

MINUTES OF REGULAR MEETING
CLEVELAND UTILITIES BOARD
JANUARY 26, 2018

The Board of Public Utilities met at 12:30 p.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; 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; Jamie Creekmore, Supervisor of Customer Relations; Andrew Hicks, Meter Setter; Joe Fivas, City Manager; and Brian Graves, *Cleveland Daily Banner*. Following the Pledge of Allegiance to the American Flag, Andrew Hicks delivered the invocation.

MINUTES OF JANUARY 4, 2018

On motion by Mayor Tom Rowland and seconded by Chari Buckner, the Board of Public Utilities voted to approve the January 4, 2018, minutes as written.

MANAGER'S UPDATE AND ANNOUNCEMENTS

Offices Closed-Presidents' Day Holiday

Cleveland Utilities will be closed Monday, February 19, 2018, to observe Presidents' Day. Regular emergency and standby services will be maintained.

Annual Awards Luncheon

Cleveland Utilities Annual Awards Banquet will be held on Wednesday, March 7, 2018, at 11:30 a.m. to honor employees with awards for years of service and perfect attendance. The banquet will be held in the Tom Wheeler Training Center. Board Members were invited to attend this event as these achievements are recognized.

Appreciation to Utility Board Members

Henderson expressed appreciation to board members for coming to the Ribbon Cutting Ceremony for the Call Center, as well as their support, leadership and embracing the vision of CU's staff.

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 February 2014 through February 2018 was reviewed. For the month of February, the residential retail electric rate will change to 9.344 cents per kilowatt-hour, an increase of 0.37 percent over January's rate of 9.310 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 December 2017 financial and statistical statements were presented to the Utility Board. During December, the cost of purchased power as a percentage of retail sales was 77.2 percent as compared to the budgeted percentage of 80.9 for FY 2018. The results for the month were electric sales revenue of \$8,729,811, which was offset by a purchased

power expense of \$6,743,298. This resulted in an operating margin of \$1,986,513. Operating expenses for the month were \$1,434,516 and can be compared to a budgeted operating expense of \$1,565,666. The division serviced 31,496 customers. The net income for the month was \$698,872, which is compared to a budgeted net income of \$87,794.

3. For December 2017, water sales revenue was \$1,121,609. Other revenue sources contributed an additional \$114,995 for the month. The division serviced 31,694 customers. Operating expenses for December totaled \$1,218,145 and can be compared to the budgeted amount of \$1,213,604. The division recorded an operating income of \$18,459 and can be compared to the budgeted operating loss of \$7,449.
4. For December 2017, wastewater treatment revenue was \$984,658. Other revenue sources contributed an additional \$154,561 for the month. The division serviced 18,962 customers. Operating expenses were \$942,330. The division recorded an operating income of \$196,889, which is compared to a budgeted operating income of \$96,956.

Electric Division

Bart Borden reported on the following:

1. Work progressed on the Harriman Road/Spring Branch Industrial Park transmission line project. Line construction crews continued framing and setting combination transmission and distribution steel and concrete poles for the new lines. A total of 12 transmission poles have been set and framed. Two distribution only poles have been set and framed. Transmission conductors have been installed for four spans of the line. The extreme cold weather, along with hitting rock while drilling pole holes, have slowed the project somewhat.
2. In reference to the new overhead line for annexation of Freewill Road to 22nd Street, all new construction of the double circuit line on Freewill Road, New Murraytown Road and 22nd Street NW has been completed. The only items left are finishing removal of the old poles on 22nd Street NW and New Murraytown Road NW. This cannot be completed until Volunteer Energy Cooperative (VEC), AT&T and Charter transfer their lines and services to the new poles. They have been informed of the new line completion and are putting together a schedule to transfer their lines.
3. Engineering and operations personnel are working with Leidos Consulting Engineering firm of Hendersonville, TN, for the design work to install a new 69 kV bus breaker, structure, equipment and associated control circuits at East Cleveland 161/69 kV Substation. Requests for bids were sent out for the 69 kV breaker and have been received and are presently being evaluated.
4. Stone Creek Subdivision will be built in three phases with the first phase being only four lots along the road frontage of New Murraytown Road NW. When fully developed, it is expected to have 60 lots in the subdivision. In December, the developer poured the footers for the first four homes. CU will be installing two new transformers, underground primary and secondary lines to provide service to these new homes under construction. Provisions will also be made to provide service to the remaining portion of the subdivision. The preliminary design plan for the remainder of the subdivision will be completed this month.

