

MINUTES OF REGULAR MEETING
CLEVELAND UTILITIES BOARD
March 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; Chari Buckner, Tennessee Valley Authority (TVA); Candyce Hitchcock, TVA; Nick Pavlis, Pavlis Public Strategies; and Tim Siniard, *Cleveland Daily Banner*. Following the Pledge of Allegiance to the American Flag, Chari Buckner delivered the invocation.

MANAGER'S UPDATE AND ANNOUNCEMENTS

TVA Report / Presentation of EnergyRight Top Performer Award

Chari Buckner provided a brief update to the board regarding the following TVA items:

- TVA will be releasing a report in the near future with findings for the Winter Storm Elliott events of December 23 & 24. TVA has had six workstreams looking closely at this event. Buckner expressed appreciation to the entire CU team for their help in load reductions over the two-day period in December.
- Buckner thanked Henderson for his input and participation on the Valley Vision 2035 Collaboration Group.
- Next week, three schools on CU's system will receive STEM classroom grants sponsored by TVA in partnership with Bicentennial Volunteers, Inc.
- CU had two recipients win TVA Power Play Scholarships. An official announcement is forthcoming.

Candyce Hitchcock then presented CU with a Top Performer Award by TVA for achievements in the following TVA EnergyRight energy program categories:

- First Place – Total Energy Savings (3,527,853 kWh of energy savings by 155 participants)
- Fourth Place – Total Energy Savings – Saved as % of Sales

Lastly, Hitchcock advised TVA started a School Uplift Program which is still in the pilot phase. Bradley Central High School (BCHS) participated this past year. Candy's Creek Cherokee Elementary will be participating in the program this fall.

Henderson thanked Buckner & Hitchcock and expressed appreciation for the partnership with TVA.

FY 2024 Budget Process

Personnel across the organization have been heavily engaged with the FY 2024 budget preparation. The plan is to have the budget finalized to present for consideration at the board meeting scheduled for April 28. This process takes an enormous amount of work

from the entire team.

Good Friday Holiday

Cleveland Utilities' offices will be closed Friday, April 7, to observe Good Friday. The Call Center will be open and regular emergency and standby services will be maintained.

CONSENT AGENDA

Vice Chairman Joe Cate 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 February 24, 2023
- B. Approval of the following written Financial, Electric, and Water/Wastewater Division Reports:

FINANCIAL REPORT

1. **Electric Division February 2023** - During the month of February, the cost of purchased power as a percentage of retail sales was 76.4 percent and can be compared to the budgeted percentage of 74.1 percent for FY 2023. The results for February are electric sales revenue of \$8,537,600, which was offset by a purchased power expense of \$6,521,176. This resulted in an operating margin of \$2,016,424. This is compared to a budgeted margin of \$2,273,232. Operating expenses for the month were \$1,848,101. This is compared to a budgeted operating expense of \$1,917,342. These revenue numbers were driven by a customer base of 33,270. The net income for the month was \$462,536 and can be compared with a budgeted net income of \$540,840.
2. **Water Division February 2023** - For February, water sales revenue was \$1,531,500. This is compared to the budgeted amount of \$1,495,492. Other revenue sources contributed an additional \$196,151 for the month. These revenue numbers were driven by a customer base of 33,765. Operating expenses for the month were \$1,598,804. This is compared to the budgeted amount of \$1,537,420. The division recorded an operating income of \$128,847, which is compared to a budgeted operating income of \$81,042.
3. **Wastewater Division February 2023** - For February, wastewater treatment revenue was \$1,179,686. This is compared to the budgeted amount of \$1,185,418. Other revenue sources contributed an additional \$104,501 for the month. These revenue numbers were driven by a customer base of 20,445. Operating expenses for the month were \$1,207,204. This is compared to the budgeted amount of \$1,229,777. The division recorded an operating income of \$76,983, which is compared to a budgeted operating income of \$38,104.

