

MINUTES OF REGULAR MEETING
CLEVELAND UTILITIES BOARD
February 24, 2023

A regular meeting of the Board of Public Utilities 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, Cleveland Utilities Board; Councilman David May, Jr., Cleveland Utilities Board, and Debbie Melton, Cleveland Utilities Board.

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; Jamie Creekmore, Supervisor of Customer Relations; Cedric Fernandes, FiberRise; Steve Maederer, FiberRise; Kim Kersey, Kersey Consulting Services; Tim Lawter, FiberRise; and Adison Wilson, University of Tennessee, Chattanooga (UTC) Political Science Student. Following the Pledge of Allegiance to the American Flag, John Corum delivered the invocation.

MANAGER'S UPDATE AND ANNOUNCEMENTS

Al Butler Retirement

Line Foreman Al Butler recently retired with 30 years of service. A reception will be held to honor Butler on Monday, March 6, at 2:30 p.m. in the TWTC. Henderson publicly thanked him for his dedicated service and wished him and his family well in this next chapter of life.

CU Annual Awards Banquet

Cleveland Utilities Annual Awards Banquet is scheduled for Tuesday, March 7, at 11:30 a.m. to honor employees with awards for years of service and perfect attendance. The banquet will be held in the Tom Wheeler Training Center.

CONSENT AGENDA

David May, Jr., made a motion to approve the following items from the Consent Agenda. The motion was seconded by Debbie Melton, and the Utility Board voted unanimously to approve the consent agenda.

- A. Approval of the minutes from January 27, 2023
- B. Approval of the following written Financial, Electric, and Water/Wastewater Division Reports:

FINANCIAL REPORT

1. **Electric Division January 2023** - During the month of January, the cost of purchased power as a percentage of retail sales was 75.2 percent and can be compared to the budgeted percentage of 74.1 percent for FY 2023. The results for January are electric sales revenue of \$9,465,602, which was offset by a purchased power expense of \$7,119,228. This resulted in an operating margin of \$2,346,374. This is compared to a budgeted margin of \$2,284,923. Operating expenses for the month were \$1,796,481. This is compared to a budgeted operating expense of \$1,912,296. These revenue numbers were driven by a

customer base of 33,177. The net income for the month was \$851,795; this can be compared with a budgeted net income of \$558,076.

2. **Water Division January 2023** - For January, water sales revenue was \$1,658,242. This is compared to the budgeted amount of \$1,521,953. Other revenue sources contributed an additional \$202,666 for the month. These revenue numbers were driven by a customer base of 33,689. Operating expenses for the month were \$1,606,526. This is compared to the budgeted amount of \$1,539,597. The division recorded an operating income of \$254,382, which is compared to a budgeted operating income of \$107,501.
3. **Wastewater Division January 2023** - For January, wastewater treatment revenue was \$1,240,542. This is compared to the budgeted amount of \$1,208,614. Other revenue sources contributed an additional \$135,831 for the month. These revenue numbers were driven by a customer base of 20,382. Operating expenses for the month were \$1,189,671. This is compared to the budgeted amount of \$1,229,672. The division recorded an operating income of \$186,702, which is compared to a budgeted operating income of \$63,017.

ELECTRIC REPORT

1. Due to wet weather and other critical substation work taking priority, no work was completed at Lang Street Substation during the month of January.
2. Schweitzer Engineering Laboratories (SEL) 651R relay classes were hosted at the TWTC for CU and other local electric utilities. The class covered the SEL 651R recloser control, which is widely used by utilities in the Tennessee Valley and Cleveland Utilities. This control will also be used for future distribution automation projects at CU. The class was taught by SEL instructors. Three internal employees from engineering and five from substation maintenance attended the class. The other 12 students in the class were from neighboring utilities in the valley. The class went well and was found to be beneficial. There were many compliments on the TWTC, and SEL representatives are hopeful CU can host similar classes in the future.
3. Engineering released a work order to relocate a section of underground primary providing service to two buildings on Lee University's campus near the intersection of 15th Street NE and Magnolia Avenue. The relocation is required for a future parking lot renovation. The conduit for the new primary was installed by Lee's contractors, but the wire will be installed by CU crews. This is just one part of the planned work at the site. A section of overhead line will also be removed in the future. Lee University will be paying CU for all relocation of electric utilities. The cost estimate for this first part is \$20,000.
4. Engineering released a work order to connect the electric service for a new veterinary clinic on Hunting Drive, a small commercial development on Georgetown Road near Paul Huff Parkway. A 100 kVA single phase transformer was installed on the property line and will provide service to the vet clinic and neighboring businesses. The building will have a 600-amp single phase service with an expected load demand of 35 kW. The contractor has not received the main panel at this time, so it will be a few weeks before power is connected.
5. Arbor Hills is a residential subdivision composed of two-to-four-unit townhomes on Young Road SE. At the end of 2022, the first phase of the subdivision was almost complete (16 lots). In January, the developer began work on the second phase of the subdivision, which will consist of 13 lots. Engineering released a

work order in January to install the first transformer in phase 2, which will provide service to four lots. The first townhome in the second phase will be finished in early February.

