MINUTES OF MEETING OF THE CLEVELAND UTILITIES BOARD

December 2, 2014

The Board of Public Utilities met at 11:30 a.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; John Kimball, Attorney; Ken Webb, President/CEO; Connie Cooke, Utility Board Secretary; Amy Ensley, Utility Board Secretary; Marshall Stinnett, CFO; Bart Borden, Electric Division VP; Craig Mullinax, Water and Wastewater VP; Walt Vineyard, Information Technology VP; Tim Henderson, VP Administrative Services; Jan Runyon, Assistant VP Administrative Services; Rev. Shane Lawson; Mark Lay, Arnett, Kirksey, Kimsey, Sullivan, Lay & Hall, PLLC; Rick Norton, Cleveland Daily Banner; and Paul Leach, Chattanooga Times Free Press.

Ken asked for everyone to remember fellow employee, Tim Delk, during the prayer. Following the Pledge of Allegiance to the American Flag, Rev. Shane Lawson, Customer Data Manager for Cleveland Utilities, delivered the invocation and blessing. Lawson is the Pastor at Parkway Baptist Church.

MINUTES OF OCTOBER 23, 2014

On motion by Mayor Tom Rowland and seconded by Chari Buckner, the Board of Public Utilities voted unanimously to approve the October 23, 2014, minutes as written.

OLD BUSINESS

Presentation of FY 2014 Audit Report

Mark Lay, representing Arnett, Kirksey, Kimsey, Sullivan, Lay & Hall, PLLC reviewed the Required Auditors' Communications in relation to the 2014 audit report. There is a format change in the financial statements. The statement of net assets has two new categories: deferred outflows and deferred inflows. Next year, FY 2015, there will be a change in the financials for all government entities due to the GASB Statement No. 68. He reported the financial statements present fairly, in all material respects, the financial position of the Division of the Board as of June 30, 2014 and 2013. Board members were requested to review the 2014 audit report and contact Lay with any questions. Lay commended Stinnett and his staff for complete cooperation and an excellent job on preparation of the financial statements. The Utility Board will vote on the acceptance of the audit report at the next board meeting.

NEW BUSINESS

Resolution Recognizing Connie Cooke

A new business item regarding a resolution acknowledging Connie Cooke's years of service to Cleveland Utilities was brought to the attention of the Utility Board by President/CEO Ken Webb. A plaque of the resolution was read by Webb and presented to Connie Cooke for her loyal and dedicated service. On motion by Mayor Tom Rowland and seconded by Chari Buckner, the Utility Board voted
unanimously to adopt this resolution recognizing and honoring Cooke, signifying 42 years of faithful service to Cleveland Utilities.

Cooke thanked everyone and stated she really enjoyed her years working for Cleveland Utilities, three great General Managers and the Utility Board. She said, “I will deeply miss all of you.”

On recommendation by President/CEO Ken Webb, the Board of Public Utilities took action to declare Connie Cooke’s nameplate as surplus equipment. Ken presented the nameplate to Connie as a memento for her devoted service to Cleveland Utilities.

MANAGER’S UPDATE AND ANNOUNCEMENTS
Report on Picnic
The annual picnic held in October was very nice, and everyone seemed to have a great time. There were over 300 in attendance.

Christmas/New Year’s Closing
Cleveland Utilities will follow the City offices and be closed Wednesday, Thursday and Friday (December 24, 25 & 26, 2014), to observe the Christmas holiday. Also, Cleveland Utilities will be closed Tuesday and Wednesday (December 31, 2014 & January 1, 2015), in observance of the New Year’s holiday. All emergency service and standby service will be maintained.

CSA Customer Appreciation Dinner
Webb will be attending a Customer Appreciation Dinner tonight hosted by CSA, where Cleveland will be recognized for being a customer for 75 years.

