

MINUTES OF REGULAR MEETING
CLEVELAND UTILITIES BOARD
JULY 26, 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; 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; Nathan Vann, Safety Supervisor; Chris Wilds, Facilities Maintenance Supervisor; and Tim Siniard, *Cleveland Daily Banner*. Following the Pledge of Allegiance to the American Flag, Chris Wilds delivered the invocation.

MINUTES OF JUNE 28, 2019

On motion by Vice Chairman Eddie Cartwright and seconded by David May, Jr., the Board of Public Utilities voted to approve the June 28, 2019, minutes as written.

MANAGER'S UPDATE AND ANNOUNCEMENTS

Resignation of Board Member, Chari Buckner

Board Member Chari Buckner submitted her official resignation from the Utility Board effective July 15. Buckner was presented with an opportunity in which she will be working at TVA in a customer service role she formerly held prior to joining the Utility Board. Tim Henderson read the following note from Chari Buckner: "It has been a pleasure serving on the Utility Board for the last eight years. Cleveland Utilities has always been recognized for excellence in reliability, safety, customer service and innovation. I am proud of my time serving the citizens of Cleveland. My hope is that we, collectively, have made Cleveland a better place to live with clean water, low utility rates, green energy options, and assistance to low income residents through the Project Round Up program." Henderson stated Buckner will be missed and her service to the Utility Board is greatly appreciated.

New Board Member, Debbie Melton

The City Council appointed Mrs. Debbie Ledford Melton to fill the unexpired term of Buckner through the end of July. In August, Melton will be reappointed to an additional four-year term to expire August, 2023. Melton is the Dealer Operator of Don Ledford Automotive in Cleveland. Henderson advised Melton was unable to attend this meeting due to being out of town; however, she is excited to serve.

Leadership Series Training

Administrative Services VP John Corum provided a brief overview for a new internal Leadership Series Training which launched in the spring. The planning process for this workforce development project began last fall. In March, the training focused on Performance Appraisals followed by the Drug & Alcohol Policy in June. Future topics will relate to purchasing/ payroll/expense reports; safety; customer service; and legal. The training will be conducted on a quarterly basis for foremen, supervisors, managers, directors, and vice presidents. This is a great opportunity to equip and strengthen leaders with the skills needed to foster meaningful relationships and build the knowledge to be more effective leaders to advance the organization into the future.

United Way Day of Action Report

CU took part in Bradley County's United Way Day of Action on Friday, July 19, for the seventh year. A brief video created by Customer Relations Supervisor Jamie Creekmore was shown. Two teams

comprised of 19 employees worked at the Blythe Avenue Boys & Girls Club and City Fields completing various tasks including constructing a bus shed and table, demolition work, painting, etc. Henderson stated employees really enjoy serving in this capacity and giving back to 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 August 2015 through August 2019 was reviewed. For the month of August, the residential retail electric rate will change to 9.920 cents per kilowatt-hour, a decrease of 1.89 percent over July's rate of 10.111 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. Since June represents the end of fiscal year 2019, the year-end financial records are still being compiled and the regular financial and statistical report for June 2019 will be presented in August; however, preliminary figures were provided. During June, the cost of purchased power as a percentage of retail sales was 76.8 percent and can be compared to the budgeted percentage of 77.8 for FY 2019. For FY 2019, the purchased power expense as a percentage of retail sales was 77.8 percent. The results for June 2019 are electric sales revenue of \$8,953,087, which was offset by a purchased power expense of \$6,875,540. This resulted in an operating margin of \$2,077,547 and can be compared to a budgeted margin of \$1,820,071 for the month. The results for FY 2019 electric sales revenue was \$101,674,001, which was offset by a purchased power expense of \$79,105,222. This resulted in an operating margin of \$22,568,779. This is compared to a budgeted margin of \$21,530,926 for FY 2019.
3. For June 2019, water sales revenue was \$1,364,722, unadjusted for unbilled revenue. This is compared to the budgeted amount of \$1,344,589. The results for FY 2019 water sales revenue was \$14,364,320, unadjusted for unbilled revenue. This is compared to a budgeted revenue of \$15,146,024 for the FY 2019.
4. For June 2019, wastewater treatment revenue was \$1,063,246, unadjusted for unbilled revenue. This is compared to the budgeted amount of \$1,097,357. The results for FY 2019 wastewater sales revenue was \$12,044,262, unadjusted for unbilled revenue. This is compared to a budgeted revenue of \$12,523,061 for FY 2019.
5. Stinnett advised a resolution is expected to be presented at the next board meeting to authorize participation in the State of Tennessee's TCRS 457 and 401k Investment Plans due to changes in the fixed rate investments with the current Nationwide Plan. CU has been involved in all meetings with the city relating to this.

