

MINUTES OF REGULAR MEETING
CLEVELAND UTILITIES BOARD
APRIL 27, 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; 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, Executive VP, IT and Customer Connection; John Corum, VP Administrative Services; Jan Runyon, Assistant VP Administrative Services; Matt Fugate, Safety Supervisor; and Larry Bowers, *Cleveland Daily Banner*. Following the Pledge of Allegiance to the American Flag, Matt Fugate delivered the invocation.

MINUTES OF MARCH 23, 2017

On motion by Mayor Tom Rowland and seconded by Chari Buckner, the Board of Public Utilities voted to approve the March 23, 2017, minutes as written.

MANAGER'S UPDATE AND ANNOUNCEMENTS

Arbor Day Celebration

The local Arbor Day ceremony will be held tomorrow, April 28, 2017, at 11:00 a.m., on Hannah Drive SE. Cleveland Utilities will be recognized as a Tree Line USA utility for the 17th consecutive year.

Bradley County Relay for Life Event

The 2017 American Cancer Society Bradley County Relay for Life is scheduled for Saturday, April 29, 2017, around the Bradley County Courthouse Square. Cleveland Utilities will have a booth at the event. Henderson commended the employees for their fundraising efforts for this cause. Approximately \$5,800 has been raised so far for this year's campaign, and Cleveland Utilities has been recognized as a gold level sponsor.

Safety Benchmark Data

Administrative Services VP John Corum presented injury/accident benchmark data for 2016. Cleveland Utilities is part of a Safety Roundtable called the Big 10, which is comprised of the 10 largest utilities in the state, where data sharing takes place. Corum reminded as part of CU's Strategic Plan, the safety internal performance measures are reported on a biannual basis. In February, statistics were presented for CU's OSHA Recordable Rate (1.53); DART Rate (0.51); Lost-Time Case Rate (0); and Vehicle Accident Rate (6.78). When this data was previously reported, Board Member Chari Buckner asked how CU compared with other utilities. The benchmark data for 2016 is as follows:

OSHA Recordable Rate (utilities with electric service only) - CU's rate was 1.76 in comparison to rates of 4.30 for utility 1; 5.86 for utility 2; 6.99 for utility 3; and 3.69 for utility 4.

Lost-Time Case Rate (utilities with electric service only) – CU's rate was 0 compared to rates of 0.54 for utility 1; 0 for utility 2; 1 for utility 3; and 1.48 for utility 4.

OSHA Recordable Rate (utilities with electric, water and wastewater services) – CU's Rate was 1.53 in comparison to rates of 2.37 for utility 1; 3.93 for utility 2; and 4.64 for utility 3.

Lost-Time Case Rate (utilities with electric, water and wastewater services) – CU's rate was 0 compared to rates of 0.44 for utility 1; 0 for utility 2; and 1.16 for utility 3.

Motor Vehicle Accident (MVA) Rates – CU's total was 6.78 compared to 3.52 for utility 1; 11.18 for utility 2; 5.68 for utility 3; and 1.03 for utility 4. The mean and median of the data is 5.64 and 5.68 respectively.

The following risk mitigation strategies have been implemented as an effort to improve and be proactive in the approach to safety:

- Weekly job site visits
- Facilities inspections - March was Ladder Safety Month from the National Ladder Institute, and ladder inspections were completed. The ones in need of replacement are currently in the process of being done.
- A Lifting/Hoisting Class was held in March with an instructor from the American Crane Society. One item resulting from this class is a sling inspection and replacement program. Matt Fugate has been working diligently over the past month to ensure all of the slings are inventoried, tagged appropriately and are in good working order.
- A security audit of CU's facilities was conducted with the Cleveland Police Department earlier this month.
- The April 2017 Safety Meeting topic was Reporting Near Misses.
- An OSHA 10-Hour Training Course will be held in May at the Tom Wheeler Training Center for employees.
- Fugate is in the process of going through the National Safety Council Defensive Driving Instructor Certification program.

Contact information for John Corum and Matt Fugate was furnished. Board member Chari Buckner questioned the trend for the MVA Rate. Corum informed this number has declined over the past four years. The goal is to continue to drive those numbers down. Mayor Rowland asked about the breakdown of preventable versus non-preventable accidents. Corum informed this is tracked. Henderson advised the MVA Rates provided include both. Lastly, Buckner asked if there are any incentives offered from insurance carriers for defensive driving courses. Henderson communicated rates are based on a company's safety program, practices and past history.

