

MINUTES OF REGULAR MEETING
CLEVELAND UTILITIES BOARD
MAY 25, 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; Chari Buckner, 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; John Corum, VP Administrative Services; Jan Runyon, Assistant VP Administrative Services; Barry Maples, Manager Treatment Facilities; Lafeomia Bowerman, Service Crewman; Matt Slifko, Chief Operator; Keith Arnwine, Water Quality Coordinator; Kyle Hoffner, Electromechanical Technician and Tim Siniard, *Cleveland Daily Banner*. Following the Pledge of Allegiance to the American Flag, Barry Maples delivered the invocation.

MINUTES OF APRIL 27, 2018

On motion by Vice Chairman Eddie Cartwright and seconded by Mayor Tom Rowland, the Board of Public Utilities voted to approve the April 27, 2018, minutes as written.

MANAGER'S UPDATE AND ANNOUNCEMENTS

Memorial Day Holiday

Cleveland Utilities will be closed on Monday, May 28, 2018, in observance of Memorial Day. Regular emergency and standby services will be maintained.

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 2014 through June 2018 was reviewed. For the month of June, the residential retail electric rate will change to 9.903 cents per kilowatt-hour, an increase of 7.72 percent over May's rate of 9.193 cents. This rate change is driven by TVA's Fuel Cost Adjustment as well as the transition to summer month rates. As a continued trend, Cleveland Utilities will pass the TVA fuel cost rate adjustment to its consumers.
2. The April 2018 financial and statistical statements were presented to the Utility Board. During April, the cost of purchased power as a percentage of retail sales was 80.3 percent. The results for the month were electric sales revenue of \$6,522,646, which was offset by a purchased power expense of \$5,242,559. This resulted in an operating margin of \$1,280,087. Operating expenses for the month were \$1,452,235 and can be compared to a budgeted operating expense of \$1,580,182. The division serviced 31,603 customers. The net loss for the month was \$19,412, which is compared to a budgeted net income of \$6,349.
3. For April 2018, water sales revenue was \$1,123,737. Other revenue sources contributed an additional \$129,163 for the month. The division serviced 31,828 customers. Operating expenses for April totaled \$1,170,011 and can be compared to the budgeted amount of

\$1,237,327. The division recorded an operating income of \$82,889 and can be compared to the budgeted operating income of \$20,008.

4. For April 2018, wastewater treatment revenue was \$1,017,567. Other revenue sources contributed an additional \$83,704 for the month. The division serviced 19,041 customers. Operating expenses for the month were \$967,378. The division recorded an operating income of \$133,893, which is compared to a budgeted operating income of \$122,887.

Electric Division

Bart Borden reported on the following:

1. During the month of April, all construction work was completed for the Harriman Road/Spring Branch Industrial Park Transmission Line Project. CU crews pulled in all the remaining 795 MCM 69 kV conductors, sagged the conductors to the proper tensions and tied them in to the insulators.
2. In reference to the South Industrial Park Road Distribution Lines Project, the overhead distribution lines are anticipated to be installed by the end of August at the latest based on the quoted delivery schedule and the complexity of the project.
3. All required contracts have been executed for the substation equipment for the East Cleveland 69 kV bus breaker addition. The project remains on schedule to be worked this coming fall in conjunction with the power transformer replacements.
4. The Engineering Department has obtained LED street light fixtures and issued a work order to replace all the existing high pressure sodium street light fixtures on North Ocoee Street from the Monument at 8th Street, northward to Mouse Creek Road. This is a pilot project and will involve the replacement of 83 fixtures with 66 new 133 watt LED and 17 new 45 watt LED fixtures. The purpose of the pilot project is to have an entire roadway lit by LED fixtures and to determine the labor costs to change out a large number of fixtures by a contractor. Cleveland Utilities is securing the services of Service Electric of Chattanooga, TN, to change the fixtures. The information obtained from the pilot project will be used to determine the overall costs to the City to change all existing non-LED fixtures to LED. The ongoing energy savings realized from the LED fixtures will offset a large portion of the project costs. Also, the stranded costs of removing the existing working fixtures will be factored in the cost analysis. The maintenance costs are expected to decrease as a result of changing to LED fixtures, but that determination will occur based on an annual review of the street light account, which is billed to the City monthly.
5. The construction work to expand CU's Substation Maintenance Building and Garage has been completed. The project included replacement of the existing metal roof, which was failing due to age and damage from the previous hail storm. CU's electrical maintenance crew is working to wire the new area, install a previously purchased paint booth and arrange equipment in the new area. The garage now has a compliant area to wash large vehicles with a collection system. The project went well and staff is very pleased with the outcome and the much needed additional space. Borden expressed appreciation to the Utility Board for their support and approval of this project.
6. Line construction crews installed underground fed primary and secondary electrical service to Freeman Place Subdivision off Michigan Avenue near Foxfire Subdivision. A total of 560