6. Engineering released a work order to upgrade the single phase line on Humphrey Bridge Road SW and Terri Lane SW to three phase. The purpose of the upgrade is to serve Hillcrest Landing Subdivision on Pleasant Grove Trail SW. The project requires the replacement of nine poles and the addition of one new pole at an estimated cost of \$141,107.16.
7. Engineering released a work order to install the facilities in Hillcrest Landing Subdivision on Pleasant Grove Trail SW. The project requires the installation of seven, single phase transformers and 2,795 feet of underground primary.
8. The pole testing and treating for this budget year began on January 10 by Osmose. To date, 808 poles have been tested and/or treated. 17 restorable poles and 12 non-restorable poles have been identified thus far.
9. Operations returned Cherokee Gateway Substation to normal after the Substation Department replaced the damaged PT. This switching took place on January 10. Liberty Testing returned to assist with the Mouse Creek Substation transformer issue. Once that issue was diagnosed, Liberty proceeded with routine testing of the stations.
10. Five employees from CU's operations area participated in the annual JT&S Foreman's Conference. The conference focuses on teaching leadership and supervisory skills.
11. Operations participated in interviews for the vacant Foreman position in the Line Department due to Al Butler's retirement. Eric Smith was selected for the position. Smith began working at Cleveland Utilities in 1998, moved to the Line Department in 2003, and topped out as a Class A Journeyman Lineman in 2008.
12. An update was presented on traffic lighting:
 - CU engineering and the Meter Lab continued troubleshooting the accessible pedestrian signals at Keith Street and 20th Street. An interface device was damaged from a crash, and the updated interface is not communicating with the older buttons. This causes the pedestrian signal to hold traffic unnecessarily. CU is continuing to work with the manufacturer until the problem is resolved.
 - CU engineering released a work order to install push buttons for the existing pedestrian signals at Inman Street and Parker Street. This modification will actuate the pedestrian signals, a necessity for the upcoming Inman Street Project.
 - CU engineering prepared conduit drawings for the Inman Street Road-Diet Project. The drawings will be submitted to TDOT for road-cut permits.

WATER & WASTEWATER REPORT

1. The Ultraviolet Disinfection Project at the Wastewater Treatment Plant (WWTP) is in construction. Submittals are being processed.
2. The Sodium Permanganate Conversion at the Water Treatment Plant Raw Water Intake Project is also in construction, and submittals are being processed.
3. In reference to the Cleveland Filter Plant (CFP) Sodium Hypochlorite (Bleach) Project, TDEC has reviewed the comments addressed and resubmitted.
4. The Waterville Springs Plant chlorine scrubber design is in construction. The submittals are being processed.

5. Wright Industrial Group has completed 210 hydrants out of a total of 1,000 for phase 2 of the Fire Hydrant Painting Project.
6. The Dempsey Street Water Booster Pump Station upgrade is in construction. Submittals are being processed.
7. The following Sewer Collections Projects are now in construction, and submittals are being processed:
 - Wilkinson Road Sewer Force Main and Pump Station
 - 2010/2012 Annexation Benton Pike/Durkee Road Project
8. Engineering is reviewing plans for Powell Meadows, Phase 2. The development comprises 36 single family lots, 1,055 feet of 6-inch DIP water main, and 165 feet of 8-inch gravity sewer main.
9. An update was provided for the ongoing Wastewater Rehabilitation Project:
 - Small diameter CCTV work has begun in the Candies Creek Basin. To date, 28,744 feet have been televised.
 - The Candies Creek Rehabilitation Project design has been submitted to the SRF for project approval. CU will advertise for bids once approval is received and hopes to present them at the March meeting.
 - LJA crews have completed 1,355 manhole inspections for the Sanitary System Modeling and Master Plan.
10. The Meter Department set 36 meters through January 2023 compared to 28 for January 2022 and 24 for January 2021. Of the 36 sets, 20 were single family homes, 12 were townhomes, 1 was a duplex, and 3 were commercial.
11. The total amount of rainfall recorded at the CFP as of February 21, 2023, was 10.61 inches for the month. This can be compared to 19.98 inches for the same period in 2020 (highest rainfall totals through February 1996-2023) and 3.49 inches in 2007 (lowest rainfall totals through February 1996-2023).

