

MINUTES OF REGULAR MEETING
CLEVELAND UTILITIES BOARD
JUNE 30, 2017

The Board of Public Utilities met at 12:00 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; Amy Ensley, Utility Board Secretary; Bart Borden, VP Electric Division; Marshall Stinnett, VP/CFO; Craig Mullinax, Water and Wastewater VP; John Corum, VP Administrative Services; Jan Runyon, Assistant VP Administrative Services; Joe Bafford, Chief Operator; Joe Fivas, City Manager; and Larry Bowers, *Cleveland Daily Banner*. Following the Pledge of Allegiance to the American Flag, Joe Bafford delivered the invocation.

MOMENT OF SILENCE

A moment of silence was held in recognition of the passing of James “Jim” Henderson, Tim Henderson’s father.

MINUTES OF MAY 25, 2017

On motion by Mayor Tom Rowland and seconded by Vice Chairman Eddie Cartwright, the Board of Public Utilities voted to approve the May 25, 2017, minutes as written.

MANAGER’S UPDATE AND ANNOUNCEMENTS

Memorial Day Holiday

Amy Ensley announced Cleveland Utilities will be closed on Tuesday, July 4, 2017, in observance of Independence Day. Regular emergency and standby services will be maintained.

Call Center Update

An update on the progress of CU’s new Call Center was presented by VP/CFO Marshall Stinnett. The room setup is nearing completion, and interviews are currently being scheduled for the new employees. Board members were invited to tour the Call Center after the next board meeting.

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 July 2013 through July 2017 was reviewed. For the month of July, the residential electric rate will change to 10.089 cents per kilowatt-hour, an increase of 2.01 percent over June’s rate of 9.890 cents. This rate change is driven by TVA’s Fuel Cost Adjustment.
2. The May 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 80.7 percent, as compared to 78.7 percent for the month of April. The year-to-date percentage is 80.6, compared to a budgeted percentage of 80.9 for FY 2017. The results for May are electric sales revenue of \$7,640,981, which was offset by purchased power of \$6,163,895. This resulted in an operating margin of \$1,477,086 and can be compared to a budgeted margin of \$1,404,266 for the month. Operating

expenses for the month were \$1,564,203, compared to the budgeted amount of \$1,543,740. The division serviced 31,619 customers. The net income for the month was \$63,319 and can be compared to a budgeted net loss of \$17,066. The net income for the year-to-date is \$2,958,619, compared to the budgeted net income of \$2,284,761.

3. For May 2017, water sales revenue was \$1,132,848, compared to the budgeted amount of \$1,175,982. Other revenue sources contributed an additional \$123,188 for the month. The division serviced 31,635 customers. Operating expenses for May were \$1,219,827. The division recorded an operating income of \$36,209 and can be compared to a budgeted operating income of \$82,658. The net income for the year-to-date is \$1,272,955, compared to the budgeted amount of \$940,185.
4. For May 2017, wastewater treatment revenue was \$1,028,998, compared to the budgeted amount of \$983,642. Other revenue sources contributed an additional \$71,615 for the month. The division serviced 18,903 customers. Operating expenses were \$922,432 and can be compared to a budgeted amount of \$916,559. The division recorded an operating income of \$178,181, compared to the budgeted operating income of \$151,351 for the month. The net income for the year-to-date is \$1,983,545, compared to the budgeted figure of \$1,920,700.

Electric Division

Bart Borden reported on the following:

1. The Harriman Road/Spring Branch Industrial Park transmission line project remains on hold due to the delivery of the steel poles being delayed until July 17. The manufacturer took one month to supply the approval drawings, which delayed the delivery. All future requests for bids to provide materials requiring approval drawings will require the vendor to quote the approval drawing delivery and material delivery from receipt point of approval drawings from Cleveland Utilities to prevent this type of delay in the future.
2. An update was provided for the Cleveland State Community College switchgear and metering project. On June 10, Cleveland State's electrical contractor, Massey Electric, and a CU line crew converted a section of the contractor installed underground electric feed to the new VISTA pad-mounted switchgear at the college. The remaining sections of the underground feeds were converted on June 24. This completes the conversion of the underground feeds to the VISTA gear. Cleveland Utilities will now remove the old overhead facilities, primary metering and switchgear.
3. A great deal of construction work was completed during the month for Phase I of the District to Lang Street 69 kV transmission reconductor project. All of the steel 69 kV poles with 13 kV underbuild were set and framed. The line is progressing very well. Weather has been a hampering factor over the last several weeks.
4. The work order design for the Freewill Road New Overhead Line for Annexation of Freewill Road to 22nd Street was completed in May and issued to CU crews for construction. All of the required materials were obtained and construction began mid-month. This project was also slowed by the recent rains.
5. Engineering issued a work order to install a new tie line on Randolph Samples Road from Minnis Road to Bates Pike. This section of distribution line is 2,126 linear feet and will consist of 7,016 feet of 795 MCM AAC primary conductor and 2,339 feet of 336 MCM AAC neutral conductor. The tie line will serve to switch loads between Chatata Creek circuit C-214 and Ocoee circuit O-214.

6. The Engineering Department is working with Tri-Con Building Contractor to provide permanent electric service to 11 apartments for Lee University located on Walker Street. Underground primary and a pad-mount transformer will be required. The anticipated load is 80 kW.
7. Engineering is also working with the home office for Hickory Springs Manufacturing, located in Hickory, North Carolina, to install new manufacturing equipment at their facility located at 2201 Blue Springs Road. The new equipment requires 277/480 volt three-phase power. The building is currently being fed at two locations with three-phase 120/240 volt services and a combined peak load of 120 kW. Engineering is waiting on the electric load report to begin design work for the new service.
8. Engineering and Operations personnel have been working jointly to investigate the rebuilding or replacement of the failed East Cleveland Primary Substation power transformer. It has been determined that none of the rebuilders provided by CU's insurance company can rebuild the unit. Some were limited by the size of the transformer they could rebuild; others could not rebuild the unit as designed. Staff is presently working with ABB to determine the cost for this unit to be rebuilt in St. Louis, Missouri. ABB stated a rebuilt unit will increase the no load losses by 5 to 10 percent. This added system cost and the rebuild cost will be compared to the cost of a new unit. The professional consulting services of Fisher and Arnold, located in Memphis, Tennessee, have been obtained to assist with the preparation of the power transformer specifications. Once the specifications are completed, bids will be requested from approved suppliers.
9. The Electric Operations Department updated the existing TVA Emergency Load Curtailment Plan (ELCP) to reflect changes from TVA and also updated the available in-house lighting curtailment. All contact information was reviewed and changes were made. TVA initiated an ELCP call drill on June 7, and employees from Engineering and Operations responded to each of the calls as required. This plan and drill are NERC requirements for TVA and involves all local power companies to comply.
10. An update was presented on traffic lighting:
 - The Engineering Department changed the timing along Keith Street, from Paul Huff Parkway to Ocoee Crossing, on Saturdays and Sundays based on real-time traffic data collected from the Wavetronix radar sensors. The data can be monitored on an hourly basis to make adjustments to the plans as necessary.
 - Engineering issued a work order to install pedestrian signal heads and APS push buttons at the intersection of Keith and 20th Streets. The material was bid and ordered with a requested delivery of mid-June because of a June 30 deadline for the partial grant funding. All of the materials have been received, and the project is moving forward.
11. There were several site plans and plats submitted for review during the month. The most notable being Timber Creek Phase 3 and the Weeks Horizon Townhomes. The plats and plans were available for viewing.

Water Division

Craig Mullinax reported on the following:

1. The bid date for the headworks rehabilitation project at the Wastewater Treatment Plant is scheduled for August 8, 2017. \$1.9 million has been budgeted in fiscal year 2018 for the project.

