



MINUTES OF MEETING
CLEVELAND UTILITIES BOARD

January 7, 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; 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; Philip Luce, Water and Wastewater Engineering Manager; Walt Vineyard, Information Technology VP; Tim Henderson, VP Administrative Services; Jan Runyon, Assistant VP Administrative Services; Rev. Jonathan Kyle; Paul Leach, *Chattanooga Times Free Press*; Larry Bowers, *Cleveland Daily Banner*; Following the Pledge of Allegiance to the American Flag, Rev. Jonathan Kyle, the Associate & Youth Pastor at Candies Creek Baptist Church, delivered the invocation.

MINUTES OF DECEMBER 3, 2015

On motion by Eddie Cartwright and seconded by Chari Buckner, the Board of Public Utilities voted unanimously to approve the December 3, 2015, minutes as written.

MANAGER'S UPDATE AND ANNOUNCEMENTS

Offices Closed

Cleveland Utilities will be closed Monday, January 18, 2016, to observe Dr. Martin Luther King, Jr. Day. Regular emergency and standby service will be maintained.

Fiber & Broadband Update

The report on the pilot project was received prior to the holidays and staff has begun reviewing it. A conference call will be held next week with the consultants in order to address questions about some of the assumptions used.

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 January 2012 through January 2016 was reviewed. For the month of January, the residential electric rate will change to 8.923 cents per kilowatt-hour, a decrease of 0.42 percent over December's rate of 8.961 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 November 2015 financial and statistical statements were presented to the Utility Board. During November, the cost of purchased power as a percentage of retail sales was 84.7 percent as compared to 78.6 percent for the month of October. The year to date percentage is 82.9 percent, compared to a budgeted percentage of 82.8 percent for FY 2016. Stinnett reminded everyone of the temperatures during the month of November. There were a couple of cold spells, but the average temperature, as a whole, was up. This resulted in a higher wholesale demand charge from TVA. CU charges customers,

particularly the residential class, based on volume only. TVA charges CU based on demand and energy. CU did not sell enough volume to match TVA's demand and energy charge. The results for November are electric sales revenue of \$6,651,817, which was offset by purchased power of \$5,633,829. This resulted in an operating margin of \$1,017,988. Operating expenses for the month were \$1,431,525, compared to a budgeted amount of \$1,506,305. The division serviced 30,796 customers during the month. The net loss for November was \$381,660.

3. For November 2015, water sales revenue was \$1,093,077, which is compared to a budgeted amount of \$1,034,384. Other revenue sources added an additional \$90,898 for the month. The division serviced 30,993 customers. Operating expenses for November were \$1,138,479. This can be compared to the budgeted amount of \$1,123,787. The division recorded an operating income of \$45,496, which is compared to a budgeted operating income of \$9,645 for the month.
4. For November 2015, wastewater treatment revenue was \$940,418, compared to a budgeted amount of \$923,542. Other revenue sources contributed an additional \$54,848 for the month. The division serviced 18,443 customers. Operating expenses for November were \$846,570 and can be compared to a budgeted amount of \$856,754. The division recording an operating income of \$148,696, compared to a budgeted amount of \$146,092 for the month.

Electric Division

Bart Borden reported on the following:

1. In reference to the ongoing work at the Harrison Property, the fence contractor completed the installation of the gates. The site work project is now completed. This is the last month Borden will be reporting on this project. Use of the facility will continue to grow as stock transmission poles and special equipment are moved to the site for storage.
2. 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, work is continuing. The construction of the connector road from the interchange to the existing Harriman Road has been completed, with the exception of the final asphalt paving. The contractor is now focusing on the bridge construction at the interchange on APD-40. According to TDOT personnel, they are hoping to open access to Harriman Drive by May 2016, by completing the on and off ramps on the south side of the interchange. Final completion of the project is scheduled for late fall of 2016. The utility contractor, Service Electric, completed the relocation of the 13 kV distribution circuits along the old Stone Lake Road. These distribution lines were in conflict with the overpass bridge construction. Temporary work on the 69 kV line has been scheduled and will allow the contractor to proceed with relocating CU's S-654 transmission circuit. This line crosses APD-40 from south to north and runs parallel with TVA's 161 kV transmission line. The contractor is planning to complete the relocation this winter ahead of TVA's relocation schedule, which is set for April 2016. The S-654 relocation must be completed prior to TVA's 161 kV line relocation. Once completed, Service Electric will begin setting the poles for the relocation of CU's S-614 and S-624 69 kV lines heading east

