

MINUTES OF REGULAR MEETING
CLEVELAND UTILITIES BOARD
OCTOBER 26, 2017

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; Chari Buckner, Cleveland Utilities Board; Joe Cate, Cleveland Utilities Board; Tim Henderson, President/CEO; Amy Ensley, Utility Board Secretary; Walt Vineyard, Executive VP; Bart Borden, VP Electric Division; Craig Mullinax, VP Water and Wastewater; Marshall Stinnett, VP/CFO; Jimmy Isom, Electric Engineering Manager; Jamie Creekmore, Supervisor Customer Relations; Paul Harvey, GIS Technician; and Larry Bowers, *Cleveland Daily Banner*. Following the Pledge of Allegiance to the American Flag, Paul Harvey delivered the invocation.

MINUTES OF SEPTEMBER 28, 2017

On motion by Vice Chairman Eddie Cartwright and seconded by Mayor Tom Rowland, the Board of Public Utilities voted to approve the September 28, 2017, minutes as written.

MANAGER'S UPDATE AND ANNOUNCEMENTS

Offices Closed-Veterans Day & Thanksgiving Holidays

Cleveland Utilities will be closed on Friday, November 10, 2017, in observance of Veterans Day and Thursday and Friday, November 23 & 24, 2017, in recognition of Thanksgiving. Regular emergency and standby services will be maintained.

Picnic Report

The annual CU picnic held on October 19th at Fletcher Park was a success. An estimated 325 people were in attendance. Several retirees were there, as well as some members of the Utility Board / City Council and the City Manager. The weather was perfect, the food was tasty, and everyone seemed to have a good time. Henderson commended the entire team from the Administrative Services Department for their hard work on making everything come together. A brief slideshow of pictures created by Jamie Creekmore was shown.

DIVISION REPORTS

Financial

Marshall Stinnett reported on the following:

1. An update was provided for the new CU Call Center, which will be fully operational 24 hours a day, 7 days a week, beginning Monday, October 30, 2017, at 7:00 a.m. This has been a major project involving a lot of work from multiple people. A meeting was held with all call center personnel earlier this week. The staffing will fluctuate after-hours and will be adjusted as peak volume data is analyzed. It is a complete part of CU and funded by all three divisions. There are other utilities that contract out their after-hours calls, and there could be opportunities to assist others in the future with this service.
2. A chart tracking the kilowatt-hour cost in residential retail electric rates for the months of November 2013 through November 2017 was reviewed. For the month of November, the residential retail electric rate will change to 9.133 cents per kilowatt-hour, an increase of 1.84 percent over October's rate of 8.968 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.

3. The September 2017 financial and statistical statements were presented to the Utility Board. During September, the cost of purchased power as a percentage of retail sales was 78.7 percent as compared to the budgeted percentage of 80.9 for FY 2018. The results for the month were electric sales revenue of \$7,868,275, which was offset by a purchased power expense of \$6,192,498. This resulted in an operating margin of \$1,675,777. Operating expenses for the month were \$1,526,120 and can be compared to a budgeted operating expense of \$1,551,149. The division serviced 31,688 customers. The net income for the month was \$310,703, which is compared to a budgeted net income of \$402,936.
4. For September 2017, water sales revenue was \$1,298,147. Other revenue sources contributed an additional \$117,812 for the month. The division serviced 31,694 customers. Operating expenses for September totaled \$1,264,947 and can be compared to the budgeted amount of \$1,293,168. The division recorded an operating income of \$151,012, compared to the budgeted operating income of \$256,656.
5. For September 2017, wastewater treatment revenue was \$1,082,906. Other revenue sources contributed an additional \$71,725 for the month. The division serviced 18,937 customers. Operating expenses were \$917,919. The division recorded an operating income of \$236,712, which is compared to a budgeted operating income of \$207,656.

Electric Division

Jimmy Isom reported on the following:

1. The line crew has completed assembly of the two-piece, galvanized steel transmission poles for the Harriman Road/Spring Branch Industrial Park transmission line project (now the Cherokee Gateway Boulevard project). All of the material has arrived and is in stock ready to start construction of the line. The line design has been sent to the Engineering Manager and the Electric Division VP for review.
2. In reference to the new overhead line for annexation of Freewill Road to 22nd Street, the portion of line along Freewill Road and the first three spans going west on 22nd Street NW have been completed. All of the required easements have been acquired along the front of the lots facing 22nd Street NW. Tree removal and tree trimming are underway. This will allow the line to be relocated to the roadway where the equipment and poles can be accessed by CU's utility trucks from the existing street. Additionally, this will provide existing pole locations for future street lighting along 22nd Street NW. Engineering has released a work order to construct a three-phase, joint use line along New Murraytown Road starting at 22nd Street and going south for an estimated 732 feet. This portion of line will serve the newly annexed property where a proposed 30 to 50 lot underground residential subdivision is being developed. This line will also position the Electric Division for possible future annexations in the area.
3. Work continued on the Randolph Samples Road tie line project. A taller and stronger ductile iron pole was added at the intersection of Randolph Samples Road and Bates Pike due to the number and size of communications cables attached to this pole.