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 May 2013 through May 2017 was reviewed. For the month of May, the residential electric rate will change to 9.146 cents per kilowatt-hour, an increase of 0.67 percent over April's rate of 9.085 cents. This rate change is driven by TVA's Fuel Cost Adjustment.
2. The March 2017 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 81.3 percent, as compared to 79.9 percent for the month of February. The year-to-date percentage is 80.7, compared to a budgeted percentage of 80.9 for FY 2017. The results for March are electric sales revenue of \$7,572,219, which was offset by purchased power of \$6,154,000. This resulted in an operating margin of \$1,418,219 and can be compared to a budgeted margin of \$1,526,034 for the month. Operating expenses for the month were \$1,607,121, compared to the budgeted amount of \$1,534,273. The division serviced 31,506 customers. The net loss for the month was \$38,031 and can be compared to a budgeted net income of \$119,223.

Stinnett pointed out there was a reduced load factor in the month, which is a negative sign in terms of financials. These results are a great indication the targeted rate changes implemented over the past several years are working.

3. For March 2017, water sales revenue was \$998,481, compared to the budgeted amount of \$1,031,659. Other revenue sources contributed an additional \$128,558 for the month. The division serviced 31,513 customers. Operating expenses for March were \$1,222,851. The division recorded an operating loss of \$95,812 and can be compared to a budgeted operating loss of \$26,420.
4. For March 2017, wastewater treatment revenue was \$921,549, compared to the budgeted amount of \$954,337. Other revenue sources contributed an additional \$69,525 for the month. The division serviced 18,852 customers. Operating expenses were \$937,292 and can be compared to a budgeted amount of \$902,676. The division recorded an operating income of \$53,782, compared to the budgeted operating income of \$133,417 for the month.

Electric Division

Bart Borden reported on the following:

1. The Harriman Road/Spring Branch Industrial Park transmission line project remains on hold for the delivery of the steel poles at the end of May.
2. The switchgear and metering project at Cleveland State Community College has been delayed. Cleveland State's electrical contractor, Massey Electric, has rescheduled the campus outage for May 20th and 21st to install the new electric facilities at the college.
3. Construction for Phase I of the District to Lang Street 69 kV transmission reconductor project began April 10th, with existing conductor being laid out for the placement of the new steel poles.
4. There has been a change in the Freewill Road new overhead line for the annexation area of Freewill Road to 22nd Street. Last month, Borden reported a project cost was requested from Volunteer Energy Cooperative (VEC) to construct the joint-use distribution line. The request was based on an earlier meeting in which VEC requested to design and construct the new line. Last week, VEC requested for Cleveland Utilities to design and construct the line, due to a heavy workload on their staff and crews. CU's engineering department is working on the design and will get it to construction as quickly as possible.
5. A chart for the 2016 system power outage causes was reviewed. The majority of the outages were caused by squirrels and trees. Of the 339 total outages during the year, 97 were due to squirrels, 72 resulted from trees, 56 were associated with equipment and 48 were unknown. Other outage causes include vehicle accidents (12), lightning (11), birds (12), wildlife (1), vines (12), storm/wind (7), human accidents (1), non-utility fires (2), non-utility excavation (3), other (3) and contact with a foreign object (2). Borden said, "We do have an aggressive tree trimming program, as well as a cover-up and insulating program to limit these problems. A lot of the issues are beyond our control, but we do all we can to avoid any outage."
6. The engineering department is working with the County School Board's Architect on the required changes to the primary and secondary electric facilities required to serve Lake Forest Middle School's new multi-story building and the removal of facilities, which presently serves six (6) buildings that will be demolished after completion of the building. Engineering issued a work order to install temporary service for the construction project.