C. Approval of CU's updated Policy Manual. The majority of these policies are existing with some revisions. There are also new policy additions, which include Code of Conduct, Payroll/Time Reporting, Pay Transparency, Progressive Discipline, CU Property, Work Authorization, and Workplace Monitoring & Surveillance. Additionally, the former Bullying Policy has been updated to Abusive Conduct. A copy of the updated Employee Handbook was also distributed to board members. These policies have been reviewed by Miller & Martin PLLC.

D. Approval to participate in TVA's Home Uplift Program, which provides free home energy upgrades to qualifying homes with the goal of increasing energy efficiency while lowering energy bills. CU's contribution amount is \$50,000 with a matching contribution by TVA. Jamie Creekmore will be leading the efforts for this project. CU will be working with TVA to develop a strategy to communicate the program and reach customers who meet the eligibility criteria. This project will fund upgrades for approximately eight to twelve homes.

E. Approval of a purchase order to Del-Air Mechanical Contractors, Inc., in the amount of \$78,851.04 for a one-year contract extension for the HVAC maintenance and mechanical services for CU's facilities. Del-Air was the low bid for this contract in 2017.

- F. Approval of a purchase order to Rackley Roofing Company, Inc., in the amount of \$86,219 for roofing repairs and service agreements on five roofs located on the Electric Division campus including the Harrison Building. The request for bids was advertised in the Cleveland Daily Banner, and this was the only bid submitted.
- G. Approval of a change order with Terex Utilities in the amount of \$48,195 for a digger derrick conformed to a cab/chassis. This is the replacement for Unit #117, which was approved at the February 26, 2021, board meeting. The original purchase order amount was \$419,465. This brings the final purchase order amount to \$467,660. Terex implemented a price adjustment for equipment currently on order as well as added a steel surcharge at time of invoicing. As part of the changes, CU also upgraded the chassis model year from a 2022 to 2023.
- H. Approval of a purchase order to the Thomasson Company in the amount of \$53,497 for 81 various length wood poles to be installed in the Pleasant Grove Church Road and North Lee Highway annexation areas.
- I. Approval of a purchase order with Dycho Chemical Company in the amount of \$100,170 for the annual supply of coagulant for the Cleveland Filter Plant. The purchase is sole source and a budgeted item for FY 2023.
- J. Approval of a purchase order with HL Management Service, LLC, in the amount of \$115,371.75 for the installation of 745 feet of 8-inch sanitary sewer main to serve a parcel of land located in the City of Cleveland along Old Chattanooga Pike SW.
- K. Approval of Safety Internal Performance Measures (IPM's) for 2022. Henderson advised CU continues the march to always work at safety excellence every day.

The Safety Internal Performance Measures (IPM's) for 2022 are as follows:

- *OSHA Recordable Incident Rate* (a mathematical calculation that describes the number of employees per 100 full-time employees that have been involved in a recordable injury or illness) – a combined total of 3.22 companywide; 1.60 for the Electric Division; and 5.40 for the Water/Wastewater Divisions.
- *DART Rate* (a mathematical calculation that describes the number of recordable incidents per 100 full-time employees that resulted in lost or restricted days or job transfer due to work-related injuries or illnesses) – a total of 1.84 companywide; 1.60 for the Electric Division; 5.40 for the Water/Wastewater Divisions.
- *Lost-Time Case Rate* (a mathematical calculation that describes the number of lost time cases per 100 full-time employees in any given time frame) – a total of 1.84 companywide; 0.00 for the Electric Division; 4.32 for the Water/Wastewater Divisions.
- *Vehicle Accident Rate* (a mathematical calculation that describes the number of accidents per million miles driven) – a total of 4.45 companywide; 9.32 for the Electric Division; 1.73 for the Water/Wastewater Divisions.

The following data went into the calculations:

- A total of 417,023 consecutive hours have been worked companywide without a lost-time injury (LTI). Electric Division employees contributed 402,792 of those hours with the last lost-time injury occurring on April 20, 2020. The Water Division has reached 14,231 hours with the last lost-time injury occurring on November 21, 2022.
- A total of 434,427 cumulative hours were worked companywide in 2022. 120 employees in the Electric Division worked 249,396 hours, and 85 employees in the Water Division worked 185,031 hours.
- In addition, a total of 899,115 cumulative vehicle miles were driven by employees in 127 vehicles during the year. 321,925 miles were driven by Electric Division employees and 577,190 miles by Water Division employees.

