

MINUTES OF REGULAR MEETING
CLEVELAND UTILITIES AUTHORITY BOARD
January 26, 2024

A regular meeting of the CU Authority Board was called to order at 12:30 p.m. in Cleveland Utilities' Tom Wheeler Training Center (TWTC).

The following board members were present: Aubrey Ector, Chairman; Joe Cate, Vice Chairman; Eddie Cartwright; Mayor Kevin Brooks; Councilman Dale R. Hughes; and Councilman David May, Jr.
Absent: Debbie Melton.

Others in attendance were Tim O. Henderson, President/CEO; Amy Ensley, Utility Board Secretary; John Corum, Administrative Services VP; Jimmy Isom, Electric VP; Craig Mullinax, Water & Wastewater VP; Marshall Stinnett, VP/CFO; Walt Vineyard, Executive VP; Jill Beaty, Controller; Kevin Hamby, Water Distribution Field Service Technician. Following the Pledge of Allegiance to the American Flag, Jill Beaty delivered the invocation.

PUBLIC COMMENTS - NONE

MANAGER'S UPDATE & ANNOUNCEMENTS

Cleveland Fire Department Samaritan Award

The Cleveland Fire Department recently recognized CU employee Kevin Hamby with a Samaritan Medal in recognition for his assistance during a vehicle accident that occurred in September. Hamby gained access to the vehicle and removed a small child in the rear seat from the wreckage. Fortunately, the child was not injured. Hamby stayed with the child while emergency responders worked to free the other trapped passenger. Henderson and board members publicly expressed appreciation to Hamby for his heroic efforts and willingness to help others without hesitation.

Controller Promotion

Henderson announced Jill Beaty's recent promotion to the position of Controller, which has been vacant since Stinnett assumed the role of VP/Chief Financial Officer in February 2016. Stinnett then expounded on the promotion. The role Beaty is taking on will assist the organization from an operational standpoint and allow her to be more hands-on within the Accounting Department on a day-to-day basis. Beaty is a CPA and has done a tremendous job since joining CU. She came from Life Care with great experience in the accounting world. Additionally, Beaty has been instrumental in CU's annual budgeting process, overseeing the yearly financial audit, and assisting in the transition to the Utility Authority. This move will strengthen both the organization and the Accounting Department because there's a great deal of work with the addition of a new division. Everyone congratulated Beaty on her promotion.

20-Inch Raw Water Main Break

The 20-inch cast iron raw waterline main that delivers water to the Cleveland Filter Plant from the Hiwassee River broke on Tuesday, January 9, around 4:45 p.m. The plant was unable to treat water for approximately 20 hours. Repairs took two operational crews working two shifts an estimated 14 hours with work concluding on Wednesday January 10, around 9:00 a.m. (a portion of Dry Valley Road was damaged). During this period, water was supplied to CU customers by Hiwassee Utilities Commission (HUC) and Eastside Utilities. At no time were

any customers without water. Photos were shown.

Cold Weather Report

The week of January 14 brought snow and extremely cold weather. Henderson provided details about TVA's system performance as well as CU's electric/water systems. On January 17, at 9 a.m., the Tennessee Valley Authority (TVA) set a preliminary all-time, record peak of approximately 34,524 megawatts (MW). The second highest peak in TVA history and highest recorded peak on a weekend day was 34,284 megawatts at 9 a.m. on Sunday, January 21, per preliminary data. Henderson noted it's significant to keep in mind how the system performed during this period and recalled Winter Storm Elliott in December 2022 where TVA initiated rolling blackouts. TVA was providing frequent updates to local power companies and communicating daily in the week leading up to this year's event.