- along Stone Lake Road. This relocation will be completed in the spring of 2016, during low system load conditions.
3. Engineering continued to work on the Peach Orchard Hill Road Community Development Block Grant project throughout November to finalize the project manual report, which gives a concise overview of the project and is required by the State of Tennessee. By mid-November, engineering was able to finalize both easements required for the project and obtain signatures. By mid-November, the easements were finalized, the design was completed and stamped; the report was then submitted to the State for review. Engineering received approval from the State of Tennessee concerning the report by mid-December. Once finalized, staff began ordering line construction materials.
 4. CU purchased two transmission poles for the Blue Springs Road and APD 40 69 kV line design from Murfreesboro Electric System, due to the long delivery conditions on steel transmission poles. The poles are H3 class poles and not a typical stock item for Cleveland Utilities. All of the materials for this project are now in stock. The project installation is scheduled to begin in the spring of 2016, when system load conditions are more favorable to take the 69 kV line section out of service.
 5. An update was given for The Preserve at Hardwick Apartment Complex off of North Lee Highway. The exterior of the building neared completion during the month and the meter base centers were installed by the electrician. This allowed engineering to release the work order for the installation of the underground primary and new pad-mount transformers in early November. CU's line crews then began work on the project and all work was completed by the end of November. This apartment complex will be one large building with 80 apartments and 1 house panel. The house panel is larger than normal, to have load capacity for the elevators. It is a 1,000 amp, 120/208 volt, 3-phase panel, with a 50 kW expected load. To provide electric service to the complex, CU crews installed 2,700 feet #1/0 underground primary cable, 440 feet of #350 aluminum underground quadraplex service conductors, one (1) 225 KVA, 3-phase pad-mount transformer and one (1) 300 KVA, 3-phase pad-mount transformer. The next steps are to continue to work with the contractor to install meters for each location and make sure proper clearances are maintained from vehicles to the pad-mount transformers as construction continues.
 6. CU's engineering department released a work order to install a 3-phase transformer bank for the Exit 20 TDOT lighting project. The lights were installed and activated in late November. CU is waiting for several "punch list" items to be corrected before accepting the installation from the contractor.
 7. An update was given for installation of the fiber optics line from CU's East Cleveland Substation to Volunteer Energy Cooperative's (VEC) Tasso Substation. This project was approved by the Utility Board on September 24, 2015. CU's line department installed 11,715 feet of 48 count fiber line, which consisted of 59 spans, 14 dead ends, and 45 tangent assemblies. To date, this is the largest fiber project CU's crews have completed. The fiber line will be utilized to provide network connections for the CU Water and Wastewater Treatment Plants, Hiwassee Utility Commission's (HUC) Water Plant and the

lease of fiber pairs to VEC for their communication needs. Borden expressed appreciation to VEC for their cooperation and partnership with this much needed project. CU's communications reliability will be greatly improved when all of the connections are completed.

8. An update was presented on traffic lighting:

- Traffic Signal Coordinator, Tad Bacon, made timing changes at Keith and 20th Streets. A greater percentage of the cycle time was given to the side street traffic during the PM plan. Timing changes were also made at Keith Street and Ocoee Crossing. A greater percentage of the cycle time was given to the side street traffic during the early afternoon hours. These changes were based on traffic demand. In addition, timing changes were made to the traffic signal at 25th and Ocoee Streets. A greater percentage of the cycle time was given to the southbound left turn movement during the late evening hours after 7 p.m. Timing changes were applied to the signals along the Paul Huff Parkway corridor for Black Friday. A separate timing plan was created for this day due to the high trip generation to all of the shopping centers. Finally, timing changes were made to the traffic signals at Exit 20. A shorter cycle length of 70 seconds now operates between 8 p.m. and 6 a.m. This makes for a shorter delay when turning from the on ramps onto APD-40. Bacon has been very busy making these adjustments throughout the town and is doing a great job in helping the flow of traffic.
- There have been recent statements in the media concerning utility poles, traffic signals and strain poles impacting different road projects around Cleveland. Borden briefly clarified CU's involvement in the projects. When the transmission and distribution lines were upgraded on Georgetown Road, CU installed new steel poles and offset the line so there would be enough road right-of-way to install a southbound left turn from Georgetown Road onto 20th Street NE. The remaining wood pole stub holding up the City turn lane project is presently occupied by Charter Communications and AT&T. Charter must transfer first and this will allow AT&T to transfer. The work was completed by Cleveland Utilities on January 11, 2013. When CU completed the project, Charter received notification of the need to transfer and has since been notified again. Concerning the Georgetown Road and Exit 25 TDOT road project, CU is responsible for relocating two (2) power poles on the west side of the Interstate southbound on ramp, due to the ramp widening. A photograph was shown as a reference. CU has been waiting on the contractor to fill the relocation area with a substantial amount of soil depth, so the relocation work can begin. At the traffic light intersection of Georgetown Road and 25th Street, the TDOT plans did not include the relocation of the traffic light strain pole in the northwest corner of the intersection. TDOT's contractor has been working with their traffic light subcontractor to provide a cost and schedule to relocate the strain pole. To help expedite the process, on August 4, 2015, CU offered to sell the traffic light contractor a traffic light strain pole from CU's stock. TDOT and the project contractor are

