

MINUTES OF REGULAR MEETING
CLEVELAND UTILITIES BOARD
AUGUST 7, 2020

Pursuant to Governor Lee's Executive Order 51, the Board of Public Utilities met at 12:30 p.m. electronically through teleconference. In light of COVID-19 and to help prevent its spread and in order to protect the health, safety and welfare of the public, there was not a physical location for this meeting. An audio recording was made available at www.clevelandutilities.com within two business days of the meeting.

The following were present through teleconference: Aubrey Ector, Chairman; Eddie Cartwright, Vice Chairman; Joe Cate, Cleveland Utilities Board; Councilman David May, Jr., Cleveland Utilities Board; Debbie Melton, Cleveland Utilities Board; Tim Henderson, President/CEO; John Corum, Administrative Services VP; Amy Ensley, Utility Board Secretary; Jimmy Isom, Electric VP; Craig Mullinax, Water & Wastewater VP; Marshall Stinnett, VP/CFO; Walt Vineyard, Executive VP; and Tim Siniard, *Cleveland Daily Banner*.

Following the Pledge of Allegiance to the American Flag, Amy Ensley delivered the invocation.

MANAGER'S UPDATE AND ANNOUNCEMENTS

United Way Day of Action Report

Cleveland Utilities' participated in the United Way Day of Action on Friday, July 17, for the eighth year. Generally, CU has two teams helping in these efforts; however, this year it was drastically scaled back to one, six-employee team. The group worked at North Lee Elementary on outside tasks including landscaping and pressure washing where social distancing could be achieved.

CU Annual Picnic

Henderson regretfully announced the CU Annual Family Picnic held in October has been cancelled this year due to the continuing increase in COVID-19 cases. Out of an abundance of safety concerns for everyone, he advised it's the responsible decision at this point in time. Different alternatives are currently being explored.

COVID-19 Update

CU continues to monitor the latest updates surrounding COVID-19 to determine if any changes in procedures are needed. Everything is going really well internally. The workforce is staying healthy and it has been very busy. Some telework is occurring and technology is being utilized for various meetings and communication.

CONSENT AGENDA

On motion by David May, Jr., and seconded by Vice Chairman Eddie Cartwright, the Utility Board voted unanimously to approve the following items from the Consent Agenda.

A. Approval of the minutes from the regular meeting held on June 26, 2020.

B. Approval of the following written Financial, Electric, Water & Wastewater Division Reports:

Financial

1. A chart tracking the kilowatt-hour cost in residential retail electric rates for the months of August 2016 through August 2020 was reviewed. For the month of August, the residential retail electric rate will change to 9.647 cents per kilowatt-hour, a decrease of 0.89 percent over July's rate of 9.734 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 FCA along to its consumers.

2. Since June represents the end of fiscal year 2020, the year-end financial records are still being compiled and the regular financial and statistical report for June 2020 will be presented on August 28; however, preliminary figures were provided.

During June, the cost of purchased power as a percentage of retail sales was 73.9 percent and can be compared to the budgeted percentage of 78.7 percent for FY 2020. For FY 2020, purchased power expense as a percentage of retail sales was 74.7 percent.

The results for June 2020 are electric sales revenue of \$8,506,698 which was offset by a purchased power expense of \$6,282,225. This resulted in an operating margin of \$2,224,473 and can be compared to a budgeted margin of \$1,840,219.

The results for FY 2020 electric sales revenue was \$98,698,754 which was offset by a purchased power expense of \$73,773,832. This resulted in an operating margin of \$24,924,922. This is compared to a budgeted margin of \$21,788,371 for the FY 2020.

3. For June 2020, water sales revenue was \$1,479,924, unadjusted for unbilled revenue. This is compared to the budgeted amount of \$1,435,492.

The results for FY 2020 water sales revenue was \$15,730,816, unadjusted for unbilled revenue. This is compared to a budgeted revenue of \$15,708,829 for FY 2020.

4. For June 2020, wastewater treatment revenue was \$1,116,026, unadjusted for unbilled revenue. This is compared to the budgeted amount of \$1,119,033.

The results for FY 2020 wastewater sales revenue was \$12,720,646, unadjusted for unbilled revenue. This is compared to a budgeted revenue of \$12,937,882 for FY 2020.

