

MINUTES OF REGULAR MEETING
CLEVELAND UTILITIES BOARD
MAY 24, 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; Chari Buckner, Cleveland Utilities Board; Joe Cate, Cleveland Utilities Board; Councilman David May, Jr., Cleveland Utilities Board; Tim Henderson, President/CEO; John Corum, VP Administrative Services; Amy Ensley, Utility Board Secretary; Craig Mullinax, VP Water & Wastewater; Marshall Stinnett, VP/CFO; Walt Vineyard, Executive VP; Jimmy Isom, Electric Engineering Manager; Ashley Sermons, Energy Services Advisor; and Larry Bowers, *Cleveland Daily Banner*. Following the Pledge of Allegiance to the American Flag, Ashley Sermons delivered the invocation.

MINUTES OF APRIL 26, 2019

On motion by Chari Buckner and seconded by Vice Chairman Eddie Cartwright, the Board of Public Utilities voted to approve the April 26, 2019, minutes as written.

MANAGER'S UPDATE AND ANNOUNCEMENTS

Memorial Day Holiday

Cleveland Utilities will be closed on Monday, May 27, 2019, in observance of Memorial Day. The call center will be open and regular emergency and standby services will be maintained.

Leadership Cleveland Graduation

CU has been a proactive supporter of the Cleveland/Bradley Chamber of Commerce Leadership Cleveland Program. Two CU employees, Tennille Jobe and Joe White, participated in the 2018-19 class. The graduation for this program will be held on June 13.

United Way Day of Action

Bradley County's United Way Day of Action is scheduled for Friday, July 19. CU will have two teams participating. This event makes a big and immediate impact in the community.

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 June 2015 through June 2019 was reviewed. For the month of June, the residential retail electric rate will change to 9.998 cents per kilowatt-hour, an increase of 9.48 percent over May's rate of 9.132 cents per kilowatt-hour. This rate change is driven by TVA's Fuel Cost Adjustment and the move to the summer month rate schedule. As a continued trend, Cleveland Utilities will pass the TVA Fuel Cost Adjustment to its consumers.
2. The April 2019 financial and statistical statements were presented to the Utility Board. During April, the cost of purchased power as a percentage of retail sales was 78.5 percent and can be compared to the budgeted percentage of 78.7 percent for FY 2019. The results for April 2019 are electric sales revenue of \$6,854,189, which was offset by a purchased power expense of \$5,378,281. This resulted in an operating margin of \$1,475,908. Operating expenses for the month were \$1,842,753. These revenue numbers were driven by a customer base of 31,791. The net loss for the month was \$164,412 (this was driven by the revenue numbers) and can be compared to a budgeted net income of \$99,409.

3. For April 2019, water sales revenue was \$1,144,242. Other revenue sources contributed an additional \$137,942 for the month. Operating expenses for April totaled \$1,319,407. These revenue numbers were driven by a customer base of 32,088. Stinnett pointed out this is the first time the customer count has surpassed 32,000. The division recorded an operating loss of \$37,223, which is compared to a budgeted operating loss of \$8,936.
4. For April 2019, wastewater treatment revenue was \$1,003,552. Other revenue sources contributed an additional \$61,073 for the month. Operating expenses for April were \$1,040,904. This is compared to the budgeted amount of \$1,011,151. These revenue numbers were driven by a customer base of 19,221, which is also the highest number of wastewater customers ever served. The division recorded an operating income of \$23,721, which is compared to a budgeted operating income of \$139,545 for the month.