5. CU's Electric Engineering Department was contacted by AT&T concerning conductor clearance issues in Rolling Brook Subdivision located off Michigan Avenue. This concern was evaluated, and it was determined 11 poles required changing out to taller structures to achieve the clearance required by the National Electric Safety Code. A work order was issued to replace the poles, and the total estimated cost of the job is \$85,930.05. All of the poles have been installed to date, but the electrical facilities were not transferred because the residential circuit was being combined with an industrial circuit due to a required maintenance issue at the East Cleveland 13 kV Distribution Substation with one of the power transformers. This has since been corrected, and work has begun.
6. AT&T changed out seven, 40-foot wood poles on Centenary Avenue NW to new 45-foot wood poles. The project is an upgrade to replace very aged pole structures. When notice is received from AT&T to transfer CU's facilities, line crew personnel will replace 3,006 feet of #2/0 copper primary and 531 feet of #6 copper neutral. Cleveland Utilities has requested AT&T to replace an additional 40-foot pole with a 45-foot pole in order for electric conductors to properly grade in the spans. The framing construction will be changed from a crossarm construction to narrow profile construction.
7. An update was given for the Tennessee Valley Authority (TVA)/Cleveland Utilities/Impact Cleveland/ClearResults Extreme Energy Makeover Project. In April of 2011, the TVA Board approved clean air agreements with the EPA, which supported TVA's vision for low-cost and cleaner energy. The Extreme Energy Makeover Project was one of the projects approved to meet these goals. The project met the requirements to lower greenhouse gases, provide economic stimulation and set up a greater avenue to partner with local power companies and quality contractors for the benefit of the Valley's electric customers. Cleveland Utilities, Impact Cleveland, United Way, the City of Cleveland and the Cleveland Housing Authority, with the assistance of ClearResults, submitted a very comprehensive proposal to TVA to be considered for the project. After several meetings and presentations with the TVA selection team, an Extreme Energy Makeover Project was awarded to Cleveland on September 1, 2015, in the amount of approximately \$3.7 million. Impact Cleveland took the local point position, with the assistance of ClearResults, and Cleveland Utilities began the process of education, application solicitation and evaluation with guidance from TVA. The project required a reduction in electric energy use by at least 25 percent in a home at least 20 years old and funded energy improvement items such as HVAC, insulation, lighting, air infiltration and appliances such as energy star refrigerators. Energy use education was emphasized and training was provided for each successful applicant. Throughout the project, the Cleveland team performed at the highest level and was awarded an additional \$1 million in funds, bringing the project total to \$4,748,200. The additional funds allowed 113 more homes to be included in the Cleveland project. This project was closed out in the fall of 2017 and the 2-page final report was received from TVA. The report was included in board folders. Results for the Cleveland Extreme Energy Makeover resulted in a \$4,710,849 spend to makeover 413 homes, averaging 68 years old, with a projected energy savings of 2,256,500 kWh, which is 5,464 kWh per home average annually. Based on last year's average rate, this equates to a \$547 annual savings in their energy bill. The pie chart shows the percentages of energy savings improvements that took place. Borden personally thanked TVA, Impact Cleveland (especially Dustin Tommy),

ClearResults, CU's TVA Quality Contractor Network and all the Cleveland Utilities' employees that poured their hearts out and into this project for CU customers. A brief video featuring the project was shown. Mayor Rowland and Chairman Aubrey Ector both added comments about the project being amazing and tremendous.

