



GROWING WITH CLEVELAND

2018

ANNUAL REPORT

Cleveland  **PublicPower**
Count on it

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MISSION STATEMENT

CLEVELAND PUBLIC POWER
IS COMMITTED TO PROVIDING
RELIABLE AND AFFORDABLE
ENERGY AND ENERGY SERVICES TO
THE RESIDENTS AND BUSINESSES
OF THE CITY OF CLEVELAND.



A MESSAGE FROM THE MAYOR

Citizens,

Cleveland Public Power (CPP) continues to be a vital asset to the City of Cleveland. CPP has played a critical role in making Cleveland neighborhoods safer through the ongoing installation of 60,000 LED streetlights, all while focusing on increasing manpower by providing opportunities for Cleveland high school graduates and helping developers bring their visions to light.

Forging relationships with local developers has been a strong suit of the utility for several years and continues as evidenced by its role in the construction of structures from the east to the west side and in the central city.

Several years ago, CPP leadership saw an opportunity to increase their pool of workers while also providing career options for Cleveland high school graduates. Through the Student-Apprentice Program which

started in 2008, CPP has hired more than 100 young men and women from the Cleveland Metropolitan School District, ensuring that the success of Cleveland's residents remains at the forefront of CPP's efforts.

All of these accomplishments were recognized when the utility received the Diamond designation from the American Public Power Association for being a Reliable Public Power Provider (RP3). This honor is bestowed upon public power utilities that demonstrate proficiency in four key disciplines: reliability, safety, workforce development, and system improvement. I commend them for their diligence.

Cleveland Public Power will continue to provide residents with quality service, demonstrate the importance of choice in electrical service providers and serve as an asset to Cleveland residents and businesses. Sincerely,

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**THROUGH THE STUDENT-
APPRENTICE PROGRAM WHICH
STARTED IN 2008, CPP HAS
HIRED MORE THAN 100 YOUNG
MEN AND WOMEN FROM THE
CLEVELAND METROPOLITAN
SCHOOL DISTRICT**
”

MAYOR FRANK G. JACKSON
CITY OF CLEVELAND

CITY COUNCIL

Cleveland City Council continues to work with Cleveland Public Power to support the growth of one of the City's assets. In this past year the leaders and staff of CPP have worked to sustain its workforce through the Student Apprenticeship Program, and continues to shine in the area of reliability and generating new customers.

This utility has been committed to Cleveland and its communities as exhibited with the continued growth of its Apprenticeship Program. We applaud this initiative and congratulate the more than 100 Cleveland students who have and continue to complete this program.

We congratulate Cleveland Public Power on its recent designation as a Reliable Public Power Provider by the American Public Power Association. This diamond designation indicates the dedication of this leadership team and its staff.

Many members of this body are pleased with CPP's efforts to collaborate with local developers on projects that are part of the continued rejuvenation of many Cleveland neighborhoods. We look forward to working with its administrators in support of the continued growth of Cleveland Public Power.

DIRECTOR/COMMISSIONER

Since its inception, Cleveland Public Power's primary focus has been the residents and businesses within the City of Cleveland. Through reliable and affordable electric service and increasing neighborhood safety through innovative street lighting, CPP continues to meet its goals.

During the second quarter of 2018, the city utility received the Diamond designation from the American Public Power Association for being a Reliable Public Power Provider (RP3).

The RP3 designation, which lasts for three years, recognizes public power utilities that demonstrate proficiency in four key disciplines: reliability, safety, workforce development, and system improvement.

The report highlights CPP's efforts in workforce development, and system improvements to ensure the reliability that supports the growth of the City of Cleveland.

Ten years ago, CPP's administrators recognized its workforce, particularly linemen, was aging and that this was a national trend. To combat the losses, they developed an Apprenticeship Program in conjunction with the Cleveland Metropolitan School District to train Cleveland graduates to become linemen. This year marked a decade of helping Clevelanders develop a skill allowing them to support their families and grow with their City.

