

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

MINUTES OF JANUARY 25, 2019

On motion by Vice Chairman Eddie Cartwright and seconded by Chari Buckner, the Board of Public Utilities voted to approve the January 25, 2019, minutes as written.

MANAGER'S UPDATE AND ANNOUNCEMENTS

Annual Awards Banquet

Board members were reminded of the upcoming Annual Awards Banquet scheduled for Tuesday, March 5, 2019, at 11:30 a.m., where 76 employees will be recognized for perfect attendance and 28 for years of service. The banquet will be held in the Tom Wheeler Training Center.

Online Utility Training for Board Members

The Tennessee Comptroller's Office is now offering free online training for board members who oversee a water and/or wastewater utility system.

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 March 2015 through March 2019 was reviewed. For the month of March, the residential retail electric rate will change to 9.510 cents per kilowatt-hour, a decrease of 1.29 percent over February's rate of 9.635 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 January 2019 financial and statistical statements were presented to the Utility Board. During January, the cost of purchased power as a percentage of retail sales was 77.6 percent and can be compared to the budgeted percentage of 78.7 percent for FY 2019. The results for January 2019 are electric sales revenue of \$9,563,449, which was offset by a purchased power expense of \$7,419,989. This resulted in an operating margin of \$2,143,460. Operating expenses for the month were \$1,753,371. These revenue numbers were driven by a customer base of 31,584. The net income for the month was \$561,289 and can be compared to a budgeted net income of \$479,190.
3. For January 2019, water sales revenue was \$1,111,081. Other revenue sources contributed an additional \$126,871 for the month. Operating expenses for January totaled \$1,290,427. These

revenue numbers were driven by a customer base of 31,912. The division recorded an operating loss of \$52,475, which is compared to a budgeted operating loss of \$13,221.

4. For January 2019, wastewater treatment revenue was \$947,788. Other revenue sources contributed an additional \$145,952 for the month. Operating expenses for January were \$1,017,071. This is compared to the budgeted amount of \$995,546. These revenue numbers were driven by a customer base of 19,091. The division recorded an operating income of \$76,669, which is compared to a budgeted operating income of \$135,135 for the month.
5. Stinnett noted the budget is on target to be presented at the March board meeting. At this point, the projections from last year are looking fairly accurate.

Electric Division

Bart Borden reported on the following:

1. Work continued on the Spring Branch Industrial Park Innovation Drive distribution lines, and the project was completed in January. CU is now ready to connect load to the lines. The new lines will accommodate a 4 MW load, until the new Cherokee Gateway Substation is in service.
2. A financial update was provided for the East Cleveland 69 kV Bus Breaker Addition Project. The project is complete; however, this item will remain in the report until all expenses are finalized. The current, actual project cost is \$188,287.23.
3. Service Electric of Chattanooga has been secured to install the LED street lighting on Peerless Road. The work is scheduled to begin the first week of March.
4. The East Cleveland Substation Power Transformers Replacement Project has been completed. A financial update was provided. The current, actual project cost is \$1,875,066.22.
5. The power line design work for Phase II of the Lang Street to District Substation transmission line replacement has been completed to the point where CU is able to send out the steel pole bid requests for the project. A photo from the first phase was provided to give board members a representation of how the project will continue with double 556 MCM AAC 69 kV conductors per phase transmission lines with underbuild 13.2 kV distribution lines.
6. Engineering and operations department personnel have begun a project with Schweitzer Engineering Laboratories (SEL) to test their new fault indicators with wireless communication. Fault indicators have been used by CU without communication for many years. The indicators hang on distribution lines and flash when they sense a fault downstream on their load side. This helps linemen locate the fault on a circuit quicker. These new fault indicators developed by SEL have communication capabilities and can report live data back to the SCADA system in the dispatch room. The indicators will show load current and send a notification when they sense a fault. Once SCADA receives the notification, it can graphically indicate the fault location in the dispatch center and send a text message to the appropriate personnel to respond. This information will notify crews quicker where to begin patrolling for the cause of the fault. The project is a proving test for the new product. SEL is furnishing a communications receiver/transmitter and 9 fault locators for testing and proofing. CU has agreed to buy the equipment after the project has proved to be successful. If unsuccessful, CU is not obligated to purchase. The equipment is anticipated to be installed by the end of March, based on the delivery quoted.
7. Engineering released a work order to install electric service to the existing sewer lift station in the back of Spring Branch Industrial Park. A total of 500 feet of underground primary and a

150 kVA three phase pad-mount transformer were installed to serve the new 137 kW load. This will be the first load energized in the new park.

