

MINUTES OF REGULAR MEETING
CLEVELAND UTILITIES BOARD
JULY 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; Chari Buckner, Cleveland Utilities Board; Tim Henderson, President/CEO; Bart Borden, VP Electric Division; Greg Clark, Water and Wastewater Manager; John Corum, VP Administrative Services; Amy Ensley, Utility Board Secretary; Mike Rader, General Foreman; Jan Runyon, Assistant VP Administrative Services; Richard Snyder, Network Systems Manager; Marshall Stinnett, VP/CFO; Walt Vineyard, Executive VP; Nathan Vann, Safety Director; Joe Fivas, City Manager; and Tim Siniard, *Cleveland Daily Banner*. Following the Pledge of Allegiance to the American Flag, Mike Rader delivered the invocation.

MINUTES OF JUNE 22, 2018

On motion by Mayor Tom Rowland and seconded by Vice Chairman Eddie Cartwright, the Board of Public Utilities voted to approve the June 22, 2018, minutes as written.

MANAGER'S UPDATE AND ANNOUNCEMENTS

Tennessee Municipal Electric Power Association (TMEPA) Power of Excellence Award

Mayor Tom Rowland was presented with the distinguished TMEPA Power of Excellence Award on July 12, 2018, at their Annual Meeting held in Chattanooga, TN. This award is given annually to senior staff, general counsel, lobbyist, board members or community leaders who have demonstrated outstanding service and unparalleled leadership to their local utility, TMEPA and Public Power. Mayor Rowland expressed appreciation to CU for being nominated for this award and also congratulated President/CEO Henderson for recently being honored with the Junior Achievement Ron Braam Award.

Volleyball Tournament

The River Counties Association of Realtors "Volley for a Cure" Volleyball Tournament will be held on Thursday, August 16, 2018, in the Cleveland State Community College gymnasium. There was enough interest from employees for CU to form two teams this year. CU has won three of the previous four tournaments. All proceeds benefit the American Cancer Society.

New Newsletter Design

The latest edition of the employee newsletter was published with a new layout and design. A copy was included in board folders. Moving forward, the customer newsletter will be in this same format. Henderson commended Corum and the Customer Relations team for their creativeness and work in putting this 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 August 2014 through August 2018 was reviewed. For the month of August, the residential retail electric rate will change to 10.116 cents per kilowatt-hour, an increase of 0.01 percent over July's rate of 10.115 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 rate adjustment to its consumers.

2. Since June represents the end of fiscal year 2018, the year-end financial records are still being compiled and the regular financial and statistical report for June 2018 will be presented in August; however, preliminary figures were provided. During June, the cost of purchased power as a percentage of retail sales was 80.7 percent. As a comparison, the budgeted percentage is 80.9 percent for FY 2018. The results for the month were electric sales revenue of \$9,035,720, which was offset by a purchased power expense of \$7,290,111. This resulted in an operating margin of \$1,745,609 and is compared to a budgeted margin of \$1,654,420 for the month. The results for FY 2018 are electric sales revenue of \$99,384,785, which was offset by a purchased power expense of \$79,078,347. This resulted in an operating margin of \$20,306,438 and can be compared to a budgeted margin of \$19,564,438 for FY 2018.
3. For the month of June, water sales revenue was \$1,278,461 (unadjusted for unbilled revenue). This is compared to the budgeted amount of \$1,329,830. The results for FY 2018 water sales revenue was \$14,368,222 (unadjusted for unbilled revenue) and can be compared to a budgeted revenue of \$14,881,328 for FY 2018.
4. For June 2018, wastewater treatment revenue was \$1,056,624 (unadjusted for unbilled revenue), with a budgeted amount of \$1,023,877. The results for FY 2018 wastewater sales revenue was \$12,313,016 (unadjusted for unbilled revenue) and can be compared to a budgeted revenue of \$12,153,321 for FY 2018.
5. Stinnett added the numbers fell directly in line with the budget for FY 2018, which makes budgeting for FY 2019 easier.

