

MINUTES OF REGULAR MEETING
CLEVELAND UTILITIES BOARD
MAY 25, 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; Walt Vineyard, Executive VP, IT and Customer Connection; Amy Ensley, Utility Board Secretary; Marshall Stinnett, VP/CFO; Craig Mullinax, Water and Wastewater VP; John Corum, VP Administrative Services; Jan Runyon, Assistant VP Administrative Services; Dean Watson, Electric Operations Manager; Dalton Montgomery, Apprentice Lineman; Matt Rymer, Apprentice Lineman; and Larry Bowers, *Cleveland Daily Banner*. Following the Pledge of Allegiance to the American Flag, Matt Rymer delivered the invocation.

MINUTES OF APRIL 27, 2017

On motion by Mayor Tom Rowland and seconded by Chari Buckner, the Board of Public Utilities voted to approve the April 27, 2017, minutes as written.

MANAGER'S UPDATE AND ANNOUNCEMENTS

Memorial Day Holiday

Cleveland Utilities will be closed on Monday, May 29, 2017, in observance of Memorial Day. Regular emergency and standby services will be maintained.

Introduction of Employees

Executive VP Walt Vineyard introduced employees Dalton Montgomery and Matt Rymer. Both are Apprentice Linemen in the Line Department and will be recognized under the Electric Division Report for a recent achievement. Montgomery has been with Cleveland Utilities a little over a year, and Rymer is a 10-year employee of the CU family.

Recent Power Outage Clarification

A power outage was experienced on CU's system Saturday, May 20, affecting 2,800 customers. An article in the *Cleveland Daily Banner* originally reported there were 28,000 impacted, which would be the majority of CU's customers. Another article was published today with the corrected customer count.

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 June 2013 through June 2017 was reviewed. For the month of June, the residential electric rate will change to 9.890 cents per kilowatt-hour, an increase of 8.13 percent over May's rate of 9.146 cents. This rate change is driven by TVA's Fuel Cost Adjustment, as well as the adjustment from a transition month rate to a summer month rate.
2. The April 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 78.7 percent, as compared to 81.3 percent for the month of March. The year-to-date percentage is 80.6, compared to a budgeted percentage of 80.9 for FY 2017. The results for April are electric sales revenue of \$6,924,506, which was offset

by purchased power of \$5,451,213. This resulted in an operating margin of \$1,473,293 and can be compared to a budgeted margin of \$1,438,215 for the month. Operating expenses for the month were \$1,481,684, compared to the budgeted amount of \$1,539,007. The division serviced 31,308 customers. The net income for the month was \$126,565 and can be compared to a budgeted net income of \$23,025. The net income for the year-to-date is \$2,895,299, compared to the budgeted net income of \$2,301,825.

3. For April 2017, water sales revenue was \$1,087,611, compared to the budgeted amount of \$1,107,267. Other revenue sources contributed an additional \$106,354 for the month. The division serviced 31,362 customers. Operating expenses for April were \$1,200,358. The division recorded an operating loss of \$6,393 and can be compared to a budgeted operating income of \$30,898. The net income for the year-to-date is \$1,236,742, compared to the budgeted amount of \$857,527.
4. For April 2017, wastewater treatment revenue was \$1,010,046, compared to the budgeted amount of \$991,583. Other revenue sources contributed an additional \$60,438 for the month. The division serviced 18,686 customers. Operating expenses were \$928,199 and can be compared to a budgeted amount of \$914,127. The division recorded an operating income of \$142,285, compared to the budgeted operating income of \$162,404 for the month. The net income for the year-to-date is \$1,805,364, compared to the budgeted figure of \$1,769,358.