DIVISION REPORTS
Financial
Marshall Stinnett reported on the following:

1. A graph tracking the residential kilowatt-hour cost from December 2010 through December 2014 was reviewed. The rate for residential customers for December will change to 8.812 cents per kilowatt-hour, an increase from last month’s rate of 8.520 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.

2. The October 2014 financial and statistical statements were presented to the Utility Board. In the electric division, the cost of purchased power as a percentage of retail sales decreased to 83.7 percent in October as compared to 86.5 percent for the month of September. Electric sales revenue for October 2014 totaled $6,525,008, which was offset by purchased power of $5,465,130. This resulted in an operating margin of $1,059,878 compared to a budgeted margin of $1,243,775 for the month of October. Other revenue sources contributed $139,858. These revenue numbers were driven by a customer base of 30,567. Operating expenses for the month were $1,577,576 compared to a budgeted operating expense of $1,442,376. The net loss for the month was $377,840.
3. For October 2014, the water division sold 237,431,250 gallons of water as compared to 242,983,500 gallons for October 2013. This resulted in water sales revenue of $1,106,324 compared to a budgeted amount of $1,118,789. Other revenue sources added an additional $87,410. The division served 30,749 customers during the month of October. Operating expenses for October were $1,099,571 compared to a budgeted amount of $1,133,189. The water division recorded an operating income of $94,163, which is compared to a budgeted operating income of $92,446.

4. The wastewater division billed for 157,017,750 gallons of wastewater for the month of October 2014 as compared to 152,979,000 gallons for October 2013. This resulted in wastewater treatment revenue of $894,591 as compared to a budgeted amount of $900,654. Other revenue sources added an additional $51,541 for the month. The division served a customer base of 18,257 during October. Operating expenses for the month were $830,811 compared to a budgeted amount of $891,776. The wastewater division recorded an operating income for October of $115,321, which is compared to a budgeted $92,244 for the month.

**Electric Division**

Bart Borden reported on the following:

1. In reference to the Harrison building renovation, work continued on the installation of computer equipment by the IT department. Other work remained on hold due to the East Cleveland 161/69 kV substation project. Work will resume very soon on this project due to the completion of the East Cleveland substation project.

2. In reference to the design to relocate 69/13.2 kV lines for TDOT's APD-40 Interchange at Stone Lake Road, engineering is continuing to work with the easement acquisition contractor on modifying the existing easement document language addressing concerns with valuing tree trimming, danger tree cutting rights and access to the easement area.

3. The final cost for the project to convert the existing overhead primary lines to underground serving Cleveland Utilities Chatata Creek wastewater pump station behind Merck was $52,062.11, which is less than the estimated cost of $72,692.77.

4. Engineering released a work order to install underground electrical facilities and conduit for Phase II of Timber Creek Subdivision. The Operations department is waiting on the developer to prepare the road bed and easement areas in order for Cleveland Utilities to install the electrical conduit system.

5. Work has been completed on the breaker replacements, relay panel replacements and power transformer bushing replacements at the East Cleveland 161/69 kV substation. Borden reviewed several photographs of feeder breaker replacements, relay replacements and power transformer units. A considerable amount of wiring was done by Cleveland Utilities personnel. This project was a significant undertaking. Testing was completed on the substation, and the project went very well. A detailed
explanation of the outage that occurred when the substation was being placed back in service will be discussed later in Borden’s report.

6. The line department has been concentrating on line maintenance and moving loads at 3-phase sections to balance power on conductors with guidance from the engineering department. This helps improve on line losses by reducing neutral currents in those line sections. Also, several areas of #6 copper have been upgraded to #1/0 aluminum primary and neutral for reliability.

7. Engineering is working with a developer to determine the needed electrical facilities for a planned 80-unit apartment complex off of North Lee Highway behind the existing Dollar General store and adjacent to Tennessee Christian Preparatory School.

8. Engineering is working with electrical contractors on plans to provide permanent electrical service to the new Dunkin Donuts and the Cleveland High School Gymnasium.