feet of #1/0 aluminum 15 kV primary conductor and 574 feet of low voltage secondary conductor, along with two 75 kVA pad-mount transformers were installed.

7. Engineering met with building contractors to work out details for the removal of electric facilities required for the demolition of the former Kmart structure at Bradley Square Mall. This will include the removal of one pad-mount transformer and approximately 1,000 feet of three phase underground primary and the relocation of another pad-mount transformer.
8. Operations personnel met and finalized the tree trimming, right-of-way clearing and herbicide spraying specifications prior to requesting bids for the next three-year trim cycle. Utility Forester Nick Romito presented a very detailed specification package that included both bid work, hourly work and unit work. Bids have been received and will be presented as a new business agenda item for the Utility Board's consideration. The requirements in the bid specifications call for line clearances that will increase system reliability. CU has seen tree related outage statistics rise considerably over the past several years. This triggered the need to hire a Utility Forester to manage and inspect the work by the tree management contractors.
9. An update was presented on traffic lighting:
 - Traffic Signal Coordinator Tad Bacon provided an estimate of \$16,351 to install additional signal heads and radar detection at 25th Street and Georgetown Road. The upcoming City project will widen a portion of Georgetown Road and feature dual left turn lanes onto 25th Street in the westward direction.

Water Division

Craig Mullinax reported on the following:

1. The Headworks Rehabilitation Project at the Wastewater Treatment Plant (WWTP) is approximately 90 percent complete. Currently, the project is on hold while a section is being refabricated to match.
2. Bids were received for the new maintenance building at the WWTP. The project will be presented as a new business agenda item for the Utility Board's consideration.
3. Haren Construction has completed the Drainage Improvements Project at the Cleveland Filter Plant (CFP). The total contract amount of the project was \$97,392.
4. Multiple contractors will be performing work for the Raw Water Pump Station Project at the CFP. The electrical improvements will have to be completed first, and Haren Construction will be responsible for those. When this portion is finished, the other contractors will be able to fall in line.
5. All materials for the upgrade of the carbon feeder equipment at the CFP have been received. The installation date is scheduled to begin May 29, 2018.
6. The Georgetown Road Water Storage Tank, Booster Pump Station and Water Main Extension Project is advancing. Updated pictures of the progress were shown, and Mullinax provided an explanation for the work that has been occurring. Construction of the tank is anticipated to be complete in June. The thickness of the tank at the top will be approximately three inches, whereas the bottom will be around nine inches.

