can begin. The delay is due to new regulations concerning drones.
4. Operations and Garage personnel attended a WebEx design meeting with Altec engineers regarding real time design changes to the bed and bucket layout of CU's

new unit #143 due to unforeseen issues during the construction. The changes will be incorporated and the new truck finalized within a few weeks. This allows for online viewing of the truck remotely where staff is able to get a great view of the truck from all angles. As a result of this technology, staff does not have to travel to the factory in Missouri, so it is a tremendous cost saver.

5. A new overhead primary line was constructed to serve the new Nissan dealership and future development on the west side of I-75 at Exit 20 and south of Pleasant Grove Road. The line consists of six (6) steel poles, 3,033 feet of 336 MCM all aluminum conductor and 1,011 feet of 3/0 all aluminum conductor. Crews installed a 225 KVA pad-mount transformer and 525 feet of three phase 1/0 underground primary conductors to serve the anticipated 200 kW load.
6. An update was presented on traffic lighting:
 - CU's engineering department issued a work order to convert the traffic signals at Ocoee and Inman Streets to LED. The pedestrian signals were also changed out even though they were converted to LED in 2007. Several individual LED's had burned out making the symbols unclear, which has been a problem with the first generation LED signals. CU's traffic lighting crews have completed this conversion work.
 - CU's engineering department issued a work order to install Wavetronix radar detection at Paul Huff Parkway and Bradley Square Mall. The loop detection had failed on several approaches and was causing a rise in maintenance calls. The intersection design allows the placement of two radar sensors to pick up all four of the stop bar approaches. This unique design will save over \$11,000.00 in installed cost. Materials for this project are on order, and the job will be completed when received.
7. Charter Communications now has 7 unmetered power supplies/amplifiers remaining. There was no contact from Charter during the month of July concerning the remaining locations; however, Borden advised CU's staff is monitoring this need.

Water Division

Craig Mullinax reported on the following:

1. The project to replace the biosolids storage pad cover at the Wastewater Treatment Plant has been completed. Several photographs showing the new 12-panel cover were shown. The new cover has a 20-year warranty.
2. A predesign meeting was held on August 11, 2016, with Jacobs to finalize certain aspects of the design for the headworks rehabilitation project at the Wastewater Treatment Plant. A bid date is targeted for January 2017, with a completion date for the summer of 2017.
3. An update was provided on the following ongoing projects at the Cleveland Filter Plant (CFP):
 - HL Construction has completed 90 percent of the project for the front door replacement, interior door repairs and chemical equipment removal. The doors were installed on August 17, 2016.
 - CU's engineering and operations staff have received design plans that are 90 percent complete for the flocculation/sedimentation basin improvements.
 - A pre-bid meeting will be held on September 14, 2016, for the liquid fluoride conversion project at the CFP and Waterville Plant. The bid opening is

scheduled for September 20, 2016, in anticipation of obtaining board consideration on September 22, 2016.

4. The third and final phase of the fire hydrant painting project is progressing. King Industries has painted a total of 783 fire hydrants as of August 22, 2016. There are 147 fire hydrants remaining in the project.
5. The notice to proceed is effective on September 6, 2016, for the Bryant Drive Water Storage Tank painting project. Planet, Inc., will be the contractor performing the work. Prior to beginning, the tank will be dewatered, and the project will take an estimated 3 months.
6. Barge Waggoner Sumner & Cannon, Inc. has completed the Water Valve GPS Survey project. A total of 3,713 locations were surveyed. The total project cost was \$40,843.00.
7. Two letters were received from the State Revolving Fund (SRF) advising of the following:
 - Plans were approved for phase 3 of the 24-inch water main project from Tasso Lane NE, to the Hiwassee Utility Commission (HUC) Water Treatment Plant. The next step in the process will be advertising for bids.
 - Financial sufficiency approval was received for funding for the Elster mobile communicator drive-by system and 355 additional water meter AMI modules and mounting kits. The loan will be in the amount of \$110,417.50, with principal forgiveness of \$5,520.88.
8. Engineering has approved plans for The Greens Subdivision on Inverness Drive. The development will consist of 160 feet of 8-inch sewer main. Pratt Homebuilders is the developer.
9. An update was provided for the following developments under construction:
 - Hampton Backhoe has completed 50 percent of the required work for 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.
 - Hampton Backhoe has completed 95 percent of the required work for Brooks Bridge Subdivision on North Mouse Creek Road. This 10-lot development will consist of 370 feet of 6-inch and 2-inch water main and 400 feet of 8-inch sanitary sewer. Jason Tawfik is the developer.
10. An update was provided for the Wastewater Rehabilitation Project:
 - To date, Littlejohn Engineering Associates has completed approximately 275,000 linear feet of smoke testing in Basin 10A-8.
 - Morgan Construction has a punch list of items to complete for the Wildwood and Inman Rehabilitation Project. To fulfill the remainder of the contract value of approximately \$288,000, further manhole lining has been bid in addition to requesting reimbursement from the SRF for the new television truck purchased earlier this year. This will allow for the utilization of all funds receiving loan forgiveness. The formal request was submitted to the SRF on August 22, 2016.
11. The meter department set 44 meters through July 2016, compared to 47 for July 2015 and 27 for July 2014. Of the 44 meter sets, 10 were single-family homes, 10 were townhomes, 19 were modular homes, 2 were irrigation meters and 3 were commercial.
12. The total amount of rainfall recorded at the Cleveland Filter Plant thru August 21, 2016 was 28.85 inches (8.45 inches below normal).