8. Engineering released a work order to provide service to a new industrial building located at 2104 King Edward Avenue. The work will require the installation of a new 50 foot ductile iron pole, 225 feet of underground primary conductor and a 150 kVA pad-mount transformer to serve the new 144 kW load.
9. Work continued on the new Cherokee Gateway Substation site with the completion of soil testing by Terracon. The soil resistance and makeup reports were forwarded to CU's consulting engineering firm to design the ground grid and to the substation structure supplier to design the required concrete foundations. The foundation designs were completed and have been approved. Approval drawings were accepted and released for manufacturing of the steel structures, switches and feeder breakers.
10. The construction of two offices in the Operations Department Building was completed mainly by in-house personnel. The area where the Meter Setters were housed was converted into two offices for the Safety Supervisor and Operations Engineer. This freed up needed office space in the I.T. and Engineering Departments. The space became available by shifting personnel into the former Meter Readers area and was possible due to the implementation of the Automated Meter Reading system.
11. Line construction crews completed the conversion of Volunteer Energy Cooperative customers in the Urbane Road annexed area to Cleveland Utilities' electric service. This involved the installation of a 500 kVA pad-mount transformer and 1,290 feet of underground primary conductor and required conduit, which serves the Omega Center.
12. A report was presented regarding traffic lighting:
 - CU's Traffic Signal Coordinator attended a pre-construction meeting for intersection improvements at 25th Street and Georgetown Road. The project involves the installation of dual left turn lanes on Georgetown Road and should begin soon with a target completion date of July 15.

Water Division

Craig Mullinax reported on the following:

1. The new maintenance building at the Wastewater Treatment Plant (WWTP) is essentially complete. TriCon Construction is working on punch list items. The building looks really nice.
2. Cherokee Construction has completed the screening compactor area site improvements at the WWTP with the exception of cleanup. A sluice diverter access platform was installed by CU personnel to safely access the diverter slide gates for operation and maintenance.
3. Haren Construction has completed 80 percent of the Flocculation/Sedimentation Basin Improvements Project at the Cleveland Filter Plant (CFP). Basin 1 is currently being rehabilitated. Basins 2, 3 & 4 are complete.
4. Mayse Construction has completed 20 percent of the installation for the 2010 Annexation Sewer Project on APD 40.
5. The easement acquisition process is ongoing for the 2010/2012 Annexation Project on Benton Pike and Durkee Road. A total of 38 easements are required, and one is complete.
6. Engineering is reviewing plans for Stone Creek, Phase 3 on New Murraytown Road. The development consists of 35 lots, 1,230 feet of 6-inch water main, 300 feet of 2-inch water main and 1,984 feet of 8-inch sewer main. Epperson Homes is the developer.

7. Engineering received and approved a revised set of plans for Ridgedale Forest Subdivision, Phase 2, comprising 15 lots and 1,483 feet of 6-inch water main.
8. An update was provided for the following plans under construction:
 - Spring Branch Industrial Park at Cherokee Gateway Boulevard is approximately 95 to 99 percent complete. Once the contractor completed the installation of the sewer lines, CU crews televised them. During this process, several deficiencies were identified. The contractor has been working over the last several weeks to make the necessary corrections before CU will take the sanitary sewer collection system over. On February 21, CU staff, Talley Construction and the pump manufacturer met to perform the startup of the sewer pump station, which went well.
 - Heartland Subdivision on Tasso Lane is complete. The development contains 73 lots, 2,352 feet of 8-inch water main and 2,885 feet of 8-inch sewer main.
 - Hampton Backhoe has completed 95 percent of the installation for Fulbright Crossing on Fulbright Road. The project scope is 376 feet of 8-inch sewer main.
 - Bellingham, Phase 2, on Urbane Road is 95 percent complete. The development comprises 156 townhome units, 3,800 feet of 8-inch sewer main and 4,000 feet of 6-inch water main. Hampton Backhoe is the contractor.
 - Paul Huff Corners at Peerless Road and Paul Huff Parkway (2 commercial lots) is 70 percent complete. Hampton Backhoe is the contractor. The development includes 1,020 feet of 8-inch water main and 590 feet of 8-inch sewer main.
 - Bradley Place at Bradley Square Mall comprising 11 retail spaces is 35 percent complete. The project includes relocating a 10-inch water main. B&B Plumbing is the contractor.
9. An update was provided for the ongoing Wastewater Rehabilitation Project:
 - Phase I of the Basin 10A-8 Rehabilitation Project is 57 percent complete overall. The contractors have completed 40 percent of the service lateral rehabilitation and 25 percent of the manhole rehabilitation.
10. The Meter Department set 27 meters through January 2019 compared to 27 for January 2018 and 20 for January 2017. A total of 178 meters have been set for FY 2019. Of the 27 meter sets, 17 were single-family homes, 4 were townhomes, 1 was an apartment, 1 was a duplex and 4 were commercial.
11. The total amount of rainfall recorded at the CFP as of 8:30 a.m. on February 22, 2019, was 7.91 inches for the month (4.13 inches above average for this calendar year). Mullinax has been tracking rainfall since 1996. In the 24 years, the highest amount of annual rainfall occurred in 2013 with a total of 76.17 inches followed by 2018 with a total of 71.89 inches. The cumulative 14-month total for 2013 (includes January and February 2014) was 84.69 inches and can be compared to the cumulative total of 85.50 inches for 2018 (to include January and February of 2019). There has been a tremendous amount of rainfall and the trend is continuing.