2. The flocculation/sedimentation basin improvements project at the Cleveland Filter Plant (CFP) is on hold due to the Superpulsator repair project at the Hiwassee Utilities Commission (HUC). HUC will be at a reduced capacity until the completion of the Superpulsator project, which is estimated to take 12 to 14 weeks.
3. In reference to the 24-inch water main extension from Tasso Lane NE to the HUC Water Treatment Plant, the installation of the water line is complete (27,550 feet). Testing of the line is underway and will be placed in service upon completion. The entire project consists of 7.6 miles of 20-inch water main and 7.5 miles of 24-inch water main at a total project cost of \$9.3 million.
4. The State Revolving Fund (SRF) approved funding in the amount of \$1,195,000 for the Georgetown Road Water Storage Tank, Booster Pump Station and Water Main Extension project on June 22, 2017. This project includes the construction of a 500,000 gallon concrete storage tank off of Georgetown Road, a 600 gallon per minute water booster station, installation of 3,000 feet of 12-inch ductile iron pipe along Georgetown Road, as well as an additional 1,000 feet of line on Georgetown Circle. The first loan is for \$1,000,000. It will be funded with an \$800,000 loan and \$200,000 in principal forgiveness that will not have to be repaid. The second loan is for \$195,000. Both loans will have 20-year terms with an interest rate of 1.60 percent.
5. Hampton Backhoe has installed 778 feet of 6-inch water main for the Craigmiles Street, Ridgeview Drive and Cherokee Drive water main replacement project. The project scope is 2,826 feet.
6. The Lead Mine Valley Road water main extension project has been completed. 1,125 feet of 8-inch water main was installed, and the project was extended by 225 feet at the request of the developer. The project exceeded the contract amount by \$5,053 as a result of the line extension, which the developer will pay.
7. Engineering is reviewing plans for The Enclave at Weeks Drive (58 lots). The scope of the project is 2,173 feet of 8-inch water main and 1,800 feet of 8-inch sewer main.
8. Engineering approved plans for 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 and 1,707 feet of 8-inch sewer main. Mitchell and Sherra Kinder are the developers.
9. The following developments are under construction:
 - The Grove at Hardwicks Farms on North Lee Highway at Tasso Lane (41 lots). The project scope is 2,222 feet of 6-inch and 8-inch water main and 2,190 feet of 8-inch sewer main. Tom Cate is the developer, and Hampton Backhoe is the contractor.
 - The new expansion at Lake Forest Middle School on Kile Lake Road. The project will consist of 3,750 feet of 8-inch water main. Hampton Backhoe is also the contractor for this project. Bradley County Board of Education is the developer.
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 132,473 feet (25.1 miles) has been completed to date, and 466 of the sewer service laterals have been inspected.
 - Portland Utilities has lined 35 main line sewer sections totaling 7,558 feet for the 2017 Rehabilitation Project, Basin 31-45 & 10-36. In addition, the manhole contractor has rehabilitated 31 manholes. Three laterals have been excavated, and the dig contractor is currently installing cleanouts.

11. The meter department set 25 meters through May 2017, compared to 13 for May 2016 and 33 for May 2015. Of the 25 meter sets, 18 were single-family homes, 1 was a townhome, 2 were irrigation and 4 were commercial.
12. The total amount of rainfall recorded at the Cleveland Filter Plant thru June 28, 2017, was 30.64 inches for the year. As a comparison, the average is 28.69 inches.

NEW BUSINESS

Approval of OPEB Trust Plan Document

On motion by Vice Chairman Eddie Cartwright and seconded by Joe Cate, the Utility Board voted to approve CU's Other Post-Employment Benefits (OPEB) Trust Plan Document.

This plan document was created by USI Consulting and follows the guidelines of the state. It describes in detail what is provided as a benefit to employees when they retire. The next step in the process is the creation of the funding policy for the trust.

Approval of CU Internal Control Manual

On motion by Mayor Tom Rowland and seconded by Chari Buckner, the Utility Board took action to approve Cleveland Utilities' Internal Control Manual. Last year, the state enacted a new law requiring any municipality to have a documented internal control manual functioned around financial reporting, receivables, payables and operational security of assets. In 2016, CU documented those in the form of walk-throughs. The state commented they would like to see a formal internal control manual establishing the defined risks, controls associated with those risks and procedures for testing.

Approval of Property Liability and Workers' Compensation Insurance for FY 2018

On motion by Joe Cate and seconded by Mayor Tom Rowland, the Utility Board took action to approve property, casualty, and workers' compensation insurance from July 1, 2017, and ending June 30, 2018, with Distributors Insurance Company for a premium of \$890,213. There is a reduction in premium of approximately \$15,000 from fiscal year 2017, even though there was a large transformer claim in the previous year and an upcoming transformer claim in the next fiscal year. Distributors Insurance Company is a wholly-owned subsidiary of the Tennessee Valley Public Power Association, Inc.