7. Cleveland Utilities and Power Consulting Associates (PCA) have received the Grand Award from the American Council of Engineering Companies of Tennessee (ACEC) for work on the Industrial Park topographical survey and transmission line design that was conducted in 2016. The award was presented to employees of PCA on March 7, 2017, in Franklin, TN. The project required the use of drone technology to create a topographical map of the area, which was used to design the transmission line. ACEC is an organization of more than 110 engineering companies across the State of Tennessee. These firms employ more than 4,000 Tennesseans. Borden said, "It is an honor to be recognized by ACEC for our work jointly with PCA, and I would like to recognize Electrical Engineer Jeff Luther for his work and contribution to this award."
8. The new power transformer at Wildwood Substation was placed in service. Liberty Power Service completed the testing and commissioned the power transformer. The old unit was removed from service, placed on an adjacent pad site and serves as a spare unit.
9. An update was presented on traffic lighting:
 - CU's Traffic Signal Coordinator met with a City of Cleveland engineer on-site to discuss the installation of dual left turn lanes on Georgetown Road next to the Howard Johnson Inn for the upcoming Georgetown Road, Westside Drive and 25th Street traffic signal upgrade design. Cleveland Utilities was asked to design and install the traffic signal facilities to accommodate the new lane configuration. An additional left turn signal head will need to be added, and the vehicle detection will need to be replaced for the approach. City engineers are working to secure the final piece of the needed right-of-way, so there is not an official construction start date.
 - CU's Traffic Signal Coordinator created a design and estimate for a proposed installation of pedestrian signal heads at Keith and 20th Streets NE. The design includes 8 ped poles with countdown pedestrian heads and APS push buttons on each. The APS push buttons meet all current and proposed MUTCD standards for ADA compliance. They will have both audible and vibration feedback for the pedestrian. A grant through the Health Department would pay a portion of the \$29,317 estimate to install the pedestrian facilities.
10. A number of site plans and plats were reviewed during the month. Some of the larger developments include the Malex Properties LLC (student housing) on Greenwood Avenue NE, Ashwood Place Subdivision on Freewill Road and 22nd Street, Legacy Senior Living Center on Candies Lane NW and the Spring Branch Industrial (10 industrial lots) on Cherokee Gateway Boulevard SE. The plats and plans were available for viewing.

Water Division

Craig Mullinax reported on the following:

1. W&O Construction completed the pipe gallery access improvements project at the Cleveland Filter Plant (CFP). The final contract amount was \$363,572.
2. The contractors have completed 45 percent of the work for the liquid fluoride conversion projects at the CFP and Waterville Water Plant. The project experienced delays throughout the month due to rain.
3. A kickoff meeting was held with Jacobs on March 22, 2017, for the high service pump/electrical improvements conceptual design project at the CFP. A total of \$2.5

million has been budgeted for the project, and staff is exploring the possibility of SRF funding.

4. Earthworks has completed approximately 50 percent of the retaining wall construction at the Bryant Drive Water Storage Tank.
5. 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 24,000 feet of water main (87 percent of the project). The remaining work in the project will take around 2 months.
6. Angel Construction completed the Old Alabama Road water main extension project. The total project cost was \$124,095.
7. Hampton Backhoe is tentatively scheduled to start the water main extension consisting of 900 feet of 8-inch water main on Leadmine Valley Road the second week of May. A customer will be paying a large portion of the project. Once finished, Hampton Backhoe will then begin the water main replacement on Craigmiles Street, Ridgeview Drive and Cherokee Drive. This project will consist of 2,826 feet of 6-inch water main.
8. A notice of funding was received from the State Revolving Fund (SRF) on projects for the 2010 annexation sewer on APD-40 and the 2010/2012 annexation on Benton Pike & Durkee Road. When the plans are complete, they will be sent to the SRF to proceed with the loan process. The loans will be low interest and include loan forgiveness with 30-year terms.
9. Engineering is reviewing plans for the revision of lots 3 and 4 in Stonebriar Subdivision on Old Tasso Road. The scope of the project is 215 feet of 8-inch sewer main.
10. An update was provided for the Wastewater Rehabilitation Project:
 - Westco has performed approximately 8,500 feet of clearing along sewer main easements.
 - In reference to the Basin 10A-8 SSES project, around 275,000 feet of smoke testing has been completed. CCTV work is ongoing, and an estimated 60,000 feet has been completed to date. Manhole inspections are complete except for some that have been paved over.
 - The Candies Creek Force Main replacement project along Paul Huff Parkway is nearing completion. The line was placed in service on April 20, 2017. Remaining items include cleanup, fence restoration and removal of the bypass line.
 - A notice to proceed will be issued May 1, 2017, for the 2017 Rehabilitation project.
11. The meter department set 44 meters through March 2017, compared to 29 for March 2016 and 32 for March 2015. Of the 44 meter sets, 33 were single-family homes, 9 were apartments and 2 were commercial.
12. The total amount of rainfall recorded at the Cleveland Filter Plant thru April 23, 2017, was 19.30 inches for the year. Today, there was .30 inches of rainfall, bringing the year-to-date total to 19.60 inches. As a comparison, the average is 19.51 inches.