Electric Division

Bart Borden reported on the following:

1. As reported last month by Operations Manager Dean Watson, minimal work remained in the Harriman Road/Spring Branch Industrial Park Transmission Line; therefore, this will be the final report on this project. The actual project cost was below the estimated cost. CU crews did an outstanding job, and Borden thanked now retired Line Foreman, Travis Ownby for his leadership on the project and all who worked to make it a success.
2. In reference to the Spring Branch Industrial Park Innovation Drive Distribution Lines Project, the steel pole manufacturer quoted a late June delivery; however, the pole structures have yet to be delivered. They reported difficulty in getting steel for the construction of the poles. The new delivery is now set for August 17, 2018, creating a month and a half delay in the project, which will be evaluated in any future bids with this company. Based on the new delivery date, the project is now anticipated to be completed by the middle of October.
3. Cleveland Utilities is presently meeting with TVA representatives to schedule the necessary outages for the East Cleveland 69 kV Bus Breaker Addition Project. The outage will allow for the addition of the bus breaker, power transformer replacements and changes involving the differential relay to eliminate the NERC CIP 005 issue.
4. The North Ocoee Street LED Street Lighting Conversion Project is on hold awaiting approval from the Tennessee Department of Transportation (TDOT) for the photometric layout design before this project can begin.

5. A 3,600 square foot dental office is under construction on Stuart Crossing NE, and temporary service was provided to the new building in June. Engineering has released a work order to provide permanent electrical service to the new 36 kW load, which will be served from an existing 150 kVA pad-mount transformer.
6. Engineering and operations staff are working with Lee University and Public Works to coordinate the relocation of primary conductors, a transformer, street and security lighting for the road widening on Parker Street.
7. A work order was issued to serve the new Westmore Pointe Subdivision with underground fed electric facilities. The new 7-lot development is located on the east side of Inverness Drive just off Candies Lane NW.
8. CU line crews completed the Barney Lane Reconductor Project consisting of the replacement of 9,375 feet of 556 MCM AAC conductors with 795 MCM AAC conductors and 3,125 feet of 3/0 AAC with 336 MCM AAC. The project was necessary to upgrade the current carrying capacity of an important tie line utilized in switching loads for maintenance and emergencies.
9. An update was provided for the replacement of the power transformers at East Cleveland Substation. Operations Engineer Kim Duncan visited Georgia Transformer to witness the core and coil inspection and was also able to inspect the tank of the first power transformer to be replaced at the site. The unit testing began on July 5th. CU has been furnished the test results, installation and maintenance manuals, and the unit passed all required electrical tests.
10. An update was presented on traffic lighting:
 - Traffic Signal Coordinator Tad Bacon attended the first meeting of the Tennessee Traffic Signals User Group in Chattanooga. The group has been assembled to provide assistance, networking and resources to both small and large cities. Discussion at the meeting addressed infrastructure, maintenance, engineering and design, among other things.
11. Once again, there was a great deal of activity in June with new site plans and plats. A few of interest include the Lee University Baseball Field Project, which is a substantial facility replacement and Cobblestone Ridge Subdivision, a 48-lot development along Old Chattanooga Pike. Copies of all submitted plans and plats were available for viewing.

Water Division

Greg Clark reported on the following in the absence of Craig Mullinax:

1. The contractor is working on the Headworks Rehabilitation Project at the Wastewater Treatment Plant (WWTP). A total of three new screens are in operation and working well, and the old screens have been removed.
2. The Flocculation/Sedimentation Basin Improvements Project at the Cleveland Filter Plant (CFP) is getting ready to commence. The contractor is onsite and receiving material.
3. The Raw Water Pump Station Project at the CFP is underway. Haren Construction is performing the electrical improvements, and Southern Star Construction is working on the building improvements.
4. The installation for the carbon feeder equipment upgrade at the CFP is complete. Startup is scheduled for next week.