Electric Division

1. An update was reported for the Cherokee Gateway Substation Project:

Electrical Control Building: Manufacturing of the control building is underway by Keystone/VFP. Engineering has been working with the project engineer at Keystone to review and finalize drawings for the building. A relatively small change order was required due to some specifications not being clear on the bid package submittal. The building is scheduled to arrive in early October.

Power Transformers: The power transformers were delivered and set on the pads Friday, July 24. Pictures and an update will be reported at the next meeting.

Lightning Protection: The equipment from Lightning Eliminators has arrived and is being stored at the Harrison Building. As a reminder, this is the first substation where CU will use the Lightning Eliminator products. The arrival of the special order poles on which the devices will be mounted has been delayed. The manufacturer of the poles is having trouble receiving material due to complications from COVID-19. The manufacturer is hoping to be able to ship the poles mid-August. Lightning Eliminators will send a team to help install the lightning devices on the poles after they arrive.

Site Work: Operations has completed the ground grid installation. Due to the delay in shipment of the lightning protection poles, operations installed two temporary poles with an overhead static wire to protect the transformers from a potential lightning strike when they arrive.

Underground Cable & Pole Risers: The 69 kV underground cable arrived in June and is being stored until needed. The 13 kV underground cable is on order and expected to be delivered

mid-to-late August. Engineering has also been working with vendors to get the needed material for the riser poles.

2. As reported last month, the preliminary site grade design for the Lang Street Substation Upgrade Project has been completed. CU is continuing to work with the consultant to finalize the design and details for the incoming 69 kV switching structure. Grade work is still anticipated to begin in late summer or early fall.
3. Line crews are in the process of setting the steel poles for the Lang Street to District transmission line upgrade. Once all poles are set, the process of transferring the transmission and distribution circuits will begin.
4. The Cleveland Court Apartments (the Summit Apartment's replacement) on Cedar Lane have been under construction for several months and nearing completion. Crews installed a 300 kVA 120/208V 3-phase transformer and connected the electric service in early July. The expected load for the building is 260 kW.
5. Construction for an addition to North Lee Elementary School has been underway for a few months. To provide electric service to the new addition, the contractor installed a new underground service wire around the back of the existing building to the existing transformer, which has plenty of capacity to serve the new building. The only work required by CU crews will be to connect the new service to the transformer and adjust the CT metering so the load for the new building is also captured.
6. In June, engineering met with the contractor regarding temporary service for the Crown Automotive Dodge, Chrysler, Jeep Dealership located on Village North Boulevard behind Toyota. The business will be served by a 300 kVA 277/480V 3-phase padmount transformer and will have an estimated demand of 545 kW per the load report. Once the contractor installs the conduit and pours the transformer pad, CU will install the primary and transformer to provide temporary service until construction is complete.
7. A work order was released to provide permanent service for the new Harry's Liquor Store at 1708 Wildwood Avenue. The business location and CU's facilities did not coincide very well. After careful consideration, it was determined the best option would be to serve the property with underground service due to the location of the existing service pole. The business is being served by a 45 kVA, 120/208V, 3-phase padmount transformer. As part of the project, the existing riser pole was rotten and replaced during the process. Additionally, a span of open wire secondary no longer in use was replaced with triplex.
8. Permanent service has been requested for Paul's Liquor Store at 2248 Dalton Pike. This business will be also be served by one of the new 45 kVA 120/208V, 3-phase padmount transformers purchased to serve small businesses requiring 3-phase power but do not have enough 3-phase demand to justify it. However, this business still did not meet the 3-phase loading requirements and will be paying the full cost to install the transformer to add future value to the property.
9. The Operations Department opened bids for CU's In-Service Wood Pole Inspections and Remedial Treatment Program on July 9. Historically, this has been done every ten years. To better schedule the workload and provide budgeting consistency, the bid was written for one-tenth of CU's poles and will be performed annually on ten percent of the system each year.
10. A report was presented regarding traffic lighting:
 - The pedestrian pole at Keith & 20th NW was replaced after being knocked down. CU engineering then updated the firmware on the Accessible Pedestrian Signals and programmed the buttons for operation.