Cleveland Public Power Commissioner Ivan Henderson said of the program, "The success is evident in the make-up of our Trouble Crews, which consists of journeymen who have come through this program. To be a part of these crews, you have to be at the top of your game."

As the year came to a close, Public Utilities Director Robert Davis continued to promote CPP's work in infrastructure and safety initiatives. During the last quarter of 2018, Director Davis was pleased to announce approval to proceed with Cleveland Public Power's LED Streetlight initiative. Speaking on the impact of the project, Director Davis stated, "This technology will provide brighter light, which means increased safety in Cleveland's neighborhoods."



OUR LEADERS



KEVIN J. KELLEY
Council President



ROBERT DAVIS
Director



MARTIN KEANE
Chairman,
Public Utilities Committee



IVAN L. HENDERSON
Commissioner

RAINBOW
BABIES
WOMEN'S &
CHILDREN

CPP, THE POWER BEHIND THE RAINBOW CENTER
FOR WOMEN & CHILDREN

As the face of Cleveland industry has evolved, healthcare is now a major force in this former steel town. Recognizing this trend, Midtown Cleveland, an economic development firm serving the two-square-mile area between Downtown Cleveland and University Circle, envisioned this area as the Health-Tech Corridor and sought to lure healthcare-related businesses and institutions into the Corridor.

Nationally-recognized University Hospitals (UH) took advantage of this opportunity as they worked to improve and innovate the delivery of patient care. When scouting sites for a new collaborative approach to family health, the Corridor provided the space the hospital needed.

UH broke ground on a \$24 million, 40,000 square-foot outpatient facility, Rainbow Center for Women & Children, and opened its doors in July 2018 in the heart of the Midtown Health-Tech Corridor at 5805 Euclid Avenue. With its main campus located in University Circle, UH has satellite sights throughout northeast Ohio to address the demand for greater access to patient care.

Cleveland Public Power (CPP) proudly serves as the electrical service provider for this facility. With aggressive construction timelines, CPP's engineering and operations teams understood the critical need for reliability for the facility and designed a redundant distribution service to the project. Working with the construction and architectural design firms Moody Nolan Inc. and Ozanne Construction, the utility provided a

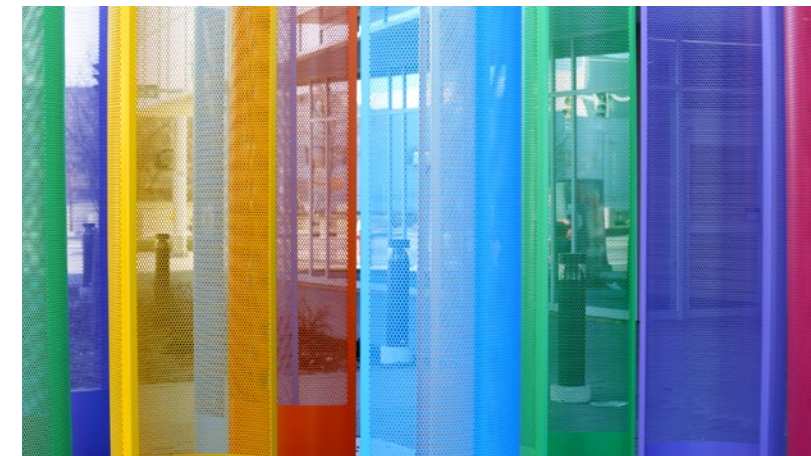
475kw service to the site. CPP's commercial sales project team managed the installation to ensure that primary installation timelines were seamless and in sync with the UH timelines.

“
WITHIN THE CENTER, SPACE
FOR PROGRAMS FOCUSED ON
PREVENTION AND TOTAL HEALTH
NEEDS IS OFFERED IN A ONE-
STOP LOCATION ACCESSIBLE TO
THE RTA HEALTHLINE.”

What is unique about the Women & Children Center is that it was specifically designed as an innovative model to improve health care to underserved communities that traditionally have experienced health disparities, including public transportation access to healthcare.

