

MINUTES OF REGULAR MEETING
CLEVELAND UTILITIES BOARD
JANUARY 4, 2019

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; Joe Cate, Cleveland Utilities Board; Chari Buckner, Cleveland Utilities Board; Councilman David May, Jr., Cleveland Utilities Board; Tim Henderson, President/CEO; Amy Ensley, Utility Board Secretary; Bart Borden, VP Electric; John Corum, VP Administrative Services; Craig Mullinax, VP Water & Wastewater; Jan Runyon, Assistant VP Administrative Services; Marshall Stinnett, VP/CFO; Walt Vineyard, Executive VP; Steve Barger, Director of Environmental & Regulatory Compliance; Lisa Coffey, Supervisor of Water Treatment Plants; Chris Wilds, Facilities Maintenance Supervisor; and Tim Siniard, *Cleveland Daily Banner*. Following the Pledge of Allegiance to the American Flag, Jan Runyon delivered the invocation.

MINUTES OF NOVEMBER 30, 2018

On motion by Chari Buckner and seconded by Vice Chairman Eddie Cartwright, the Board of Public Utilities voted to approve the November 30, 2018, minutes as written.

MANAGER'S UPDATE AND ANNOUNCEMENTS

Upcoming Retirements

President/CEO Henderson announced employees Kathy Carson and Jan Runyon will soon be retiring. Carson and Runyon have 41 and 39 years of service respectively. Carson has worked in the Accounting Department processing payroll for many years, and Runyon has served in the Human Resources Department since 1998.

Offices Closed-Martin Luther, King, Jr. Holiday

Cleveland Utilities will be closed Monday, January 21, 2019, to observe the Martin Luther King, Jr. Holiday. The Call Center will be open and regular emergency/standby services will be maintained.

Cleveland Bradley Chamber of Commerce Annual Meeting

The Cleveland Bradley Chamber of Commerce Annual Meeting will be held on Tuesday, January 29, at Life Care Centers of America.

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 2015 through January 2019 was reviewed. For the month of January, the residential retail electric rate will change to 9.760 cents per kilowatt-hour, an increase of 0.91 percent over December's rate of 9.672 cents per kilowatt-hour. 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 2018 financial and statistical statements were presented to the Utility Board. During November, the cost of purchased power as a percentage of retail sales was 76.2 percent and can be compared to the budgeted percentage of 78.7 percent for FY 2019. The results for November 2018 are electric sales revenue of \$8,313,881 which was offset by a purchased power expense of \$6,334,093. This resulted in an operating margin of \$1,979,788.

Operating expenses for the month were \$1,500,827. These revenue numbers were driven by a customer base of 31,678. The net income for the month was \$647,400 and can be compared to a budgeted net income of \$44,234.

3. For November 2018, water sales revenue was \$1,160,155. Other revenue sources contributed an additional \$148,130 for the month. Operating expenses for November totaled \$1,238,855. These revenue numbers were driven by a customer base of 31,922. The division recorded an operating income of \$69,430.
4. For November 2018, wastewater treatment revenue was \$998,910. Other revenue sources contributed an additional \$74,849 for the month. Operating expenses for November were \$928,316. These revenue numbers were driven by a customer base of 19,075. The division recorded an operating income of \$145,443, which is compared to a budgeted operating income of \$75,233 for the month.

Electric Division

Bart Borden reported on the following:

1. Construction continued throughout the month of November for the Spring Branch Industrial Park Innovation Drive Distribution Lines Project. The remaining poles were framed and set in place. Photographs were provided.
2. In reference to the East Cleveland 69 kV Bus Breaker Addition Project, the new main bus breaker was energized December 17, 2018, and load was placed on one of the 69 kV feeder breakers on December 27.
3. Operations Department personnel are working to secure a contractor to install the lighting for the Peerless Road LED Street Lighting Conversion Project.
4. The power transformer testing was completed for the three new 161/69 kV power transformers at East Cleveland Substation, and all reports indicated the transformers were ready to energize. The transformers were energized on the same date as the main bus breaker mentioned under item 2 (December 17). On December 27, the 69 kV feeder breaker serving the Chatata Creek Substation was transferred to the new transformers. Plans are to systematically add additional load to the transformers throughout this month.
5. Engineering is working with an existing industrial customer on the possible addition of a 2,000 kVA pad-mount transformer. The industry requested they remain unnamed at this time.
6. Engineering released a work order to provide electrical service to an annexed area along the eastern side of Tillie Drive and the east side of 410 Urbane Road NE currently being served by Volunteer Energy Cooperative (VEC). The estimated cost of the required work to connect these facilities to CU's electric distribution system is \$74,975. VEC will be reimbursed for the average energy use of the annexed customers over 10 years based on the formula in the Tennessee State Law.
7. Engineering is working on electric service projects in the design phase including a new apartment building located on Smith Drive SW, Bradley Place, Lee University baseball field and Westmore Church of God Sanctuary. A new two-story, 51,172 square foot apartment building is to be located between Cedar Lane and Smith Drive SW. The Lee University baseball field renovation project is in the electrical planning stages, and a new sanctuary for Westmore Church of God is as well. Load information is not available on these projects at the time of this report.
8. Line Construction crews installed temporary and permanent electric facilities to serve two new commercial customers. A 75 kVA three phase pad-mount transformer and 750 feet of

underground conductors were installed to serve the new 45 kW load at the Hibachi Grill in Spring Creek Plaza presently under construction. A single phase 50 kVA and 300 feet of underground primary conductor were installed at 3690 Dalton Pike to serve the 50 kW load to the new Dollar General Store.

9. A report was presented regarding traffic lighting:
 - A count update of the signals installed by the end of fiscal year 2019 was provided. As of June 30, 2018, there were 678 traffic signal heads and 88 pedestrian signal heads.
 - Traffic light crews completed the conversion of intersections to LED at Broad & First, Broad & Second and Inman & Church. The Inman & Church intersection involved changing out some very old signal control conductors and presented challenges for CU's crew with the age of the facilities. The upgrades are a noticeable improvement in signal visibility and operation.

Water Division

Craig Mullinax reported on the following:

1. Haren Construction has completed 70 percent of the Flocculation/Sedimentation Basin Improvements Project at the Cleveland Filter Plant (CFP). The number 4 basin was placed into service, and the number 3 basin has been removed from service for approximately one month to be rehabbed.
2. Hampton Backhoe has completed the water main replacement project on Van Davis Road from SR60 to Swafford Cemetery Road. Testing is in progress.
3. The Van Davis Road south of Morgan Road Water Main Extension Project is complete and in service. The final contract amount was \$65,095.
4. Plans and specifications for the Georgetown Road Utility Relocation Project are due to the Tennessee Department of Transportation (TDOT) by January 18, 2019. This due date was initially July 2019; however, TDOT revised and shortened their time schedule and have now set a tentative date of June for bidding. Work has been expedited with CU's consultant, Stantec, in order to meet the target deadline. This project involves the widening of Georgetown Road from Davis Circle to Eureka Road.
5. A resolution will be presented under new business for the 2010 Annexation Sewer Project on APD-40 requesting additional funds in the amount of up to \$379,500 from the State Revolving Fund (SRF). A letter was distributed from the Tennessee Department of Environment & Conservation (TDEC) approving CU's financial feasibility.
6. The easement acquisition is ongoing for the 2010/2012 Annexation of Benton Pike & Durkee Road. CU made a request to the SRF to fund this project. TDEC has approved the financial feasibility.
7. An update was provided for the ongoing Wastewater Rehabilitation Project:
 - Phase I of the Basin 10A-8 Rehabilitation Project is ongoing. Portland Utilities has completed 89 percent of the mainline rehabilitation and 20 percent of the service lateral rehabilitations. Manhole rehabilitation began on January 3, 2019.
8. The Meter Department set 23 meters through November 2018 compared to 18 for November 2017 and 25 for November 2016. Of the 23 meter sets, 21 were single-family homes and 2 were commercial.
9. The total amount of rainfall recorded at the CFP for 2018 was 71.89 inches compared to an average of 56.03 inches. It was an extremely wet year. As of January 4 at 9 a.m., a total of 1.91 inches of rainfall has already occurred this month.