Electric Division

Bart Borden reported on the following:

1. The concrete pillar foundation work at the Cherokee Gateway Substation site was started during the month and is approximately 1/3 completed to date.
2. In reference to the Lang Street to District Substation Transmission Line Replacement Project, Phase II, the steel transmission poles were received and construction work is being scheduled. Due to a heavy existing workload from system growth, the project construction begin date is set for July 31.

3. Engineering design work for the Valleyhead V-234 underground feeder conductor upgrade has been completed, a work order was issued and all materials have been received. Operations is scheduling this work in conjunction with the tree removal from the site and the wall construction.
4. Engineering is working with the Graystan Development on Paul Huff Parkway and Mouse Creek Road concerning the electrical needs to serve the multiple lot locations. The main underground feeder layout design has been agreed upon and each individual lot will be worked separately as they are occupied.
5. CU's Substation Electricians removed a 2001 Remote Terminal Unit (RTU) from service at the Mars Chocolate Substation and replaced it with a new Schweitzer Engineering Laboratories (SEL) Axion communication device. The replacement was due to the failure of the 18 year old RTU. The new equipment will prepare this substation to interface with future distribution automation equipment and software. Two vintage vacuum breakers (1978 and 1983 models) were replaced during the outage as well. Routine testing was conducted by Liberty Power Service on all breakers, power transformers, Load Tap Changers and relays while the station was out of service.
6. Engineering and Operations staff are working with TVA fiber design and management personnel on the installation of fiber optic cable from East Cleveland Substation west on TVA's 69 kV transmission line. A portion of the fiber will be attached to Cleveland Utilities 69 kV structures and require switching loads to de-energize the high voltage lines. The work is planned to begin in the fall of 2020.
7. A solar powered traffic messaging sign was recently purchased to replace a mid-1990's board that had developed significant issues. The new board is the best way to warn motorists of lane conditions, workers being present and road closures. The messaging is completely programmable and highly visible with the LED character generation. The new sign is a great improvement in traffic messaging, will help to provide a safer work zone for employees and clearer messaging for motorists traveling through work zones.
8. Line construction crews participated in the Tennessee Valley Public Power Association (TVPPA) hot line cover-up training. Jim Fuller, a highly respected and experienced lineman, was the instructor for the training session. The training consisted of classroom instruction at the Tom Wheeler Training Center and field application of methods learned at the Lang Street Substation line training location.
9. A report was presented regarding traffic lighting:
 - Traffic lighting crews completed the radar detection upgrades at Georgetown and Freewill Roads for the Bradley County owned intersection. Traffic Signal Coordinator Tad Bacon adjusted the detection zone software to provide maximum efficiency and safety at the intersection. The new pole-mounted detection equipment will provide reliable vehicle sensing and replaces in-pavement loop sensing.

Water Division

Craig Mullinax reported on the following:

1. J.R. Wauford & Company submitted an updated report for the alternative disinfection system at the Wastewater Treatment Plant (WWTP) on July 18. CU has scheduled a meeting with the firm on Tuesday, July 30, to review the report and obtain status updates on the other WWTP projects they are working on. Those include the solids handling system and blower system projects.