presently working on this issue to get their costs and information together. There was mention of the lane shifts that took place on 25th Street at the Interstate ramps and CU received numerous reports from the public concerning the issues it created with the traffic light signal head alignment, vehicle detection, operation of the traffic signals and driver confusion. Normally, the road contractor or TDOT notifies CU prior to making lane changes and coordinates those changes with CU's Traffic Signal Coordinator and traffic light crew. TDOT's contractor and TDOT have been reminded of the need to coordinate these changes to avoid issues. The intersection and lane improvements are going to be a tremendous upgrade to this area and will provide much needed traffic improvements.

Water Division

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

1. K. Berry Construction completed the rehabilitation of the spiral lift pumps at the Wastewater Treatment Plant.
2. Three (3) soft starters were installed on the three (3) new blower motors for the north blower building at the Wastewater Treatment Plant. This project was part of a 50/50 grant from TDEC and the last request for reimbursement was submitted today by Luce.
3. The project for the installation of the control valve and new meter at Waterville Springs is complete. The equipment is functioning properly.
4. Work is nearing completion on the first phase of the AMR/AMI Water Project funded through the State Revolving Fund (SRF). One route consisting of 240 meters remains to be installed. The equipment for this route was delivered last week, and the contractor is scheduled to begin on January 11, 2016. A pre-construction conference for phase 2 will be held on January 13, 2016, at 1:00 p.m. The second phase is anticipated to take approximately seven (7) months to complete and will consist of 16,000 AMR/AMI devices. The project is being funded through a SRF loan in the amount of \$2,500,000 with \$175,000 in loan forgiveness.
5. King Industries painted 774 of the projected 867 fire hydrants during year 2 of the fire hydrant painting project. Although the goal for year 2 was not met due to weather, the overall project total of 2,600 will be fulfilled. The project is being done over a three-year period with an anticipated completion date in the summer of 2017.
6. A letter was reviewed from the State of Tennessee SRF Loan Program in response to CU applying for a loan to install the 24-inch water main from Tasso Lane, NE to the Hiwassee Utility Commission (HUC) Water Treatment Plant. The SRF Loan Program did a financial review and determined CU's current user rate structure adopted on April 7, 2015, is sufficient to repay the proposed \$3,725,500 loan. The loan will be between 1 and 1.5 percent for 20 years and will not include Principal Forgiveness. The next steps involve preparing and submitting planning and environmental documents, both of which have been done by CU's consultant. In addition, a public meeting must be held, and this is scheduled for January 14, 2016, at 6:00 p.m. Once complete, the SRF will send a formal application package. Staff will be

working on acquiring 40 to 50 needed easements. The objective is to have the project under construction by June 2016.

Stinnett pointed out as part of the SRF's review in determining CU is financially sound to repay this loan, they looked at CU's last audited financial statements and compared this to approved and projected rate increases, as well as the budget over a 10 year period. Webb said, "We are quite pleased to have qualified for this loan because the interest rate is a fixed rate."