Henderson then elaborated on CU's electric system. During this period, there were six days where CU system peaks were over 200 MW. CU's highest peak during this event was 239.5 MW on Wednesday, January 17, at 8:30 a.m. Considering the amount of load for the total duration of time, CU's system performed fantastically per Henderson. A lot of preparation was done ahead of time. CU had staff staying overnight on the main campus to shorten the window of response time to start execution if TVA called for rolling blackouts. Thankfully, TVA was able to meet the demand. After Winter Storm Elliot, TVA committed to strengthening and hardening its system. In the last three months, TVA invested nearly \$123 million to enhance reliability and resiliency at its coal, gas, and hydro facilities. Throughout the fall, TVA added insulation and enclosures around exposed equipment to prevent freezing and installed monitoring systems to help them be more responsive to potential issues.

Electric VP Jimmy Isom then commented on the strength of CU's electric system and highlighted the TVA/TVPPA Emergency Load Curtailment Program (ELCP). He explained the various steps in the manual local power companies follow to implement any kind of reduction requested by TVA. During Storm Elliott, Step 50 was enacted (rolling blackouts). This year, Step 30 was reached where TVA requested for voluntary reduction of electricity consumption the afternoon of Tuesday, January 16, specifically between the hours of 7 a.m. and 11 a.m. on Wednesday, January 17; however, this request was lifted shortly thereafter at 12:25 p.m. CU's all-time peak of 248 MW was set during the winter of the polar vortex in 2014. Isom advised this event probably would have eclipsed CU's all-time peak, but schools and several industries were closed this year due to the snow, which helped reduce CU's system load.

VP/CFO Stinnett then provided education about how extreme weather events such as this impact customer bills. There are two components of a residential electric bill: base energy costs and fuel costs. Like every operating business, TVA is going to run the least cost asset first. During peak events, the most expensive units are also running, which translates into higher fuel costs for TVA. The first step customers will see is increased consumption in January bills that will be paid in February. Then, TVA will recuperate the cost to fuel these generation assets essentially in a two-month reserve. In January, TVA calculates the fuel cost to generate the power. This is then rolled into the rate presented in March, which turns into the rate customers pay in April. Therefore, there's an expectation of February and April bills being higher than anticipated. CU will work with customers through this process and get them in contact with agencies for assistance. The Project Round Up Program funds go to an organization that assists with programs specifically for CU. Additionally, CU offers leveled billing that may be a good fit for some customers. This program helps smooth out seasonal

swings by calculating payments each month using the average of the last 12 months of billing data.

Henderson ended by discussing water challenges. System demands during this period ranged from 13.0 million gallons to 14.9 million gallons. These demands compare to summer system demands. This was impacted by leaks and people running faucets to help prevent pipes from freezing. For comparison purposes, the average demand for December was 10.6 million gallons. During the period of January 17-24, water crews responded to a total of 239 calls (123 during regular working hours and 116 afterhours). Additionally, a total of 16 water breaks were worked (11 mains, 4 service lines and 1 air relief valve).

Presidents' Day Holiday Office Closure

Cleveland Utilities will be closed Monday, February 19, to observe the Presidents' Day holiday. As always, the Call Center will be open and regular emergency/standby services will be maintained 24/7.

CONSENT AGENDA

Councilman David May, Jr., made a motion to approve the following items from the Consent Agenda. The motion was seconded by Vice Chairman Joe Cate, and the Utility Authority Board voted unanimously to approve the Consent Agenda.

- A. Approval of the Minutes from January 5, 2024
- B. Approval of the following written Financial, Electric, and Water/Wastewater Division Reports:

FINANCIAL REPORT

1. **Electric Division December 2023** – During December, the cost of purchased power as a percentage of retail sales was 73.5 percent and can be compared to the budgeted percentage of 74.5 percent for FY 2024. The results for December are electric sales revenue of \$9,059,116, which was offset by a purchased power expense of \$6,654,675. This resulted in an operating margin of \$2,404,441 and can be compared to a budgeted margin of \$1,946,711 for the month. Operating expenses were \$2,289,955. This is compared to a budgeted operating expense of \$2,024,539. The division serviced 33,722 customers during the month. The net income was \$686,062 and can be compared to a budgeted net income of \$173,483.
2. **Water Division December 2023** - For the month of December, water sales revenue was \$1,683,662. This is compared to the budgeted amount of \$1,677,457. Other revenue sources contributed an additional \$222,167 for the month. The division serviced 34,244 customers during the month. Operating expenses were \$1,665,233. This is compared to the budgeted amount of \$1,654,628. The division recorded an operating income of \$240,596, which is compared to a budgeted operating income of \$170,001.
3. **Wastewater Division December 2023** - For the month of December, wastewater treatment revenue was \$1,237,615. This is compared to the budgeted amount of \$1,263,367. Other revenue sources contributed an additional \$101,881 for the month. The division serviced 20,838 customers. Operating expenses were \$1,275,958. This is compared to the budgeted amount of \$1,320,901. The division recorded an operating income of \$63,538, which is compared to a budgeted operating income of \$55,947 for the month.

ELECTRIC REPORT

1. The Lang Street Substation Project is on pause until the new 69 kV vacuum interrupting switches arrive in the next few months. The new substation should be finished early this year with the station being energized before the summer.
2. In December, Tippman Construction was able to clear the right of way for the future SK Food Group drive entrance and overhead primary line, which will be the main feed for the new facility on the west side of the property. The overhead line will connect to the existing line along Harriman Road just south of the roundabout. The line design should be finalized and staked in January. CU crews could begin installing the new line as early as February.
3. Engineering released a work order for the Peerless Road Apartments. The work calls for installing three new single-phase, pad-mounted transformers and 322 feet of underground primary at an estimated cost of \$25,126.57.
4. In December, CU crews were able to install the 750 kVA 277/480-volt transformer for the new water pump station on Dempsey Circle. Crews energized the transformer and connected the secondary to the panel. CU's Meter Lab installed the new CT meter on the transformer for the site. The only work required by CU electric in the future will be to disconnect the old pump station and remove the old transformers at the site. The total cost for the electric service was approximately \$30,000.
5. Electric Division Operations and Engineering Departments have been working closely with FiberRise/Entrust on the logistics of attaching the new fiber to CU electric poles. Make-ready is a very important part of the project and must be completed prior to the new fiber being installed. CU is visiting each pole where a conflict is reported and working with the installation contractor (ITG) to facilitate ways to accommodate the clearance concerns. Besides shifting facilities, conduit risers are being extended and insulated wire coverings as well as horizontal fiberglass extension arms are being installed in an effort to keep from having to upsize the existing poles. This will be a time saver and tremendous cost saver to Cleveland Utilities.
6. Engineering completed 81 work orders during the month of December.
7. An update was presented for traffic lighting:
 - CU's installation of the mast-arm traffic signal at Paul Huff Parkway and Mouse Creek Road was completed. Initial adjustments to the signal timing plans were made, however further adjustments may be necessary. Conduit is in place for future pedestrian signals.
 - Traffic was shifted to the new bridge and moved to the west side of the road throughout the Georgetown Road (SR-60) Project. CU engineering adjusted signal timing and radar detectors to accommodate the new traffic pattern at three signalized intersections. The signals will be monitored for additional adjustments if necessary.
 - CU engineering made the decision to return the Oriux traffic controllers previously ordered for the Inman Street Road Diet Project due to compatibility issues with the ATC cabinets. Intelight controllers were ordered to replace them after extensive testing and their ability to integrate seamlessly with the Kinetics central software. The controllers should arrive by the end of January.
 - CU engineering issued a service order to raise the Wavetronix radar sensor that detects vehicles in the dual left lanes turning into Walmart. The sensor was not adequately detecting traffic at its original height.