2. AEED Inc. finalized the drawings for the HVAC improvements at the Cleveland Filter Plant (CFP). The bid packages will be compiled and sent out in the near future.
3. The Van Davis Road (SR60 to Swafford Cemetery Road) Water Main Replacement Project was completed and the final contract amount was \$131,123.
4. Jon Sparkman attended a deconfliction meeting on July 9 to work out final conflicts for the Georgetown Road Utility Relocation Project. As a result, Stantec has been updating the drawings based on continued TDOT drainage revisions.
5. The design for the Clingan Ridge Drive water line extension has been submitted to TDEC and easement documents are being prepared.
6. Mayse Construction has completed 90 percent of the installation for the 2010 Annexation Sewer Project on APD 40. The project is expected to be completed by the end of August.
7. The easement acquisition process is ongoing for the 2010/2012 Annexation Project on Benton Pike & Durkee Road. A total of 12 out of 39 easements have been acquired.
8. Engineering is reviewing the following plans:
 - Quail Ridge Subdivision on North Lee Highway. The development will consist of 33 lots, 1,250 feet of 6-inch water main, 658 feet of 8-inch gravity sewer main and 650 feet of 2-inch sewer force main.
 - Pinnacle Industrial Park at 20th Street & Barney Lane. The development will consist of 420 feet of 8-inch DIP water and 715 feet of 8-inch PVC.
9. An update was provided for the following developments under construction:
 - Bradley Place at Bradley Square Mall is 95 percent complete.
 - Ridgedale Forest Subdivision, Phase 2, is 80 percent complete.
 - Stone Creek, Phase 3, is 40 percent complete.
 - Keith Street Cottages is 95 percent complete.
10. An update was provided for the ongoing Wastewater Rehabilitation Project:
 - Westco cleared 1,100 feet of sewer line easement this month.
 - Phase 1 of the ongoing Basin 10A-8 rehabilitation is now complete. Phase 2 will be presented for consideration of approval under new business.
11. The Meter Department set 53 meters through June 2019 compared to 24 for June 2018 and 37 for June 2017. A total of 392 meters were set in FY 2019 for an average of 33 meter sets. Of the 53 meter sets, 42 were single-family homes, 3 were townhomes, 2 were irrigation and 6 were commercial.
12. The total amount of rainfall recorded at the CFP as of July 24, 2019, was 2.87 inches for the month. This brings the yearly total to 42.09 inches (7.85 inches above average). The projected total for 2019 is now 72.15 inches. The water demand is still up and has been strong for the last two months.
13. During June, 1,124 leak alarms were received, 258 customers were contacted and 135 of those customers were spoken to. Most responses received were positive.

NEW BUSINESS

Safety Internal Performance Measures (IPM's)

The Safety Internal Performance Measures (IPM's) for January 2019 through June 2019 were presented by Safety Supervisor Nathan Vann. This is a component of CU's Strategic Plan. Henderson highlighted the fact that Vann is currently in the process of furthering his education. He is enrolled in a master's program through the University of Tennessee.

Results for January – June 2019 are:

	Electric & Water Combined	Electric Division	Water/Wastewater Division
OSHA Recordable Incident Rate (RIR)	0.93	0.81	1.08
DART Rate	0.46	0.81	0.00
Lost-Time Case Rate (LTCR)	0.00	0.00	0.00
Vehicle Accident Rate (VAR)	2.26	5.88	0.00

The following data went into the calculations:

- A total of 950,388 consecutive hours have been worked by both divisions combined without a lost-time injury (LTI). Electric division employees contributed 849,084 of those hours, with the last lost-time injury occurring on November 19, 2015. The water division reached 101,304 hours, with the last lost-time injury occurring on December 7, 2018.
- A total of 216,100 cumulative hours were worked companywide during the period. 115 employees in the electric division worked 123,580 hours, and 84 employees in the water division worked 92,520 hours.
- In addition, a total of 442,141 cumulative vehicle miles were driven by employees in 118 vehicles. 170,212 of those miles were driven by electric division employees, and 271,929 miles were by water division employees.

