

MINUTES OF REGULAR MEETING
CLEVELAND UTILITIES BOARD
JANUARY 4, 2018

The Board of Public Utilities met at 3:00 p.m. at the Tom Wheeler Training Center.

Present were the following: Eddie Cartwright, Vice Chairman (presiding as Acting Chairman in Chairman Aubrey Ector's absence); 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; Jan Runyon, Assistant VP Administrative Services; Dewayne Harris, Utility Fleet Foreman; and Larry Bowers & Brian Graves, *Cleveland Daily Banner*. Following the Pledge of Allegiance to the American Flag, Dewayne Harris delivered the invocation. Harris is a 19-year employee of CU and serves as the Utility Fleet Foreman in CU's Garage. James Milen and Jared Pomeroy also work in the garage area, and they are responsible for maintaining 114 vehicles, 72 pieces of equipment and trailers, 12 stationary generators and various other saws and apparatus. Henderson commended the garage personnel for their expertise and the work they perform.

MINUTES OF DECEMBER 7, 2017

On motion by Mayor Tom Rowland and seconded by Chari Buckner, the Board of Public Utilities voted to approve the December 7, 2017, minutes as written.

MANAGER'S UPDATE AND ANNOUNCEMENTS

Offices Closed-Martin Luther King, Jr. Holiday

Cleveland Utilities will be closed Monday, January 15, 2018, to observe the Martin Luther King, Jr. Day. Regular emergency and standby services will be maintained.

Upcoming MTAS Board Training Reminder

Board members were reminded of the upcoming MTAS Board Training being held at the Tom Wheeler Training Center. Module A is scheduled for Friday, January 19; Module B is Friday, February 2; and Module C on Friday, March 9.

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 January 2014 through January 2018 was reviewed. For the month of January, the residential retail electric rate will change to 9.310 cents per kilowatt-hour, a decrease of 0.58 percent over December's rate of 9.364 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 November 2017 financial and statistical statements were presented to the Utility Board. During November, the cost of purchased power as a percentage of retail sales was 77.5 percent as compared to the budgeted percentage of 80.9 for FY 2018. The results for the month were electric sales revenue of \$7,293,790, which was offset by a purchased

power expense of \$5,651,131. This resulted in an operating margin of \$1,642,659. Operating expenses for the month were \$1,519,375 and can be compared to a budgeted operating expense of \$1,560,827. The division serviced 31,465 customers. The net income for the month was \$276,528, which is compared to a budgeted net loss of \$39,481.

3. For November 2017, water sales revenue was \$1,174,970. Other revenue sources contributed an additional \$98,175 for the month. The division serviced 31,653 customers. Operating expenses for November totaled \$1,230,616 and can be compared to the budgeted amount of \$1,226,078. The division recorded an operating income of \$42,529, compared to the budgeted operating income of \$40,937.
4. For November 2017, wastewater treatment revenue was \$1,021,494. Other revenue sources contributed an additional \$65,411 for the month. The division serviced 18,905 customers. Operating expenses were \$924,948. The division recorded an operating income of \$161,957, which is compared to a budgeted operating income of \$126,212.
5. The Prepay Program has been a tremendous success since implementation approximately a year and a half ago. The service charge of \$6.95 per month per customer will be reduced to \$6.00 per month per customer effective January 2018. These savings are attributed to efficiencies gained as a result of the number of customers enrolled in the program. Henderson advised as this program continues to grow, this fee will be evaluated and adjusted as necessary.

Electric Division

Bart Borden reported on the following:

1. Construction began on the Harriman Road/Spring Branch Industrial Park Transmission Line project. Line construction crews began framing and setting combination transmission and distribution steel and concrete poles for the new lines.
2. In reference to the new overhead line for annexation of Freewill Road to 22nd Street, construction continued on the new line on 22nd Street and began on the line on New Murraytown Road. The 22nd Street line is 2,400 feet in length, and the New Murraytown Road line is 750 feet in length. These new lines will serve a new residential subdivision located on New Murraytown Road and future annexed properties in the area.
3. The Randolph Samples Road tie line project was completed at a total cost of \$83,443.86.
4. Favorable weather this fall has allowed the construction of the new Lake Forest Middle School building to progress well. CU construction crews installed a 500 kVA, 277/480 volt pad-mount transformer to serve the new classroom building. The gym and cafeteria will be served by an existing 1500 kVA pad-mount transformer, and the remaining existing buildings will be served from an existing transformer station location; however, it will be downsized from a 500 kVA to a 225 kVA pad-mount transformer. Crews will terminate the new customer owned underground services when they are installed by the electrical contractor at a later date.
5. Engineering and operations staff are working with Conley Electric and Bradley County personnel regarding upgrades to the electric service at the Bradley County Courthouse, which consists of the removal of four overhead type transformers from a basement electrical room. The upgrade will involve the installation of a concrete transformer pad and a new pad-mount transformer on the south side of the Courthouse. Conley Electric

will be installing new underground conductors and conduit to the existing electrical main panels of the Courthouse from the new transformer location. Cleveland Utilities' construction crews will replace the existing 33 year old underground primary conductors feeding the transformers. Construction work was agreed to start in December.