5. The Georgetown Road Water Storage Tank, Booster Pump Station and Water Main Extension Project is ongoing. Crom has been onsite again this week to finish painting, installing hardware and cleanup of the site. Most of the pump station has been installed. Angel Construction has to finish laying the waterline, which is anticipated to begin Monday, July 30.
6. The water main extension/replacement projects for Baugh Springs Trail & Banther Road, Van Davis Road (SR60 to Swafford Cemetery Road), and Van Davis Road south of Morgan Road are being presented as new business items.
7. Hampton Backhoe began construction for the Parker Street Water Main Replacement Project between 8th Street and Central Avenue on July 20. The project consists of the replacement of 1,200 feet of 6-inch water main, as well as some sewer work. Lee University is funding a portion of the project.
8. Engineering approved plans for Stone Creek, Phase 2 on New Murraytown Road. The 16-lot development will comprise 858 feet of 8-inch sewer main. Dennis Epperson is the developer.
9. An update was provided for the ongoing Wastewater Rehabilitation Project:
 - Westco has cleared approximately 15,000 feet of sewer line easement.
 - All punch list items have been completed for both 2017 Rehabilitation Projects in Basins 31-45 & 10-36. Paperwork is being finalized, and the projects will be closed out.
 - Portland Utilities began work this week for Phase I of the Basin 10A-8 Rehabilitation Project. They came early and began lining in the Parker Street area ahead of the upcoming paving work for the road widening.
10. The Meter Department set 24 meters through June 2018 compared to 37 for June 2017 and 50 for June 2016. Of the 24 meter sets, 16 were single-family homes, 5 were townhomes, 2 were commercial and 1 was irrigation. A total of 351 meters have been set this fiscal year compared to 364 for June 2017 and 383 for June 2016.

NEW BUSINESS

Safety Internal Performance Measures (IPM's)

The Safety Internal Performance Measures (IPM's) for January 2018 through June 2018 were presented by Safety Supervisor Nathan Vann. This is a component of CU's Strategic Plan.

Results for January – June 2018 are:

	Electric & Water Combined	Electric Division	Water/Wastewater Division
OSHA Recordable Incident Rate	1.43	0.83	2.25
DART Rate	1.43	0.83	2.25
Lost-Time Case Rate	0	0	0
Vehicle Accident Rate	0	0	0

The following data went into the calculations:

- A total of 708,365 consecutive hours have been worked by both divisions combined without a lost-time injury (LTI). Electric division employees contributed 605,896 of

those hours, with the last lost-time injury occurring on November 19, 2015. The water division reached 102,469 hours, with the last lost-time injury occurring on November 20, 2017.

- A total of 209,354 cumulative hours were worked company-wide during the period. 115 employees in the electric division worked 120,327 hours, and 82 employees in the water division worked 89,027 hours.
- In addition, a total of 434,827 cumulative vehicle miles were driven by employees in 117 vehicles. 175,166 of those miles were driven by electric division employees, and 259,661 miles were by water division employees. Vann pointed out the substantial amount of miles driven and zero accidents to date for this year takes a huge commitment by CU’s vehicle operators.

The below data was provided as a comparison over the last four years:

Year	OSHA – RIR	DART	LTCR	VAR
2014	1.51	1.01	0	13.13
2015	3.51	2.01	0.5	6.84
2016	1.53	0.51	0	6.78
2017	4.04	2.53	1.01	2.29

Vann advised CU has had an outstanding year in safety thus far, and he is extremely happy with the progress made. Additionally, he stated the management and employees of CU do an excellent job of placing safety as a number one priority, not only for the company, but the public as well. Mayor Rowland praised CU. He said, “Based on the risks our employees take, the results are pretty amazing.” Chairman Ector expressed appreciation to management and all of the workforce for the excellent record and focus placed on safety. In response to a question from Ector regarding what is being done with near miss data, Vann advised one of the initiatives he is working on is the tracking and trending of near miss/hit incidents. Investigations are conducted based on the reporting, which is highly encouraged at the employee level. Additionally, he is working on a program he hopes to have in place by next year for employees to report this type of information.