The below data was provided as a comparison to the previous three years:

Year	OSHA – RIR	DART	LTCR	VAR
2016	1.53	0.51	0.00	6.78
2017	4.04	2.53	1.01	2.29
2018	2.88	2.40	0.48	2.25
2019	0.93	0.46	0.00	2.26

Vann advised in comparison to the last several years, CU is currently excelling in every category with the exception of the VAR, which is equivalent to 2018. The goal is to make improvements in the VAR area. Henderson praised Vann for leading CU in the safety arena. Additionally, Henderson advised Vann was recently certified as an OSHA General Industry Instructor.

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

On motion by David May, Jr., and seconded by Joe Cate, the Utility Board took action to approve a purchase order to ABC Professional Tree Services, Inc. in the amount of \$640,000 for the projected removal and hourly rate costs for the second year of CU’s vegetation management program with ABC. These projected expenses are expected to be incurred during the period of July 2019-June 2020 and were estimated using invoices from the previous year. ABC was awarded CU’s three-year vegetation management contract in July 2018 and was the low overall bid.

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

On motion by Vice Chairman Eddie Cartwright and seconded by Joe Cate, the Board of Public Utilities voted to approve a purchase order to ABC Professional Tree Services, Inc. in the amount of \$160,000 for transmission line right-of-way (ROW) clearing per the contracted rates. ABC will utilize their fecon machine to clear the transmission line ROW and apply herbicide spray to the transmission line ROW

and substations to be scheduled in the fall of 2019 and spring of 2020. These rates have already been bid and approved during the contractor selection process at the July 2018 Utility Board Meeting as noted above.

Approval of Contract with Insituform Technologies LLC

On motion by Joe Cate and seconded by David May, Jr., the Utility Board took action to approve a contract with Insituform Technologies LLC in the amount of \$3,222,584.60 to perform 4,642 LF of 24", 416 LF of 15", 268 LF of 12" and 19,165 LF of 8" mainline sewer rehabilitation by pipe bursting, CIPP lining and excavation. This contract will also include renewal of 198 sewer service laterals and cleanouts and 946 vertical feet of manhole lining. This is the second SRF project performed under loan number SRF2018-417 and will be paid for through the SRF funding. The loan does not have loan forgiveness, but is provided a low long-term fixed interest rate of 1.58 percent over 20 years. This project is budgeted for FY 2019 & FY 2020.

Approval of Amendment No. 1 with Stantec Consulting Services

On motion by Vice Chairman Eddie Cartwright and seconded by David May, Jr., the Utility Board voted to approve Amendment No. 1 to Engineering Services Agreement, Task Order No. 6, in the amount not-to-exceed \$99,330 with Stantec Consulting Services for additional engineering services related to the design and construction of water and sewer utility relocation for the widening of approximately three miles of State Route 60 (Georgetown Road) by the Tennessee Department of Transportation. The original Task Order No. 6 was approved at a cost of \$207,070. Most of these costs are reimbursable from TDOT. Additional funding is budgeted in FY 2020.

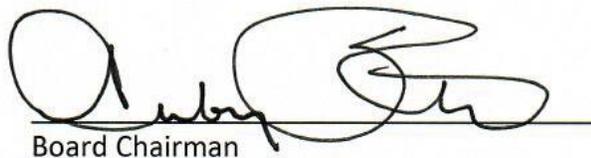
OTHER BUSINESS

Future Board Meeting Dates

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

- Friday, August 23, 2019, 12:30 p.m.
- Friday, September 27, 2019, 12:30 p.m.
- Friday, November 1, 2019, 12:30 p.m.


Board Secretary


Board Chairman

8-23-19
Date