

MINUTES OF REGULAR MEETING
CLEVELAND UTILITIES BOARD
OCTOBER 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; Joe Cate, Cleveland Utilities Board; Chari Buckner, Cleveland Utilities Board; Councilman David May, Jr., Cleveland Utilities Board; Tim Henderson, President/CEO; Bart Borden, VP Electric Division; John Corum, VP Administrative Services; Amy Ensley, Utility Board Secretary; Craig Mullinax, VP Water & Wastewater; Jan Runyon, Assistant VP Administrative Services; Marshall Stinnett, VP/CFO; Walt Vineyard, Executive VP; and Tim Siniard, *Cleveland Daily Banner*. Following the Pledge of Allegiance to the American Flag, Greg Clark delivered the invocation.

MINUTES OF SEPTEMBER 28, 2018

On motion by Vice Chairman Eddie Cartwright and seconded by Chari Buckner, the Board of Public Utilities voted to approve the September 28, 2018, minutes as written.

MANAGER'S UPDATE AND ANNOUNCEMENTS

Offices Closed-Veterans Day & Thanksgiving Holidays

Cleveland Utilities will be closed on Monday, November 12, 2018, in observance of Veterans Day and on November 22 & 23, 2018, in recognition of Thanksgiving. The Call Center will be open and regular emergency/standby services will be maintained 24/7.

Veterans Day Appreciation Luncheon

Administrative Services VP John Corum announced CU will be having its first annual Veterans Day Luncheon on Thursday, November 8, 2018, at 12 p.m. to recognize employees who have served in the US Armed Services. Mayor Kevin Brooks will be delivering the invocation, and Josh Roe from News Channel 9 will be the guest speaker. Board members were invited to attend. Henderson commended Corum for spearheading this special event to recognize those employees for their service to our country.

Hurricane Michael Mutual Aid Assistance

On October 9, Cleveland Utilities dispatched a 4-man crew to the Tallahassee area where they spent nearly two weeks assisting with the Hurricane Michael power restoration efforts. An additional 4-man crew left on October 21 to relieve the original crew and are helping West Florida Cooperative in Sneads, Florida. Henderson stated CU is glad to help when able to do so. The linemen enjoy helping in times of need, and it also lends opportunities to gain some useful experience. The mutual aid requests are coordinated through the Tennessee Valley Public Power Association (TVPPA). Electric Division VP Borden advised this type of work is extremely dangerous. At the same cooperative where CU crews are currently working, three line workers were struck by a vehicle and all three perished as a result of the tragic accident. Two of the linemen were employed by another utility company who were there providing aid, and the third was an employee of West Florida Cooperative. He asked for everyone to remember all involved.

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 November 2014 through November 2018 was reviewed. For the month of November, the residential retail electric rate will change to 9.408 cents per kilowatt-hour, an increase of 2.72 percent over October's rate of 9.159 cents per kilowatt-hour. This rate change is driven by TVA's Fuel Cost Adjustment and the Grid Access Charge (GAC). As a continued trend, Cleveland Utilities will pass the TVA fuel cost rate adjustment to its consumers.
2. The September 2018 financial and statistical statements were presented to the Utility Board. During September, the cost of purchased power as a percentage of retail sales was 78.0 percent and can be compared to the budgeted percentage of 78.7 percent for FY 2019. The results for September 2018 are electric sales revenue of \$8,739,844, which was offset by a purchased power expense of \$6,816,326. This resulted in an operating margin of \$1,923,518. Operating expenses for the month were \$1,734,234. These revenue numbers were driven by a customer base of 31,605. The net income for the month was \$365,299.
3. For September 2018, water sales revenue was \$1,296,106. Other revenue sources contributed an additional \$133,626 for the month. Operating expenses for September totaled \$1,226,058. These revenue numbers were driven by a customer base of 31,921. The division recorded an operating income of \$203,674.
4. For September 2018, wastewater treatment revenue was \$1,031,383. Other revenue sources contributed an additional \$77,681 for the month. Operating expenses for September were \$973,077. This is compared to the budgeted amount of \$988,351. These revenue numbers were driven by a customer base of 19,079. The division recorded an operating income of \$135,987, which is compared to a budgeted operating income of \$167,434 for the month.
5. Next week, a conference call will be held with the two rating agencies for the bonds the Utility Board approved at the meeting held on August 24, 2018. The City Council voted to pass their resolution on the second reading last week.

