

MINUTES OF REGULAR MEETING
CLEVELAND UTILITIES BOARD
AUGUST 24, 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; Walt Vineyard, Executive VP; Bart Borden, VP Electric Division; Craig Mullinax, VP Water and Wastewater; Marshall Stinnett, VP/CFO; John Corum, VP Administrative Services; Jan Runyon, Assistant VP Administrative Services; Greta Parker, Billing Clerk; Greg Clark, Manager Wastewater Collections; Jamie Creekmore, Supervisor Customer Relations; Travis Wilson, S&ME, Inc.; and Larry Bowers, *Cleveland Daily Banner*. Following the Pledge of Allegiance to the American Flag, Greta Parker delivered the invocation.

MINUTES OF JULY 27, 2017

On motion by Vice Chairman Eddie Cartwright and seconded by Mayor Tom Rowland, the Board of Public Utilities voted to approve the July 27, 2017, minutes as written.

MANAGER'S UPDATE AND ANNOUNCEMENTS

Labor Day Holiday

Cleveland Utilities will be closed on Monday, September 4, 2017, in observance of Labor Day. Regular emergency and standby services will be maintained.

Report on Volleyball Tournament

Cleveland Utilities' team persevered and finished in first place at the River Counties Association of Realtors "Volley for a Cure" Volleyball Tournament on Thursday, August 17, 2017. All proceeds benefit the American Cancer Society.

Annual Picnic

Board members were invited to attend Cleveland Utilities' annual family picnic scheduled for Thursday, October 19, 2017, at Fletcher Park. This is the fifth year at this location. Everyone seems to enjoy it immensely, and the food is always great. The administrative services team does an outstanding job in planning and coordinating this event.

Trench Safety Stand Down

VP Administrative Services John Corum reported on the Trench Safety Stand Down sponsored by the National Utility Contractors Association (NUCA) and the Occupational Safety and Health Administration (OSHA) that CU Water Division crews participated in the week of June 19 through June 23. This is a national effort to increase safety awareness for construction crews who perform work in trenches. There were approximately 26 deaths nationwide in 2016 resulting from trenching and excavation incidents. During that week, Safety Supervisor Matt Fugate took 15 to 30 minutes each morning to discuss topics relating to trenching and excavation, which is a top hazard at CU. The topics included the following:

- What is Safety Stand Down and Dangers of Trenching and Excavation
- Competent Person and Trench Inspection
- Soil Classification and Testing
- Types of Trench Protection
- Trench Safety Best Practices

Corum thanked Mullinax for being so willing to help in this endeavor. The week went really well and great feedback was received from the employees. Henderson said, "Safety doesn't happen by accident. We are very proactive in communicating and emphasizing the importance of safety."

Safety Internal Performance Measures (IPM's)

The Safety Internal Performance Measures (IPM's) for January 2017 through June 2017 were presented by Corum. This is a component of CU's Strategic Plan.

Results for January – June 2017 for the Electric and Water Divisions combined are:

- OSHA Recordable Incident Rate – 0.49
- DART Rate – 0.49
- Lost-Time Case Rate - 0
- Vehicle Accident Rate – 0

As a comparison, the data for the same period last year (January – June 2016) was:

- OSHA Recordable Incident Rate – 0.51
- DART Rate – 0
- Lost-Time Case Rate - 0
- Vehicle Accident Rate – 4.51

The following data went into the calculations:

