

MINUTES – JANUARY 26, 2017 **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; Tim Henderson, 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; John Corum, VP Administrative Services; Greg Clark, Sewer Rehab Manager; Travis Wilson, Littlejohn Engineering; Richard Snyder, Network Systems Manager; and Paula Wills, Customer Service & Billing Manager. Following the Pledge of Allegiance to the American Flag, Paula Wills delivered the invocation.

MINUTES OF JANUARY 5, 2017

On motion by Chari Buckner and seconded by Joe Cate, the Board of Public Utilities voted to approve the January 5, 2017, minutes as written.

MANAGER'S UPDATE AND ANNOUNCEMENTS

Offices Closed

Cleveland Utilities will be closed Monday, February 20, 2017, to observe Presidents' Day. Regular emergency and standby service will be maintained.

Awards Banquet

Cleveland Utilities Annual Awards Banquet will be held on Wednesday, March 8, 2017, to honor employees with service awards and perfect attendance recognition. The banquet will be held in the Tom Wheeler Training Center. Board Members were invited and encouraged to attend this event as these achievements are acknowledged.

Safety Internal Performance Measures (IPM's)

Administrative Services VP John Corum presented the Safety Internal Performance Measures (IPM's) for January 2016 through December 2016 as part of CU's Strategic Plan.

The overall results for 2016 are as follows:

- *OSHA Recordable Incident Rate* (a calculation for the number of employees per 100 full-time employees that have been involved in a recordable injury or illness) – a combined total of 1.53 for both divisions; 1.76 for the electric division; and 1.21 for the water division. In comparison to the data for 2014 and 2015, the rates were 1.51 and 3.51 respectively.
- *DART Rate* (a calculation for the number of recordable incidents per 100 full-time employees that results in lost or restricted days or job transfer due to work-related injuries or illnesses)– a combined total of 0.51 for both divisions; 0.88 for the electric division; 0 for the water division. These rates were 1.01 for 2014 and 2.01 for 2015.
- *Lost-Time Case Rate* (a calculation describing the number of lost times cases per 100 full-time employees in any given time frame) – a combined total of 0 for both divisions; 0 for the electric division; 0 for the water division. The rates for 2014 and 2015 were 0 and 0.5 respectively.
- *Vehicle Accident Rate* (a calculation for the number of accidents per million miles driven; accidents are counted in this rate when there is employee driver fault and damage meets the monetary threshold resulting in an insurance claim.) – a combined

total of 6.78 for both divisions; 7.97 for the electric division; 5.9 for the water division. As a comparison, the vehicle accident rates were 13.13 in 2014 and 6.84 in 2015; some strides have been made. When an accident occurs, an investigation is conducted to determine the cause and will result in the action taken. There is protocol in place in terms of disciplinary steps to be implemented if there is negligence or driver fault.

The following data went into the calculations:

- A total of 756,222 consecutive hours have been worked by both divisions combined without a lost-time injury (LTI). Electric division employees contributed 250,749 of those hours, with the last lost-time injury occurring on November 19, 2015. The water division reached 505,473 hours, with the last lost-time injury occurring on November 15, 2013.
- A total of 392,459 cumulative hours were worked company-wide in 2016. 109 employees in the electric division worked 227,252 hours, and 79 employees in the water division worked 165,207 hours.
- In addition, a total of 885,155 cumulative vehicle miles were driven by employees in 114 vehicles during 2016. 376,473 miles were driven by electric division employees and 508,682 miles by water division employees.

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 February 2013 through February 2017 was reviewed. For the month of February, the residential electric rate will change to 9.403 cents per kilowatt-hour, a decrease of 1.14 percent over January's rate of 9.509 cents. This rate change is driven by TVA's Fuel Cost Adjustment.
2. The December 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 79.4 percent, as compared to 77.4 percent for the month of November. The year-to-date percentage is 80.3, compared to a budgeted percentage of 80.9 for FY 2017. The results for December are electric sales revenue of \$8,733,682, which was offset by purchased power of \$6,938,264. This resulted in an operating margin of \$1,795,418 and can be compared to a budgeted margin of \$1,496,095 for the month. Operating expenses for the month were \$1,446,036, compared to the budgeted amount of \$1,524,806. The division serviced 31,041 customers. Net income for the month was \$481,974 and can be compared to a budgeted amount of \$97,508.
3. For December 2016, water sales revenue was \$1,123,680, compared to the budgeted amount of \$1,043,896. Other revenue sources contributed an additional \$100,698 for the month. The division serviced 31,219 customers. Operating expenses for December were \$1,242,149. The division recorded an operating loss of \$17,771 and can be compared to a budgeted operating loss of \$9,253.
4. For December 2016, wastewater treatment revenue was \$1,007,109, compared to the budgeted amount of \$947,411. Other revenue sources contributed an additional \$109,517 for the month. The division serviced 18,609 customers. Operating expenses were \$937,350 and can be compared to a budgeted amount of \$893,247.

The division recorded an operating income of \$179,276, compared to the budgeted amount of \$135,327 for the month.