Electric Division

Bart Borden reported on the following:

1. The Line Department continued framing and installing distribution lines for the Spring Branch Industrial Park Innovation Drive Distribution Lines Project. The additional steel poles required for the project were supposed to be delivered yesterday per the manufacturer. Borden left a message to verify the delivery status, but has not heard an update due to the employee being out of the office. This will allow crews to complete the distribution pole installations and begin pulling in overhead conductors.
2. The East Cleveland 69 kV Bus Breaker Addition Project was delayed due to the abnormally warm weather experienced through September. East Cleveland Substation was not able to be switched out of service as normally scheduled due to the system loads being experienced. However, after temperatures became normal for the time of year, the station was taken out of service on October 17, 2018. CU's substation and maintenance crew has been busy assisting with the installation of the new power transformers and have transitioned to the breaker installation. Both projects will require their time for wiring and testing, before the substation can be returned to service.
3. The design phase for the Peerless Road LED Street Lighting Conversion Project has been completed and a work order for the lighting installation is being prepared.
4. Engineering worked with property owners along a section of Ocoee Street to make it possible to remove overhead primary conductors on Ocoee Street from Billy Graham Avenue south to

11th Street and west on 13th Street NW. This section of primary only serves customers along 13th Street NW. The work will involve installing a section of underground primary on 13th Street. The removal of 930 feet of overhead primary along these roadways will eliminate the necessity to trim trees along this section of Ocoee Street. The needed 10 feet of clearance from trees is required to provide safe, reliable service to all customers. Staff is always looking for ways to improve the system reliability and service to customers where it makes an economic and reliable outcome.

5. In reference to the Harriman Road Substation site work, Operations Engineer Kim Duncan attended the required stormwater prevention plan meeting with Murray Construction. This final step allowed grading work to begin on the project. The substation site grading work has been completed, and staff is very pleased with the site and project at this phase.
6. An update was reported for the power transformer replacements at East Cleveland Substation. The three new 40 MVA power transformers have been delivered to the pad locations at the site, and work has been completed in dressing the new units out with bushings, radiators and oil filling. Photographs were viewed. Electrical testing of the units is in progress.
7. A report was presented regarding traffic lighting:
 - Work orders have been released to replace the existing incandescent traffic signals with LED's on Broad Street at First and Second Street intersection locations.
 - CU's traffic signal coordinator and traffic light crews installed Miovision SmartSense equipment at five locations along Paul Huff Parkway at Mouse Creek, Peerless Road, Exit 27 northbound and southbound ramps, and Adkisson/Frontage Roads. Detector inputs were separated by channel to provide the maximum benefit from the software. Baseline data was collected during September and will be evaluated for timing and programming changes along the Paul Huff Parkway corridor. Miovision defines SmartSense equipment as the next generation of traffic technology. Using a type of artificial intelligence called deep learning, Miovision SmartSense brings artificial intelligence to the roadside to help cities sense and understand what's happening at the intersection in real time. SmartSense can detect the presence and movement of vehicles, pedestrians and cyclists and use this data to improve congestion and safety. This is a pilot project in which CU and city personnel are working together on.

Water Division

Craig Mullinax reported on the following:

1. K. Berry Construction will soon begin the rehabilitation of spiral lift pump no. 203 at the Wastewater Treatment Plant. Several pictures were displayed and the process was explained. The pump will be sandblasted and completely recoated to protect the metal. A new coating product will be used that was recommended by a specialty company. The coating lasts an estimated 10 to 12 years.
2. Haren Construction has completed 60 percent of the Flocculation/Sedimentation Basin Improvements Project at the Cleveland Filter Plant (CFP). Updated slides of the project were shown. The coagulant room where alum and chlorine are fed (pretreatment) is complete and in operation. Two new 20-inch mag meters to measure the raw water were installed at the head of the flocculation basins. Phase 3 includes the rehab of four sets of basins, which will be done one at a time. It should take around one month to complete each basin.