8. An update was presented on traffic lighting:
 - Last month, Borden reported on the equipment preparations for the traffic light controller upgrade project along the 25th Street corridor. Traffic Signal Coordinator Tad Bacon completed the installation of eight ATC controllers and Cisco communication switches in this traffic corridor. Seven were installed along 25th Street from Peerless Road to Spring Creek and one at the intersection of Peerless Road and Raider Drive. The addition of an Ethernet switch in the traffic cabinets also allowed several other devices to be connected to the communications network, including Opticom Preemption for emergency vehicles, EDI conflict monitors and Wavetronix Click 650 vehicle detection units.

Water Division

Craig Mullinax reported on the following:

1. A significant electrical failure was experienced in the power and electrical feed servicing the North ICEAS Basins air valves at the Wastewater Treatment Plant. Staff made temporary repairs until the bid process could be completed to secure a contractor to make the permanent repairs. The project was advertised in the paper and bids were opened on January 4, 2018. Five bids were received and ranged in price from \$38,129 to \$58,753. EMEC submitted the low bid, and work is expected to begin next week.
2. A tentative notice to proceed was set for April 1, 2018, for the flocculation and sedimentation basin improvements project at the Cleveland Filter Plant (CFP). The contractor is waiting on material delivery dates before the notice to proceed date can be confirmed.
3. The materials for the screen replacements have been ordered for the raw water pump station project at the CFP.
4. W&O Construction is expected to begin work for the repair of Filter No. 2 at the CFP on Monday, January 29, 2018. The filter will be out of service during this time.
5. Materials are on order for the upgrade of the carbon feeder equipment project at the CFP.
6. Weather has slowed the progress on the Georgetown Road Water Storage Tank, Booster Pump Station and Water Main Extension project. Crom has completed 5 percent of the water tank construction, and Angel Construction has completed 5 percent of the construction of the water main and booster station.
7. The overflow pump station modifications project is 85 percent complete and all concrete structures have been poured. W&O Construction has done an excellent job on this project and even worked through some extremely cold weather.
8. In reference to the 2010 annexation sewer project on APD 40, the final plans and specifications have been sent to the State Revolving Fund (SRF) for review and approval. The easement acquisition process consisting of 25 easements is complete at a total cost of \$32,335. When SRF approval is granted, the request for bids will be advertised.

9. Bids were opened on January 23, 2018, for the interior improvements project to the maintenance office area, bunker room and breakroom in the CU Water and Wastewater Administration Building. Seven bids were received and ranged in price from \$30,400 to \$74,171. Wilder Contracting LLC submitted the low bid.
10. Engineering approved plans for the Heartland Subdivision (formerly Laurel Ridge Subdivision) on Tasso Lane. The development will consist of 73 lots and 2,352 feet of 8-inch water main and 2,885 feet of 8-inch sewer main. Talley Construction began work this week. CTP Properties is the developer.
11. An update was provided for the following development under construction:
 - Hampton Backhoe has completed 95 percent of both the water and sewer main installations for Eagle Creek, Phase 3, on North Mouse Creek Road. The development consists of 16 lots and 910 feet of 6-inch water main and 894 feet of 8-inch sewer main.
12. Total plan approvals for subdivisions/private developments constructed in 2017 comprise eight subdivisions and a senior center. This includes 190 lots, 9,375 feet of waterline and 4,614 feet of sewer line being added to CU's systems.
13. An update was provided for the ongoing Wastewater Rehabilitation project:
 - Work is progressing for Phase 2 of the 2017 Rehabilitation Project, Basin 31-45 & 10-36. The contractor completed 10 of the 143 service lateral rehabilitations and 5 of the 47 manhole rehabilitations during this period. A total of 80 service lateral rehabilitations and 10 manhole rehabilitations have been completed to date.
 - CU staff met with S&ME last week to finalize rehabilitation plans for Phase 1 of the Basin 10A-8 Rehabilitation and Basin 64-14A SSES project. S&ME is preparing bid documents and specifications. The SRF has approved all submittals, and CU held a public meeting on January 24. The loan is expected to be approved at the TLDA meeting in February. Bids for the rehabilitation project will be taken in March or April, as soon as the loan documents are finalized. S&ME has begun manhole inspections for the 64-14A SSES.
14. The meter department set 24 meters through December 2017, compared to 22 for December 2016 and 25 for December 2015. Of the 24 meter sets, 12 were single-family homes, 8 were townhomes, 1 was a duplex, 2 were apartments and 1 was commercial. A total of 150 meters have been set this fiscal year.
15. The total amount of rainfall recorded at the Cleveland Filter Plant as of January 22, 2018, was 0.88 inches and can be compared the monthly average of 4.98 inches.