5. An update was provided for the Prepay program, which began in July 2016. To date, 512 customers are enrolled in the program and almost \$20,000 in bad debt has been collected. Stinnett commended Paula Wills and employees in the Customer Accounting department for taking the extra steps and time involving in answering questions and signing customers up for the program.

Electric Division

Bart Borden reported on the following:

1. The final amount of the project for the Blue Springs Road and APD-40 69 kV line design totaled \$212,724.25 and came in below the estimated amount of \$238,043.96.
2. In reference to the Harriman Road/Spring Branch Industrial Park transmission line, CU's transmission line designer completed 100 percent of the 69 kV line design from South Cleveland Substation to the proposed substation site for the Spring Branch Industrial Park. Approval for the crossing permit was received from TVA on Tuesday, January 24, 2017. The approval will now allow Cleveland Utilities to bid the required steel transmission poles for the project.
3. Cleveland Utilities is working with Cleveland State Community College representatives as they are upgrade the electrical facilities on their campus. The electrical contractor for the college began work on the installation of underground conduits and pouring the concrete pad for the new S&C pad-mounted switchgear, which will be provided by Cleveland Utilities. Photographs of the existing 1960's metering cabinet & interrupter CU has in place, equipment owned by the college, and the new concrete pad were viewed. The existing equipment is showing signs of needing to be replaced. As part of the project, the college will also be replacing their pad-mounted transformers and installing new underground primary conductors.
4. An update was provided for the Payne Gap Substation power transformer. CU's engineering department was able to work out scheduling of the transformer equipment installation with Delta Star field services. On Tuesday, January 10, Delta Star field services began work on dressing out the new power transformer. This resulted in only a few days of delay from the original date CU was informed of. After Delta Star completed their work installing the cooling radiators, cooling fans, high side bushings and lightning arrestors, CU's substation maintenance crew began the installation of the new bus work, grounding connections, control connections and verification of the equipment. Photographs of the new unit were shown. Liberty Power Service completed the majority of the required testing and acceptance of the transformer yesterday. The plan is to place load on the transformer tomorrow. Liberty Power Service will then perform their final testing on the load tap changer, and the unit will be placed in full service once the testing is complete.
5. Cleveland Utilities assisted Sevier County Electric Department for several days with the restoration of power in the Gatlinburg area after the devastating fires subsided. Eight crewman, along with two bucket trucks and two lines trucks, traveled to the area on November 30 and worked until December 5. Borden said, "It is always an honor when we can help our neighboring utilities restore power to their customers." Additionally, Borden expressed appreciation to Foreman Travis Ownby, Lead Lineman Steve Mowery, Lineman Eric Smith, Lineman Zach Trew, Foreman Al

Butler, Lead Lineman Bill Raulston, Lineman Chris Wood and Lineman Max McCann for their hard work and efforts with the mutual aid.

6. The electric service installation to the new Wendy's Restaurant on Paul Huff Parkway was completed. Crews installed 420 feet of 1/0 underground three-phase primary conductors, a 75 KVA three-phase pad-mount transformer, disconnected the temporary service and made connections for permanent service for the restaurant. The anticipated new load is 75 kW.
7. A work order was issued for permanent service to the new addition at the Bradley County Justice Center located on Blythe Avenue SE. The service installation included 270 feet of #1/0 underground three-phase primary conductors and a 150 KVA pad-mount transformer. The anticipated new load is 120 kW.
8. An update was presented on traffic lighting:
 - Engineering issued a work order to install a "Do Not Block Intersection" sign at APD-40 and McGrady Drive for the dual left turns onto McGrady Drive, due to the limited vehicle storage space between this intersection and the Young Road intersection.
 - Another work order was issued to install two "Yield to Pedestrian" signs at Peerless Road and Raider Drive. The signs are optional, but serve as an additional reminder for drivers.

Water Division

Craig Mullinax reported on the following:

1. W&O Construction began the pipe gallery access improvements project at the Cleveland Filter Plant (CFP) this week.
2. Gilispie Construction is expected to start the liquid fluoride conversion project at the CFP next week.
3. The project to paint the Bryant Drive water storage tank is 95 percent complete. Planet, Inc. has completed the exterior painting and hopes to complete the interior by Friday. The disinfection process is expected to begin on February 6 and will take around one week. If all goes as planned, the tank will be placed in service the week of February 13. During the course of this project, CU is contracting with a company out of Knoxville for a backup pumping station to assist the Dempsey Street Water Booster Pump Station if needed. This measure was taken to allow for redundancy and additional flow for fire protection. The pump has not been needed at this point, but will be available until completion of the project if necessary.
4. In reference to the 24-inch water main extension from Tasso Lane NE to the HUC Water Treatment Plant, Merkel Brothers Construction has completed the installation of approximately 10,450 feet of water main (38 percent of the project).
5. Stantec will be upgrading the Dempsey Street Water Booster Pump Station. This station, along with the Springbrook Water Booster Pump Station, serves the Bryant Drive tank and is undersized to meet the existing water demands due to growth in the area.
6. Plans and specifications for the overflow pump station modifications have been submitted to TDEC for review and approval.
7. Engineering approved plans for the following:
 - Johnston Estates, Phases 1, 2 & 3 on Johnston Road. The project will consist of 4,300 feet of 6-inch and 8-inch water main. B&D Real Estate Properties, LLC, is the developer.