3. Updated slides of the Georgetown Road Water Storage Tank, Booster Pump Station and Water Main Extension Project were reviewed. The tank was placed into service on October 10, 2018. Four pressure zones were combined into one zone. The average pressure increased by around 10 psi. The hydraulic grade line for CU's largest pressure zone is 1,042 feet, and the Georgetown Circle hydraulic grade line is 1,105 feet (27 psi higher). This has enabled CU to eliminate two other booster stations and will result in less maintenance and reduced energy costs. Additionally, CU will no longer need to purchase water from Savannah Valley Utility District; however, the connection will be kept for emergencies. The overall project is nearing completion. Crom still has to install fencing around the tank.
4. The water main replacement project on Van Davis Road from SR60 to Swafford Cemetery Road is five percent complete. Hampton Backhoe will be boring under several driveways for the new waterline.
5. Mayse Construction has completed the Van Davis Road south of Morgan Road Water Main Extension Project. Flushing and sampling are in progress.
6. Hampton Backhoe has completed the waterline extension project on Varnell Road SW to near Blackfox Road that was requested by a customer. CU is participating in the funding, and the customer will pay 50 percent.
7. A formal request was submitted to the State Revolving Fund (SRF) for additional funding of \$379,500 for the 2010 Annexation Sewer Project on APD-40. This would bring the total to \$1,730,000.
8. The following plans are under review:
 - Ridgedale Forest Subdivision, Phase 2, consisting of 15 lots and 1,483 feet of 6-inch water main.
 - Ocoee OB/GYN Addition on Business Park Drive. The project scope is relocating 247 feet of 8-inch sanitary sewer.
9. Engineering approved plans for:
 - Cobblestone Ridge Subdivision on Old Chattanooga Pike comprising 48 lots, 1,800 feet of 6-inch water main and 2,180 feet of 8-inch sewer main.
 - RaceTrac Market on APD-40 at Holloway Road. The project scope is 360 feet of 8-inch water main and 500 feet of 8-inch sewer main.
10. Talley Construction has completed installation of water and sewer utilities at the Spring Branch Industrial Park Development. CU is televising the sewer mains as a quality control measure. This is a standard practice before CU will take over any sanitary sewer collection system.
11. An update was provided for the ongoing Wastewater Rehabilitation Project:
 - Westco has cleared approximately 30,000 feet or 5.7 miles of a total of 36,750 feet or 7 miles of sewer easement area.
 - Phase I of the Basin 10A-8 Rehabilitation Project is ongoing. Portland Utilities has completed 9,528 feet of mainline rehabilitation this period. A total of 17,324 feet of mainline rehab and 15 service lateral rehabilitations have been done to date.
12. The Meter Department set 33 meters through September 2018 compared to 24 for September 2017 and 37 for September 2016. Of the 33 meter sets, 18 were single-family homes, 3 were townhomes, 8 were apartments and 4 were commercial.

OLD BUSINESS

FY 2018 Audit Report

Arnett, Kirksey, Kimsey, Sullivan, Lay & Hall, PLLC, has completed the audit for fiscal year 2018. Representative Mark Lay was unable to attend the board meeting due to a scheduling conflict; however, he provided a written report which reviewed the 2018 audit report. The audit went well and total cooperation was received from the staff. Operating revenues and expenses for both Divisions were relatively unchanged for 2018. The comparative statements of Revenues, Expenses and Changes in Net Position reveal that the 2018 numbers are comparative to 2017. Both Divisions experienced an increase in net position for the year. The Electric Division increased \$3,761,592, and the Water and Wastewater Division \$4,580,196.

There was a new GASB statement effective for June 30, 2018. GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense. The effect of this change resulted in a decrease in net position for both divisions. The Electric Division decreased \$2,426,413, and the Water Division \$3,350,761.

Board members were provided copies of the complete audit report in their board folders as well as Lay's contact information in the event there are any questions. Approval and acceptance will be requested for consideration at the next scheduled meeting.

NEW BUSINESS

Resolution – Pinnacle Bank –Insured Cash Sweep Deposit Placement Agreement

On motion by Joe Cate and seconded by Chari Buckner, the Utility Board took action to approve a resolution authorizing the President/CEO to execute an Insured Cash Sweep (ICS) Deposit Placement Agreement with Pinnacle Bank for the purpose of allowing Pinnacle Bank to place Cleveland Utilities' deposits with other depository institutions via the Insured Cash Sweep service of Promontory Interfinancial Network, LLC. The purpose of the agreement is to allow Cleveland Utilities to seek a higher return on idle cash balances while maintaining full FDIC insurance coverage on all the balances.

