

MINUTES OF REGULAR MEETING
CLEVELAND UTILITIES BOARD
JUNE 28, 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; Bart Borden, VP Electric; Amy Ensley, Utility Board Secretary; Craig Mullinax, VP Water & Wastewater; Marshall Stinnett, VP/CFO; Travis Defriese, Electric Meter Technician; and Tim Siniard, *Cleveland Daily Banner*. Following the Pledge of Allegiance to the American Flag, Travis Defriese delivered the invocation.

MINUTES OF MAY 24, 2019

On motion by Chari Buckner and seconded by Vice Chairman Eddie Cartwright, the Board of Public Utilities voted to approve the May 24, 2019, minutes as written.

MANAGER'S UPDATE AND ANNOUNCEMENTS

Retirement of Philip Luce

Water & Wastewater Engineering Manager Philip Luce is retiring after 15 years of dedicated service to CU. Today is his official last day in the office.

Independence Day Holiday

Cleveland Utilities will be closed on Thursday, July 4, 2019, in observance of Independence Day. The call center will be open and regular emergency and standby services will be maintained 24/7.

Building Renovation Project

The landscaping in front of the Power Service Center has been completed and accented the building really well. Staff is pleased with how the project tied together.

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 July 2015 through July 2019 was reviewed. For the month of July, the residential retail electric rate will change to 10.111 cents per kilowatt-hour, an increase of 1.13 percent over June's rate of 9.998 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 Adjustment to its consumers.
2. The May 2019 financial and statistical statements were presented to the Utility Board. During May, the cost of purchased power as a percentage of retail sales was 76.4 percent and can be compared to the budgeted percentage of 78.7 for FY 2019. The results for May 2019 are electric sales revenue of \$8,403,036, which was offset by a purchased power expense of \$6,418,613. This resulted in an operating margin of \$1,984,423. Operating expenses for the month were \$1,680,958. These revenue numbers were driven by a customer base of 31,975. The net income for the month was \$533,913 and can be compared to a budgeted net income of \$54,297.
3. For May 2019, water sales revenue was \$1,182,743. Other revenue sources contributed an additional \$186,579 for the month. Operating expenses for May totaled \$1,209,462. These

revenue numbers were driven by a customer base of 32,277. The division recorded an operating income of \$159,860, which is compared to a budgeted operating income of \$51,439.

4. For May 2019, wastewater treatment revenue was \$996,304. Other revenue sources contributed an additional \$123,773 for the month. Operating expenses for May were \$926,004. This is compared to the budgeted amount of \$1,034,195. These revenue numbers were driven by a customer base of 19,387. The division recorded an operating income of \$194,073, which is compared to a budgeted operating income of \$98,690 for the month.
5. Stinnett noted due to the year-end closing process, the June 2019 financial report will be presented in August.

Electric Division

Bart Borden reported on the following:

1. The Cherokee Gateway Substation site work continued with the installation of the concrete wall section, which incorporates the main vehicle passage gate and pedestrian passage gate. Personnel are very pleased with the finished product. This is the first wall CU has incorporated into a substation project. Photographs were shown.
2. The Lang Street to District Substation Transmission Line Replacement Project, Phase II, is still on hold. This week, the pole manufacturer communicated they are planning to ship them today or the first of next week. The steel poles are the remaining materials needed to start the project.
3. Engineering design work and operations planning continued for the Valleyhead V-234 underground feeder conductor upgrade. Materials were ordered during the month of May.
4. A work order was issued to install the electric service for Lakeside Cottages at the Farm. Operations line construction crews installed three pad-mount transformers, 962 feet of underground primary conductor and 447 feet of underground secondary conductor to provide electric service to the new developed section of the Farm off North Lee Highway. A total of 15 new lots will be served with these facilities and a total load of 150 kW is expected when fully built out.
5. Engineering is working with the developer of the Remember Me Assisted Living facility off King Den Drive concerning a conflict with an existing power pole and a driveway into the facility. Several options have been given to the developer including the cost for each.
6. A lighting design was completed and new street lights were installed on Valleyhead Road after the City Council approved CU's recommendations for lighting improvements on this roadway. A total of five new 133 watt LED street light fixtures and four new spun aluminum poles were installed. The lighting was upgraded to meet commercial roadway standards due to the level of traffic entering Publix and other retail establishments in the complex.
7. Operations line construction crews installed eight pad-mount transformers, 3,000 feet of underground primary conductor and 1,930 feet of underground secondary conductor to provide electric service to the new Enclave Subdivision off Weeks Road. A total of 57 new lots will be served with these facilities and a total load of 570 kW is expected when fully populated.
8. Operations personnel participated in the annual pole top and bucket truck rescue training event, which simulates a hurt worker rescue. This is one of the most important safety exercises CU conducts on an annual basis.
9. A report was presented regarding traffic lighting:

- Traffic Signal Coordinator Tad Bacon reviewed the preliminary construction plans for the SR-60 Road Widening Project currently scheduled for bid letting in October. Bacon noted many comments to the traffic signal plans and passed them along to TDOT engineers in Nashville. Four traffic signals are affected by this project including Georgetown Road at Crown Colony, Villa Drive, Paul Huff Parkway and Freewill/Eureka.

Water Division

Craig Mullinax reported on the following:

1. Bids were received for the rehabilitation of Spiral Lift Pump No. 205 at the Wastewater Treatment Plant (WWTP). This project will be presented as a new business item.
2. The Kile Property Water Main Extension Project was completed in the final contract amount of \$10,755. A total of 600 feet of 6-inch PVC water main was installed.
3. CU is working on a design for the Clingan Ridge Drive water line extension. A total of 450 feet of 8-inch water main will be installed to create a “loop” near the Dialysis Center. This will provide redundancy of water line feeds in the event of any breaks.
4. Mayse Construction has completed 70 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 & Durkee Road. A total of 8 out of 39 easements have been obtained.
6. Engineering is reviewing plans for Spring Crossing Townhomes on 21st Street. The development will consist of 19 townhome units, 280 feet of 6-inch water main, 180 feet of 2-inch water main and 545 feet of 8-inch sewer main. The developer is Blue Coastal Homes.
7. Engineering approved the following plans:
 - Barker Development on Georgetown Road & Paul Huff Parkway (one commercial lot).
 - Unity Subdivision, Phase 2, on Blythe Ferry Road (16 units).
 - Cherry Glen Townhomes (formerly Huff Avenue Townhomes-8 units).
8. Contractors are actively working on several developments under construction including Cobblestone Ridge Subdivision, Bradley Place, Ridge Forest Subdivision (Phase 2) and Keith Street Cottages.
9. An update was provided for the ongoing Wastewater Rehabilitation Project:
 - Phase 1 of the ongoing Basin 10A-8 rehabilitation is nearing completion. The contractors have completed 99 percent of the manhole rehabilitation.
 - In reference to the Sycamore Drive and East Keith SSES Project, manhole inspections have begun and will be ongoing for a couple of months. Smoke testing will be performed when weather conditions allow.
10. The Meter Department set 40 meters through May 2019 compared to 40 for May 2018 and 25 for May 2017. A total of 339 meters have been set for FY 2019 for an average of 31 meter sets. Of the 40 meter sets, 34 were single-family homes, 5 were townhomes and 1 was commercial.
11. The total amount of rainfall recorded at the CFP as of June 26, 2019, was 7.13 inches for the month. This brings the yearly total to 39.20 inches. This is 9.91 inches above average and can be compared to 3.42 inches above average for the same period last year. The projected total for 2019 is 78.40 inches. Since CU began tracking rainfall, the wettest year to date occurred in 2013 with 76.17 inches. If rainfall continues at this pace, it will exceed totals dating back to 1996.

12. Yesterday, the water demand was over 14,483,000 gallons, which is the current high for the month. The projected demand for June is over 372,000,000 gallons, which is a strong volume.
13. CU is able to use the AMI interval data to recognize if there is an increase in consumption that might indicate a water leak, which helps customers identify leaks faster. This is a level of service CU was able to implement around six months ago. Water Division Clerk Michelle Clark handles this task. She receives a daily leak alarm report, analyzes each of those and notifies customers. During May, 1,167 leak alarms were received and 260 customers were contacted. After analyzing the report, there are several reasons a customer would not be contacted. Those categories include 1) previous contact has been made, 2) the leak has stopped, 3) the usage is normal, 4) the leak is minimal and will be monitored, or 5) they are considered longtime where the customer has been contacted several times and not fixed the leak.