Electric Division

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

1. The Spring Branch Industrial Park Innovation Drive Distribution Lines Project has been completed at a total cost of \$421,559.58.
2. In reference to the Cherokee Gateway Substation Project, bid preparation is underway for the concrete foundations and is expected to be awarded by the next board meeting. Permits for the decorative wall and fencing have been submitted and are awaiting approval. Once finalized, installation for the ground grid and steel structure can begin.
3. The Lang Street to District Substation Transmission Line Replacement Project, Phase II, is still on hold awaiting delivery of the steel poles.
4. The remaining material for the Valleyhead V-234 underground feeder conductor upgrade has arrived and work is anticipated to begin in the coming weeks. As part of the project, Cleveland Utilities will be assessing the Leyland Cypress trees forming a barrier in front of the substation. They have reached such a size where significant trimming is required and are also showing signs of disease, which may necessitate removal. Personnel are exploring a decorative wall as an option similar to the one being installed at the Cherokee Gateway Substation.
5. Engineering released a work order to replace two 69 kV switches on the sub-transmission lines. One of the switches, located on Peerless Road just north of Mars Chocolate Substation, was replaced with a new S&C switch with interrupters. The existing switch did not have interrupters and was slightly damaged from a large arc during a recent switching procedure. The other switch, located on 20th Street NE near Neely Circle, was aged and malfunctioned during a recent switching procedure. This switch is not typically used to break parallel because it is the first switch past the substation breaker and does not require interrupters. Therefore, the switch removed from Peerless Road was repaired and moved to this location. The switch was also moved two spans to the east on a new steel pole next to the intersection of Neely Circle, which is more easily accessible.
6. The Mars Chocolate Substation is receiving needed upgrades. The substation was initially switched out of service to replace the 69 kV transmission line switch on Peerless Road. The existing communications remote and two aging breakers are also being replaced. Work is currently underway and expected to take around two weeks.
7. As a reminder, engineering is evaluating a new Schweitzer Engineering Laboratories (SEL) fault indicator with wireless communication. The indicators have the capability of sensing faults on overhead lines and providing the fault information to SCADA. During normal operation, the indicators also have the capability of reporting line current. Prior to installation in the field,

the devices were set up in-office for testing to determine their operation. In April, the testing was completed, and the fault indicators successfully communicated with the SCADA system. During early May, operations personnel moved the receiver from the office to Crown Colony, which will be the permanent location for the receiver. The only action left will be installation of the actual indicators on the overhead lines at the three locations selected.

8. Engineering released a work order to connect the electric service for a new hibachi grill at Spring Creek. Several months ago, a new 75 kVA 120/208V pad-mount transformer was installed at the site for the new restaurant. The only work required to energize the service was connecting the service wires to the transformer and installing a new self-contained meter. The electric demand of the building is not expected to exceed 50 kW.
9. The City of Cleveland has three upcoming sidewalk projects at Norman Chapel Road NW from Adkisson Drive to Peerless Road; 17th Street NW from Keith Street to North Ocoee Street; and 20th Street NW from Keith Street to Parker Street. City personnel contacted CU about possible conflicts with electric facilities and have asked for relocation plans and estimates to accommodate the newly proposed sidewalks. A few poles and anchors will need to be relocated, but the City has done a good job of avoiding existing pole lines as much as possible.
10. City personnel contacted CU about replacing the overhead electric lines along Inman Street from Keith Street to East Street as part of the Downtown Revitalization Initiative. The project includes the installation of new underground electric and communications lines along with decorative street lighting similar to what presently exists on Inman Street in front of the Museum Center. Engineering is working on estimates for this work to be included in the grant application the City is preparing for submittal.
11. A work order was issued to install street lighting on Pleasant Grove Church Road, Humphrey Bridge Road, Pleasant Grove Trail and Oak Circle SW. The design includes 33 new light fixtures with associated mast arms and wiring. The estimated cost of the project is \$31,019.69.
12. A report was presented regarding traffic lighting:
 - As part of the 20th Street sidewalk project, the traffic light standard at the northeast corner of Ocoee and 20th Streets will need to be relocated. Cleveland Utilities has been asked by city personnel to investigate the possibility of upgrading the intersection to incorporate new steel standards with mast arms. In order to accomplish this task, CU met with AT&T representatives about rearranging some of their poles and lines in order to avoid conflicts with the new design. The design and cost estimate are being prepared for the City.
 - The traffic controller at APD-40 and Blackburn Road developed a problem with the database after the installation of Wavetronix radar by a contractor. The controller was changed out to an ATC-1000 to solve the problem. The timing was adjusted for the peak p.m. hours at this intersection and at APD-40 and King Street. A future work order to install Ethernet communications and coordinate these two intersections from 3 p.m. to 5 p.m. will follow.

Water Division

Craig Mullinax reported on the following:

1. J.R. Wauford is working on an alternative disinfection study for the Wastewater Treatment Plant (WWTP). They submitted the draft report on May 14, which is currently being reviewed by CU staff. Mullinax advised Jon Sparkman has made several comments on this first report, and he will be a great asset to CU.

