

MINUTES OF REGULAR MEETING
CLEVELAND UTILITIES BOARD
APRIL 27, 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; Tom Rowland, Mayor; Joe Cate, Cleveland Utilities Board; Tim Henderson, President/CEO; Amy Ensley, Utility Board Secretary; Walt Vineyard, Executive VP; Bart Borden, VP Electric Division; Craig Mullinax, VP Water and Wastewater; Marshall Stinnett, VP/CFO; Jan Runyon, Assistant VP Administrative Services; Kenny Longley, Electric Engineer II; David Yost, GIS Director; Joe Fivas, City Manager; and Brian Graves, *Cleveland Daily Banner*. Following the Pledge of Allegiance to the American Flag, Kenny Longley delivered the invocation.

MINUTES OF MARCH 23, 2018

On motion by Mayor Tom Rowland and seconded by Vice Chairman Eddie Cartwright, the Board of Public Utilities voted to approve the March 23, 2018, minutes as written.

MANAGER'S UPDATE AND ANNOUNCEMENTS

Exterior Building Façade Renovation Update

President/CEO Henderson introduced GIS Director David Yost and advised he is part of a committee that was formed in 2017 for the Exterior Building Renovation Project that has been meeting regularly to give input on the direction of this project. Additionally, Yost will be playing a lead role managing the construction component once underway.

Yost reported on the progress to date as well as the plans moving forward. The primary focus will include a main focal tower (stone), staining of the existing brick, stone column accents, parapet panel replacement across the front of the building, the addition of wayfaring signage, a new digital sign and drive surfacing for a renewed look. This theme would carry out through the entire campus in different phases. The Lewis Group Architects completed the design, the request for bids was issued, and bids were opened on April 5, 2018. Three bids were received and ranged in price from \$1,039,000 to \$1,219,968, which was above the budgeted project amount.

Adjustments were then made to some of the items resulting in a price reduction of approximately \$366,000 and fit within the budgeted amount. CU is awaiting the final adjusted prints and will then seek board approval when details are finalized. Once approval is obtained, the construction will commence. The first phase is expected to take six to nine months to complete. Prints of the rendering and digital sign were displayed. Henderson said, "Our staff is excited about the new look. This is a conservative approach to making a great improvement to our facilities and the community."

Budget Approval Process Update

The budget approval process continues to move forward. On April 23, 2018, the Cleveland City Council passed the first reading of the fiscal year 2019 budget.

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 May 2014 through May 2018 was reviewed. For the month of May, the residential retail electric rate will change to 9.193 cents per kilowatt-hour, a decrease of 0.77 percent over April's rate of 9.264 cents. 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 March 2018 financial and statistical statements were presented to the Utility Board. During March, the cost of purchased power as a percentage of retail sales was 77.1 percent. The results for the month were electric sales revenue of \$8,058,881, which was offset by a purchased power expense of \$6,216,213. This resulted in an operating margin of \$1,842,668. Operating expenses for the month were \$1,571,260 and can be compared to a budgeted operating expense of \$1,575,343. The division serviced 31,659 customers. The net income for the month was \$442,972, which is compared to a budgeted net income of \$114,196.
3. For March 2018, water sales revenue was \$1,047,683. Other revenue sources contributed an additional \$135,213 for the month. The division serviced 31,817 customers. Operating expenses for March totaled \$1,273,570 and can be compared to the budgeted amount of \$1,222,797. The division recorded an operating loss of \$90,674 and can be compared to the budgeted operating loss of \$7,834.
4. For March 2018, wastewater treatment revenue was \$950,766. Other revenue sources contributed an additional \$93,986 for the month. The division serviced 19,020 customers. Operating expenses for the month were \$997,013. The division recorded an operating income of \$47,739, which is compared to a budgeted operating income of \$104,843.
5. Stinnett noted the Electric Division was over budget for the month and is a result of the weather during the month. March is typically a transition month; however, there were several warm days and several cold days at the end of the month. The Water and Wastewater Divisions were both under budget. This is attributed to the amount of rainfall receiving during the month.

Electric Division

Bart Borden reported on the following:

1. During the month of March, 17 transmission and distribution combination poles were set and framed for the Harriman Road/Spring Branch Industrial Park Transmission Line Project. CU crews pulled in all of the 795 MCM 69 kV conductors, sagged the conductors to proper tensions and tied it in to the insulators.
2. In reference to the South Industrial Park Road Distribution Lines Project, the 13 kV steel distribution poles were placed on order and have a quoted delivery of June 6 to June 20.
3. Bids were received for the East Cleveland 69 kV bus breaker addition. The project was awarded to low bidder, Substation Engineering and Design Corporation, located in Pelham, Alabama, at a cost of \$30,878 for the required substation structure and equipment to install a 69 kV main bus breaker. The structure and equipment are quoted for an August 21, 2018, delivery date. The bus breaker was awarded to low bidder, Siemens Industry Inc., at a cost of \$35,450 with a mid-June delivery date.