Approval of Mass Mutual Self-Expiring Amendment

In a recent audit by Mass Mutual, it was discovered inaccurate figures had been reported over the years on an employee who had recently requested a retirement estimate. This is a self-expiring amendment for the Mass Mutual Retirement Plan to allow an employee who withdrew his contributions to repay them with interest. This greatly benefits the employee and the pension amount he will draw at retirement. However, it has no impact financially on Cleveland Utilities or the Mass Mutual plan. When the deposit is made by the employee, the amendment opened for this case will expire. On motion by Chari Buckner and seconded by Mayor Tom Rowland, the Board of Public Utilities voted unanimously to approve the request allowing CU to sign this self-expiring Amendment for submission to Mass Mutual. The Addendum will read as follows: Contract holder, Central Service Association, Contract SA 12960-08, hereby requests Mass Mutual to prepare an amendment to the Plan Group 08 – Cleveland Utilities effective on July 1, 2018. Amend the plan to permit a participant who withdrew his Employee contribution in September 2005 to repay them with interest by September 1, 2018.

Approval of Purchase Order to Cleveland Utilities OPEB c/o First Tennessee Bank

On motion by Joe Cate and seconded by Vice Chairman Eddie Cartwright, the Utility Board took

action to approve a budgeted purchase order to Cleveland Utilities OPEB c/o First Tennessee Bank in the amount of \$657,923 for the annual funding of CU's OPEB Trust.

Approval of Purchase Order to Volunteer Energy Cooperative (VEC)

On motion by Vice Chairman Eddie Cartwright and seconded by Mayor Tom Rowland, the Board of Public Utilities voted unanimously to approve a purchase order to Volunteer Energy Cooperative (VEC) in the amount of \$254,677.45 for the purchase of electric facilities and revenue sales from VEC for properties annexed into the city limits on Urbane Road including the Omega Center and four other properties. This purchase is included in the FY 19 budget.

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

On motion by Mayor Tom Rowland and seconded by Chari Buckner, the Board of Public Utilities voted unanimously to approve a budgeted purchase order to ABC Professional Tree Services, Inc. in the amount of \$640,000 for projected costs for both hourly rate and tree removal rate totals for July 1, 2018 to June 30, 2019. This estimated total was calculated based on ABC's invoices supplied for the past six months. ABC was previously awarded the three-year vegetation management contract and submitted the low overall bid. Staff has been very pleased with the quality of ABC's work. CU has seen an increase in outage statistics due to trees, and ABC is doing a phenomenal job of obtaining the clearances needed. Vice Chairman Cartwright added a comment. He recently experienced a situation involving a tree across a line, and the service and professionalism of the responding CU crew was excellent.

Approval of Purchase Order and Agreement with Murray Construction

On motion by Mayor Tom Rowland and seconded by Joe Cate, the Board of Public Utilities voted unanimously to approve a purchase order and agreement with Murray Construction in the amount of \$111,377 for the Harriman Substation site work to include excavation, pad construction, temporary and permanent erosion control, rock inside the fence, topsoil and seeding. Murray Construction submitted the low bid with an acceptable timeframe for the work. The project is budgeted.

Approval of Purchase Order to G&W Electric Company c/o Power Connections

On motion by Chari Buckner and seconded by Vice Chairman Eddie Cartwright, the Utility Board took action to unanimously approve a purchase order to G&W Electric Company c/o Power Connections in the amount of \$57,948 for three G&W Viper Reclosers with SEL-651R controllers. These reclosers will replace manual circuit tie switches and become part of the distribution automation scheme. This is a sole source purchase based on standardization; however, Electric Division VP Borden has tasked his team to search for an equal competitor moving forward.