7. Hampton Backhoe completed the 2010 Annexation Area 2 Water System Improvements project on the north and south sides of APD-40 between South Lee Highway and Exit 20. The project exceeded the contract amount of \$120,100 by \$12,836. The overage was the result of the requirement of two hydrants and approximately \$6,500 worth of gravel. The line needed to be relocated to the other side of Pleasant Grove Church Road into the parking area of the Cleveland Speedway due to a conflict with a fiber optic line, resulting in the addition of more gravel.
8. Construction for the Cabrera Lane water line extension project will begin Monday, January 11, 2016. The County, CU, and several residents are funding various portions of the project. The project has been on hold for several months awaiting payment from four customers; this has now been paid.
9. Norris Brothers Construction will begin the sewer replacement project on Barneys Lane on Monday, January 11, 2016. Pipe bursting technology will be utilized to replace approximately 3,927 feet of 10-inch sanitary sewer with 15-inch sanitary sewer. Norris Brothers has experience with the pipe bursting method. This technology does not require digging and reduces potential damage to yards, pavements, etc.
10. The notice to proceed for the Pleasant Grove Church Road sewer extension project is effective January 11, 2016. Approximately 3,000 feet of 8-inch sanitary sewer will be installed in an area that was annexed into the City in 2010. This project is being expedited due to the City relocating the road.
11. The following developments are under construction:
 - Hampton Backhoe Construction has completed the installation of 400 feet of 8-inch water main for the Cleveland Regional Jetport Med-Trans Hangar. The line is currently being tested.
 - Hampton Backhoe Construction has completed 50 percent of 2,070 feet of 6-inch water main and 90 percent of 1,550 feet of 8-inch sewer main in phase 2 of Eagle Creek Subdivision. The development will consist of 34 lots.
12. The following plans are under review:
 - The installation of a water booster pumping station in Falcon Crest Subdivision. Comments were sent to the developer, Lake Mantooth, on November 17, 2015, and CU is awaiting a response.
 - The installation of 480 feet of 6-inch water main and 487 feet of 8-inch sanitary sewer in Brook Hollow Subdivision on Peach Orchard Hill Road. The development will consist of 18 lots. Eddie Botts is the developer.

- The installation of 370 feet of 6-inch water main and 400 feet of 8-inch sanitary sewer in The Meadows Subdivision on North Mouse Creek Road. The development will consist of 10 lots.
13. Work is progressing on the Wastewater Rehabilitation Project:
- AITC has renewed 377 services and installed 279 cleanouts for the Basin 31-45 (Phase 2) and 10-36 (Phase 1) Rehabilitation project.
 - In reference to the Wildwood and Inman Rehabilitation project, the contractor has renewed 48 services and installed 46 cleanouts.
14. The meter department set 18 meters through November 2015, compared to 15 for November 2014 and 21 for November 2013. Of the 18 sets, 6 were for single-family homes, 1 was for a townhome, 8 were for apartments, and 3 were commercial. A total of 172 meters have been set in FY 2016.
15. A chart was reviewed for rainfall totals through December 31, 2015. Through 2015, rainfall was 13.90 inches above normal compared to 1.29 inches below normal for 2014.

OLD BUSINESS

Approval of Policies

On motion by Joe Cate and seconded by Chari Buckner, the Board of Public Utilities voted to approve Policies addressing Protective Footwear, Purchasing, Travel, Tree Removal, and Water & Sewer Bill Adjustments (Residential). The majority of these policies are an update to what CU has been practicing for a number of years. The Drug & Alcohol Policy is still a work in progress. Staff now has the benefit of reviewing the City's recently adopted policy and modifying it to match CU's operation. Approval will likely be requested at the next scheduled Board Meeting.

NEW BUSINESS

Approval of Resolution

On motion by Chari Buckner and seconded by Eddie Cartwright, the Utility Board took action to approve a Resolution for South Cleveland Substation facilities (161 kV bus work, bus connectors and supporting bus insulators) conveyance to TVA. The section of bus work spans from TVA's termination of the Sequoyah Nuclear Plant 161 KV transmission tie line to the TVA termination of the East Cleveland 161 kV transmission tie line. The Federal Energy Regulatory Commission (FERC) has approved changes to the Bulk Electric System (BES) definition, applicable to the bus facilities at the South Cleveland substation, which would require CU to register with FERC as a BES provider. The conveyance of the facilities to TVA will avoid registering with NERC as a BES; registration related cost is estimated to be \$200,000 for FY 2016 and \$100,000 per year thereafter. The installed cost of the facilities were \$35,000 and has a depreciated value of \$7,512.46 as of November 30, 2015

OTHER BUSINESS

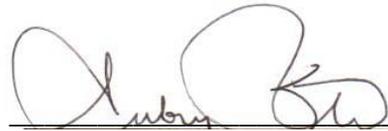
Future Board Meeting Dates

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

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

Thursday, February 25, 2016, 3:00 p.m.
Thursday, March 24, 2016, 3:00 p.m.

Amy Ensley
Utility Board Secretary


Chairman

2-1-2016
Date