4. Engineering and operations staff have been working with the site design engineer concerning the entrance to the proposed Graystan Square Development on Paul Huff Parkway at Mouse Creek Road. The entrance will be a right and left in and right out only entrance and will occupy a good portion of the existing location of the Valleyhead Substation driveway. CU personnel are working closely with the design engineer to ensure the driveway modification to the substation will allow a large, lowboy semi-truck and crane access to both sides of the substation in the event a power transformer needs to be replaced. This requirement has created some challenges for the design engineer due to the grade changes, and the final design has not been determined to date. CU's Traffic Signal Technician is also working with the developer and the City of Cleveland on the proposed Mouse Creek Road and Paul Huff Parkway intersection modifications on the impact it will have on the traffic signals.
5. The Electric Operations Department is working with the City of Cleveland Engineering Department to upgrade the stormwater pipe system crossing the CU Power Service Center lower equipment storage lot. The City Engineering Department is designing the system, and Cleveland Utilities will be responsible for the installation. Borden expressed appreciation for the City's assistance with the project. Cleveland Utilities will incorporate additional drainage to capture runoff from the rear parking lot areas. This will be a great improvement in stormwater control.
6. Employees from differing areas attended a Changing Marketplace Workshop hosted by TVA at the Tom Wheeler Training Center to help educate them on how the electric marketplace is changing with solar and wind generation, electric vehicles, battery storage and energy control systems integration. The workshop was very helpful for employees who do not normally deal with these systems.
7. The Electric Standby Supervisors participated in a TVA Emergency Load Curtailment drill on March 22, 2018. This biannual emergency drill prepares TVA and Local Power Companies in the processes to curtail loads during abnormally high demand conditions. The drill went very well.
8. The Operations Department received the new Ditch Witch Directional Boring Machine and crews participated in training of the proper use and operation of the new equipment. The boring machine is used regularly to bore in electrical conduits, but the department frequently assists the Water Division with the installation of water lines under roadways.
9. An update was presented on traffic lighting:
 - A work order was issued to convert 12 incandescent traffic signal heads to LED at the intersection of Stuart Road and Old Tasso Road. When this work is completed, only five intersections will remain with incandescent bulbs in the signals.
 - Due to the annexation of the Westland Drive and APD-40 intersection, the ownership of the traffic signals has changed from Bradley County to Cleveland Utilities. Any future maintenance will be charged to the City of Cleveland. This brings the total number of intersections in the city to 76.

Water Division

Craig Mullinax reported on the following:

1. The Headworks Rehabilitation Project at the Wastewater Treatment Plant (WWTP) is approximately 75 percent complete. Three new bar screens and new technology have been put in the channel. The new screen size is much smaller than the existing screens and will allow for more solids to be caught in the wastewater influent coming into the plant.
2. Rardin & Carroll has completed the design for the New Maintenance Building Project at the WWTP. A bid date has been set for May 17, 2018.
3. The design for the Backwash Return Pit Rehabilitation Project at the Cleveland Filter Plant (CFP) is complete; however, the project is being delayed until FY 2020 due to operational concerns along with additional work that will be required due to the pouring of the large concrete pad and the time it would take to cure.
4. W&O Construction has completed the repair of Filter No. 2 at the CFP at a total cost of \$121,023.
5. The Georgetown Road Water Storage Tank, Booster Pump Station and Water Main Extension Project is progressing. Pictures of various stages of the tank construction were shown. The water tank is 41 feet in diameter and 50 feet in height. Currently, CU has a connection and purchases water from Savannah Valley Utility District. Once the tank is in service, Cleveland Utilities will keep the connection, but will no longer purchase water from the utility. The tank construction is anticipated to be completed in the early fall.
6. The Baugh Springs Trail & Banther Road Water Main Extension Projects will consist of 3,392 feet of 6-inch water main. The projects were requested by a customer and will include participation by the County.
7. Two new projects which are part of the new basin supported by the Georgetown Road Water Storage Tank being constructed will include the replacement of 3,674 feet of 8-inch water main on Van Davis Road (SR60 to Swafford Cemetery Road) as well as the extension of 2,700 feet of 6-inch water main on Van Davis Road south of Morgan Road.
8. The formal application for the 2010 Annexation Sewer Project on APD 40 was submitted to the State Revolving Fund (SRF) this week by Philip Luce. Once the application is reviewed by the SRF, it will then be sent to the Tennessee Local Development Authority (TLDA) Board which meets in mid-May for approval.
9. Olin representatives will be meeting to discuss the sewage pump station to serve Olin and United Hydrogen. The design was funded by the Cleveland/Bradley County Industrial Development Authority. Mullinax is hopeful Olin will proceed with the project.
10. Updates were provided for the following developments under construction:
 - Hampton Backhoe has completed all the work associated with Stonebriar Subdivision and Eagle Creek, Phase 3. Additionally, Hampton Backhoe has completed 99 percent of the water main for Phase 2 of Falcon Crest, 10 percent of the water booster pump station installation for Falcon Crest and 90 percent of the sewer main for Phase 1 of Stone Creek.
 - Talley Construction has completed 50 percent of the sewer main for the Heartland Subdivision (formerly Laurel Ridge Subdivision).
11. Portland Utilities has completed 6 manhole rehabilitations during this period for the 2017 Rehabilitation Project, Basin 31-45 & 10-36. In reference to Phase 2 of the 2017 Rehabilitation Project, Basin 31-45 & 10-36, the contractor completed 1,650 feet of

mainline rehab, 35 service lateral rehabilitations and 5 manhole rehabilitations during this period.