The center is a collaboration with UH, patients, and community stakeholders to provide pediatric primary care and adolescent medicine, as well as pregnancy and gynecological medical care for women. Within the Center, space for programs focused on prevention and total health needs is offered in a one-stop location accessible to the RTA Healthline.

The goal of UH is to improve the overall health and wellness of the Cleveland community by going beyond traditional treatment and therapies in medicine.



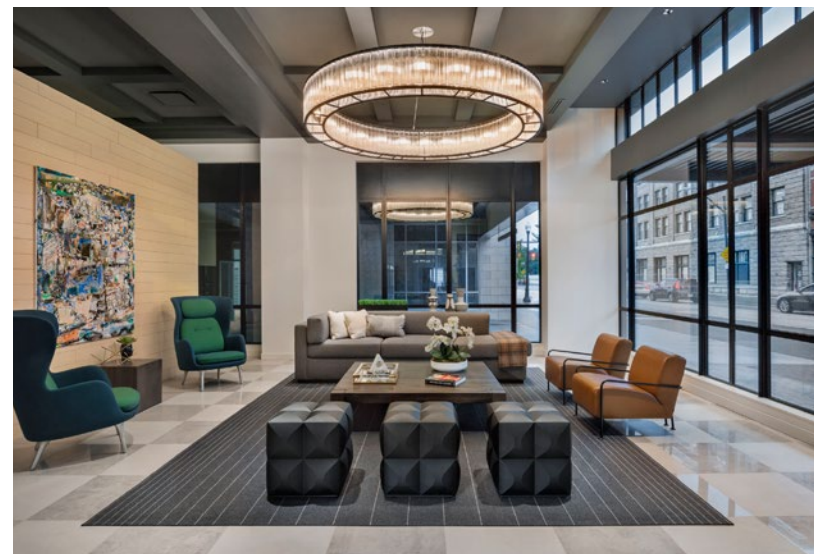
RAINBOW
BABIES
WOMEN'S &
CHILDREN

THE
QUARTER

THE QUARTER, VIBRANT ADDITION
TO THE NEIGHBORHOOD

The motivation to develop the NW corner of W. 25th St. and Detroit Ave., happened for Pete Snavelly Jr., Vice President at Snavelly Group, during a neighborhood bike ride. At the time, the corner space was a distressed and neglected concrete parking lot. However, Snavelly envisioned it as the perfect opportunity to create a vibrant and welcoming community that is now called "The Quarter." Located near one of the Greater Cleveland Regional Transit Authority's (GCRTA) busiest bus lines – the 26 and steps away from the heart of Ohio City, the downtown restaurant and entertainment scene, and Edgewater Park, Snavelly knew the old lot was ripe for development.

Cleveland is all about community connections, which The Quarter development embodies with 194 residential and commercial units over five floors with many amenities, including a garden with a pet washing station. The ground level covers 30,000 square feet of commercial space that is now home to the Music Settlement, D.O. Summers Dry Cleaners, APG Office Furnishings, and The Grocery.



CPP engineers worked with the developers to design the underground service to accommodate three separate transformers along with an Automatic Throw Over (ATO) Switch for permanent service. CPP Operations then installed the primaries, transformers, and meters for the residential, commercial, and public space.

The Quarter development has indeed transformed Cleveland's gateway to the Westside to a vibrant and thriving area for residents and visitors alike. The Snavelly Group trusted CPP to power their project to meet its timelines and bottom-line budget.

PROVIDING RELIABLE SERVICE FOR TECH FIRMS

Midtown's Health-Tech Corridor is home to what once was part of Cleveland's famous "Millionaires Row" and the "Cleveland Knitting Mills" manufacturing businesses. Only a few short years ago, the property near Euclid Avenue and East 59th Street stood vacant after the demolition of the mansions and knitting mills.