NEW BUSINESS

Approval of Purchase Order with Southeast Industrial Development Association (SEIDA)

On motion by Mayor Tom Rowland and seconded by Chari Buckner, the Board of Public Utilities voted to approve a purchase order with Southeast Industrial Development Association (SEIDA) in the amount of \$50,978 for 2018 membership dues. SEIDA is a regional economic development association that partners with TVA and local power distributors. TVA reimburses CU for 50 percent of the purchase order amount.

Approval of Purchase Order with Scott Powerline

On motion by Vice Chairman Eddie Cartwright and seconded by Joe Cate, the Utility Board took action to approve a purchase order to Scott Powerline in the amount of \$134,830 for a used, 2015 International 4300 Bucket Truck equipped with a Terex Hi-Ranger TC55 insulated aerial device. The unit will provide a working height of 60 feet and a side reach of 38.3 feet. There was a truck failure in CU's fleet, and this purchase needed to be expedited due to the long lead times associated with purchasing a new bucket truck. Therefore, the decision was made to buy a used truck. This was a rental unit in Scott Powerline's fleet. They submitted the low bid meeting all specifications. This is a budgeted item.

Approval of Purchase Order with Ditch Witch of Tennessee

On motion by Chari Buckner and seconded by Mayor Tom Rowland, the Board of Public Utilities voted to approve a purchase order with Ditch Witch of Tennessee in the amount of \$199,887.33 for a Ditch Witch JT20XP Horizontal Directional Drilling Machine and associated equipment. This unit will replace a 2003 Ditch Witch Drill in which recent issues have been experienced and limited replacement parts are available. In researching a replacement, Electric Operations personnel considered the leading manufacturers in this line of equipment. The consensus of the group was to remain with the Ditch Witch brand for several reasons including, but not limited to, ease of use and maintenance, additional control features, gallons per minute flow rate availability and the only manufacturer to offer a separate engine for the mud mixer. The purchase is being made through the National Joint Powers Alliance (NJPA) contract.

Approval of Purchase Order with Premier Truck Group

On motion by Vice Chairman Eddie Cartwright and seconded by Joe Cate, the Utility Board took action to approve a purchase order with Premier Truck Group in the amount of \$97,073.65 for the purchase of a new 2019 model dump truck for the Water Distribution Department. The new truck will replace a 2003 model dump truck, Unit 82. The dump truck is budgeted for FY 2018 in the amount of \$100,000.

Approval of an Engineering Services Agreement with Stantec Consulting Services

On motion by Joe Cate and seconded by Mayor Tom Rowland, the Board of Public Utilities voted to approve an Engineering Services Agreement, Task Order No. 6, in the amount not-to-exceed \$207,070 with Stantec Consulting Services for engineering services related to the design and construction of water and sewer utility relocation for the widening of approximately three miles of State Route 60 (Georgetown Road) by the Tennessee Department of Transportation. These costs are reimbursable from TDOT. This is not a budgeted item.

OTHER BUSINESS

Future Board Meeting Dates

Future, regularly scheduled board meeting dates at the Tom Wheeler Training Center are as follows:

- ~~Friday, February 23, 2018, 12:30 p.m.~~ (was rescheduled to March 2)
- Friday, March 23, 2018, 12:30 p.m.
- Friday, April 27, 2018, 12:30 p.m.

Amy Ensley
Board Secretary


Board Chairman

March 2, 2018
Date