Approval of Purchase Orders to Dell EMC & CDW-G

On motion by Mayor Tom Rowland and seconded by Vice Chairman Eddie Cartwright, the Board of Public Utilities voted unanimously to approve a purchase order to Dell EMC for \$94,574.80 and a purchase order to CDW-G for \$75,234.23. Both purchases are for system hardware and software for the Disaster Recovery System Project to be installed at CU's Harrison Building site. The purchases are budgeted for FY 2019 and are being made under the State of Tennessee purchasing contract reference numbers WN31AGW and MNWNC-109 50436 with Dell and CDW-G. Richard Snyder provided additional details. Several years ago, CU began virtualization of every server feasible. Early in the process, it was realized an off-site disaster recovery plan was needed. In the event of a major disaster to the main campus or the facilities serving it, the majority of the day-to-day functions could be moved to the new building. A server file repository is included and would be ready in the event of an emergency. The project will be ongoing and evolving. Additionally, the

system will be a full-time available backup.

Approval of Purchase Order to Central Service Association (CSA)

On motion by Chari Buckner and seconded by Joe Cate, the Utility Board took action to approve a purchase order to Central Service Association (CSA) in the amount of \$142,660 for the purchase of a new Meter Data Management System (MDM). This purchase is budgeted and is a supplement to the master contract between Cleveland Utilities and Central Service Association. The meter readings from the AMI system are stored in the MDM. ElectSolve, the existing vendor, is getting ready to implement additional maintenance fees that would almost double the current cost. Overall, staff feels the CSA product is a better option due to cheaper yearly costs, it provides an engineering transformer loading analysis tool, has more capabilities and tighter integration. Initially, this product was not available.

Approval of Purchase Order to Hampton Backhoe Service, LLC

On motion by Mayor Tom Rowland and seconded by Vice Chairman Eddie Cartwright, the Board of Public Utilities voted unanimously to approve a purchase order to Hampton Backhoe Service, LLC in the amount of \$81,475 for the installation of 1,200 lineal feet of 6-inch ductile iron waterline along Parker Street NE from 8th Street to Central Avenue NE. The new ductile iron pipe will replace old cast iron pipe. CU will fund 60 percent and Lee University up to 40 percent. CU considered the project an emergency and utilized this contractor to expedite the project within the required timeframe. Funds are available in the FY 2019 budget to complete the project.

Approval of Purchase Order to Hampton Backhoe Service, LLC

On motion by Mayor Tom Rowland and seconded by Joe Cate, the Utility Board took action to approve a purchase order to Hampton Backhoe Service, LLC in the amount of \$135,040 for the installation of 4,886 lineal feet of 8-inch PVC waterline and one fire hydrant along Van Davis Road NW from Georgetown Road to Swafford Cemetery Road NW. The new line will replace an existing 4-inch waterline. The project is budgeted for FY 2019.

Approval of Purchase Order to Angel Brothers Construction

On motion by Joe Cate and seconded by Mayor Tom Rowland, the Board of Public Utilities voted unanimously to approve a purchase order to Angel Brothers Construction in the amount of \$81,190 for the installation of 3,392 lineal feet of 6-inch PVC waterline and three fire hydrants along Baugh Springs Trail and Banther Road SW. CU will fund \$20,500 of the project and the developers \$40,065 and Bradley County \$20,625. CU's portion of the project is budgeted for FY 2018.

Approval of Purchase Order to Mayse Construction Company

On motion by Chari Buckner and seconded by Vice Chairman Eddie Cartwright, the Utility Board took action to approve a purchase order to Mayse Construction Company in the amount of \$66,197.50 for the installation of 2,716 lineal feet of 6-inch PVC waterline and one fire hydrant along Van Davis Road to south of Morgan Road NW. The project is 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, August 24, 2018, 12:30 p.m.

Friday, September 28, 2018, 12:30 p.m.

Friday, October 26, 2018, 12:30 p.m.

Amy Ensley
Board Secretary

[Signature]
Board Chairman

August 24, 2018
Date