6. Engineering and operations personnel are working with Leidos Consulting Engineers to add a 69 kV bus protection breaker with differential relaying at East Cleveland 161/69 kV Substation. This work will be performed in conjunction with a TVA project to install new distance relaying to protect the Bulk Electric System assets owned and maintained by TVA. Presently, Cleveland Utilities' differential relay is protecting these Bulk Electric System assets, and the zone of protection will be relocated to only protect CU's power transformers and related bus. This will remove Cleveland Utilities from a Bulk Electric System NERC CIP-005 requirement and responsibility. It currently appears the work will occur in the fall of 2018 and be coordinated with the installation of the new transformers.
7. Line construction crews installed a 75 kVA pad-mount transformer, 230 feet of underground primary conductor and connected a customer owned temporary power pole for the construction of the new Cleveland Fire Hall #6 on Westland Drive.
8. Maintenance and equipment upgrades are underway at Fletcher Substation. CU's substation maintenance personnel and Operations Engineer worked to install a new Schweitzer Engineering Laboratories Real Time Automation Controller (referred to as a RTAC) and removed a Supervisory Control and Data Acquisition remote from service. The new RTAC is required to extend distribution automation into the field. Fletcher Substation and Mouse Creek Substation circuits will be the first to have this automation installed. Mouse Creek Substation is already equipped with the necessary equipment from a previous upgrade project. Additional work included the replacement of station batteries, drying the Load Tap Changer insulating oil and replacing sealing gaskets in both power transformers.
9. An update was presented on traffic lighting:
 - Engineering released a work order to install Wavetronix radar detection for the eastbound approach at Keith and 17th Streets NW. The work order adds to the existing radar already installed on Keith Street northbound and southbound. The eastbound and westbound approaches were also separated in the cabinet to phase 4 and 8. Previously, the side street approaches were both on phase 4, which limited the ability to provide unique programming.
 - Traffic Signal Coordinator Tad Bacon programmed eight ATC controllers and prepped eight Cisco Ethernet communication switches for installation along the 25th Street corridor from Peerless Road to the Spring Creek development and also at the Peerless Road and Raider Drive intersection. The existing Peek 3000E controllers will be removed and returned to stock. The serial modems were removed and will be retired or used for parts at other intersections. All of the new equipment was coded into the intelligent traffic IQ Central database and will provide more reliable clock synchronization and text alerts. This upgrade was necessitated due to numerous modem failures, which resulted in the corridor getting out of coordination. The new Ethernet communications is far more reliable in comparison.

10. Board member Chari Buckner asked if the electric system has hit any new peak demands. Borden advised an overall peak has not been reached, but a monthly peak was; however, it was not as high as was anticipated. Energy efficiency has made a big impact.

Water Division

Craig Mullinax reported on the following:

1. A preconstruction conference will be held on January 11, 2018, for the flocculation and sedimentation basin improvements project at the Cleveland Filter Plant.
2. The Georgetown Road Water Storage Tank, Booster Pump Station and Water Main Extension project has started. Crom is onsite and has completed 5 percent of the water tank construction. Angel Construction is mobilized and will soon begin the construction of the water main and booster station.
3. Hampton Backhoe has completed the Craigmiles Street, Ridgeview Drive, and Cherokee Drive water main replacement project. Cleveland Utilities is awaiting the final invoice.
4. Hampton Backhoe has installed 2,100 feet of 6-inch water main on Savannah Avenue for the Savannah and Spring Street water main replacement project. Rock has been encountered, and equipment is being brought in for excavation. Once complete, installation of the line will resume.
5. The overflow pump station modifications project is 80 percent complete and anticipated to be finalized by the end of the month. The contractor is onsite and working, even with the frigid temperatures currently being experienced.
6. In reference to the 2010 annexation sewer project on APD 40, only one easement remains to be acquired, and Philip Luce is meeting with the property owner in the morning (January 5, 2018) to sign the easement document. Cleveland Utilities requested State Revolving Fund (SRF) funding for this project. A letter was received from the State of Tennessee SRF Loan Program advising that financial sufficiency approval was granted. The project will include two loans. The first loan of \$1,000,000 will include approximately \$100,000 of Principal Forgiveness, which will not have to be repaid. The second loan of \$350,500 will be a traditional loan with no Principal Forgiveness.
7. CTI Engineers is working on the design for the Sewage Pump Station to serve Olin and United Hydrogen. They are coordinating work on several items for the extension of the new line to the Wastewater Treatment Plant. One involves crossing some of Wacker's major lines going to the river. Additionally, the bridge crossing the waterway is going to be replaced, and the design of the new line will need to be coordinated with the new bridge design.
8. Rardin and Carroll Architects submitted the final plans for the interior improvements project to the maintenance office area, bunker room and breakroom in the CU Water and Wastewater Administration Building. CU approved the plans, and a bid date has been set for January 23, 2018.
9. 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 Fleeman Place on Foxfire Road. The development consists of four townhouse lots with 483 feet of 6-inch water main and 427 feet of 8-inch sewer main.