2. Bids for the rehabilitation of Spiral Lift Pump No. 205 at the WWTP will be opened on May 30, 2019.
3. Haren Construction has completed the Flocculation/Sedimentation Basin Improvements Project at the Cleveland Filter Plant (CFP). The contract amount of this project was \$1,557,910; however, the final contract amount totaled \$1,486,205 for a savings of \$71,705.
4. The following Water Distribution Projects have been completed by Hampton Backhoe:
 - Van Davis Road (SR 60 to Swafford Cemetery Road) water main replacement. The scope of work included 4,886 feet of 8-inch water main, one fire hydrant, and 1,200 feet of 8-inch water main. CU is awaiting the final invoice.
 - Kile Property water main extension on Kile Lane NW. A total of 600 feet of 6-inch PVC water main was installed.
 - Stonebriar Drive water line extension comprising 393 feet of 2-inch water main.
 - Winesap Way water line replacement in the Orchard Subdivision. A total of 553 feet of 6-inch water main was installed. The total project cost was \$16,275. CU went out to set water meters for some houses in this development and discovered the storm drain had been installed on top of the water line. To alleviate potential future problems due to the location of the storm drain, CU contracted Hampton Backhoe to relocate the water line.
5. New Water Distribution Projects include:
 - The Bellview Drive SE water line extension, which includes 485 feet of 6-inch water main. The projected cost is \$14,500 and includes customer participation.
 - The Bell Road SE water line extension comprising 950 feet of 6-inch water main at an estimated cost of \$23,750. This project includes customer/county participation.
 - The Hickory Top Road SE water line extension with a scope of 1,125 feet of 6-inch water main in the estimated amount of \$62,500 and includes customer participation.
 - The Patterson Road SE water line extension, which includes 700 feet of 6-inch water main. The project cost is estimated at \$18,000 and includes customer participation.
6. Mayse Construction has completed 50 percent of the installation for the 2010 Annexation Sewer Project on APD 40.
7. Bids for the Haney Road Sewer Line Extension Project were opened on May 23. The project is being constructed for the Cleveland/Bradley Industrial Development Authority with a scope of 370 feet of 8-inch sanitary sewer. The business locating on the site is Samson Controls (they make equipment for Wacker and other industries).
8. Engineering is reviewing plans for the Unity Subdivision, Phase 2, on Blythe Ferry Road comprising 16 units and 419 feet of 8-inch sewer main. Travis Henry is the developer.
9. Engineering approved the following plans:
 - Keith Street Cottages on Keith Street consisting of 17 units and 452 feet of 6-inch ductile iron water main.
 - Barker Development on Georgetown Road and Paul Huff Parkway (one commercial lot).
10. An update was provided for the following developments under construction:
 - Hampton Backhoe has completed the Ocoee OB/GYN Addition in Spring Creek along with Bellingham, Phase 2, on Urbane Road.
 - The Bradley Place Project at Bradley Square Mall is progressing. B&B Plumbing is laying the new 10-inch ductile iron line.

- Stone Creek, Phase 3, on New Murraytown Road is a new project and will include 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. Hampton Backhoe is the contractor.
11. An update was provided for Phase 1 of the ongoing Basin 10A-8 Rehabilitation Project. The contractors have completed the mainline and service lateral rehabilitation and 87 percent of the manhole rehabilitation.
 12. The Meter Department set 36 meters through April 2019 compared to 33 for April 2018 and 25 for April 2017. A total of 299 meters have been set for FY 2019. Of the 36 meter sets, 30 were single-family homes, 5 were apartments and 1 was commercial.
 13. The total amount of rainfall recorded at the CFP as of May 22, 2019, was 5.00 inches for the month. This brings the yearly total to 32.07 inches, which is 7.66 inches above average. No rainfall occurred over the period of May 14-23. The May water demand is averaging 11,488,000 GPD, with a maximum of 13,539,000 GPD on May 23. The projected demand for the month is 356,125,000 gallons and can be compared to the actual demand of 347,000,000 gallons for 2017.