- A total of 958,993 consecutive hours have been worked by both divisions combined without a lost-time injury (LTI). Electric division employees contributed 365,418 of those hours, with the last lost-time injury occurring on November 19, 2015. The water division reached 593,575 hours, with the last lost-time injury occurring on November 15, 2013.
- A total of 202,839 cumulative hours were worked company-wide during the period. 108 employees in the electric division worked 114,857 hours, and 83 employees in the water division worked 87,982 hours.
- In addition, a total of 440,697 cumulative vehicle miles were driven by employees in 114 vehicles. 177,090 of those miles were driven by electric division employees, and 263,607 miles were 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 September 2013 through September 2017 was reviewed. For the month of September, the residential retail electric rate will change to 9.563 cents per kilowatt-hour, a decrease of 3 percent over August's rate of 9.859 cents. This rate change is driven by TVA's Fuel Cost Adjustment.
2. The June and July 2017 financial and statistical statements were presented to the Utility Board. During June, the cost of purchased power as a percentage of retail sales was 78.4 percent as compared to 80.7 percent for the month of May. The year to date percentage for FY 2017 was 80.3 percent. The results for June 2017 are electric sales revenue of \$9,021,548, which was offset by purchased power of \$7,069,557. This resulted in an operating margin of \$1,951,991. These revenue numbers were driven by a customer base of 31,507. The results for FY 2017 are electric sales revenue of \$99,657,929, which was offset by purchased power of \$80,105,707. The net income for June 2017 was \$975,914 and contains the adjusted figures for the new Other Post-Employment Benefits (OPEB) guidance. This brings the division to a combined net income of \$3,934,532 for the year to date and can be compared to the budgeted amount of \$2,495,544. The adjustment for the OPEB guidance relates to the Governmental Accounting Standards Board (GASB) Statements 74 and 75, which will take place next year. That amount is essentially being moved from the income statement to the balance sheet. The cash requirement is still there, although it does not flow through the income statement. It makes the income statement look healthier. These new reporting requirements for OPEB are very similar to the changes implemented two years ago for the pension plan.
3. During July 2017, the cost of purchased power as a percentage of retail sales was 77.7 percent as compared to the budgeted percentage of 80.9. The results for the month were electric sales revenue of \$10,343,417, which was offset by purchased power of \$8,040,783. Operating expenses for the month were \$1,426,160 compared to a budgeted operating expense of \$1,541,473. The division serviced 31,509 customers during July. The net income for the month was \$1,017,591.
4. For June 2017, water sales revenue was \$1,184,418. The division serviced 31,586 customers. Operating expenses for June totaled \$972,556. The division recorded an operating income of \$360,280. The results for FY 2017 are water sales revenue of \$14,468,150. Operating expenses for FY 2017 were \$14,253,870. The resulting operating income for FY 2017 totaled \$1,633,232 and is inclusive of the OPEB adjustment. Stinnett noted the OPEB Trust is helping to reduce the amount of the adjustment due to a lower discount factor.
5. For July 2017, water sales revenue was \$1,237,051. The division serviced 31,663 customers. Operating expenses for July were \$1,178,332. The division recorded an operating income of \$165,782, which can be compared to a budgeted operating income of \$261,942 for the month.

6. For June 2017, wastewater treatment revenue was \$1,056,110. The division serviced 18,832 customers. Operating expenses for the month were \$813,235, compared to a budgeted amount of \$923,853. An operating income of \$372,520 was recorded. The results for FY 2017 are wastewater sales revenue of \$12,297,226. Operating expenses for FY 2017 were \$10,838,192. The resulting operating income for FY 2017 totaled \$2,356,064.
7. For July 2017, wastewater treatment revenue was \$1,032,433. The division serviced 18,889 customers. Operating expenses for the month were \$889,730. The division recording an operating income of \$212,333 compared to budgeted operating income of \$184,224.
8. A letter was submitted to Cleveland Utilities by the CPA accounting firm of Arnett, Kirksey, Kimsey, Sullivan, Lay & Hall, PLLC, notifying the board and management they are onsite and in the audit process. The final audit report is anticipated to be available at the September board meeting. Stinnett noted the figures reported today were verified by their procedures.