OLD BUSINESS

Revised OPEB Declaration of Trust Document

On motion by Joe Cate and seconded by Chari Buckner, the Utility Board took action to approve a revised OPEB Declaration of Trust document. The previous document was submitted to the state along with the investment policy strategy. A response was received, and the state requested the word "Corporate" be included in the document on pages 2, 6, and 7 before the word "Trustee". The revision clarifies who the actual trustee is since CU hired First Tennessee Bank to perform the investing strategy. This has been reviewed with CU's consultant, USI Consulting Group, and they are in agreement.

NEW BUSINESS

Approval of Arc Flash Policy

On motion by Mayor Tom Rowland and seconded by Vice Chairman Eddie Cartwright, the Board of Public Utilities voted to approve an Arc Flash Policy for Cleveland Utilities that establishes a written program outlining guidelines for the use of arc flash protection to help prevent accidental injury caused by an arc flash event and to promote safe facility practices. These are OSHA requirements for the electric division workforce. The policy defines arc flash, specifies the required precautions and personal protective equipment (PPE), describes the system assessment methods and addresses non-compliance measures.

A complete study of the electric system was performed by CU employee Luke Thomason, a P.E. in the Electric Engineering Department, with the assistance of Leidos Engineering, to determine the arc flash exposure and precautions needed to work safely. The policy contains tables defining the calorie level of clothing required for particular job tasks. All affected employees follow a Personal Protective Equipment (PPE) clothing policy and order clothing from a source catalog annually. All clothing has the calorie rating marked.

Approval of Purchase Order with Delta Star, Inc.

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 Delta Star, Inc., in the amount of \$532,928.00 for a 15/20/25 MVA power transformer to replace the existing transformer at Wildwood Substation. The load of this station is nearing the existing 12/16/20 MVA transformer's capacity. The existing unit was manufactured in 1971 and will be retained as a spare in the event of another power transformer failure. Borden reminded of the failure of one of the power transformers at Payne Gap Substation where the replacement unit is currently on order; however, he advised the sister unit to that transformer has been giving some issues and staff is closely monitoring the situation. The typical life span of a power transformer is around 50 years. This purchase is budgeted for FY 2017. Three bids were received, and the Delta Star facility in Canada submitted the low bid. The delivery time is 30-32 weeks from the date of order.

Approval of Purchase Order with Kendall Electric Inc.

On motion by Mayor Tom Rowland and seconded by Chari Buckner, the Utility Board voted to approve a purchase order with Kendall Electric Inc., in the amount of \$165,800.00 for the installation of new ControlLogix 1756 series I/O modules and hardware located at the Wastewater Treatment Plant's Administration Building, Lube Building, South Blower Building and North Blower Building. This will replace the obsolete 1771 series I/O modules. All PLC equipment has been standardized to Allen Bradley products and used at all plants. Approximately a year ago, staff started the conversion to this new series in the

administrative control room. This purchase will convert the rest of the plant. Photographs of the locations where the new equipment will be installed were shown. The work is budgeted for FY 2017. Kendall Electric Inc., is the sole supplier for this equipment.

Approval of Contract with W&O Construction Company, Inc.

On motion by Joe Cate and seconded by Vice Chairman Eddie Cartwright, the Board of Public Utilities took action to approve a contract with W&O Construction Company, Inc., in the amount of \$327,600.00 for the construction of Cleveland Filter Plant Pipe Gallery Access Improvements. This project is for the construction of an aluminum walkway to provide safe access to filter operating valves by the plant operators at the Cleveland Filter Plant. The work is budgeted for FY 2017.

OTHER BUSINESS

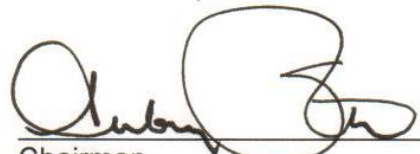
Future Board Meeting Dates

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

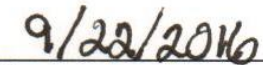
- Thursday, September 22, 2016, 3:00 p.m.
- Thursday, October 27, 2016, 3:00 p.m.
- Thursday, December 1, 2016, 12:00 p.m.
- Thursday, January 5, 2017, 3:00 p.m.



Utility Board Secretary



Chairman



Date