9. As part of the EPRI/TVA hybrid electric bucket truck program, Cleveland Utilities was required to install an electric vehicle charging station accessible to the public and free to use. The required charging station was installed for public use at the Greenway restroom parking lot area at 775 Raider Drive. The charging station has one outlet and is required to be in place for two years.

10. Substation testing and maintenance was conducted and completed at Springbrook, Appalachian and Ocoee substations in the month of October; no major issues were found.

11. An update was presented on traffic lighting:
   - A TDOT contractor installed traffic lights at US Highway 11 and Lauderdale Memorial Highway. Cleveland Utilities Traffic Signal Coordinator prepared a punch list of items to be corrected at the new intersection on behalf of Bradley County under a contract basis. This list was compiled from a field inspection conducted by Cleveland Utilities Traffic Signal Technicians. This punch list was sent to TDOT. The corrections were made, the required signal flash period was completed and the signals are now in operation.
   - A TDOT contractor installed traffic lights at Benton Pike and Michigan Avenue. A work order was issued to install underground fed electric service to the new TDOT intersection. The signal was placed in flash mode by the contractor and has since been placed in full operation.

12. Staff has reviewed site plans for FSG Bank on Keith Street NW, adjacent to Southern Heritage Bank.

13. Walt Vineyard gave an update on the telecommunications study. The Request for Proposals (RFP) was released approximately three weeks ago. Both consultants have replied and are very active in asking questions. Responses are due back on December 17, 2014, at 2:00 p.m.

14. In reference to the power outage that occurred on November 26, after completing the installation of the new power transformer bushings, feeder
breaker replacements and transformer and breaker relay replacements, the process of returning East Cleveland 161/69 kV substation to service began at 12:25 p.m.

The first step in the switching procedure was completed, and Valleyhead and Sequoia substations were transferred to East Cleveland from South Cleveland. The second step was to transfer Lang Street substation to East Cleveland E-774 from South Cleveland S-624. At 12:38 p.m., during the switching procedure and while closing a 69 kV transmission line switch, a fault was experienced that locked out East Cleveland E-774 and South Cleveland S-624 feeder circuits. This resulted in the loss of power at Valleyhead, Sequoia, Payne Gap, District, Mouse Creek, Lang Street and Burlington substations, which serves 17,467 consumers. The overhead static conductor, which provides lightning shielding, was burned down on both sides of the pole and contacted the energized 69 kV lines. Initially, it was thought the static conductor had failed and caused the fault; however, after extensive investigation, it was determined the switch experienced mechanical failure. The arc from the switch caused the conductor to burn down. At 1:10 p.m., the problem was isolated by opening another 69 kV switch, and South Cleveland S-624 was returned to service. This restored power to five distribution substations and 14,200 consumers. 3,267 consumers were still without power. At 1:36 p.m., the work to remove the static conductor from the 69 kV conductors was completed, and power was restored to the remaining consumers.

The entire switching procedure was completed at 2:42 p.m., and East Cleveland 161/69 kV substation was back in service. Personnel are addressing the failed 69 kV transmission line switch by ordering a new replacement and temporarily bypassing the failed switch.

Borden stated he is very thankful no personnel were hurt; the employees performed exactly as they are trained to do. He also apologized for any inconvenience the outage caused any consumer, but stressed the situation was unavoidable.

Webb interjected with a comment. He said, “We are thankful no one was hurt; the work the crews did, and the amount of time it was done in, was very commendable.”

