

MINUTES OF REGULAR MEETING
CLEVELAND UTILITIES BOARD
NOVEMBER 22, 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; Councilman David May, Jr., Cleveland Utilities Board; Debbie Melton, Cleveland Utilities Board; Tim Henderson, President/CEO; Bart Borden, VP Electric; John Corum, VP Administrative Services; Amy Ensley, Utility Board Secretary; Jimmy Isom, Electric Engineering Manager/VP Electric; Craig Mullinax, VP Water & Wastewater; Marshall Stinnett, VP/CFO; Walt Vineyard, Executive VP; Steve Mowery, Electric Line Foreman; and Tim Siniard, *Cleveland Daily Banner*. Following the Pledge of Allegiance to the American Flag, Steve Mowery delivered the invocation.

MINUTES OF NOVEMBER 1, 2019

On motion by Debbie Melton and seconded by Joe Cate, the Board of Public Utilities voted to approve the November 1, 2019, minutes as written.

MANAGER'S UPDATE AND ANNOUNCEMENTS

Christmas Parade

Cleveland Utilities will again participate in MainStreet Cleveland's Annual Christmas Parade with the "Gingerbread House" themed float. The event is scheduled for Saturday, December 7, at 6:00 p.m. Last year, CU's float won overall "Best of Parade". Henderson thanked all employees who have worked diligently preparing the float and commended the Administrative Services team for coordinating this effort.

Retirement Reception

A retirement reception will be held on Tuesday, December 10, at 2:30 p.m. to honor Bart Borden and Paula Wills. Borden and Wills have 38 and 30 years of service respectively.

Christmas Luncheon

The annual Christmas Luncheon will be held Tuesday, December 17, from 11:30 a.m. to 1:30 p.m. at the Tom Wheeler Training Center. Sticky Fingers will be providing the catering services.

Holiday Closures- Thanksgiving & Christmas

Cleveland Utilities will be closed on November 28 & 29, in recognition of Thanksgiving. In addition, CU offices will be closed December 23 thru 25 to observe the Christmas holiday and December 31 and January 1, in recognition of New Years. The Call Center will be open and regular emergency/standby services will be maintained 24/7. This coincides with the city's holiday schedule.

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 December 2015 through December 2019 was reviewed. For the month of December, the residential retail electric rate will change to 9.464 cents per kilowatt-hour, an increase of 2.46 percent over the rate of 9.237 cents per kilowatt-hour for November. This rate change is driven by TVA's Fuel Cost Adjustment. As a continued trend, Cleveland Utilities will pass the TVA Fuel Cost Adjustment to its consumers.

2. The October 2019 financial and statistical statements were presented to the Utility Board. During October, the cost of purchased power as a percentage of retail sales was 80.6 percent. This can be compared to the budgeted percentage of 77.5 for FY 2020. The results for October 2019 are electric sales revenue of \$7,157,162, which was offset by a purchased power expense of \$5,766,898. This resulted in an operating margin of \$1,390,264. Operating expenses for the month were \$1,708,305. This is compared to a budgeted operating expense of \$1,825,420. These revenue numbers were driven by a customer base of 31,828. The net loss for the month was \$121,348 and can be compared to a budgeted operating income of \$83,599.
3. For October 2019, water sales revenue was \$1,440,570. Other revenue sources contributed an additional \$143,637 for the month. The division serviced 32,292 customers. Operating expenses for October totaled \$1,239,425. This is compared to the budgeted amount of \$1,291,611. The division recorded an operating income of \$344,782, which is compared to a budgeted operating income of \$173,213.
4. For October 2019, wastewater treatment revenue was \$1,080,495. Other revenue sources contributed an additional \$88,860 for the month. The division serviced 19,331 customers. Operating expenses for the month were \$954,577 and can be compared to a budgeted amount of \$1,026,988. An operating income of \$214,778 was recorded, which is compared to a budgeted operating income of \$134,296 for the month.
5. Stinnett pointed out there was an adjustment in the income statement for all three divisions this month. This is due to a change in the way Blue Cross Blue Shield handles rebating for prescriptions. They issued a credit for almost nine months of rebates, which is reflected during the month in which the rebate was received.