Electric Division

Dean Watson reported on the following:

1. Employees Dalton Montgomery and Matt Rymer were recognized for the accomplishment of the first steps in the Tennessee Valley Public Power Association's (TVPPA) Lineman Apprentice Program, which they are currently enrolled. Both transferred from the Water Division in October of 2016 as 1st Year Apprentice Linemen. The TVPPA program is an extensive 4-year training course covering all aspects of line work with correspondence material, labs and individual testing. The men have already completed the Pre-Apprentice Assessment Workshop, which is a week-long intensive program that includes both class time and hands-on instruction, with an emphasis on climbing and safety. Additionally, they just completed the Unit 1 Self-Study Module consisting of 10 separate lesson plans, each with written tests to demonstrate their knowledge of the material. Unit 1 completion certificates were presented to each. Watson said, "Both men show great promise, and we look forward to seeing the linemen they become." Jan Runyon added they were chosen out of 13 applicants and went through various testing, including physical ability.
2. The Harriman Road/Spring Branch Industrial Park transmission line project remains on hold for the delivery of the steel poles at the end of this month.
3. The switchgear and metering project at Cleveland State Community College has been postponed by Cleveland State's electrical contractor, Massey Electric, due to material delivery issues. The outage has tentatively been rescheduled for June 3, pending a firm material delivery date.
4. Construction is underway for Phase I of the District to Lang Street 69 kV transmission reconductor project. All layout work has been completed on the existing 13.2 KV underbuild facilities, and the new steel poles have been sleeved together and are now being set at their designated locations.
5. All necessary materials have been ordered for the Freewill Road new overhead line for the annexation of Freewill Road to 22nd Street project. The work order has been

- issued to construction, and right-of-way clearing and the necessary tree trimming have begun in preparation for the new line construction work to commence.
6. The new SunTrust Bank at the Mouse Creek Crossing Development is currently under construction at the corner of Peerless Road and Paul Huff Parkway. The facility will have an anticipated load of 20 to 30 KW, utilize a 120/208 volt, 3-phase, 400 amp service and will be served out of an existing 300 KVA pad-mount transformer.
 7. Cleveland Utilities received notification the Electric Division had been awarded the Reliable Public Power Diamond Level award (the RP3 highest designation level for the current 3-year term). The program recognizes utilities demonstrating high proficiency in reliability, safety, workforce development and system improvement. Criteria within each of the four core areas are based upon sound business and recognized industry leading practices. CU engineering personnel attended the formal presentation at the American Public Power Association's Engineering & Operations Technical Spring Conference in San Antonio, Texas, to accept the award. A large amount of time and effort was required by a number of Electric Division employees to complete the extensive application and resulted in a final score of 100 by the 18-member evaluating committee. Cleveland Utilities joined 75 other designees from across the country in the Diamond Level category. Walt Vineyard added, "We are very proud to have achieved this award, and this is the second time we have received the Diamond Level designation."
 8. The East Cleveland Primary Substation tripped offline at 5:07 a.m. on Saturday, May 13, resulting in a power outage for 13,073 CU electric customers. The outage lasted 1 ½ hours and affected seven of CU's 14 distribution substations. Protective relays tripped both TVA 161 KV breakers that feed Cleveland Utilities' bank to isolate the fault. After no indications of the cause for the outage were found, the station was returned to service with a reduced load. Later the same evening at 7:02 p.m., the station tripped offline for the second time, resulting in a power outage for 5,861 electric customers served out of two distribution substations. A decision was quickly made to transfer all remaining load to the South Cleveland Primary Substation, and the required switching was completed within one hour and 45 minutes.