10. An update was provided for the ongoing Wastewater Rehabilitation project:
 - In reference to the 2017 Rehabilitation Project, Basin 31-45 & 10-36, the contractor completed the rehabilitation of 7 manholes during this period. A total of 77 of the 102 manholes have been completed to date.
 - Work is progressing for Phase 2 of the 2017 Rehabilitation Project, Basin 31-45 & 10-36. The contractor completed 70 of the 143 service lateral rehabs and 5 of the 41 manhole rehabs during this period.
 - SRF funding was requested for Phase 1 of the Basin 10A-8 Rehabilitation & Basin 64-14A SSES Project. Final sufficiency approval was granted from the State of Tennessee SRF Loan Program in the amount of \$10 million for both basins. Basin 10A-8 was budgeted at \$7.5 million in FY 2018 & FY 2019, and Basin 64-14A was budgeted for \$2.5 million in FY 2019 & FY 2020.
11. The meter department set 18 meters through November 2017, compared to 25 for November 2016 and 18 for November 2015. Of the 18 meter sets, 11 were single-family homes, 2 were townhomes and 5 were duplexes.
12. The total amount of rainfall recorded at the Cleveland Filter Plant for 2017 was 52.04 inches (3.27 inches below normal).
13. With the extremely cold temperatures this week, Water Division personnel responded to a total of 54 calls during the period of January 1 to January 3 regarding either no water or broken water lines. 14 of the calls were during regular working hours and 40 were after hours. Henderson advised with the massive amount of telephone calls being received, the call center is working great.

OLD BUSINESS

Approval and Acceptance of FY 2017 Audit Report

On motion by Chari Buckner and seconded by Mayor Tom Rowland, the Board of Public Utilities voted unanimously to approve and accept the Fiscal Year 2017 audit report.

NEW BUSINESS

Approval of Purchase Order with Haren Construction Company, Inc.

On motion by Mayor Tom Rowland and seconded by Chari Buckner, the Board of Public Utilities voted to approve a purchase order to Haren Construction Company, Inc. in the amount of \$97,392 for the Cleveland Filter Plant Drainage Improvements Project. The project consists of the furnishing of all materials and installation of underground drainage piping and structures, modifications to building gutter system and construction of drainage ditch in accordance with contract requirements. This project is budgeted for FY 2017 in the amount of \$110,000.

Approval of Purchase Order with Evoqua Water Technologies LLC

On motion by Joe Cate and seconded by Chari Buckner, the Utility Board took action to approve a purchase order to Evoqua Water Technologies LLC in the amount of \$72,900 for replacement screens at the Cleveland Filter Plant Raw Water Pumping Station. The new screens will meet the requirements of TVA 26A permit. This project is budgeted for FY 2018 in the amount of \$125,000. The purchase is sole source.

Approval of Purchase Order with Chemical Feed Systems, Inc.

On motion by Mayor Tom Rowland and seconded by Joe Cate, the Board of Public Utilities voted to approve a purchase order to Chemical Feed Systems, Inc. in the amount of \$59,300 for the replacement of the original carbon feed system at the Cleveland Filter Plant. This project is budgeted for FY 2018 in the amount of \$55,000.

Comments from Eddie Cartwright

Vice Chairman Eddie Cartwright complimented the new pictures hanging in the Board Room of previous General Managers M.E. "Joe" Beavers, Tom Wheeler, and Ken Webb; current President/CEO Tim Henderson; along with a group photo of the current members of the Board of Public Utilities.

Mayor Tom Rowland Retirement

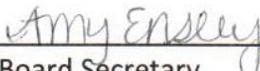
A press conference was held today at 11:00 a.m. where Mayor Rowland announced he is retiring. Cartwright said, "We will miss his steady hand at Cleveland City Hall. His hand was steady other places, in Nashville and even in Washington, D.C. Mr. Mayor, we will miss you."

OTHER BUSINESS

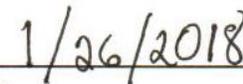
Future Board Meeting Dates

Discussion was held pertaining to the regular schedule of board meetings moving forward. Chairman Ector has a scheduling conflict which prevents him from being able to attend meetings on the fourth Thursday of each month at 3:00 p.m. for the foreseeable future. Until further notice, the normal schedule will move from the fourth Thursday of each month at 3:00 p.m. to the fourth Friday of each month at 12:30 p.m. Future board meeting dates at the Tom Wheeler Training Center are as follows:

- Friday, January 26, 2018, 12:30 p.m.
- Friday, February 23, 2018, 12:30 p.m.
- Friday, March 23, 2018, 12:30 p.m.


Board Secretary


Board Chairman


Date