“
CPP'S SALES, ENGINEERING,
AND OPERATIONS TEAMS
UNDERSTOOD HEMINGWAY'S
BUSINESS GOALS IN SUPPLYING
RELIABLE SERVICE

”
After many years of vacancy, the property was ripe for a new start, and developers Fred Geis and James Doyle of Hemingway Development saw an opportunity to transform the vacant land into a community asset for high-tech firms that is now, Link 59.

The newly constructed state-of-the-art building provides for an increase in



start-up businesses and provides ample space for R&D and tech firms along the Health-Tech Corridor in one of the city's underserved neighborhoods.

Hemingway partnered with Cleveland Public Power for the temporary, permanent, and streetlight service vital to the project. CPP's sales, engineering, and operations teams understood Hemingway's business goals in supplying reliable service to attract tech firms to fill the 61,000 square-foot space.

With that in mind, CPP worked with Hemingway's development team to install a reliable 2000 amperage 480/277 service to the Link 59 building that is now open for business.

LINK 59



APPRENTICE PROGRAM

APPRENTICE PROGRAM

Cleveland Public Power celebrated the 10th Anniversary of the Student Intern to Apprenticeship Program. The ceremony was held on July 9, 2018, inside of the Carl B. Stokes Public Utilities building. Attendees included representatives from Cleveland City Hall, the Department of Public Utilities, CPP, CMSD, alumni of the program, and various apprentices that are currently enrolled. Eight alumni from the first graduating class received a special honor as a display of appreciation for their contribution and dedication.

In 2008 Mayor Frank G. Jackson gave Cleveland Public Power his blessing to develop and execute a Student Intern to Apprenticeship Program. It began as a collaborative effort between CPP, the Mayor's Office of Education, Cleveland Municipal School District (CMSD), and the International Brotherhood of Electrical Workers (IBEW). From 2008 to 2018, CPP visited several CMSD high schools seeking graduating seniors that met the criteria to enter the program. The response was great, and today more than 100 students have participated in the Apprenticeship Program.

“
IN THE TEN YEARS THAT THIS PROGRAM HAS BEEN IN PLACE, WE'VE HAD SIX GRADUATING CLASSES OF APPRENTICES TRANSITION TO JOURNEYMEN.
”

The reason for implementing the program was simple, an innovative way to create a succession plan that would be a win-win for all parties involved. The utility would recruit students (young men and women alike) directly out of high school and train them on what it means to be an IBEW Local 39 Journeymen through a four-year in-house apprenticeship program. For CPP, as the aging workforce retires, they would have a young, energetic group of line workers ready to continue CPP's legacy.

Mission complete! In the ten years that this program has been in place, we've had six graduating classes of apprentices transition to journeymen.



CPP AS INDUSTRY LEADER

CPP AS INDUSTRY LEADER

Every three years the American Public Power Association (APPA) recognizes public power utilities that demonstrate proficiency in four key disciplines: reliability, safety, workforce development, and system improvement. Criteria include sound business practices and a utility-wide commitment to safe and reliable delivery of electricity. The recognition is part of the Reliable Public Power Provider (RP3) program.

In 2018, Cleveland Public Power (CPP) received the Diamond Recognition, which is the highest designation a utility can receive.

The APPA RP3 program is based on industry standard best practices in several important disciplines and recognizes the utilities who demonstrate a high proficiency in its operation and performance standards. The levels of awards are ranked as Gold, Platinum, and Diamond.

CPP's Reliability Plan entails the collection and analyzing of reliability data, having an effective mutual aid agreement in place, devising and using a system-wide disaster management or emergency response

plan and implementing cyber and physical security.

The Safety program includes the delivery of safe and reliable power to customers and also focuses on the frontline workers, which consists of the implementation of an extremely rigorous employee safety training program.

The Workforce Development component discusses how the utility provides various opportunities for staff to network with public power colleagues from across the nation.

Lastly, in the area of System Improvement strategy, CPP demonstrates how participation in research and development programs assists in the conceptualization of procedures to maintain a reliable distribution system which in turn leads to a path of solid financial health.

CPP joins more than 240 public power utilities nationwide that hold RP3 designation, and out of those 240 other municipalities, CPP is only one of 41 other public power organizations to receive the Diamond Status.