Electric Division

Jimmy Isom reported on the following:

1. In reference to the Cherokee Gateway Substation, the power transformer final production plans have been received. Engineering has prepared the concrete pad details for the transformers and control building, and the locations are being finalized. Pouring of the pads and installation of the ground grid will soon begin. Also, engineering is investigating a different type of lightning protection scheme which will hopefully provide better coverage while using fewer mast poles.
2. Phase II of the Lang Street to District Substation Transmission Line Replacement Project is complete and ready to be put back into service. This project will raise the current carrying capacity on that section of transmission line. The design for the final phase has been completed by CU's engineering staff, and the steel poles have been sent out for bid.
3. The Valleyhead Substation V-234 Underground Feeder Upgrade Project has been completed by CU's substation and line crews. The parallel conductor was installed to increase the circuit capacity. During the outage, substation personnel took the opportunity to replace the aging breaker isolation switches and upgrade the substation metering. Additional financials will be reported once final labor and material costs have been processed.
4. The Chick-fil-A on Keith Street is temporarily closed for a renovation to accommodate additional kitchen equipment along with an upgrade to the drive-thru system. The electrical panel is being upgraded from 1000 to 1200 amp with an expected load of 70 kW, which the existing pad-mount transformer has the capacity to accommodate.

5. Engineering has released a work order to install 3,450 feet of #1/0 underground primary conductor and a 500 KVA pad-mount transformer for the new asphalt plant on Boss Road.
6. Engineering has been working with a local developer to provide electric service to the Agora Apartment/Commercial Building at 1st and Edwards Streets NE. The development will house commercial businesses on the ground floor and studio apartments on the second floor. CU will be converting the primary overhead line along Edwards Street to underground in order to accommodate the 2nd floor balconies in conflict with the overhead line and poles. Cleveland Utilities is designing the project with the city's future downtown redevelopment plans in mind.
7. Operations personnel installed a 75 KVA, 120/208V pad-mount transformer and underground primary to serve the expected 75 kW load for the new RaceTrac gas station on APD-40 at Holloway Road. In addition, the secondary has been connected to the transformer and the service has been energized.
8. CU crews began the process of moving the larger transmission poles from CU's pole yard on Guthrie Avenue to the new pole racks at the Harrison Building on Freewill Road. This will free up much needed yard space at this location.
9. A report was presented regarding traffic lighting:
 - CU engineering reported the successful trial of a battery backup system for the traffic signal at Paul Huff Parkway and Keith Street. The battery backup was installed in a separate cabinet adjacent to the existing traffic signal cabinet. A few days after the installation, the battery backup system kept the signals operational during an outage of the substation. CU is exploring ways to install other battery backups at the major intersections to enhance safety. Traffic Signal Coordinator Tad Bacon just applied for a grant on behalf of the city to try to obtain funding for more installations.
 - CU repaired a pedestrian push button (APS) at Ocoee and Blythe Ferry. The repair was made as soon as parts were available to have the pedestrian signals fully functional before the Halloween holiday.

Water Division

Craig Mullinax reported on the following:

1. J.R. Wauford & Company completed the Alternative Disinfection Study for the Wastewater Treatment Plant (WWTP) in the contract amount of \$12,000.
2. CU's Electric Division will be assisting with the design and construction of the LED Lighting Project at the WWTP.
3. The WWTP Paving Project will be presented for consideration as a new business item in today's meeting.
4. ABS Consulting is assisting with refining plans for the Piping and Instrumentation Diagram (P&ID) Development, \$8,965; Process Safety Management and Risk Management Plan (PSM/RMP) Compliance Audits, \$8,067; and Process Hazard Analysis (PHA) Revalidations, \$6,833. The contract amounts will be split between water, wastewater and HUC.
5. Bids for the HVAC improvements at the Cleveland Filter Plant (CFP) are due on December 12.
6. Tech Coat, Inc., is scheduled to begin the rehabilitation of filters 3 & 4 at the CFP in January 2020.
7. TDEC representatives conducted their five year inspection of CU's pretreatment program on Wednesday, November 20. The inspection was very intense and lasted all day. TDEC had three representatives in attendance. Steve Barger and Karen Hall represented CU. Part of

their inspection consisted of conducting audits at two industries. Overall, Barger felt the visit went very well. Mullinax commended Barger and his staff for the work they do. A final report will be received in the near future.