7. Hampton Backhoe has completed the Craigmiles Street, Ridgeview Drive and Cherokee Drive Water Main Replacement Project. The final contract amount was \$100,233, which was lower than the original contract amount of \$106,170.
8. The site for the Cherokee Gateway Boulevard Water Storage Tank has been established and surveying of the site is ongoing.
9. In reference to the Savannah Avenue and Spring Street Water Main Replacement Project, Hampton Backhoe has completed installation of the water line on Spring Street. The installation for Savannah Avenue was previously completed. Pressure and bacteriological testing are ongoing. Once complete, the services will be transferred from the old to new line.
10. The formal application for the 2010 Annexation Sewer Project on APD 40 was submitted to the State Revolving Fund (SRF) and was expected to be reviewed by the Tennessee Local Development Authority (TLDA) Board for approval in May; however, CU's project was not in the group of projects presented. The SRF staff advised the TLDA Board will meet in June, and CU's project will be reviewed for consideration of approval at that time.
11. Easements for the 2010/2012 Annexation Sewer Project on Benton Pike and Durkee Road have been received from Cleveland Surveying and are being reviewed by CU's staff.
12. Wilder Contracting has completed the Interior Improvements Project for the maintenance office area, bunker room and breakroom in the CU Water and Wastewater Administration Building. The final amount was \$33,826 and came in \$3,426 above the original contract amount, which resulted from some changes in the air conditioner for the server room.
13. Updates were provided for the following developments under construction:
 - The Spring Branch Industrial Park Project is nearing completion. The installation of the sewer main, force main and water main are all 99 percent complete, and the sewer pump station is 95 percent complete.
 - Hampton Backhoe has completed the installation of the sewer main and 95 percent of the water main for Stone Creek, Phase 1 on New Murraytown Road.
14. The following work was performed for the ongoing Wastewater Rehabilitation Project:
 - Portland Utilities has completed 15 service lateral rehabilitations and 14 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 15 service lateral rehabilitations and 22 manhole rehabilitations during this period.
 - The SRF has approved bids and contracts are being signed for Phase 1 of the Basin 10A-8 Rehabilitation & Basin 64-14A SSES Project. A preconstruction conference will be held in June.
15. The Meter Department set 33 meters through April 2018 compared to 25 for April 2017 and 44 for April 2016. Of the 33 meter sets, 22 were single-family homes, 6 were townhomes, 3 were apartments and 2 were commercial. A total of 287 meters have been set this fiscal year.
16. The total amount of rainfall recorded at the Cleveland Filter Plant thru May 23, 2018, was 3.51 inches for the month and 22.66 inches for the year (1.24 inches below normal).

NEW BUSINESS

TVA Rate Change

VP/CFO Stinnett advised on May 10, 2018, the TVA Board of Directors approved the establishment of a whole fixed charge, termed the Grid Access Charge (GAC) to be implemented on October 1, 2018. TVA is going to reduce their kilowatt-hour rate charged to Local Power Companies (LPC's) at the wholesale level by \$0.005, and this will be converted to a fixed charge to recover an equivalent amount of revenue. Prior to this approval, TVA charged CU based on demand (kW) and volume (kWh), and the only portion of CU's bill that was fixed was the charge received for CU's two access points, South Cleveland and East Cleveland Substations. Therefore, this is a major change in the way TVA is going to charge the LPC's. The Cleveland Utilities' staff is working on a proposal to incorporate this charge into CU's billing structure to match what TVA is doing and would correlate directly to CU customers at the retail level. Staff plans to meet with TVA representatives next week to share the proposal and discuss the methodology to ensure it has been vetted properly. This proposal is then expected to be presented to the Board of Public Utilities in June. Board Member Buckner asked if CU's internal rate increase is still effective July 1, 2018. Stinnett informed the internal rate increase CU requested and the Utility Board previously approved is a distribution cost change and will remain effective for July 1, 2018. The GAC is a separate scenario. TVA is changing their rate structure as well as their rates, and both will correlate together effective October 1, 2018. CU's position is to remain revenue neutral as a result of TVA's changes.

Engagement Letter for Fiscal Year 2018 Audit

On motion by Mayor Tom Rowland and seconded by Joe Cate, the Utility Board voted to approve an engagement letter to audit Cleveland Utilities' accounts for the year ending June 30, 2018, for the contract amount of \$36,000 with the certified public accounting firm of Arnett, Kirksey, Kimsey, Sullivan, Lay & Hall, PLLC. There was no increase in price from 2017. CU's staff has been very pleased with their work over the past approximate 12 years.

Approval of Agreement and Purchase Order to ABC Professional Tree Services, Inc.

On motion by Vice Chairman Eddie Cartwright and seconded by Mayor Tom Rowland, the Board of Public Utilities voted unanimously to approve an agreement and purchase order to for three years of vegetation management services for the period of July 1, 2018, through June 30, 2021, with ABC Professional Tree Services, Inc. The three-year trim cycle includes the entire CU transmission and distribution systems. This bid included both lump sum amounts for specific circuits and hourly rates for various "hot spot" tree work on the system and emergency storm work. ABC Professional Tree Services, Inc. submitted the low bid of \$5,002,971.50 for the lump sum amount. Since their hourly rates were not low bid, those rates were applied to the estimated required hours of work for the 3-year period, and ABC's bid for the total of the lump sum and hourly rates was still low bid overall. This contract will be evaluated after the first year and if work has been completed acceptable to CU, a yearly extension will be granted. This same process will be repeated for the final year of the contract. Three bids were received. This contract was bid on a six-month term in January 2018, until personnel had time to compile the specifications and documents for a three-year contract, and ABC was awarded the six-month contract in January. Staff has been very pleased with their work.