ELECTRIC REPORT

1. Engineering has been working on the layout for the 69 kV and 13 kV lines near Lang Street Substation. In February, the locations of the 13 kV circuit dip poles were determined, and these poles will be installed in early March. This will allow the eight, 6-inch conduits for the 13 kV circuits to be installed from the substation breaker bay to the dip poles. When the conduit is installed, the substation crews can finish laying gravel and proceed with the bus work installation.

2. Engineering released a work order to connect the electric service for a commercial building on North Lee Highway for the new Discovery Outlet location. A few months ago, CU installed 831 feet of #1/0 underground primary and a 75 kVA, 277/480-volt, three-phase transformer. The transformer was used for temporary power while the building was being constructed. The building is now near completion, and power was connected in February. The expected demand for the building is 70 kW.
3. In February, electric engineering had several onsite meetings and discussions with the Iron Craft Manufacturing facility manager and electrical contractor to determine a design layout for the underground electric lines. Now that a preliminary design layout has been completed, the contractor is working to obtain electrical load information for the facilities so equipment can be correctly sized. Additional work should be completed in the next two to three months.
4. Engineering worked with a developer in February on the electric layout for a new medical building in the commercial development on Paul Huff Parkway at Peerless Lane. Engineering provided details on the location and installation of the electric conduit and three-phase transformer. Currently, the project is just a proposal and still in the planning process.
5. Engineering began discussions with SK Foods in February concerning the electric facilities layout for the new factory. Engineering created a proposed design for the facility and submitted it to the construction team for review. They, in turn, discussed the plan with the owners of the industry. Another discussion is scheduled for early March to review any comments or concerns the owners have about the design.
6. Engineering released a work order to install permanent service to a coating business at 928 Minnis Road NE. The work order calls for the installation of a new 750 kVA transformer and 1,050 feet of underground primary. The estimated project cost is \$18,157.55.
7. Engineering released a work order to upgrade the service at Cleveland Ford on South Lee Highway for an expansion/EV charger installation. The work order calls for the removal of two existing services, a 225 kVA transformer, a 75 kVA transformer, and 735 feet of underground primary. One centralized 1,000 kVA transformer and 1,275 feet of underground primary will be installed to serve the two upgraded services that were removed and a separate service for EV chargers will be installed. The estimated project cost is \$33,119.39.
8. Liberty Power completed the routine testing for South Cleveland Substation. This is a complete testing process of all CU equipment and is done over a 6-year interval. The equipment tested includes the power transformers, 161 kV/69 kV breakers, and all of CU's relays. The testing process takes about two weeks to complete.
9. In late 2022, the sudden pressure switch at Mouse Creek Substation failed resulting in the station tripping out. CU had to shift the existing load over to other stations to bring customers back online. Due to supply chain issues, the replacement part was not received and installed until February. Liberty Power completed testing at the station after replacing the sudden pressure relay switch, and the station was placed back in service.
10. An update was presented on traffic lighting:
 - CU engineering held a bid opening for the painting of several poles along Inman Street for the Road Diet Project. This work maintains existing black

poles and paints aluminum poles to match the future mast-arm poles along the corridor. No bids were received. A new bid proposal will be announced soon.

- CU engineering and Meter Lab personnel attended training for Polara's accessible pedestrian signal equipment. The training was hands on in both the field and a lab setting.
- TDOT requested information for two signalized intersections on Highway 64. CU's Traffic Signal Coordinator provided existing signal timing plans and the controller databases to a consulting firm working on transportation modeling for TDOT.
- CU's Traffic Signal Coordinator provided design notes to an engineering firm working on the 25th Street Multi-Use Path Project for TDOT. The traffic cabinet at the intersection of 25th & Keith will need to be replaced with a TS2 Type 2 cabinet to accommodate the addition of pedestrian signals.
- CU engineering released a work order to replace the existing traffic signal at Paul Huff Parkway and Mouse Creek Road with black mast-arm poles. Once the contractor has the foundations installed and poles erected, CU personnel will install the wiring and signal heads.