2018

**STATEMENT
OF NET POSITION**

(IN THOUSANDS)

LAND AND IMPROVEMENTS	
LAND	\$ 5,574
LAND IMPROVEMENTS	392
UTILITY PLANT	624,614
BUILDINGS, STRUCTURES AND IMPROVEMENTS	23,340
FURNITURE, FIXTURES, EQUIPMENT AND VEHICLES	92,338
CONSTRUCTION IN PROGRESS	25,593
	771,851
LESS: ACCUMULATED DEPRECIATION	(410,561)
CAPITAL ASSETS, NET	361,290
RESTRICTED ASSETS	
CASH AND CASH EQUIVALENTS	4,178
ACCRUED INTEREST RECEIVABLE	5
TOTAL RESTRICTED ASSETS	4,183
CURRENT ASSETS	
CASH AND CASH EQUIVALENTS	47,030
RESTRICTED CASH AND CASH EQUIVALENTS	723
RECEIVABLES:	
ACCOUNTS RECEIVABLE- NET OF ALLOWANCE FOR DOUBTFUL ACCOUNTS OF \$8,180 IN 2018	16,894
RECOVERABLE COSTS OF PURCHASED POWER	4,418
UNBILLED REVENUE	2,811
DUE FROM OTHER CITY OF CLEVELAND DEPARTMENTS, DIVISIONS OR FUNDS	3,407
MATERIALS AND SUPPLIES - AT AVERAGE COST	10,061
PREPAID EXPENSES	394
TOTAL CURRENT ASSETS	85,738
DEFERRED OUTFLOWS OF RESOURCES	
UNAMORTIZED LOSS ON DEBT REFUNDING	11,769
PENSION	5,477
OPEB	1,277
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 18,523

2018

**STATEMENT
OF NET POSITION**

(IN THOUSANDS)

NET POSITION, LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

NET INVESTMENT ON CAPITAL ASSETS	\$ 176,289
RESTRICTED FOR CAPITAL PROJECTS	493
RESTRICTED FOR DEBT SERVICE	2,493
UNRESTRICTED	10,300
TOTAL NET POSITION	189,575

LIABILITIES

LONG-TERM OBLIGATIONS-EXCLUDING AMOUNTS DUE WITHIN ONE YEAR

ACCRUED WAGES AND BENEFITS	389
ACCRETED INTEREST PAYABLE	20,937
REVENUE BONDS	192,321
NET PENSION LIABILITY	21,587
NET OPEB LIABILITY	13,762
OTHER	1,771
TOTAL LONG-TERM OBLIGATIONS	250,767

CURRENT LIABILITIES

ACCOUNTS PAYABLE	11,633
OTHER ACCRUED EXPENSES	448
CUSTOMER DEPOSITS AND OTHER LIABILITIES	1,099
CURRENT PORTION OF ACCRUED WAGES AND BENEFITS	2,645
DUE TO OTHER CITY OF CLEVELAND DEPARTMENTS, DIVISIONS OR FUNDS	520
ACCRUED INTEREST PAYABLE	1,057
CURRENT PAYABLE FROM RESTRICTED ASSETS	723
CURRENT PORTION OF LONG-TERM DEBT, DUE WITHIN ONE YEAR	5,640
TOTAL CURRENT LIABILITIES	23,765
TOTAL LIABILITIES	274,532

DEFERRED INFLOWS OF RESOURCES

PENSION	4,630
OPEB	997
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 5,627



2018

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION**

(IN THOUSANDS)