Approval of Purchase Order to ABB Inc., c/o Yoder Sales Agency

On motion by Mayor Tom Rowland and seconded by Joe Cate, the Board of Public Utilities voted unanimously to approve a purchase order to ABB Inc., c/o Yoder Sales Agency in the amount not

to exceed \$65,975 for the testing and internal inspection of the spare, Westinghouse power transformer at East Cleveland Substation. This spare transformer was placed in service on May 22, 2017, after the C-phase unit experienced a failure on May 13, 2017. Oil tests have been performed routinely each month since the unit was placed in service. The combustible gas totals continued to rise, indicative of an internal issue. CU's Operations Department sought expert advice from TVA and other testing companies regarding the situation. In the meantime, CU's insurance company also recommended the unit be taken out of service to be examined. ABB is recognized as the industry expert on shell form transformers and now owns the Westinghouse design. With summer temperatures quickly approaching, there was an immediate need to remove the unit from service for further inspection, and ABB had a window in their schedule which allowed for the unit to be inspected the week of May 7th. In order for ABB to perform the work, this purchase order was signed by the President/CEO on May 2, 2018, as an emergency due to the circumstances and availability of ABB.

Approval of Contract with TriCon Inc.

On motion by Chari Buckner and seconded by Joe Cate, the Board of Public Utilities voted unanimously to approve a contract with TriCon Inc., in the amount of \$345,720 to construct a new maintenance building consisting of a pre-engineered metal building with an office and restroom located at the Cleveland Wastewater Treatment Plant. This project is budgeted for FY 2018 and FY 2019.

Approval of Purchase Order to Allied Universal Corporation

On motion by Mayor Tom Rowland and seconded by Vice Chairman Eddie Cartwright, the Utility Board took action to approve a purchase order to Allied Universal Corporation in the amount of \$192,730 for the annual purchase of chlorine gas and sulfur dioxide. Chlorine is used at the Cleveland Filter Plant, Waterville Springs, Hiwassee Utility Commission and Wastewater Treatment Plant as a disinfectant for both potable water and wastewater. Sulfur dioxide is used to remove the chlorine at the Wastewater Treatment Plant.

Sanitary Survey Results of Cleveland Utilities' Water System

Mullinax reported the Tennessee Department of Environment and Conservation (TDEC) Division of Water Resources conducted a sanitary survey of the water system on October 10 and 11, 2017. Cleveland Utilities' Water System earned 599 points out of a possible 599 for a numerical rating of 100 percent, which reaffirms CU's water system as an "approved" water system. This is the second time CU has achieved a perfect score, which is very hard to accomplish. Mullinax introduced employees Keith Arnwine, Lafeomia Bowerman, Kyle Hoffner, Barry Maples and Matt Slifko and praised them for their hard work and the roles they perform for Cleveland Utilities. These employees represent a small number of the employees involved in this endeavor. This survey covered the time period from August 2016 to August 2017. Chairman Aubrey Ector said, "On behalf of the board, thank you for your hard work and this achievement."

OTHER BUSINESS

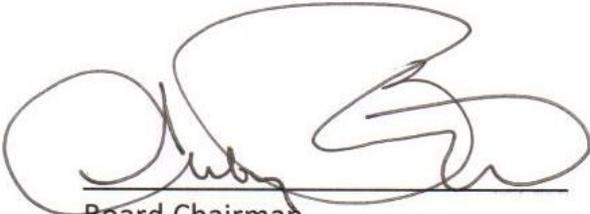
Future Board Meeting Dates

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

Friday, June 22, 2018, 9:00 a.m.

Friday, July 27, 2018, 12:30 p.m.
Friday, August 24, 2018, 12:30 p.m.

Amy Ensley
Board Secretary


Board Chairman

6/22/2018
Date