10. A detailed PowerPoint presentation was shown concerning an emergency repair to the Candies Creek 24-inch Sewer Interceptor on Candies Lane. On the evening of December 10, CU was contacted by a property owner concerning an overflow behind their property. The following day crews cleaned up the overflow and began investigating the problem. A collapse was located on December 12, about 15 feet south of manhole 90A-1-02 in the Candies Creek Interceptor, which is a 24-inch main line. After meeting with bypass pumping contractors from Knoxville and Hampton Backhoe to devise a plan, a start date of December 17 was established. CU then contacted Westmore Church of God (the property owner) about the work needing to be performed.

Repair work covering the period of December 17-20, 2018, included the installation of erosion control measures, setup of bypass bumping, extensive excavation, replacement of the collapsed spiro-lite pipe and backfilling. In total, approximately 1,800 cubic yards (about 100 tandem axle dump truck loads) were excavated and backfilled. The bypass pumping was broken down and moved out of potential flooding areas on December 20. Various photos and a video of the process were presented. It was a challenging job. Greg Clark did an excellent job spearheading this project, and everyone worked well together to accomplish the repair in a timely manner prior to the Christmas holiday. This job is estimated to cost \$25,000.

NEW BUSINESS

Approval of Purchase Order to Tech Coat, Inc.

On motion by Joe Cate and seconded by Vice Chairman Eddie Cartwright, the Board of Public Utilities voted unanimously to approve a purchase order to Tech Coat, Inc. in the amount of \$237,138 for the rehabilitation of Filters No. 5 and No. 6 at the Cleveland Filter Plant. This project consists of coating the filter walls, repair of the filter underdrain system and replacement of the filter media. This project is budgeted for FY 2019 in the amount of \$333,333.

Approval of Resolution 2019-01 for the 2010 Annexation Sewer Extension Project

On motion by David May, Jr. and seconded by Joe Cate, the Utility Board took action to unanimously approve Resolution No. 2019-01 authorizing the President and CEO to act on behalf of the Cleveland Utilities' Board and the City of Cleveland with respect to this additional SRF loan in the amount of up to \$379,500 for the 2010 Annexation Sewer Extension Project. The original SRF loan was for \$350,500 bringing the total loan to \$730,000. The second SRF loan for this project was for \$1,000,000. This brings the total SRF loan to \$1,730,000.

Sanitary Survey Results of Cleveland Utilities' Water System

The Tennessee Department of Environment and Conservation (TDEC) Division of Water Resources conducted a sanitary survey of the water system on November 27 & 28, 2018. Cleveland Utilities' Water System earned 599 points out of a possible 599 for a numerical rating of 100 percent, which reaffirms CU's water system as an "approved" water system. This makes the third consecutive year CU has achieved a perfect score. Employees Barger, Coffey and Wilds were honored for their leadership and expertise. It takes hard work and dedication throughout the year from the entire staff to attain this score. This includes the plant operators, chief operators, maintenance/operations personnel, engineers and managers. Mullinax and Henderson praised all employees for this accomplishment.

OTHER BUSINESS

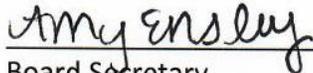
Future Board Meeting Dates

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

Friday, January 25, 2019, 12:30 p.m.

Friday, February 22, 2019, 12:30 p.m.

Friday, March 22, 2019, 12:30 p.m.


Board Secretary


Board Chairman

1-25-19
Date