**Water Division**

Craig Mullinax reported on the following:

1. Angel Brothers Construction completed paving replacement at the Emergency Generator Building at the Wastewater Treatment Plant. Total cost of the project was $27,000 and has not been paid because an invoice has not been received.
2. K. Berry Construction completed the rehabilitation of the 5th spiral lift pump at the Wastewater Treatment Plant. Total cost was $144,396 and has been paid.
3. Engineering is working on the design of the rehabilitation of Sludge Thickener No. 2 at the Wastewater Treatment Plant.
4. Bids were received on November 18, 2014, for the second floor remodel including the control room at the Cleveland Filter Plant. This will be presented under new business.
5. The project to update the 20-inch and 24-inch water main extending from Tasso Lane, NE to Benton Pike is nearing completion. All of the water main has been installed. Talley Construction installed 7,650 feet of water main on Contract #1, and Cleary Construction installed 8,350 feet of water main on Contract #2 and 10,140 feet of water main on Contract #3. The lines are currently going through a testing process and will be placed in service upon completion of the testing.
6. In reference to the AMR/AMI water meter pilot project, a total of 1,289 meters have been converted. This new technology sends alerts/alarms for various issues. There is a leak alarm, tilt/tamper alarm and burst alarm. Cleveland Utilities will now be able to assist customers when these alarms are received. 14 different alarms have been responded on over the last four months.
7. J. R. Wauford and Co., is preparing contract documents for the $2.5 million AMR/AMI Water Project through the SRF. This project is anticipated to be bid in January.
8. In reference to the fire hydrant painting project, King Industries has painted 896 of 1,039 fire hydrants in Phase I of the project. The project is 86 percent complete.
9. Photographs were viewed of a 6-inch ductile iron pipe where a water leak occurred on 20th Street between Ocoee Street and Chambliss Avenue. The Cleveland Police department reported the leak. Emergency service personnel responded to the call and found a leak around the band on the aged pipe.
10. Developments under construction are:
   - Timber Creek Subdivision, Phase II, located off of Peach Orchard Hill Road. Renner Construction has completed 100 percent (3,459 feet) of 8-inch sanitary sewer and 80 percent (2,536 feet) of 6-inch water main.
11. Work is progressing on the Wastewater Rehabilitation Project:
   - Littlejohn Engineering Associates has finalized plans for Wildwood Avenue and Inman Street. The plans will be printed next week and sent to the SRF for review and approval. The project is anticipated to be bid in March or April of 2015.
   - AITC has relined 13,338 feet of pipe. The project is ongoing.
   - Sewer easement clearing will resume in January.
Hampton Backhoe Service completed installation of the sewer line and manholes off of 9th Street. Cleanup work and paving are to be completed in December.

12. The meter department set 18 meters through October 2014, compared to 39 for October 2013 and 25 for October 2012. Of the meters set in October 2014, 16 were for single family homes, and 2 were for townhomes.

13. A chart was reviewed for rainfall totals thru November 23, 2014. Rainfall is 1.64 inches below average.

NEW BUSINESS (Continued)
Approval of Purchase Order with Tennessee Valley Authority
On motion by Eddie Cartwright and seconded by Joe Cate, the Utility Board took action to approve a purchase order with Tennessee Valley Authority, in the amount of $134.64 for the purchase of .49 acres, which is a portion of TVA’s East Cleveland 161 kV substation property requested in 2003 from the expansion of Cleveland Utilities East Cleveland 13 kV distribution substation. This amount is below the threshold for Board approval; however, the minutes and motion need to reflect Webb’s authority to sign the required documents.

Approval of Purchase Order with P&C Construction, Inc.
On motion by Chari Buckner and seconded by Mayor Tom Rowland, the Board of Public Utilities took action to approve a purchase order with P&C Construction, Inc., in the amount of $239,430 for the second floor level renovation at the Cleveland Filter Plant. Four bids were received, and P&C Construction, Inc., was the low bid. The project was budgeted at $160,000, and the additional funds will come from the delay of another budgeted project. The entire second floor will be remodeled. Photographs were presented of the existing facilities built in 1954; this issue has been questioned on sanitary surveys. The plant will remain in operation during the process.

OTHER BUSINESS
Future Board Meeting Dates
Following is a list of future board meeting dates to be held at 3:00 p.m. at the Tom Wheeler Training Center:

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<td>January 6, 2015</td>
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<td>February 26, 2015</td>
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Amy Easley
Utility Board Secretary