NEW BUSINESS

Approval of Rate Request Change/Custom Grid Access Charge (GAC)

On motion by David May, Jr., and seconded by Chari Buckner, the Utility Board voted to approve changes to CU’s retail rate structure effective October 1, 2019. CU has worked with rate consultant Chris Mitchell regarding these changes. In the request, CU plans to keep the fixed \$2.05 charge and the imbedded risk premium for the residential and GSA 1 classes for another year. CU is also requesting the GAC rate be increased to the \$0.005 plus any TVA rate increases since last year be applied to the GSA 2 & 3 classes. If a customer does not have a calculable average, then their monthly usage times the GAC rate will be used until at least a 24-month history each October is reached. CU will be suspending the TDMSA & TDGSA schedules for new customers and existing customers will be granted this rate until September 30, 2020. The corresponding TGSA 2 & 3 rates will be removed from the rate schedule, and CU is requesting that TVA does not apply a change to these rates along with CU’s July Local Rate Adjustment (LRA). Regarding the GSA 1 class, CU is requesting to establish a two-tier Customer Charge defined as single phase and three phase. For now, CU is requesting the retail rates to remain the same for the GSA 1 class. Staff will proceed with studying the direct costs for these two groups, which will provide the basis for changes in the future. This request will be sent to TVA for their approval.

Approval of Revised Project Round-Up (PRU) Agreement with United Way Administering Funds

On motion by Vice Chairman Eddie Cartwright and seconded by Chari Buckner, the Board of Public Utilities took action to approve a change in the administration of the Project Round-Up funds from Bradley/Cleveland Community Services Agency (BCCS) to the United Way of the Ocoee Region effective July 1, 2019. BCCS has been handling the distribution of these funds for the past few years and has done an excellent job. Project Round-Up funds have never been used for the administrative component of the program. Those has been paid for through either grants or other fundings of the agencies. BCCS did not receive funding for the administration of the program moving forward. CU has met with Matt Ryerson of the United Way, and they are willing to manage the administration and feel like it would be a great fit. Henderson stated CU is very appreciative of BCCS and the work they have done over the last few years.

PRU has been very successful since inception. Funds may be distributed in the percentages of up 20% toward clients’ rent/mortgage, up to 5% toward the purchase of food, and up to 100% toward the

payment of utility bills. Additionally, if a surplus of Project Round Up funds reaches an overall balance of at least \$50,000 and a client (homeowner) that is in an income situation limiting their ability to improve the energy efficiency of their home and it is running at a less than sustainable efficiency level, PRU funds could be used to assist in a CU Energy Efficiency Upgrade through tangible efficiency improvements. Examples of energy efficiency upgrades can include: HVAC upgrades, insulation install, energy efficient windows and doors. This would help create a more permanent, stable, and sustainable utility customer with less to no reliance on utility assistance programs.

Approval of Purchase Order to Contractor’s Machinery, Inc.

On motion by Joe Cate and seconded by David May, Jr., the Utility Board took action to approve a purchase order with Contractor’s Machinery, Inc. in the amount of \$179,164 for the purchase of two new backhoes. The new backhoes will replace Unit 48, a 2007 model, and Unit 25, a 2005 model, both in the Water Distribution Department. The backhoes are budgeted for replacement in FY 2019 and FY 2020 in the amount of \$180,000.

Approval of Purchase Order to Don Ledford Automotive Center

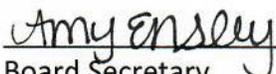
On motion by Chari Buckner and seconded by David May, Jr., the Utility Board took action to approve a purchase order with Don Ledford Automotive Center, Inc. in the amount of \$52,225 for the purchase of two 2019 Chevrolet double cab pickup trucks. One of the trucks will replace Unit 79. The second truck is a new truck. Both are for the Water Distribution Department and budgeted for FY 2020 in the amount of \$50,000.

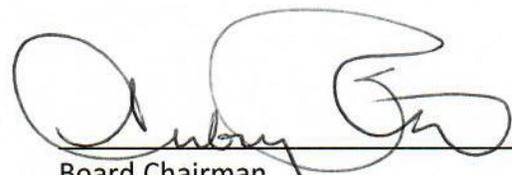
OTHER BUSINESS

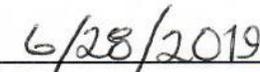
Future Board Meeting Dates

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

- Friday, June 28, 2019, 12:30 p.m.
- Friday, July 26, 2019, 12:30 p.m.
- Friday, August 23, 2019, 12:30 p.m.


Board Secretary


Board Chairman


Date