Subsequent testing revealed high levels of combustible gases in the East Cleveland C-phase transformer. Additional testing by Liberty Power Service revealed internal damage to the windings that were a clear indication of an internal failure. Pictures were displayed showing the movement that had occurred within the windings, the deformity of the laminations and the misplacement of the blocks and spacers, which would normally be very uniform and symmetrical. Work then shifted to the spare unit, and a complete battery of tests were performed to ensure the unit's integrity. The spare, along with the two remaining units, were energized the morning of May 22, 2017. Current plans call for load to be added on Tuesday, May 30, to allow final testing, and arrangements will then be made to return the station to full-time service. CU engineering personnel have already begun the process of gathering information and cost estimates for the possible rewinding of the damaged unit versus the purchase of a new transformer. The transformer is approaching 60 years in age. VP/CFO Stinnett advised an insurance claim has been opened for the transformer. On a positive note, the insurance coverage for CU was changed to full replacement costs around seven years ago. Stinnett also pointed out having a sufficient amount of cash reserves is very positive when these type situations occur because CU will

have to fund the transformer purchase or rewind before the insurance reimbursement is received.

9. An update was presented on traffic lighting:
 - Timing changes were programmed and initiated by CU's Traffic Signal Coordinator at the intersection of Stuart Road and Keith Street. The changes primarily affected the westbound traffic after the conclusion of the middle and late services at First Baptist Church. Westbound traffic max times now approach 60 seconds during these two peak times, allowing for better traffic flow without negatively affecting the other three traffic movements.
10. During the month of April, peak shaving resulted in a reduction of 3,208 KW from the recorded peak of 163,230 KW, resulting in a cost avoidance of \$22,330.75 and a year-to-date cost avoidance of \$125,674.36.
11. There were seven site plans and two plats submitted for review during the month of April. The most notable being the new Adkisson Drive apartments, the fire hall on Westland Drive, the Cleveland Student Community apartments on Greenwood Avenue and the Spring Branch Industrial Park off Cherokee Gateway Boulevard SE. The plats and plans were available for viewing.

Water Division

Craig Mullinax reported on the following:

1. Plans and specifications for the flocculation/sedimentation basin improvements at the Cleveland Filter Plant (CFP) were approved by the Tennessee Department of Environment and Conservation (TDEC). The bid date is dependent upon the completion of the repairs to both clarifiers at the Hiwassee Utilities Commission (HUC). There are problems with the clarifiers, and the repairs have been deemed as a priority. The bid has been awarded to the contractor, and work is expected to begin the first week in June and be completed by the end of September. As part of the project, the plant capacity will be reduced. CU's purchased capacity from HUC will be around 4 million gallons per day (mgd). The remaining capacity will come from the CFP (7 to 8 mgd), Eastside Utilities (2 mgd) and Waterville Water Plant (1.4 mgd).
2. A bid date for the interior lighting improvements project at the CFP has been scheduled for June 1, 2017. \$35,000 has been budgeted for this project and will include the conversion of 76 fixtures to more energy efficient lighting, as well as the installation of 18 new fixtures, 20 exit/emergency lights and motion sensors around the plant.
3. Angel Construction has completed 90 percent of the work for the liquid fluoride conversion and other projects at the Waterville Water Plant. The plant is expected to be online in two weeks.
4. Earthworks has completed the construction of the retaining wall at the Bryant Drive Water Storage Tank. Quality Fence Company will be replacing 400 feet of deteriorating fencing around the tank at a contract cost of \$10,213. The existing gate is in good condition and will not have to be replaced.
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 26,300 feet of water main (95 percent of the project). The tie-in to the existing line at the HUC took place on Tuesday, May 23. Remaining in the project is the installation of approximately 1,200 feet of 24-inch pipe along Old