Approval of Purchase Order to CDW-G

On motion by David May, Jr. and seconded by Vice Chairman Eddie Cartwright, the Board of Public Utilities voted to approve a purchase order to CDW-G in the amount of \$98,041.43 for an Isilon Storage System for the Disaster Recovery Project as a primary backup to the previously purchased Isilon System. The purchase is being made through a State of Tennessee Contract and is budgeted for FY 19.

Approval of Purchase Order to Substation Engineering & Design Corporation

On motion by Chari Buckner and seconded by David May, Jr. the Utility Board unanimously approved a purchase order to Substation Engineering & Design Corporation in the amount of \$277,500 for the supporting steel structures, switches, insulators, mounting hardware and assembly drawings for the new Harriman Substation at the South Industrial Park. Three bids were received. Substation Engineering and Design Corporation submitted the low bid which met the required specifications. This is a budgeted item.

Approval of Purchase Order to ABB Inc. c/o Yoder Sales Agency

On motion by Joe Cate and seconded by Vice Chairman Eddie Cartwright, the Board of Public Utilities took action to unanimously approve a purchase order to ABB Inc. c/o Yoder Sales Agency in the amount of \$100,010 for five 13kV ABB breakers for the new Harriman Substation. Four of the breakers are distribution circuit breakers while the fifth breaker will serve as a bus tie breaker. The

ABB breakers meet CU's specifications, and identical units have been installed across CU's electric system. Two bids were received, and the low bid was submitted by ABB/Yoder Sales Agency. The equipment is included in the FY 19 budget.

Approval of Purchase Order to Siemens Industry c/o Utility Sales Agency

On motion by Vice Chairman Eddie Cartwright and seconded by David May, Jr., the Utility Board voted unanimously to approve a budgeted purchase order to Siemens Industry c/o Utility Sales Agency in the amount of \$70,900 for two 69kV Siemens breakers for the new Harriman Substation. The Siemens breakers meet all CU specifications and are identical to existing 69kV breakers on the CU electric system. Two bids were received. The ABB breaker was initially low bid; however, the cost of necessary spare parts in the amount of \$2,500 resulted in the overall total for ABB being higher. Due to familiarity, proven service and being the low evaluated bid, the purchase of the Siemens breakers was requested.

Approval of Purchase Order to Superior Concrete Products

On motion by Chari Buckner and seconded by Joe Cate, the Board of Public Utilities took action to unanimously approve a purchase order to Superior Concrete Products in the amount of \$104,455 for the installation of a concrete screening wall at the new Harriman Substation. The cost includes engineering, permits, materials, installation, footings and freight for the project. Operations staff investigated the pricing for a wall to be constructed onsite in comparison to purchasing precast walls that are installed on a pier system. The precast option was determined to be the most economical product for this need. In addition, Operations staff visited a site in Brentwood where one of these walls has been in place for five years and recommended the low bidder, Superior Concrete Products, be awarded the bid. The purchase is budgeted for FY 19.

Approval of Agreement with J.R. Wauford & Company

On motion by David May, Jr. and seconded by Joe Cate, the Utility Board voted unanimously to approve an Agreement for Engineering Services with J. R. Wauford & Company, Consulting Engineers Inc. in the amount not-to-exceed \$60,000 for evaluating the existing solids handling/digestion facilities and perform future planning activities for the solids handling/digestion facilities at the Wastewater Treatment Plant. The project is budgeted for FY 2019 in the amount of \$40,000.

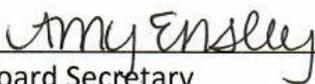
OTHER BUSINESS

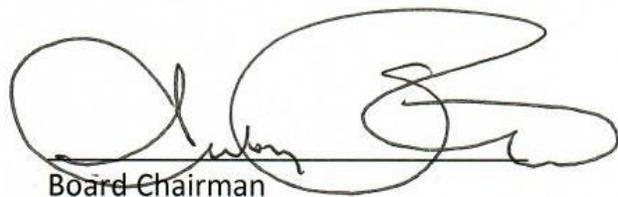
Future Board Meeting Dates

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

Friday, November 30, 2018, 12:30 p.m.

Friday, January 4, 2019, 12:30 p.m.


Board Secretary


Board Chairman

11-30-18
Date