

MINUTES OF REGULAR MEETING
CLEVELAND UTILITIES BOARD
NOVEMBER 30, 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; Chari Buckner, Cleveland Utilities Board; Councilman David May, Jr., Cleveland Utilities Board; Tim Henderson, President/CEO; Amy Ensley, Utility Board Secretary; Jimmy Isom, Manager Electric Engineering; Craig Mullinax, VP Water & Wastewater; Jan Runyon, Assistant VP Administrative Services; Marshall Stinnett, VP/CFO; Walt Vineyard, Executive VP; Kim Duncan, Operations Engineer; Mike Isham, Line Section Supervisor; Brandon Ingram, Lineman; Max McCann, Lineman; Tim Raines, Lineman; Bill Raulston, Lineman; Denley Hines, Bowater Credit Union President/CEO; Kim Gunter, Bowater Credit Union VP Marketing; and Tim Siniard, *Cleveland Daily Banner*. Following the Pledge of Allegiance to the American Flag, Tim Raines delivered the invocation.

MINUTES OF OCTOBER 26, 2018

On motion by Vice Chairman Eddie Cartwright and seconded by Chari Buckner, the Board of Public Utilities voted to approve the October 26, 2018, minutes as written.

MANAGER'S UPDATE AND ANNOUNCEMENTS

Christmas Parade

Cleveland Utilities will again show its Christmas spirit with the "Gingerbread House" themed float in this year's annual Christmas Parade taking place on Sunday, December 2, at 6:00 p.m. Board members were invited to join. Henderson thanked all employees who have worked diligently preparing the float for the fun-filled event.

Christmas Luncheon

The annual Christmas Luncheon will be held Thursday, December 13, 2018, from 11:30 a.m. to 1:30 p.m. at the Tom Wheeler Training Center.

Offices Closed-Christmas and New Years Holidays

Cleveland Utilities will be closed Monday thru Wednesday, December 24-26, 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.

Kiosk Partnership – Bowater Credit Union

Cleveland Utilities has entered into a kiosk partnership with Bowater Credit Union (BCU). As of today, a CU kiosk is operational at the BCU located on Hardwick Farms Parkway. Henderson and Stinnett expressed appreciation to Bowater Credit Union President/CEO Denley Hines and Marketing VP Kim Gunter. Hines reciprocated and stated BCU is happy to partner with CU on this service.

Hurricane Michael Mutual Aid Assistance Recognition

A total of eight CU linemen recently assisted with power restoration efforts in Florida resulting from the destruction left behind by Hurricane Michael. President/CEO Henderson honored Brandon Ingram, Max McCann, Tim Raines and Bill Raulston who were able to be in attendance for the Board Meeting. Employees Al Butler, Josh Day, Steve Mowery and Eric Smith were unable to attend.

The total deployment consisted of 28 days between both crews. They worked 16-hour days clearing paths and right of way to access the power lines for repair, replacing poles, installing new wire and

completing other work necessary to restore power. Ingram, McCann, Raines and Raulston reflected on their experience and advised the customers without power were extremely grateful and appreciative of them being there to help. The hosting utilities were very accommodating and took great care of them as well. All stated they were thankful for the opportunity to serve others following a disaster such as this. Chairman Ector said, "Thank you for representing us so well."

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 2014 through December 2018 was reviewed. For the month of December, the residential retail electric rate will change to 9.672 cents per kilowatt-hour, an increase of 2.81 percent over November's rate of 9.408 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 October 2018 financial and statistical statements were presented to the Utility Board. During October, the cost of purchased power as a percentage of retail sales was 80.8 percent and can be compared to the budgeted percentage of 78.7 percent for FY 2019. The results for October 2018 are electric sales revenue of \$7,272,827 which was offset by a purchased power expense of \$5,879,452. This resulted in an operating margin of \$1,393,375. Operating expenses for the month were \$1,908,319. These revenue numbers were driven by a customer base of 31,726. The net loss for the month was \$338,861.
3. For October 2018, water sales revenue was \$1,238,844. Other revenue sources contributed an additional \$144,133 for the month. Operating expenses for October totaled \$1,272,177. These revenue numbers were driven by a customer base of 32,023. The division recorded an operating income of \$110,800.
4. For October 2018, wastewater treatment revenue was \$1,024,813. Other revenue sources contributed an additional \$84,903 for the month. Operating expenses for October were \$979,012. These revenue numbers were driven by a customer base of 19,141. The division recorded an operating income of \$135,987, which is compared to a budgeted operating income of \$130,704 for the month.