NEW BUSINESS

Approval of Property, Liability and Workers' Compensation Insurance for Fiscal Year 2020

On motion by Chari Buckner and seconded by Joe Cate, the Board of Public Utilities voted unanimously to approve property, liability, and workers' compensation insurance from July 1, 2019, and ending June 30, 2020, with Distributors Insurance Company (DIC) for a premium of \$951,574. DIC is a wholly-owned subsidiary of TVPPA. Arthur J. Gallagher & Co. is the program manager. There was an increase in premium of around four percent from FY 2019 and is due to the equipment breakdown coverage going up as a result of the failure of the transformers at East Cleveland and Payne Gap Substations.

Approval of Purchase Order to Delta Star c/o KMS Electrical Products

On motion by David May, Jr., and seconded by Vice Chairman Eddie Cartwright, the Utility Board took action to approve a purchase order to Delta Star c/o KMS Electrical Products in the amount of \$1,272,768 for two 15/20/25/28 MVA power transformers. These power transformers will be installed at the Cherokee Gateway Substation to serve the South Industrial Park. Delta Star submitted the low evaluated bid meeting all CU specifications. Similar units have been installed in other substations across CU's electric system. This is a budgeted item.

Approval of Purchase Order to Jackie Evans Trucking Company

On motion by Vice Chairman Eddie Cartwright and seconded by Chari Buckner, the Board of Public Utilities voted to approve a purchase order with Jackie Evans Trucking Company in the amount not to exceed \$108,075 for the removal of alum sludge, approximately 655 loads, from the Cleveland Filter Plant. The service period is from July 1, 2019 – June 30, 2020. The service is budgeted for FY 2020 and is a sole source procurement.

Approval of Purchase Order to Vulcan Materials Company

On motion by Joe Cate and seconded by David May, Jr., the Utility Board took action to approve a purchase order with Vulcan Materials Company in the amount not to exceed \$92,000 for the purchase of stone backfill. The purchase period is from July 1, 2019 – June 30, 2020. The stone backfill is budgeted for FY 2020 and is a sole source procurement.

Approval of Purchase Order to W&O Construction Company

On motion by Chari Buckner and seconded by Vice Chairman Eddie Cartwright, the Utility Board voted to approve a purchase order with W&O Construction Company in the amount of \$62,800 for the rehabilitation of Spiral Lift Pump No. 205 located at the WWTP. The project is budgeted for FY 2020 in the amount of \$65,000.

Approval of Purchase Order to Brenntag Mid-South

On motion by Chari Buckner and seconded by Joe Cate, the Board of Public Utilities took action to

approve a purchase order with Brenntag Mid-South in the amount of \$210,110 for the annual purchase of chlorine gas and sulfur dioxide. Chlorine will be used at the Cleveland Filter Plant, Waterville Springs, and Wastewater Treatment Plant as a disinfectant for both potable water and wastewater. Sulfur dioxide will be used to remove the chlorine at the Wastewater Treatment Plant.

Approval of Purchase Order to Premier Truck Group of Chattanooga

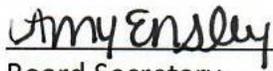
On motion by David May, Jr., and seconded by Joe Cate, the Utility Board voted to approve a purchase order with Premier Truck Group of Chattanooga in the amount of \$139,191 for the purchase of a new Freightliner tandem axle dump truck for the Wastewater Collection Department. The dump truck is budgeted for FY 2019 in the amount of \$150,000. Premier Truck Group submitted the low bid meeting CU specifications.

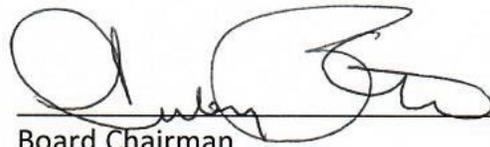
OTHER BUSINESS

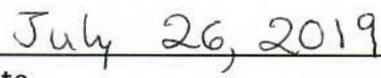
Future Board Meeting Dates

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

- Friday, July 26, 2019, 12:30 p.m.
- Friday, August 23, 2019, 12:30 p.m.
- Friday, September 27, 2019, 12:30 p.m.


Board Secretary


Board Chairman


Date