- Engineering requested an easement for the future installation of a traffic signal pole and cabinet on the corner of Stuart Road and Hardwick Farms Parkway. The easement will be included in the site plan for a new Wendy's Restaurant at the intersection.

Water Division

1. The Headworks Piping Modifications Project at the Wastewater Treatment Plant (WWTP) is anticipated to be completed this month.
2. The HVAC improvements at the Cleveland Filter Plant (CFP) is scheduled for completion mid-August.
3. The painting project at the CFP is expected to commence on September 8 following the HVAC project.
4. The following projects were reviewed:
 - The Clingan Ridge Drive Water Line Extension Project has been closed out. Final payment was submitted to Hampton Backhoe in the amount of \$52,015.
 - Final payment was made to Hampton Backhoe for the Eldredge Circle water main extension in the amount of \$20,428.
 - Hampton Backhoe received final payment in the amount of \$6,477 for the Harrison Pike water main extension.
 - Final payment has been issued to Hampton Backhoe in the amount of \$7,465 for the Baugh Springs Road water main extension.
 - The Villa Drive Water Main Extension Project is scheduled to begin this week. The project consists of 180 feet of 8-inch DIP water main. HL Construction is the contractor.
 - The Veterans Home sanitary sewer is complete. CU is awaiting the final invoice.
 - Hampton Backhoe has completed the North Lee Elementary sewer relocation. The final invoice has not been received.
 - The Quail Ridge Sewer Main Extension to the Anatole Pump Station has been completed but not yet invoiced.
 - S&ME has completed the capacity study for the Spring Branch area.
5. Engineering is reviewing plans for Meadowview PUD. The scope of this project is 3,013 feet of 8-inch gravity sewer, 785 feet of 4-inch force main, 2,850 feet of 6-inch water main, and a sewer pump station. River Stone Construction is the developer.
6. Engineering approved the following plans:
 - Arbor Hills Townhomes – Rob Renner is the developer.
 - Stone Creek Subdivision, Phase 5, on Finnell Road. The developer is Epperson Homes.
7. An update was provided for the ongoing Wastewater Rehabilitation Project:
 - In reference to the Basin 10A-8 Phase 2 Rehabilitation, final post CCTV work is being completed and video is being reviewed. A punch list of items is being prepared for the contractor to complete in order to close the project.
 - Hampton Backhoe saw cut the road for the 9th Street Sewer Replacement Project, and excavation began the week of August 3. The project is anticipated to last four to six weeks.
8. The Meter Department set 30 meters through June 2020 compared to 53 for June 2019 and 24 for June 2018. Of the 30 sets, 25 were single family homes and 5 were commercial.

9. The total amount of rainfall recorded at the CFP for the month of July was 4.15 inches. As of August 5, 2020, 2.12 inches has occurred this month. A total of 52.64 inches has occurred this calendar year (14.17 inches above average).

C. The Safety Internal Performance Measures (IPMs) for January 2020-June 2020 were provided. This is a component of CU's Strategic Plan. Results for the period are below:

	Electric & Water Combined	Electric Division	Water/Wastewater Division
OSHA Recordable Incident Rate (RIR)	1.77	1.51	2.13
DART Rate	1.33	1.51	2.13
Lost-Time Case Rate (LTCR)	0.00	0.00	0.00
Vehicle Accident Rate (VAR)	2.22	5.90	0.00

The following data went into the calculations:

- A total of 1,388,483 consecutive hours have been worked by both divisions combined without a lost-time injury (LTI). Electric division employees contributed 1,104,094 of those hours, with the last lost-time injury occurring on November 19, 2015. The water division reached 284,389 hours, with the last lost-time injury occurring on December 7, 2018.
- A total of 226,117 cumulative hours were worked companywide during the period. 119 employees in the electric division worked 132,148 hours, and 83 employees in the water division worked 93,969 hours.
- In addition, a total of 451,240 cumulative vehicle miles were driven by employees in 120 vehicles. 169,432 of those miles were driven by electric employees, and 281,808 miles were by water employees.