4. Construction of the new Lake Forest Middle School building is progressing. Engineering has been working with the school's electrician to finalize the plans for the service layouts. The transformer for the new building is anticipated to be ready for installation by the end of the year. The school campus is presently metered by a single primary metering location, and they have inquired about the possibility of metering each of the three pad-mounted transformer locations separately. This is mainly being driven by the fact that some of the smaller buildings in the back of the campus will be utilized by different county entities and will require separate billing.
5. Engineering has been working with representatives from the Omega Center International to provide service to their new Guest Lodge/IT Building at their campus on Urbane Road NE. The new building will be located directly behind the Omega Center and has a three-phase service with an estimated peak load of 189 kW. A work order has been issued to install approximately 1,600 feet of underground primary to serve the new building. The new feed is designed to provide electric service to the remaining buildings on the property once the annexation purchase has been completed with Volunteer Energy Cooperative.
6. The site/grading plans and Stormwater Pollution Prevention Plan (SWPPP) documents for the new substation site along Cherokee Gateway Boulevard near the Spring Branch Industrial Park are almost complete. Cleveland Utilities has asked for a few revisions to the existing plan which would slightly increase the pad size inside the fence, as well as increase the driveway clearances between the fence and substation structure. This would allow for easier access by the delivery trucks and cranes to set the future power transformers.
7. An update was presented on traffic lighting:
 - A work order was issued to install left turn signals with flashing yellow arrows at the intersection of Spring Place & Durkee Roads SE. The flashing yellow arrows will be added to the Spring Place Road left turns where the turn lanes are already existing. Wavetronix radar detection will also be added for the southbound and westbound approaches. This intersection is owned by Bradley County.

Water Division

Craig Mullinax reported on the following:

1. Bids for the flocculation/sedimentation basin improvements project at the Cleveland Filter Plant (CFP) were opened on September 21, 2017. Three contractors obtained plans; however, only one bid was submitted, and it was greater than the budgeted project amount of \$1.8 million. Revisions were made to the specifications, and the project is being re-bid on November 16, 2017.
2. NABCO is nearing completion of the interior lighting improvements project at the CFP. Several photographs were shown. Advanced Energy Engineering and Design (AEED) of Chattanooga was contracted for the design of the project. A total of 61 fluorescent fixtures were upgraded to LED, 15 new LED fixtures were installed and 13 exit lights were replaced. The switches were replaced with motion sensors and night lighting was installed. There are several advantages of using LED lighting. Not only do they consume

less electricity than the fluorescent lighting, they also have a longer lifespan, which will result in reduced energy and maintenance costs.

3. A pre-construction conference was held on October 24, 2017, for the Georgetown Road Water Storage Tank, Booster Pump Station and water main extension project. The project is being funded by the State Revolving Fund (SRF). The notice to proceed is effective December 11, 2017.
4. Hampton Backhoe has completed the installation of 2,826 feet of 6-inch water main along with the service transfers on Craigmiles Street and Ridgeview Drive. In addition, 1,124 feet of 6-inch water main has been installed on Cherokee Drive, but the transfer of services to the new line still remains.
5. The Savannah and Spring Street water main replacement project began yesterday, October 25. Hampton Backhoe is the contractor. The project consists of 3,355 feet of 6-inch water main.
6. CTI Engineers has completed the 5-year water tank inspections. The project included 10 tanks (both inside and outside), 2 clearwells and a backwash tank at the CFP and 2 clearwells at the Hiwassee Utilities Commission (HUC), for a total of 15 structures. A report on each of the sites was prepared, and maintenance personnel are beginning to work on the items requiring attention noted in the executive summary.
7. Stantec will be the consulting engineer for the Georgetown Road utility relocation project. This involves the widening of Georgetown Road from Davis Circle to Eureka Road. The state will be paying for all of the relocations. The details of the project are preliminary.
8. The overflow pump station modifications project is 25 percent complete. Updated pictures of the progress were presented.
9. Philip Luce is currently in the process of acquiring the easements for the 2010 annexation sewer project on APD 40. There are a total of 25 easements required for the project. Ten have been obtained to date, and eight have been promised by verbal commitment. This is a SRF project. Once the easement acquisition process is complete, the application process will then begin.
10. The 2010/2012 annexation sewer project on Benton Pike and Durkee Road will require the acquisition of 30 easements.
11. Hampton Backhoe has completed the Villa Drive sewer extension project. The scope of the project was 778 feet of 8-inch sanitary sewer.
12. Engineering is reviewing the following plans:
 - Fleeman Place on Foxfire Road. The development will consist of 4 townhouse lots, 483 feet of 6-inch water main and 427 feet of 8-inch sewer main. Phillip McManus is the developer.
 - Stone Creek Subdivision on New Murraytown Road. The development will consist of 8 lots, 1,877 feet of 8-inch water main and 1,049 feet of 8-inch sewer main. Dennis Epperson is the developer.
 - Cherokee Gateway Boulevard sanitary sewer project at Exit 20. This portion of the project will comprise 3,249 feet of 8-inch sewer main. Larry Armour is the developer.