Electric Division

Jimmy Isom reported on the following in the absence of Bart Borden:

1. The remaining additional steel poles for the Spring Branch Industrial Park Innovation Drive Distribution Lines Project arrived from the manufacturer. CU's line construction crews are in the process of setting the remaining poles and installation of the primary conductor will follow. The completion is projected for early January.
2. In reference to the East Cleveland 69 kV Bus Breaker Addition Project, the breaker installation and wiring has been completed by CU's substation maintenance crews. Programming and testing of the relays and SCADA will be done this week by operations and engineering staff, and final testing by Liberty Power Service is scheduled for next week.
3. Engineering has issued a work order for the Peerless Road LED Street Lighting Conversion Project. The material is in stock, and upgrade of the lights will be scheduled in the near future.
4. Murray Construction has completed the grading work for the Harriman Road Substation site. The sewing of grass and headwalls for the drainage tile under the driveway has also been

done. Additionally, Murray Construction has installed an access drive at the site to one of CU's poles for wire pulling purposes and future maintenance requirements. The site is now ready for fencing to be installed. Isom advised there is good soil/red clay at the site which will be ideal for grounding.

5. Virginia Transformer crews have completed the dressing out and testing of the three new 161/69 KV power transformers at East Cleveland Substation, and CU's substation maintenance crews have completed all the connections and wiring. Liberty Power Service will begin testing of the units next week. TVA has tentative plans to energize the units on Saturday, December 15, 2018. Cleveland Utilities will then energize the units the following Monday, December 18, with load gradually being added several days later if everything checks out.
6. Engineering released a work order to install a transformer at Spring Creek Development for a new hibachi restaurant being built on the west side of Jenkins' parking lot. CU will be installing 1,380 feet of underground #1/0 aluminum primary and a 75 kVA 3 phase pad-mount transformer to serve the expected 45kW demand. The contractor is required to install the conduit and concrete pad for the transformer. At this time, only a temporary service will be connected to the transformer.
7. Engineering met with the developer concerning the electric service installation to Cobble Stone Ridge Subdivision. This is a new development located on Old Chattanooga Pike SE consisting of 48 lots (46 are buildable single family residential lots and the other two will be detention ponds). This will include the installation of (3) 50 kVA, (2) 75 kVA, (1) 100 kVA transformers and upsizing from a 15 kVA to a 25 kVA transformer. Additionally, 1,660 feet of 2-inch primary conduit, 1,850 feet of #1/0 underground primary conductor, 1,895 feet of 3-inch secondary conduit, 1,300 feet of #4/0 and 715 feet of #350 underground aluminum triplex will be installed.
8. Engineering released a work order to provide service to the new Dollar General located on Dalton Pike SE just north of the old Waterville School location. The work will consist of installing 420 feet of #1/0 underground primary and a 50 kVA transformer. The service size will consist of a 600 amp main 120/240 single phase service.
9. Engineering has met with the developer on providing electric service to Fulbright Crossing. This is a new townhome/apartment development located at the corner of Fulbright Road and Shady Lane comprising 15 townhomes in 5 structural buildings and 6 apartments in 2 structural buildings. Engineering has released a design to the developer consisting of a 100 kVA and (2) 50 kVA transformers. Approximately 540 feet of 2-inch primary conduit with 680 feet of #1/0 underground primary and 180 feet of 3-inch secondary conduit with 210 feet of #350 aluminum underground triplex will be installed.
10. A report was presented regarding traffic lighting:
 - A work order was released to rewire the signal conductor at Paul Huff Parkway and Frontage Road. This intersection was responsible for numerous trouble calls over the last several weeks resulting from deteriorating conductor insulation. The 5-section doghouse signals will be removed and replaced with 3-section flashing yellow arrow signals, and the northbound left turn lane will also receive a flashing yellow arrow signal.