The below table provides a comparison summary of the IPM data for the last eight years:

Year	OSHA – RIR	DART	LTCR	VAR
2015	3.51	2.01	0.5	6.84
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	0.48	0.48	0.00	3.67
2020	2.27	1.82	0.45	10.05
2021	0.46	0.46	0.00	4.41
2022	3.22	1.84	1.84	4.45

NEW BUSINESS

On motion by Eddie Cartwright and seconded by Debbie Melton, the Board of Public Utilities unanimously voted to approve a resolution Acknowledging the Board's Consideration of Comments of the Comptroller of the Treasury for the State of Tennessee on Cleveland Utilities' Broadband Business Plan and Calling a Public Hearing on CU's Intent to Provide Broadband Services Pursuant to State Law.

Executive VP Walt Vineyard reviewed highlights of CU's Business Plan. The total project cost is \$72 million, and CU's plan is conservatively based on a 30 percent take rate. CU's Electric Division will own the fiber and utilize it for Distribution Automation (DA) and future meter connectivity. DA will allow CU to create a "self-healing" system where power outages are isolated to smaller sections through automated reclosers and switches. CU has been installing/upgrading equipment at substations and planning for DA for years. Offering broadband services will allow CU to fast track the DA Project and the fiber network to be built and paid for much more quickly (3 years vs. 15 years). It will also allow the cost of the fiber network to be paid for using broadband services instead of electric ratepayer funds.

VP/CFO Marshall Stinnett then touched on further details on the business plan. The \$72 million is the amount of money anticipated being necessary to fund the capital

components as well as the operational expenses looking at a 10-year pro forma. There are no electric rate increases included in the plan to fund the broadband business plan. The plan shows the Electric Division funding \$8 million of the project through an interdivisional loan (issued in two series of loans). The other \$64 million will be done through bond issuances (issued in two series of debt). Stinnett advised the business plan was based on a six percent interest rate, which was high. However, when developing the plan in 2021 & 2022, CU knew there would be increases and placed safeguards in the plan to account for those potential increases.

Stinnett advised the Electric Division would own the entire fiber asset plant all the way to the home. Anything inside the home would be a broadband component in terms of assets. Broadband would pay a use fee for every customer it has connected to the fiber system. CU has looked at the broadband business as conservatively as possible and designed a cost structure to accurately place the right cost on broadband, so it is not being subsidized by any other division. Vineyard also added that CU has been installing spare communication conduits in underground subdivisions/services over the past roughly 20 years that are not reflected in the plan but equate to real world savings. The plan indicates cash flow positive between years two and three, with a projected payback at 10 to 12 years.

An overview of the review conducted by TVA and the State Comptroller was then provided. Both entities completed an extensive review of CU's Business Plan. Stinnett advised both regulatory groups look at the review process from different perspectives. TVA looks at it from the regulatory standpoint of ensuring electric rate payers are not subsidizing another division. Again, Stinnett pointed out CU's plan did not include an electric rate increase to fund the broadband project. Although the Electric Division is funding a loan, TVA is making sure the loan gets paid back in a timely manner and at a market rate; additionally, moving forward TVA is ensuring all costs are allocated appropriately across all four divisions. TVA issued a letter of viability in October 2022. The Comptroller's review is more focused on the financial health of the Broadband Division alone and that the entity can stand on its own. They are making sure the plan is financially feasible for the operation. The Comptroller's office came back to CU during the process and asked for the take rate to be reduced to 25 percent and 20 percent. CU received a letter of feasibility from the Comptroller in November 2022, even with the reduced take rates.

Next, Vineyard reviewed a tentative timeline if CU receives approval to enter the broadband business. The engineering design of the system is estimated to take approximately two to three months. Then, bids would be requested for materials and construction to build the fiber system. This is expected to take one to two months. The start of construction would begin around March of 2024, with a complete build-out anticipated to take roughly two to three years. Network testing would occur during the buildout.

The Public Hearing is scheduled for Wednesday, March 8, at 6:00 p.m. in the Tom Wheeler Training Center. CU will have a dedicated webpage for pre-registration to speak at the event (www.clevelandutilities.com/broadband/). Comments or registration to speak can also be provided by emailing broadbandfeedback@clevelandutilities.com, mail to P.O. Box 2730, Cleveland, TN 37320, or calling 423-559-7575.

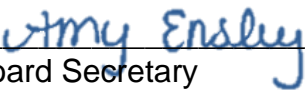
OTHER BUSINESS

Future Board Meeting Dates

Future, scheduled board meeting dates to be held in the Tom Wheeler Training Center at 12:30 p.m. are as follows:

- Friday, March 24
- Friday, April 28
- Friday, May 26
- Friday, June 23
- Friday, July 28

There being no other business, Vice Chairman Joe Cate made a motion to adjourn the meeting. Debbie Melton seconded the motion, and the board unanimously voted to adjourn the meeting at 1:13 p.m.


Board Secretary


Board Chairman

March 24, 2023
Date