13. The meter department set 24 meters through September 2017, compared to 37 for September 2016 and 55 for September 2015. Of the 24 meter sets, 18 were single-family homes, 2 were townhomes, 2 were apartments and 2 were commercial.

NEW BUSINESS

Approval of Purchase Order with Virginia Transformer Corporation

On motion by Vice Chairman Eddie Cartwright and seconded by Joe Cate, the Board of Public Utilities voted to approve a purchase order with Virginia Transformer Corporation in the amount of \$2,281,480.63 for the purchase of three (3) single-phase 40/53.3/66.7/74.7 MVA power transformers for the East Cleveland Primary Substation. The existing units were built in the late 50's, and one of the units failed earlier this year. Insurance will be reimbursing CU for all costs incurred from the one failed unit. This includes the labor and testing prior to it being deemed a failure, full replacement cost of the new unit (\$763,037) less the deductible, transportation, setup, testing and disposal of the old unit. Virginia Transformer was the low initial and evaluated bid. Approval of the purchase is contingent on a satisfactory evaluation of the factory by CU's staff and consultant, Fisher Arnold Engineering. In addition, Cleveland Utilities' engineering personnel will be contacting other utilities within the Tennessee Valley to obtain feedback on new units they have purchased from Virginia Transformer. A recommendation letter from Fisher Arnold was provided. Four bids were received.

The recommendation of the executive staff to purchase three transformers was based on the following factors per Borden:

- Test reports indicate the transformers were manufactured in 1956, making the units to be replaced 61 years old. The failure of one unit indicates these transformers are nearing their end of life.
- CU's insurance coverage cost is anticipated to be reduced due to the new units having a lower risk factor for potential claims.
- East Cleveland is CU's second largest substation normally serving 12,793 residential, commercial and industrial customers and is utilized to transfer load from the South Cleveland Delivery Substation.
- The anticipated cost at pre-bid was in the million dollar range per unit, which was in line with the three other bidders. The unit cost is \$164,822 lower than the next subsequent bid. This is a very good price for the size of the transformers.
- The three new units will have the same design and control system, and the impedances will be a closer match and function better together when placed in service.
- There will be only one switching procedure required to take East Cleveland Substation out of service to install the new transformers, rather than several. This will save on labor costs and additional system exposure.
- Additionally, this will reduce the risk of failure of the other transformers and resulting outages. Cleveland Utilities has always placed a high priority on system reliability for customers.

Vice Chairman Eddie Cartwright asked how the purchase will be funded since it is not a budgeted item. VP/CFO Stinnett advised some debt issuance may be necessary. An anticipated rate increase in electric was reflected in the FY 19 budget when the projections were prepared for the FY 18 budget. Funds remaining in the FY 18 and FY 19 budgets will be analyzed. Projects in the Electric Division budget will be re-prioritized, and some items may be deferred per Borden.

Approval of Purchase Order with K. Berry Construction, Inc.

On motion by Mayor Tom Rowland and seconded by Chari Buckner, the Utility Board took action to approve a purchase order with K. Berry Construction, Inc., in the amount of \$55,900 for the rehabilitation of the North ICEAS Basins Exterior Walls located at the Wastewater Treatment Plant. The project is budgeted for FY 2018.

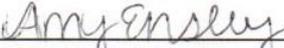
OTHER BUSINESS

Future Board Meeting Dates

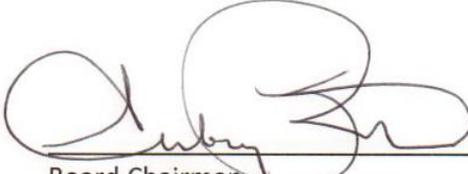
Following is a list of future board meeting dates to be held at the Tom Wheeler Training Center:

Thursday, December 7, 2017, 11:30 a.m.

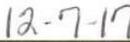
Thursday, January 4, 2018, 3:00 p.m.



Utility Board Secretary



Board Chairman



Date