Water Division

Craig Mullinax reported on the following:

1. W&O Construction has completed the Headworks Rehabilitation Project at the Wastewater Treatment Plant (WWTP). The contract amount was \$1,023,550. CU is awaiting the final invoice.
2. Cherokee Construction has completed approximately 50 percent of the screening compactor area site improvements at the WWTP.
3. On November 27 and 28, 2018, the Tennessee Department of Environment and Conservation (TDEC) conducted the annual sanitary survey of the water system. Staff felt the survey went well and are awaiting the results.
4. Haren Construction has completed 60 percent of the Flocculation/Sedimentation Basin Improvements Project at the Cleveland Filter Plant (CFP). Yesterday, the plant was shut down for six to seven hours to perform some necessary work. During this time, the flow rate was lowered to 4,000 gpm which is equal to 5.7 million gpd. CU is currently buying the basic minimum due to being in a lower demand period; however, any additional water needed will be provided by the Hiwassee Utilities Commission (HUC). Haren is doing a fantastic job with the various dynamics and amount of activity the project entails.
5. An update was provided for the Georgetown Road Water Storage Tank, Booster Pump Station and Water Main Extension Project. Crom completed the fence installation around the tank this week. The paving on Georgetown Circle was bid separately and will add an additional \$37,211 to the project. This will be presented under old business for board consideration.
6. Angel Construction has completed the Baugh Springs Trail and Banther Road Water Main Extension Project. When the project was bid, it included 3,392 feet of 6-inch water main; however, the scope changed and 2,849 feet was installed. This resulted from the county's decision to not fund one leg of the line. The final project amount was \$63,831.
7. Hampton Backhoe has completed 50 percent of the water main replacement project on Van Davis Road from SR60 to Swafford Cemetery Road.
8. Mayse Construction has completed the Van Davis Road south of Morgan Road Water Main Extension Project. CU is awaiting the final invoice.
9. Hampton Backhoe has completed the waterline extension project on Varnell Road SW to near Blackfox Road. The final contract amount was \$18,695.
10. On November 19, 2018, Mayse Construction started work for 2010 Annexation Sewer Project on APD-40.
11. Engineering is reviewing the following plans:
 - Paul Huff Corners on Peerless Road and Paul Huff Parkway consisting of 2 commercial lots, 1,020 feet of 8-inch water main and 590 feet of 8-inch sewer main.
 - Graystan Square on Mouse Creek Road and Paul Huff Parkway. The project scope includes 4 commercial lots, 850 feet of 8-inch water main and 840 feet of 8-inch sewer main. Leconte Cleveland, LLC is the developer.
 - Bradley Place (11 retail buildings) at Bradley Square Mall. The work involves the relocation of a 10-inch water main and sewer is still to be determined. Plans call for the proposed buildings to be installed over a portion of the existing water and sewer lines. The contractor requested for the water line under the structure to be taken out of service so they could proceed with preliminary work. During this process, the valves failed and a contractor from Knoxville was engaged to assist CU with the work. As of

yesterday, the water line is now out of service. There are some challenging aspects in this project.

12. Engineering approved plans for:

- Ocoee OB/GYN Addition on Business Park Drive in Spring Creek. The project scope is relocating 247 feet of 8-inch sanitary sewer.
- Fulbright Crossing on Fulbright Road consisting of 2 triplexes, 15 townhomes and 376 feet of 8-inch sewer main.

13. The following developments are under construction:

- Cobblestone Ridge Subdivision on Old Chattanooga Pike. The development includes 48 lots, 1,800 feet of 6-inch water main and 2,180 feet of 8-inch sewer main. D&S Custom Homes, LLC is the developer, and Marvin Sledge Construction is the contractor.
- Greywood Farms Subdivision on Old Charleston Road which includes 47 lots and 2,271 feet of 6-inch water main.
- Bellingham, Phase 2, on Urbane Road consisting of 156 townhome units, 3,800 feet of 8-inch sewer main and 4,000 feet of 6-inch water main.