NEW BUSINESS

Safety Internal Performance Measures (IPM's)

President/CEO Henderson began by stressing the importance of the safety program not only for CU's workforce, but the public as well. He noted the IPM's are another way to enhance and identify areas for improvement in the safety realm. Administrative Services VP Corum reintroduced Safety

Supervisor Nathan Vann and reminded the reporting of Safety IPM's were included as a goal in CU's 2015-2017 Strategic Plan. Corum expressed appreciation to the executive staff/board members for their support of the safety program as well as Vann for the role he performs. He advised maintaining the safety presence every single day is extremely important in the utility industry.

Vann then presented the Safety Internal Performance Measures (IPM's) for 2018. The overall results are as follows:

- *OSHA Recordable Incident Rate* (a calculation for the number of employees per 100 full-time employees that have been involved in a recordable injury or illness) – a combined total of 2.88 for both divisions; 2.5 for the Electric Division; and 3.39 for the Water/Wastewater Divisions.
- *DART Rate* (a calculation for the number of recordable incidents per 100 full-time employees that results in lost or restricted days or job transfer due to work-related injuries or illnesses) – a combined total of 2.40 for both divisions; 1.67 for the Electric Division; 3.39 for the Water/Wastewater Divisions.
- *Lost-Time Case Rate* (a calculation describing the number of lost times cases per 100 full-time employees in any given time frame) – a combined total of 0.48 for both divisions; 0 for the Electric Division; 1.13 for the Water/Wastewater Divisions.
- *Vehicle Accident Rate* (a calculation for the number of accidents per million miles driven) – a combined total of 2.25 for both divisions; 2.73 for the Electric Division; 1.91 for the Water/Wastewater Divisions.

The following data went into the calculations:

- A total of 734,288 consecutive hours have been worked by both divisions combined without a lost-time injury (LTI). Electric Division employees contributed 725,504 of those hours, with the last lost-time injury occurring on November 19, 2015. The Water Division has reached 8,784 hours, with the last lost-time injury occurring on December 7, 2018.
- A total of 416,797 cumulative hours were worked company-wide in 2018. 115 employees in the Electric Division worked 239,935 hours, and 83 employees in the Water Division worked 176,862 hours.
- In addition, a total of 888,868 cumulative vehicle miles were driven by employees in 118 vehicles during the year. 366,611 miles were driven by Electric Division employees and 522,257 miles by Water Division employees.

The below table provides a comparison summary of the IPM data for the last four years:

Year	OSHA – RIR	DART	LTCR	VAR
2015	3.51	2.01	0.5	6.84
2016	1.53	0.51	0	6.78
2017	4.04	2.53	1.01	2.29
2018	2.88	2.40	0.48	2.25

Vann pointed out improvements have been made in all categories.

Approval of Contract with S&ME, Inc.

On motion by Joe Cate and seconded by David May Jr., the Board of Public Utilities voted unanimously to approve a contract with S&ME, Inc. in the amount of \$149,755. S&ME will provide plans and specifications, advertising, bidding, construction administration and assistance, and a resident project representative as needed for Phase II of the Rehabilitation Project within Basin 10A-8. This is budgeted for FY 2018-19.

OTHER BUSINESS

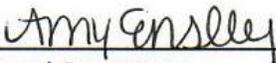
Future Board Meeting Dates

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

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

Friday, April 26, 2019, 12:30 p.m.

Friday, May 24, 2019, 12:30 p.m.



Board Secretary



Board Chairman

3-22-19

Date