Electric Division

Bart Borden reported on the following:

1. Construction for the Harriman Road/Spring Branch Industrial Park transmission line project is scheduled to begin next week. The fourth and final shipment of steel transmission poles for the project was delivered.
2. The Cleveland State Community College switchgear and metering project is complete. Final project cost was \$110,330.48, and came in below the budgeted amount of \$122,469.11.
3. All of the line construction work has been completed for Phase I of the District to Lang Street 69 kV transmission reconductor project. The new construction section has not been energized to date and staff is working on the schedule to do so.
4. Construction work on the new overhead line for the annexation of Freewill Road to 22nd Street progressed strongly. By the end of the month, all of Volunteer Energy Cooperative's (VEC) conductors and CU's conductors were pulled in on the double circuit line along Freewill Road. With the new line fully installed above the Cleveland Utilities' line, crews were able to safely pull in the conductors. By the end of the month, the only task remaining on Freewill Road was to transfer the conductors into the insulators from the travelers and remove a temporary pole that had to be set near 22nd Street for safe construction practices. The line along Freewill Road is now completed, and work shifted to the double circuit line going west along 22nd Street.
5. The Randolph Samples Road tie line project remains on hold due to the large amount of construction work throughout CU's system.
6. Engineering released a work order to install the underground and overhead fed electric facilities in the Ashwood Place Subdivision located at the intersection of Freewill Road and 22nd Street. The new subdivision will have a total of 26 lots. To provide electric service to the subdivision, Cleveland Utilities will be installing four

(4) pad-mount transformers, three (3) overhead transformers, 587 feet of #1/0 aluminum underground primary and 1,069 feet of underground secondary. At this time, a contractor is installing the sewer and water lines. The electric conduit should be installed soon afterwards. It is estimated the subdivision will be completed and ready for homes to be built in two to three months.

7. The Engineering Department released a work order for permanent electric service to the new Tire Discounters store located on North Ocoee Street. The work order included 630 feet of #1/0 aluminum underground primary conductors and a 75 KVA pad-mount transformer. The anticipated load is 60 kW.
8. CU crews installed 1,400 feet of 2-inch and 3-inch primary and secondary conduits, three (3) single-phase pad mounted transformers, and all secondary and primary conductors for phase 3 of Timber Creek Subdivision, which is a 33 lot addition. When this phase is fully developed, a 264 kW load addition is expected.
9. An update was presented on traffic lighting:
 - CU's Traffic Signal Coordinator met with the project contractor to discuss the Casteel Greenway Connector project. A portion of the project involves adding pedestrian signals at North Ocoee Street and Blythe Ferry Road. The pedestrian signals will be fully ADA compliant and will have newer features such as countdown timing and locate tones. The design and appearance will be similar to other pedestrian signals within the City of Cleveland.
 - During July, CU's Traffic Signal Coordinator attended a preconstruction meeting for the resurfacing project of APD 40 from Goldstar Lane to South Lee Highway. Two traffic signals will be impacted by this project due to the milling of the in-pavement loop detection. These intersections are Refreshment Lane/Industrial Drive at APD 40 and Westland Drive at APD 40. Cleveland Utilities will install Wavetronix radar detection at all four approaches at Refreshment Lane and Industrial Drive. A TDOT contractor will replace the loop detection at Westland Drive. The project is scheduled to be completed by October 31, 2017. There have been problems experienced with the vehicle loop detection at both of those intersections. The upgrade and change of equipment should result in improved traffic flow.
 - A work order was issued to install green turn arrows at the Cleveland Middle School and Crown Colony approaches to Georgetown Road. The signal phasing was already split phased, but the arrows will provide a better indication to drivers that no other movement is allowed. This addition will remove some hesitation by drivers and allow for a more efficient signal operation.
 - The installation of the pedestrian signals has been completed at Keith and 20th Streets. There is a minor issue with communication signal loss to some of the pedestrian push buttons. When the communication signal loss occurs, a false call is placed on the traffic controller as a means of failsafe operation; however, traffic flow is interrupted unnecessarily. Cleveland Utilities is

working with the manufacturer, who is aware of this issue at multiple installation sites. Borden emphasized this issue in no way creates a public safety concern, only an inconvenience to traffic flow.