CHARGES FOR SERVICES		\$ 211,864
TOTAL OPERATING REVENUES		211,864
OPERATING EXPENSES		
PURCHASED POWER		141,679
OPERATIONS		28,074
MAINTENANCE		17,113
DEPRECIATION		20,428
TOTAL OPERATING EXPENSES		207,294
OPERATING INCOME (LOSS)		4,570
NON-OPERATING REVENUE (EXPENSE)		
INVESTMENT INCOME		703
INTEREST EXPENSE		(9,876)
AMORTIZATION OF BOND PREMIUMS AND DISCOUNTS		1,075
GAIN (LOSS) ON DISPOSAL OF ASSETS		(242)
OTHER		5,650
TOTAL NON-OPERATING REVENUE (EXPENSE), NET INCREASE (DECREASE) IN NET POSITION		1,880
NET POSITION AT BEGINNING OF YEAR		187,695
NET POSITION AT END OF YEAR		\$ 189,575

2018

STATEMENT OF CASH FLOWS

(IN THOUSANDS)

CASH RECEIVED FROM CUSTOMERS	\$ 212,784	
CASH PAYMENTS TO SUPPLIERS FOR GOODS OR SERVICES	(17,668)	
CASH PAYMENTS TO EMPLOYEES FOR SERVICES	(19,523)	
CASH PAYMENTS FOR PURCHASED POWER	(138,880)	
ELECTRIC EXCISE TAX PAYMENTS TO AGENCY FUND AND OTHER	(5,566)	
NET CASH PROVIDED BY (USED FOR) OPERATING		31,147
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
ELECTRIC EXCISE TAX RECEIPTS	6,232	
CAPITAL AND RELATED FINANCING ACTIVITIES		6,232
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
PROCEEDS FROM SALE OF REVENUE BONDS	52,954	
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	(26,708)	
PRINCIPAL PAID ON LONG-TERM DEBT	(7,705)	
INTEREST PAID ON LONG-TERM DEBT	(8,570)	
CASH PAID TO ESCROW AGENT FOR REFUNDING	(52,923)	
NONCAPITAL FINANCING ACTIVITIES		(42,952)
CASH FLOWS FROM INVESTING ACTIVITIES		
INTEREST RECEIVED ON INVESTMENTS	880	
INVESTING ACTIVITIES		880
CASH AND CASH EQUIVALENTS		(4,693)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		56,624
CASH AND CASH EQUIVALENTS, END OF YEAR		\$ 51,931

2018 STATEMENT OF CASH FLOWS

(IN THOUSANDS)

RECONCILIATION OF OPERATING INCOME (LOSS) ACTIVITIES TO NET CASH PROVIDED BY (USED FOR) OPERATING

	\$	4,570
ADJUSTMENTS:		
DEPRECIATION		20,428
(INCREASE) DECREASE IN ASSETS:		
ACCOUNTS RECEIVABLE, NET		220
RECOVERABLE COSTS OF PURCHASED POWER		3,834
UNBILLED REVENUE		(69)
DUE FROM OTHER CITY OF CLEVELAND DEPARTMENTS, DIVISIONS OR FUNDS		(184)
MATERIALS AND SUPPLIES, NET		(595)
PREPAID EXPENSES		(141)
(INCREASE) DECREASE IN DEFERRED OUTFLOWS OF RESOURCES – PENSIONS		6,019
OPEB		(1,109)
INCREASE (DECREASE) IN LIABILITIES:		
ACCOUNTS PAYABLE		(253)
OTHER ACCRUED EXPENSES		2
CUSTOMER DEPOSITS AND OTHER LIABILITIES		81
ACCRUED WAGES AND BENEFITS		240
DUE TO OTHER CITY OF CLEVELAND DEPARTMENTS, DIVISIONS OR FUNDS		142
OTHER LONG-TERM LIABILITIES		(338)
NET PENSION LIABILITY		(7,901)
NET OPEB LIABILITY		1,388
INCREASE (DECREASE) IN DEFERRED INFLOWS OF RESOURCES – PENSIONS		3,816
OPEB		997
		TOTAL ADJUSTMENTS
		<u>26,577</u>
	OPERATING ACTIVITIES	\$ 31,147
SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:		
CONTRIBUTIONS AND ACCOUNTS PAYABLE RELATED TO CAPITAL ASSETS	\$	723







Cleveland**PublicPower**
Count on it

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