- Charleston Road, 600 feet of which is located in the pavement. Once finished, the line will be filled, tested and placed in service.
6. Hampton Backhoe is tentatively scheduled to begin the water main projects on Leadmine Valley Road and Craigmiles Street, Ridgeview Drive and Cherokee Drive on June 5, 2017.
 7. The notice to proceed for the overflow pump station modifications project is effective August 1, 2017.
 8. Engineering is reviewing plans for the following:
 - Ashwood Place Subdivision on Freewill Road at 22nd Street. The development will consist of 26 lots and 1,084 feet of 8-inch water main. Mitchell and Sherra Kinder are the developers.
 - Buckner Farms Subdivision on Lead Mine Valley Road. This 14-lot development will comprise 615 feet of 6-inch and 2-inch water main. Dennis Botts is the developer.
 - The Grove at Hardwick Farms (41 lots) on North Lee Highway at Tasso Lane. Tom Cate is the developer.
 9. Engineering approved plans for the Spring Branch Industrial Park on Cherokee Gateway Boulevard. The scope of the project is extensive: 5,800 feet of 8-inch, 10-inch and 12-inch sewer main; 9,440 feet of 8-inch force main; 11,700 feet of 8-inch and 12-inch water main; and 1 sewage pumping station.
 10. An update was provided for the Wastewater Rehabilitation Project:
 - In reference to the Basin 10A-8 SSES project, CCTV work is ongoing with 3 crews currently performing work. An estimated 68,000 feet (12.9 miles) has been completed to date. The contractor will be inspecting 466 sewer service laterals.
 - The Candies Creek Force Main replacement project along Paul Huff Parkway is final except for the cleanup on one property.
 - Portland Utilities was selected as the contractor for the 2017 Rehabilitation project with a bid price of \$2,112,971. The manhole contractor will begin the lining of 101 manholes on June 5. CIPP lining of 9,730 feet of sewer main is scheduled to begin May 30 on Twin Brook Drive in the South Meade Subdivision. Also, 165 laterals will be lined by the lateral lining contractor starting June 5.
 11. The meter department set 25 meters through April 2017, compared to 44 for April 2016 and 34 for April 2015. Of the 25 meter sets, 17 were single-family homes, 2 were duplexes, 3 were apartments and 3 were commercial.
 12. The total amount of rainfall recorded at the Cleveland Filter Plant thru May 23, 2017, was 24.15 inches for the year. There was 1.18 inches of rainfall yesterday, bringing the year-to-date total to 25.33 inches. As a comparison, the average is 23.85 inches.

NEW BUSINESS

Engagement Letter for Fiscal Year 2017 Audit

On motion by Joe Cate and seconded by Vice Chairman Eddie Cartwright, the Utility Board voted to approve an engagement letter to audit Cleveland Utilities' accounts for the year ending June 30, 2017, for the contract amount of \$36,000 with the certified public accounting firm of Arnett, Kirksey, Kimsey, Sullivan, Lay & Hall, PLLC. There was no increase in price from 2016.

Approval of Purchase Order with WESCO

On motion by Mayor Tom Rowland and seconded by Chari Buckner, the Utility Board took action to approve a purchase order with WESCO in the amount of \$99,840 for 768 form 2S, 240 volt, class 200 AMI electric meters with service disconnect modules to replenish stock inventory. WESCO is the sole authorized distributor for Elster's AMI electric meters.

Approval of Purchase Order with Vermeer

On motion by Chari Buckner and seconded by Vice Chairman Eddie Cartwright, the Board of Public Utilities voted to approve a purchase order with Vermeer in the amount of \$51,457 for a 2017 McLaughlin VX30, 500-gallon diesel series trailer-mounted vacuum excavator. This unit will be used to expose existing utilities prior to installing conduit with the boring machine and will drastically reduce the labor hours involved in this process, which has traditionally been done by hand digging or potholing. The desired unit was made by Vermeer, and the purchase is being made through Vermeer's National Joint Power Alliance (NJPA) contract. This is a budgeted item.

OTHER BUSINESS

Future Board Meeting Dates

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

- Friday, June 30, 2017, 12:00 p.m.
- Thursday, July 27, 2017, 3:00 p.m.
- Thursday, August 24, 2017, 3:00 p.m.

Acknowledgment

Vice Chairman Eddie Cartwright announced one last business item. Board Member Chari Buckner's daughter, Paris, was recently selected as most athletic. Everyone congratulated her on this honor.

Amy Ensley
Utility Board Secretary

[Signature]
Board Chairman

6/30/17
Date