Water Division

Craig Mullinax reported on the following:

1. An updated was provided for the following projects at the Cleveland Filter Plant (CFP):
 - A bid date of September 21, 2017, has been scheduled for the flocculation/sedimentation basin improvements project. The budgeted project amount is \$1,800,000.
 - Both contractors have completed the liquid fluoride conversion projects at the CFP and the Waterville Water Plant. Cleveland Utilities is waiting on the manufacturer to perform the startup at the CFP, and then both systems will be brought online.
 - NABCO is onsite and has completed approximately 20 percent of the interior lighting improvements project.
2. The third phase of the 24-inch water main extension from Tasso Lane NE to the HUC Water Treatment Plant has been completed, and the line was placed in service on August 17, 2017. Mullinax provided highlights of the overall project, which began on January 27, 2011, and took six years, six months and 21 days to complete. 15 miles of 20-inch and 24-inch ductile iron water pipe was installed from the Eldridge Drive Water Tank to the Hiwassee Utilities Commission (HUC) at a total estimated cost of \$9,275,000. Mullinax expressed gratitude to Philip Luce who managed both the project and the acquisition of 100 easements. Unfortunately, the first two phases were not funded by the State Revolving Fund (SRF); however, the final phase was with a 20-year loan and an interest rate of 1.1 percent.
3. Hampton Backhoe has completed the installation of 2,826 feet of 6-inch water main on Craigmiles Street, Ridgeview Drive and Cherokee Drive. Testing and sampling are underway.
4. The Old Johnson Road water line extension project has been completed. CU funded \$12,500 of the total contract amount of \$22,595. The remaining portion will be paid for by the customer and Bradley County.
5. W&O Construction Company began the overflow pump station modifications project on Mouse Creek Road.
6. The following plans are under review:
 - Westmore/Inverness Subdivision on Inverness Road consisting of 7 lots and 440 feet of 8-inch sewer main. Steve Bullins is the developer.
 - Laurel Ridge Subdivision on Tasso Lane consisting of 73 lots and 2,352 feet of 8-inch water main and 2,885 feet of 8-inch sewer main. CTP Properties is the developer.
7. 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. Approximately 900 of the sewer service laterals have been inspected to date. The mainline CCTV is complete, and 400 laterals are remaining to be completed.
 - Portland Utilities has lined or pipe bursted 45 main line sewer sections totaling 11,065 feet for the 2017 Rehabilitation Project, Basin 31-45 & 10-36. In addition, the manhole contractor has rehabilitated 70 manholes. 49 laterals have been excavated, and the dig contractor has completed installing cleanouts for lateral lining, which began on August 15, 2017. The project is currently under budget, and CU has given the contractor some additional rehab work consisting of 1,548 feet of lining, 10 manholes and 9 sewer services.
 - Contract documents for the 2017 Rehabilitation Project, Phase 2, Basin 31-45 & 10-36, are ready to be signed following the meeting. The project is expected to begin around the first of October.
8. The meter department set 32 meters through July 2017, compared to 44 for July 2016 and 47 for July 2015. Of the 32 meter sets, 20 were single-family homes, 7 were townhomes, 3 were apartments and 2 were commercial.
 9. The total amount of rainfall recorded at the Cleveland Filter Plant thru August 22, 2017, was 2.03 inches for the month and 36.62 inches for the year to date. As a comparison, the monthly average is 3.55 inches, and the year to date average is 37.31 inches.

NEW BUSINESS

Approval of Purchase Order with Altec Industries

On motion by Mayor Tom Rowland and seconded by Vice Chairman Eddie Cartwright, the Board of Public Utilities took action to approve a purchase order with Altec Industries in the amount of \$256,445 for a 2018 model digger derrick line truck to replace the existing unit #126. This truck will be equipped with a full pressure, hydraulic 47-foot boom when both the intermediate and upper booms are extended. Each supplier was asked to submit National Joint Powers Alliance (NJPA) pricing, and Altec Industries submitted the low bid and met all of the required specifications. This item is budgeted for FY 2018. The existing unit will be sold on GovDeals in an effort to receive a better return from a sale versus a trade (Altec offered \$8,000 for the trade).