12. The Meter Department set 54 meters through March 2018. Of the 54 meter sets, 24 were single-family homes, 17 were townhomes, 11 were apartments, 1 was irrigation and 1 was commercial. A total of 254 meters have been set this fiscal year.
13. The total amount of rainfall recorded at the Cleveland Filter Plant to date for April is 6.85 inches and is 1.64 inches above average for the month.

NEW BUSINESS

Approval of Purchase Order to WESCO

On motion by Mayor Tom Rowland and seconded by Vice Chairman Eddie Cartwright, the Utility Board took action to approve a purchase order to WESCO in the amount of \$62,892.80 for 49,600 feet of 795 AAC conductor to replenish stock. This purchase needs to be expedited due to the Harriman Road/Spring Branch Industrial Park Transmission Line Project depleting stock down to partial reels only. WESCO has the item in stock whereas the other vendors have longer lead times.

Approval of Purchase Order to Haren Construction Company

On motion by Vice Chairman Eddie Cartwright and seconded by Joe Cate, the Board of Public Utilities voted to approve a purchase order to Haren Construction Company in the amount of \$107,000 for the improvements at the Raw Water Intake Pump Station consisting of automation of the basket screens, flushing process and replacement of exterior lighting. The project is budgeted for FY 2018.

Approval of Purchase Order to Southern Star Construction, LLC

On motion by Mayor Tom Rowland and seconded by Joe Cate, the Board of Public Utilities voted unanimously to approve a purchase order to Southern Star Construction, LLC in the amount of \$114,500 for the improvements at the Raw Water Intake Pump Station Building consisting of pressure washing the building, coating concrete walkways, repair of steel walkway supports, repair of glass block windows caulking, repair of handrail, replacement of two doors and painting jib crane, rotating screen covers and other miscellaneous items. The project is budgeted for FY 2018. This is the second time this project has been bid. The first time it was bid, no bids were received. Therefore, the project was rebid and this one bid was submitted. The project is a challenging one with the location of the building being next to the river. References were checked, and Southern Star Construction was highly recommended.

Approval of Contract to Portland Utilities Construction Company, LLC

On motion by Joe Cate and seconded by Mayor Tom Rowland, the Board of Public Utilities voted unanimously to approve a contract with Portland Utilities Construction Company, LLC in the amount of \$4,336,920 to perform 2,670 LF of 18", 3,000 LF of 15" and 24,650 LF of 8" and 10" mainline sewer rehabilitation by pipe bursting, CIPP lining and excavation. This contract will also include renewal of 552 sewer service laterals and cleanouts and 1,075 vertical feet of manhole lining. This is the first SRF project performed under loan number SRF2018-417 and will be paid for through the SRF funding. This project is budgeted for FY 2019 in the amount of \$4,350,000. The loan does not have loan forgiveness, but is provided a low, long-term interest rate. This company is located in Portland, Tennessee.

Approval of Purchase of Property at 1575 Frederick Street NW

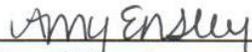
On motion by Vice Chairman Eddie Cartwright and seconded by Mayor Tom Rowland, the Board of Public Utilities voted unanimously to approve the purchase of the property located at 1575 Frederick Street NW and owned by Mike and Leslie Montgomery. The purchase price is \$250,000 and is based on the appraisal dated February 16, 2018, from BenchMark Trust Corporation. The property will be used by Cleveland Utilities Wastewater Collection Department. The purchase is budgeted for FY 2018. Improvements to the property are budgeted for FY 2019.

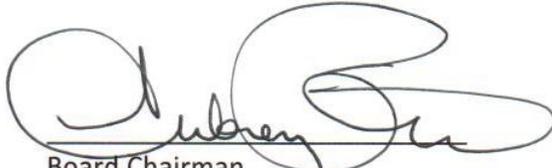
OTHER BUSINESS

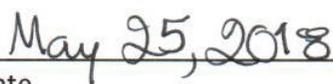
Future Board Meeting Dates

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

- Friday, May 25, 2018, 12:30 p.m.
- Friday, June 22, 2018, 12:30 p.m.
- Friday, July 27, 2018, 12:30 p.m.


Board Secretary


Board Chairman


Date