Approval of Purchase Order with Anderson Lumber Company, LLC

On motion by Mayor Tom Rowland and seconded by Chari Buckner, the Utility Board voted to approve a purchase order with Anderson Lumber Company, LLC in the amount of \$103,780.50 for the replacement of both the roof and roof insulation at the Harrison Building on Freewill Road. The existing roof is aged and leaking and has been patched and repaired repeatedly since the purchase of the property. This project is budgeted. Lewis Group Architects provided the minimum specifications for the project. After public advertisement, only one bid was received; however, the proposal met all requirements and is within the budgeted amount. In addition, the architect checked references on Anderson Lumber Company, LLC as a roofing provider, and very positive reviews and comments were received.

Approval of Purchase Order with Wilder Contracting, LLC

On motion by Vice Chairman Eddie Cartwright and seconded by Joe Cate, the Board of Public Utilities approved a purchase order with Wilder Contracting, LLC in the amount of \$366,000 for the expansion of the Cleveland Utilities Maintenance Building. The expansion will include an addition of approximately 5,100 square feet of warehouse space, replacement of a leaking roof, installation of a new paint booth and a wash recovery bay. Cleveland Utilities Operations Department personnel worked with Rardin & Carroll Architects, Inc. on the design and bidding of the project. Three bids were received, and Wilder Contracting returned the low bid with an acceptable completion date. This is a

budgeted project. Borden pointed out this is a 1970's building that is being expanded, and the customer base has more than doubled since it was built, as well as the requirements for space to operate.

Approval of Purchase Order with Jackie Evans Trucking Company

On motion by Vice Chairman Eddie Cartwright and seconded by Chari Buckner, the Utility Board voted to approve a purchase order with Jackie Evans Trucking Company in the amount not to exceed \$116,250 for the removal of alum sludge, approximately 750 loads, from the Cleveland Filter Plant. The service period is from July 1, 2017, to June 30, 2018. The work is budgeted for FY 2018. This is the renewal of an ongoing agreement.

Approval of Purchase Order with Vulcan Materials Company

On motion by Mayor Tom Rowland and seconded by Chari Buckner, the Board of Public Utilities took action to approve a purchase order with Vulcan Materials Company in the amount not to exceed \$90,000 for the purchase of stone backfill. The purchase period is from July 1, 2017, to June 30, 2018. The stone backfill is budgeted for FY 2018.

Approval of Purchase Order with Allied Universal Corporation

On motion by Joe Cate and seconded by Vice Chairman Eddie Cartwright, the Utility Board voted to approve a purchase order with Allied Universal Corporation in the amount of \$182,165 for the annual purchase of chlorine gas and sulfur dioxide. Chlorine will be used at the Cleveland Filter Plant, Waterville Springs, Hiwassee Utility Commission and Wastewater Treatment Plant as a disinfectant for both potable water and wastewater. Sulfur dioxide will be used to remove the chlorine at the Wastewater Treatment Plant.

Approval of Purchase Order with Hampton Backhoe Service, LLC

On motion by Chari Buckner and seconded by Mayor Tom Rowland, the Board of Public Utilities approved a purchase order with Hampton Backhoe Service, LLC for the construction of the Savannah Avenue NE and Spring Street NW Water Line Replacement projects in the amount of \$193,730.50. These projects consist of the replacement of approximately 3,550 feet of small galvanized water mains with 6-inch and/or 2-inch water mains. The work is budgeted for FY 2017.

Approval of Contract with SBW Constructors, LLC

On motion by Joe Cate and seconded by Vice Chairman Eddie Cartwright, the Utility Board took action to approve a contract with SBW Constructors, LLC in the amount of \$1,386,128 to perform 8,122 linear feet of mainline sewer rehabilitation by pipe bursting, CIPP lining and excavation. This contract will also include the renewal of 143 sewer service laterals and cleanouts and 340 vertical feet of manhole lining. This is the third 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. This loan does not have loan forgiveness, but is provided a low, long-term interest rate. The project will take approximately one year to complete.

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, July 27, 2017, 3:00 p.m.
- Thursday, August 24, 2017, 3:00 p.m.
- Thursday, September 28, 2017, 3:00 p.m.

Amy Ensley
Utility Board Secretary


Board Chairman

7/27/2017
Date