Approval of Purchase Order with Honeywell/Elster

On motion by Vice Chairman Eddie Cartwright and seconded by Joe Cate, the Utility Board voted to approve a purchase order with Honeywell c/o Elster in the amount of \$55,650 for an upgrade of the AMI software for electric and water meters to Connexo NetSense version 10.2, which is a new platform by Honeywell. In this purchase, staff was able to negotiate the next upgrade at no charge. The purchase is sole source.

Approval of Contract Agreement with W&O Construction Company

On motion by Motion Tom Rowland and seconded by Joe Cate, the Board of Public Utilities approved a Contract Agreement between Cleveland Utilities and W&O Construction Co. of Livingston, TN, in the amount of \$1,023,550 for the construction of the Wastewater Treatment Plant Headworks Improvements. This project consists of the construction of improvements to the WWTP Headworks including replacing the mechanical screens, mechanical screen and grit system control panels, motor control center, and all other related work. This project is budgeted for FY 2017 & FY 2018. The total budget amount is \$1,900,000.

Approval of Resolution

On motion by Joe Cate and seconded by Vice Chairman Eddie Cartwright, the Utility Board took action to approve a Resolution to award a project to Crom, LLC in the amount of \$839,000 for the construction of the Georgetown Road Water System Improvements, Contract 1 – Ground Storage Facilities. This project consists of the construction of a 500,000 gallon circular prestressed concrete ground storage tank and all associated site improvements and appurtenances. The award of this contract is contingent upon approval by the Tennessee Department of Environment and Conservation, State Revolving Loan Fund Program. This project is budgeted for FY 2018. The total budget amount of the entire project is \$1,150,000.

Approval of Resolution

On motion by Chari Buckner and seconded by Vice Chairman Eddie Cartwright, the Board of Public Utilities voted unanimously to approve a Resolution to award a project to Roy Joe Angel d/b/a Angel Construction in the amount of \$369,250 for the construction of the Georgetown Road Water System Improvements, Contract 2 – Pump Station Facilities. This project consists of construction of a 600 gpm factory-built water booster pump station and all associated site improvements, electrical improvements, and appurtenances. The award of this contract is contingent upon approval by the Tennessee Department of Environment and Conservation, State Revolving Loan Fund Program. This project is budgeted for FY 2018.

Approval of Resolution

On motion by Mayor Tom Rowland and seconded by Chari Buckner, the Utility Board approved a Resolution to award a project to Roy Joe Angel d/b/a Angel Construction in the amount of \$315,160 for the construction of the Georgetown Road Water System Improvements, Water Mains. This project consists of construction of approximately 4,000 linear feet of 12-Inch diameter ductile iron water main, fire hydrants, valves and related appurtenances. The award of this contract is contingent upon approval by the Tennessee Department of Environment and Conservation, State Revolving Loan Fund Program. This project is budgeted for FY 2018.

Approval of Contract with S&ME, Inc.

On motion by Vice Chairman Eddie Cartwright and seconded by Mayor Tom Rowland, the Board of Public Utilities took action to approve a contract with S&ME, Inc. in the amount of \$856,800. There are two (2) scopes of services with the first for Basin 10A-8 in the amount \$246,000 consisting of the completion of the Facilities Plan for SRF and the design, bidding,

construction administration and assistance with a resident project representative for Phase I of the Rehabilitation Project within Basin 10A-8. The second is a sanitary sewer evaluation study (SSES) project in the amount of \$610,800 for Basin 64-14A. Project 1 – Basin 10A-8 is budgeted for FY 2018-19 and the SSES for Basin 64-14 is budgeted for FY 2018. CU proposes to fund these projects with a loan of \$10,000,000 from the SRF.

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, September 28, 2017, 3:00 p.m.

Thursday, October 26, 2017, 3:00 p.m.


Utility Board Secretary


Board Chairman


Date