- Legacy Commons on Candies Lane. The project will consist of 4 lots and 242 feet of 8-inch sanitary sewer. Barry Ray is the developer.
8. An update was provided on the Wastewater Rehabilitation Project:
 - Projects for the Wildwood and Inman SSES & Rehabilitation, Basin 31-45 (Phase 2) & Basin 10-36 (Phase 1) Rehabilitation, Wildwood & Inman Rehabilitation and Manhole Lining in Basin 31-45 & 10-36 have all been completed.
 - The project for Phase 3 of the Basin 31-45 and Basin 10-36 Rehabilitation will be presented under New Business.
 - Portland Utilities has begun fusing the bypass piping and will be working to complete the bypass line next week.
 9. The meter department set 22 meters through December 2016, compared to 25 for December 2015 and 37 for December 2014. Of the 22 meter sets, 16 were single-family homes, 2 were townhomes, 2 were apartments and 2 were commercial.
 10. The total amount of rainfall recorded at the Cleveland Filter Plant as of January 23, 2017, was 2.90 inches (2.25 inches below normal).
 11. A chart was reviewed for water demand through January 23, 2017. In December 2016, demand was 9 percent greater than the previous year, and January totals are projected at 11.5 percent higher than the same period last year.
 12. On January 15, a major 20-inch water main break occurred on Michigan Avenue Road at 1:33 a.m. The system continued to drop until 4:30 a.m., when crews were able to get the water turned off. Unfortunately, the old valves were extremely difficult to operate. Mullinax was the standby supervisor and had to call in additional manpower. A total of 9 workers, 2 crew trucks, 3 dump trucks, 2 backhoes and a track excavator were utilized. The loss of water was calculated at 2.85 million gallons. The pipe was lying next to rock and a gas line, and water was back feeding into the hole making for very difficult working conditions. The existing cast iron pipe is approximately 70 years old and was replaced with ductile iron pipe. Talley Construction completed the road restoration on Michigan Avenue Road today and did an excellent job. Mullinax explained the entire process and presented several videos and photographs of various stages of the event. The total cost of the break is not known at this point, but a work order has been issued for tracking purposes. President/CEO Henderson commended Mullinax and his crews for their efforts and working safely. Overall, the break minimally impacted very few customers. Royal Oaks Subdivision was mainly affected by the break.

NEW BUSINESS

Approval of Purchase Order with Southeastern Industrial Development Association (SEIDA)

On motion by Mayor Tom Rowland and seconded by Vice Chairman Eddie Cartwright, the Board of Public Utilities voted to approve a purchase order with Southeast Industrial Development Association (SEIDA) in the amount of \$50,978 for 2017 membership dues. This is the same amount as the membership dues for 2016. SEIDA is a regional economic development association that partners with the Tennessee Valley Authority (TVA) and twelve local power distributors. TVA reimburses CU for 50 percent of the purchase order amount. 35 percent of the total is earmarked for local economic development cost. CU's 35 percent is allocated to the local Chamber of Commerce to help offset their economic development expenditures.

Approval of Purchase Order with Waypoint Solutions

On motion by Joe Cate and seconded by Chari Buckner, the Board of Public Utilities voted to approve a purchase order with Waypoint Solutions in the amount of \$52,175.20 for equipment for the virtual server environment replacement. The items are being purchased through a State of Tennessee Contract. In 2010, CU started virtualizing safe space energy costs. The current equipment is approximately two years beyond the life expectancy. This is Phase 1 to begin the offsite disaster recovery plan, with plans to budget the remaining funds in FY 2018 to finish the offsite disaster recovery site at the Harrison Building.

Approval of Contract with Portland Utilities Construction Company LLC

On motion by Mayor Tom Rowland and seconded by Vice Chairman Eddie Cartwright, the Utility Board took action to approve a contract with Portland Utilities Construction Company LLC (PUCC) in the amount of \$2,112,971 to perform 10,015 linear feet of mainline sewer rehabilitation by pipe bursting, CIPP lining and excavation. This contract will also include renewal of 161 sewer service laterals and cleanouts and 939 vertical feet of manhole lining. This is the second SRF project performed under loan number SRF2013-310 and will be paid for through the SRF funding. This project was budgeted in the FY 2017 & FY 2018 budgets. The loan does not have loan forgiveness, but is provided a low long-term interest rate. J&H Construction submitted the low bid; however, they did not meet the minimum lining requirements. They were offered the opportunity to obtain a qualified lining subcontractor and chose to step aside. Portland Utilities submitted the next low bid.

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, February 23, 2017, 3:00 p.m.

Thursday, March 23, 2017, 3:00 p.m.

Thursday, April 27, 2017, 3:00 p.m.

Amy Ensley
Utility Board Secretary

[Signature]
Board Chairman

2/23/2017
Date