8. The plat for the Cherokee Gateway Boulevard Water Storage Tank has been finalized and is in the process of being recorded.
9. The 20th Street Water Main Relocation Project will be bid on December 12. The project cost is estimated at \$30,000.
10. The Clingan Ridge Drive Water Line Extension Project will be bid in the second quarter of 2020 due to significant paving being involved in the project.
11. Hampton Backhoe completed the Haney Road Sewer Line Extension Project. The project came in at \$21,462, considerably less than the contract amount of \$36,950. A large portion of the contract amount included gravel backfill; however, the gravel backfill was able to be eliminated and reduced the cost. CU has paid the contractor, and an invoice will be submitted to the Industrial Development Board for reimbursement.
12. The water and sewer drawings for the Veterans Home Project have been submitted to TDEC for their review and approval.
13. Engineering is reviewing plans for the Lee University Track sewer and water line relocation. A draft design of the drawings was received on November 8. CU provided comments and sent those back to Miller-McCoy on November 14.
14. Engineering approved plans for The Farm Subdivision (part of The Haven @ The Grove) on North Lee Highway. The project scope is 341 feet of 8-inch gravity sewer main. Cate Brothers is the developer.
15. Hampton Backhoe has completed 80 percent of 1,200 feet of 6-inch water main installation at The Haven @ The Grove, Phase 2, on North Lee Highway.
16. The Meter Department set 36 meters through October 2019 compared to 36 for October 2018 and 22 for October 2017. A total of 164 meters have been set this fiscal year. Of the 36 meter sets, 24 were single family homes, 11 were townhomes, and 1 was commercial.
17. The total amount of rainfall recorded at the CFP as of November 20, 2019, was 0.95 inches for the month. A total amount of 57.99 inches of rainfall has been received this calendar year (1.85 inches above average).

OLD BUSINESS

Approval of Amendment to General Power Rate – Schedule GSA

On motion by Vice Chairman Eddie Cartwright and seconded by David May, Jr., the Board of Public Utilities voted to approve an amendment to the language in the General Power Rate – Schedule GSA to include the terminology “Grid Access Charge” as underlined in the following paragraph:

Minimum Bill

The monthly bill under this rate schedule shall not be less than the sum of (a) the base customer and grid access charge, as adjusted, (b) the base demand charge, as adjusted, applied to the customer's billing demand, and (c) the base energy charge, as adjusted, applied to the customer's energy takings; provided, however, that, under 2 of the Base Charges, the monthly bill shall in no event be less than the sum of (a) the base customer charge “and grid access charge” and (b) 20 percent of the portion of the base demand charge, as adjusted, applicable to the second block (excess over 50 kW) of billing demand, multiplied by the higher of the customer's currently effective contract demand or its highest billing demand established during the preceding 12 months.

Approval of Revised Sick Leave Policy

On motion by David May, Jr., and seconded by Joe Cate, the Utility Board took action to approve a

revision to CU's Sick Leave Policy. This revision defined documented and undocumented absences as well as provided updated guidelines to employees for when a provider's excuse is required.

NEW BUSINESS

Resolution to Honor Bart Borden's Retirement

On motion by Joe Cate with an amendment by Vice Chairman Eddie Cartwright and seconded by Debbie Melton, the Utility Board voted unanimously to adopt a resolution recognizing and honoring Bart Borden's retirement, signifying 38 years of faithful service to Cleveland Utilities. The resolution read as follows:

WHEREAS, in 1978, Bart Borden initially came to Cleveland Utilities to work as a part-time co-op draftsman student in electrical engineering; and

WHEREAS, in 1981, Bart obtained his Electrical Engineering Degree from the University of Tennessee at Knoxville and officially joined Cleveland Utilities as a full-time Distribution Engineer; and

WHEREAS, Bart was promoted to Meter Services Director in 1985; to Electrical Engineering Manager in 1989, to Electric Operations Manager in 2009 and finally to Electric Division Vice President in 2011; and

WHEREAS, he has faithfully served Cleveland Utilities for approximately thirty-eight (38) years with dedication and distinction.

NOW, THEREFORE, BE IT RESOLVED that the Board of Public Utilities of the City of Cleveland, Tennessee, hereby extends its heartfelt thanks and tremendous appreciation to Bart Borden for his dedication and devotion to Cleveland Utilities during his many years of service, and to let him know that he will be greatly missed.

BE IT FURTHER RESOLVED that a copy of this Resolution, suitably framed, be presented to Bart Borden as a small token of the Board's great admiration and respect.

UNANIMOUSLY APPROVED by the Board of Public Utilities of the City of Cleveland, Tennessee, this 22nd day of November, 2019.

A plaque of the resolution was presented to Borden. Everyone congratulated him on this momentous occasion.

Approval of CU Water Loss Program

On motion by Vice Chairman Eddie Cartwright and seconded by David May, Jr., the Board of Public Utilities voted unanimously to approve a new internal Water Loss Program effective with April 2020 bills. Henderson noted the executive team has been very purposeful and focused on improving customer service initiatives over the last several years. A few to note include the call center, prepay program, website update, online portal, kiosks, etc. This program will help customers with unexpected costs associated with water loss.