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

Year	OSHA – RIR	DART	LTCR	VAR
2017	4.04	2.53	1.01	2.29
2018	2.88	2.40	0.48	2.25
2019	0.48	0.48	0.00	3.67
2020	1.77	1.33	0.00	1.22

D. Approval of a Resolution requesting the City Council of the City of Cleveland, Tennessee, to provide for the issuance of approximately \$6,000,000 in aggregate principal amount of General Obligation Bonds. The bonds will be used for general obligation capital projects included in the FY 21 Budget. Each division had a financing obligation as part of the budget. These will be requested as 20-year fixed rate instruments. Stinnett advised he is hopeful the market will continue to return a positive result on the interest rate which will, in turn, save CU money in the long-run. Additionally, the City Council may adopt another resolution to refinance some of CU's existing debt. CU's plan would be to move the two forward together to save on issuance costs and underwriting fees associated with the debt. The breakdown per division is as follows:

- (1) Electric \$2,000,000
- (2) Water \$1,750,000
- (3) Wastewater \$2,250,000

- E. Approval of Three (3) TVA Agreements**
- (1) *Power Supply Flexibility Agreement* - This agreement provides flexible power generation options to TVA's local power company (LPC) customers who have entered into their Long-Term Partnership Agreements. It allows LPCs to generate up to 5 percent of their power needs through their own generating sources. Although Cleveland Utilities does not have any current flexibility plans, this agreement will allow implementation of potential options in the future.
 - (2) *EnergyRight® Home Uplift Agreement* – The EnergyRight® Solutions Home Uplift Program (HUP) delivers weatherization services to qualifying residential customers. The HUP is intended to reduce energy costs for homeowners by installing weatherization upgrades in existing single-family homes, while also improving indoor living conditions. The project will be funded through matching funds provided by CU, the United Way of the Ocoee Region and TVA.
 - (3) *Green Flex Program Agreement* - The Green Flex Program allows eligible customers to purchase renewable energy certificates (RECs) from TVA. Each REC represents 1 MWh of renewable energy generation from acceptable sources, including solar photovoltaic, wind turbines, low-impact hydro, and/or methane gas sources. The program is designed to provide low-cost RECs to customers that enroll in the program.
- F. Approval of a contract with Consolidated Technologies, Inc., dba CTI Engineers, Inc., in the amount of \$148,100 for professional services at the Cleveland Filter Plant for the design, bidding assistance, construction management, record drawings, surveys, geotechnical services, easement drawings & documents, permits for a new filter backwash holding tank, pump station & force main, yard piping modifications, and a new sedimentation solids pumping station & force main. The projects are budgeted for FY 2020.**
- G. Approval of a purchase order to Kendall Electric Inc., in the amount of \$215,497 for the upgrade of the Cleveland Filter Plant raw water pump motor drives. The upgrade includes new 755TL drives, abandoning of the existing transformer, replacing the existing mechanical relays with electronic relays, providing a new pre-programmed processor for the site PLC, and a new Human Machine Interface (HMI). The purchase is sole source and budgeted for FY 2021.**
- H. Approval of a purchase order to Hampton Backhoe Service, LLC in the amount of \$106,488 for the installation of 2,400 lineal feet of 8-inch ductile iron water main along Brymer Creek Road SW. The project will be funded by a customer and Cleveland Utilities. The project is budgeted for FY 2021.**
- I. Approval of a Resolution authorizing The Cleveland Board of Public Utilities to proceed with eminent domain proceedings against property owners Sonya Crago and Brent Crago. The easement is required so a gravity sanitary sewer main can be constructed across the Crago's property as part of the 2019 Hensley Road Annexation Sanitary Sewer Extension Project.**
- J. Approval of a Resolution by The Cleveland Board of Public Utilities authorizing the borrowing of up to \$10,000,000 from the State Revolving Fund (SRF) for sewer collection system rehabilitation projects as budgeted and the CEO/President of Cleveland Utilities to act on behalf of the Board with respect to SRF loan applications.**

OTHER BUSINESS

Future Board Meeting Dates

Future scheduled board meeting dates are as follows:

Friday, August 28, 12:30 p.m.

Friday, September 25, 12:30 p.m.

Friday, October 23, 12:30 p.m.


Board Secretary


Board Chairman

August 28, 2020
Date