NEW BUSINESS

Updated Rules & Regulations

On motion by Vice Chairman Eddie Cartwright and seconded by Joe Cate, the Board of Public Utilities took action to approve CU's updated Rules and Regulations. The last

revision occurred in 2015. This new update includes TVA's Complaint Resolution Process, which was requested by TVA.

Approval of Purchase Order with Terex Utilities

On motion by Mayor Tom Rowland and seconded by Chari Buckner, the Utility Board took action to approve a purchase order with Terex Utilities in the amount of \$247,186 for a bucket truck to replace Unit #107. The new truck will be a 2018 Freightliner M2 106 4x2 chassis equipped with a Terex Hi-Ranger TC65 insulated aerial device. This unit will provide a working height of 70 feet and a side reach of 41.8 feet. Terex Utilities submitted the low bid meeting all specifications, and this is a budgeted item. The existing unit will be sold on GovDeals in an effort to receive a better return from a sell versus a trade.

Approval of Bid Award to W&O Construction Company, Inc.

On motion by Chari Buckner and seconded by Mayor Tom Rowland, the Board of Public Utilities voted to award the bid for the Peak Wastewater Flow Diversion Pumping Station Modifications to W&O Construction Company, Inc. of Livingston, TN, in the amount of \$754,600. This project was budgeted for FY 2017 & FY 2018. The total budget amount is \$1,098,750, with the Engineer's construction estimate of \$830,000.

Approval of Resolution 2017-01

On motion by Mayor Tom Rowland and seconded by Vice Chairman Eddie Cartwright, the Board of Public Utilities voted to approve Resolution No. 2017-01 authorizing the President and CEO to act on behalf of the Board and City of Cleveland to file an application with TDEC SRF for a \$1,000,000 loan which includes \$200,000 in loan forgiveness for the Georgetown Road Water System Improvements Project. The project was budgeted for FY 2018 in the amount of \$1,150,000.

Approval of Resolution 2017-02

On motion by Joe Cate and seconded by Vice Chairman Eddie Cartwright, the Utility Board took action to approve Resolution No. 2017-02 authorizing the President and CEO to act on behalf of the Board and City of Cleveland to file an application with TDEC SRF for a \$195,000 loan for the Georgetown Road Water System Improvements Project. The project was budgeted for FY 2018 in the amount of \$1,150,000.

Wastewater Treatment Plant Discharge Permit NPDES Permit No. TN0024121

The State of Tennessee Division of Water Resources issued the National Pollutant Discharge Elimination System (NPDES) permit for the Wastewater Treatment Plant. This permit is very significant. It details the requirements for the operation of the entire collection system and requires very stringent criteria be met before wastewater is discharged into the Hiwassee River. The process is very extensive and lengthy. Mullinax commended the staff involved for their hard work in getting this accomplished. There were some modifications to the permit in which staff felt would pose no issues in meeting. NPDES Permit TN0024121 becomes effective on June 1, 2017, and will expire on April 30, 2022.

OTHER BUSINESS

Future Board Meeting Dates

Discussion was held about the next regularly scheduled board meeting date of May 25, 2017. Tim Henderson advised he would be on vacation that day and informed Walt Vineyard could fill in during his absence or proposed alternate dates of May 18 or June 1. Board members agreed May 25 would work best with their schedules. Following is a list of future board meeting dates to be held at the Tom Wheeler Training Center:

Thursday, May 25, 2017, 3:00 p.m.

Thursday, June 22, 2017, 3:00 p.m.

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

Amy Ensley
Utility Board Secretary

[Signature]
Board Chairman

5/25/17
Date