CU will have two options available as outlined below:

Option 1

- \$1.00 per month Opt-Out Program
- Covers up to a maximum of \$1,000 in water/wastewater bills in a rolling 12-month period
- Can be used to cover 2 months of bills during leak event
- Requires documentation that leak has been fixed, with AMI confirmation
- Available to all customers
- Location ID specific

Option 2

- \$10.00 per month Opt-In Program
- Covers up to \$15,000 in property damage, water line repair/replacement, and water/wastewater monthly bills
- Can be used to cover 2 months of bills during leak event

- Requires documentation that leak has been fixed, with AMI confirmation
- Can be used once per rolling calendar year from the date of payment
- Cost of repairs must be documented and supported
- Customer must obtain minimum of two written quotes for repair services; the lowest cost quoted will be reimbursed
- Cost of documented repairs will be reimbursed after repairs are made

Similar programs are offered by other utility companies; however, CU's program might offer additional benefits per Henderson. He then elaborated. In option 1 above, CU's program covers up to a maximum of \$1,000 in water/wastewater bills in a *rolling 12-month period*. Some of the programs offered by other utilities only cover one incident per year. A few weeks ago, Henderson advised he spoke to someone who has service with another utility provider offering a leak protection program. This customer had a leak in February resulting in an approximate \$300 bill. They subsequently had another leak in October resulting in an approximate \$700 bill. The \$700 bill was not covered because they already had one incident during the 12-month period. Since option 1 in CU's program will cover up to a maximum of \$1,000 in water/wastewater bills in a rolling 12-month period, the customer in the example provided would have been reimbursed for both, but would have met the maximum for the rolling 12-month period.

CU is going to be very aggressive in communicating the program since option 1 is an opt-out program. Prior to implementation, details will go out via bill inserts and advertisements. If a customer wants to opt-out of the program, the customer will need to call CU to have the service removed from their bill. Since option 2 is a higher level of protection and an opt-in program, customers will need to call to enroll in it. As always, the customer service representatives will be available to answer any questions. Staff feels the program will be a good fit for the customer base and provide them with peace of mind.

Vice Chairman Cartwright asked how many customers are projected to participate. Stinnett advised the only other similar program is Project Round-Up where an estimated 75-80 percent of CU's customers are participating and have not opted out. Staff is estimating the Water Loss Program to have a comparable participation rate. This program will essentially be self-insuring. Stinnett advised there are third parties who will administer the program; however, they do it at the cost of what CU will charge. Instead of the funds going to a third party and leaving the community, these funds will stay in and go back to our community with CU managing the program internally. Cartwright then questioned if the property owner or renter would have the protection on rental properties. Stinnett informed the protection would be with the account holder under option 1. In reference to the higher level of protection with option 2, this would be a conversation each property owner and tenant would need to have and depend on the lease agreement.

Approval of Purchase Order to Altec Industries, Inc.

On motion by Joe Cate and seconded by Vice Chairman Eddie Cartwright, the Utility Board took action to approve a purchase order to Altec Industries, Inc., in the amount of \$267,816 for a 2021 chassis equipped with an insulated, articulating overcenter aerial device. This unit will provide a working height of 60 feet. Altec submitted the low bid meeting all CU specifications. This is the budgeted replacement of Unit #179.

Approval of Purchase Order to the City of Cleveland

On motion by Debbie Melton and seconded by Joe Cate, the Board of Public Utilities voted to

approve a purchase order with the City of Cleveland in the amount of \$81,900 for the overlay of 2-inches of asphalt to the existing asphalt driveway and parking areas located at the Wastewater Treatment Plant. This project was budgeted for FY 2019.

Approval of Purchase Order to Teledyne Leeman

On motion by David May, Jr., and seconded by Joe Cate, the Utility Board took action to approve a purchase order with Teledyne Leeman in the amount of \$78,250 for the purchase of a new ICP spectrophotometer. The spectrophotometer is used to analyze metals in wastewater in the lab at the Wastewater Plant and is budgeted for FY 2020.

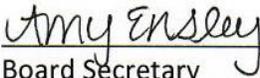
Approval of Purchase Order to WASCON, Inc.

On motion by Joe Cate and seconded by Vice Chairman Eddie Cartwright, the Board of Public Utilities voted to approve a purchase order with WASCON, Inc., in the amount of \$81,500 for the purchase of a new Acrison polymer system. The polymer system is part of the dewatering process assisting in processing sludge from the aeration basins. The polymer system was included in the FY 2019 budget. This is a sole source purchase.

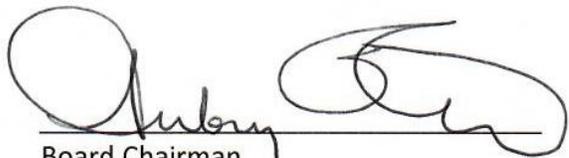
FUTURE BOARD MEETING DATES

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

- Friday, January 3, 2020, 12:30 p.m.
- Friday, January 24, 2020, 12:30 p.m.
- Friday, February 28, 2020, 12:30 p.m.



Board Secretary



Board Chairman

1-3-20

Date