8. A comprehensive Reliability Statistics report for 2021 through 2023 was presented:
 - The ASAI (Average Service Availability Index) statistic is the percentage of time the system was available through the year. CU achieved 99.9887 percent in 2023 compared to 99.9494 percent in 2022 and 99.9837 percent in 2021.
 - CAIDI (Customer Average Interruption Duration Index) is defined as the average length of time that a customer's outage lasts in minutes. CU per customer average was 62.331 minutes in 2023, 96.321 minutes in 2022, and 68.743 minutes in 2021.
 - SAIDI (System Average Interruption Duration Index) is the average outage duration for each customer served. CU's total was 58.864 minutes in 2023, compared to 264.963 minutes in 2022 and 77.901 minutes in 2021.
 - SAIFI (System Average Interruption Frequency Index) is the average number of interruptions that every customer would experience. The average for CU was 0.944 for 2023, compared to 2.751 in 2022 and 1.133 in 2021.

WATER & WASTEWATER REPORT

1. The Ultraviolet Disinfection Project at the Wastewater Treatment Plant (WWTP) is approximately 60 percent complete. The contractor is working to address deficiencies in the watertightness of concrete structures. Major electrical gear has been delayed until August.
2. The 75 percent design submittal for the WWTP Sludge Management Facilities Project has been received by CU and is currently under review.
3. The sodium permanganate conversion at the Water Treatment Plant raw water intake is approximately 50 percent complete. The building is complete, and mechanical equipment is being installed.
4. The Cleveland Filter Plant (CFP) Sodium Hypochlorite Project has been publicly advertised, and bids will be opened on February 20.
5. The Dempsey Street Water Booster Pump Station Project is in construction. The contractor and pump station vendor have determined a plan of action to connect misaligned pipes.
6. The White Oak Valley Road NW Water Distribution Project has been completed in the final amount of \$15,406.
7. The Wilkinson Road Sewer Force Main and Pump Station Project is complete with final pump list items in progress.
8. The 2010/2012 Annexation Benton Pike/Durkee Road Project is approximately 90 percent complete.
9. The Meter Department set 75 meters through December 2023 compared to 14 for December 2022 and 24 for December 2021. Of the 75 sets, 48 were single family homes, 12 were townhomes, 11 were apartments, 2 were irrigation, and 2 were commercial.
10. The total amount of rainfall recorded at the CFP as of January 24, 2024, was 4.78 inches for the month and year to date. This can be compared to 10.90 inches for the same period in 2013 (highest rainfall totals through January 1996-2024) and 1.45 inches in 2018 (lowest rainfall totals through January 1996-2024). The total recorded rainfall for 2024 is 0.08 inches below normal.

- C. Approval of a Letter of Engagement with ATA, PLLC, for auditing services for the period ended October 31, 2023, in the amount of \$36,000. The conversion of the municipal

entity to the authority took place in October. This audit is for the municipality for the period of July 1, 2023, to October 31, 2023. The ATA team has been onsite this week and is getting ready to wrap up. The new group seems to be a great fit with their authority model experience.

OTHER ANNOUNCEMENTS

Comments by Councilman Dale R. Hughes

Councilman Hughes advised his neighborhood experienced a power outage a few weeks ago due to a fallen tree which ended up breaking a utility pole. The outage lasted around five hours. He saw the crews working and stated they did a great job in restoration with the amount of work involved. Hughes also expressed appreciation to Henderson and Ensley for the updates. Henderson stated the exciting part about the broadband project is the amount of improvement that will be seen on the electric side with distribution automation. Reliability will be greatly enhanced and outages that currently affect hundreds of people will be reduced to a much smaller number. Isom, Stinnett, and Vineyard all chimed in about the ongoing work for broadband and the remarkable amount of collaboration from every division of the company working together through different areas of this project.

Future Meeting Dates

The next Authority Board Meetings will be held in the TWTC at 12:30 p.m. on the following dates:

- Friday, February 23 (Tentative; TBD and announced in near future)
- Friday, March 22
- Friday, April 26
- Friday, May 24

ADJOURNMENT

There being no other business, Councilman David May, Jr., made a motion to adjourn the meeting. Eddie Cartwright seconded the motion, and the board unanimously voted to adjourn the meeting at 1:12 p.m.



Board Secretary



Board Chairman

March 1, 2024
Date