14. An update was provided for the ongoing Wastewater Rehabilitation Project:

- Westco has completed clearing along sewer main easements. They cleared approximately 35,000 linear feet or 6.6 miles of easement area.
- Phase I of the Basin 10A-8 Rehabilitation Project is ongoing. Portland Utilities has completed 5,027 feet of mainline rehabilitation and 36 service lateral rehabilitations this period. To date, the contractor has completed 73 percent of the mainline rehab and 14 percent of the service lateral rehabilitation.

15. The Meter Department set 36 meters through October 2018 compared to 22 for October 2017 and 20 for October 2016. Of the 36 meter sets, 27 were single-family homes, 4 were townhomes, 1 was an apartment, 2 were irrigation and 2 were commercial.

16. The total amount of rainfall recorded at the CFP from January 1, 2018, through November 27, 2018, was 60.74 inches (10.24 inches above average). It has been an extremely wet year. The annual projection is 66.26 inches.

OLD BUSINESS

Approval and Acceptance of FY 2018 Audit Report

On motion by Vice Chairman Eddie Cartwright and seconded by David May, Jr. the Board of Public Utilities voted to approve and accept the Fiscal Year 2018 audit report.

Approval of Change Order with Roy Joe Angel d/b/a Angel Construction Company-Georgetown Road Water Systems Improvement Project

On motion by David May, Jr. and seconded by Vice Chairman Eddie Cartwright, the Utility Board took action to approve Change Order 1 (Final) with Roy Joe Angel d/b/a Angel Construction Company as part of finalizing material quantities for the waterline extension on the Georgetown Road Water System Improvements Project. The final project cost increase is \$78,096.38. The original contract amount was \$315,160, and the adjusted final contract amount will be \$393,256.38. The overall final project cost which includes the waterline extension, water storage tank and water booster station should be less than the total SRF Loan of \$1,625,000 with \$200,000 in loan forgiveness.

NEW BUSINESS

Approval of Suspension of Seasonal Time-of-Use Manufacturing Service Rate – Schedule TDMSA and Time-of-Use General Service Rate – Schedule TDGSA

On motion by Chari Buckner and seconded by Vice Chairman Eddie Cartwright, the Board of Public Utilities voted to approve the suspension of the Seasonal Time-Of-Use Manufacturing Service Rate-- Schedule TDMSA and Time-Of-Use General Service Rate – Schedule TDGSA rates. It has been determined the existing Time-Of-Use rates do not support the necessary revenue to support the cost of service to this class of customers. It is the recommendation of CU staff and Rates Analyst, Chris Mitchell, to officially suspend these rates and to craft a MSA rate that would support the necessary revenue which would support the cost to serve. Staff recommends the suspension to allow the three Manufacturing Services on the rate and the one General Service Company in the process of changing to this rate, remain on the rate for a period of two years based on each customer’s contract date of termination. This requires board action as set forth in the TVA Power Contract.

Approval of Purchase Order to Ortwein Sign

On motion by Vice Chairman Eddie Cartwright and seconded by Chari Buckner, the Utility Board took action to approve a purchase order to Ortwein Sign in the amount of \$66,500 for the manufacturing and installation of a digital sign and signage at CU’s main campus. This scope of work was bid independently of the overall building renovation contract. Two bids were received, and Ortwein submitted the low bid. The purchase order was signed on November 8, 2018, to protect against construction delays in the project. This is a budgeted item.

Approval of Purchase Order to Sherman & Reilly

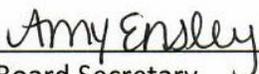
On motion by Chari Buckner and seconded by Vice Chairman Eddie Cartwright, the Board of Public Utilities voted to approve a purchase order to Sherman & Reilly in the amount of \$62,480 for multi conductor travelers, one running board and two running grounds. This equipment will be used by the Line Department to install double conductor overhead transmission lines. Two bids were received, and Sherman & Reilly submitted the low bid meeting CU’s minimum specifications. The equipment is budgeted for FY 19.

OTHER BUSINESS

Future Board Meeting Dates

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

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

1-4-19
Date