WATER & WASTEWATER REPORT

1. Morgan Contracting will be constructing the Ultraviolet Disinfection Project at the Wastewater Treatment Plant (WWTP). The notice to proceed was issued for March 27, 2023, with 365 days to complete, making the project completion date March 26, 2024.
2. Angel Construction plans to begin the Waterville Springs Plant Chlorine Scrubber Project next week (March 27).
3. Wright Industrial Group has completed 247 hydrants out of a total of 1,000 for phase 2 of the Fire Hydrant Painting Project.
4. Talley Construction will be starting the 2010/2012 Annexation Benton Pike/Durkee Road Project next week (March 27).
5. An update was provided for the following developments:
 - The Trails at Freewill Subdivision Project is in progress. Hampton Backhoe is the contractor.
 - Lone Oaks Farm (64 lots) on Wilkinson Road and Michigan Avenue Road is in progress. Hampton Backhoe is the contractor.
 - The Oasis Project is expected to begin in approximately two weeks. Presswood Construction is the contractor.
 - Haven Ridge Subdivision (formerly part of Dashwood Subdivision) near the Weeks Road tank site is in progress. Hampton Backhoe is the contractor. The development comprises 20 lots.
 - The Stuart Road Project at 4100 Stephens Road NE is in progress. Hampton Backhoe is the contractor.
 - Plans for Popeyes Restaurant on APD-40 were approved. The project will include 158 feet of 8-inch DIP water main.
6. An update was provided for the ongoing Wastewater Rehabilitation Project:
 - In reference to the Candies Creek SSES Project, contractors have televised 58,009 feet of large diameter lines, and 1,018 manholes have been inspected. Additional night-time flow isolations were performed two

weeks ago, and the CCTV contractor was given new maps based on those results.

- The Candies Creek Rehabilitation Project design has been approved by the State Revolving Fund (SRF). Bids were received March 21, 2023.
 - LJA crews have completed 1,409 manhole inspections and 1,541 have been GPS located for the Sanitary System Modeling and Master Plan.
7. The Meter Department set 55 meters through February 2023 compared to 28 for February 2022 and 40 for February 2021. Of the 55 sets, 31 were single family homes, 10 were townhomes, 11 were apartments, 1 was irrigation, and 2 were commercial.
 8. The total amount of rainfall recorded at the CFP as of March 21, 2023, was 3.99 inches for the month, bringing the current rainfall total for 2023 to 15.06 inches. This can be compared to 29.64 inches for the same period in 2020 (highest rainfall totals through March 1996-2023) and 4.74 inches in 2007 (lowest rainfall totals through March 1996-2023).
- C.** Approval of a purchase order to Osmose Utilities Services, Inc., in the amount of \$55,323.74 for the restoration of 65 poles that were identified as restorable rejects during the pole testing and treating project budgeted in 2023. This process will restore the pole strength back to 100 percent by installing steel truss and bands at a cost significantly less than replacing the poles.
- D.** Approval of a purchase order to Liberty Power Service in the amount of \$54,018.27 for the 6-year routine testing at South Cleveland Transmission Substation performed at the beginning of 2023. This testing took a total of 11 days to complete. Routine maintenance, testing and repairs were made to the equipment at the station including breakers, power transformers, and relays. Additionally, Liberty Power took this outage time to clean all bushings on the breakers and transformers.
- E.** Approval of a purchase order to Gresco Supply, Inc., in the amount of \$282,979 for nine 277/480-volt, three phase, pad-mounted transformers ranging from 225 kVA to 2000 kVA for stock.
- F.** Approval of a purchase order to Gresco Supply, Inc., in the amount of \$212,671 for forty-seven 120/240-volt, single phase, pad-mounted dual voltage transformers ranging from 25 kVA to 167 kVA for the annexation of Anatole Subdivision.
- G.** Approval of a purchase order to Wesco Distribution, Inc., in the amount of \$57,467.40 for six, replacement Honeywell gatekeepers. This is a sole source purchase.
- H.** Approval of a contract with Morgan Contracting in the amount of \$3,107,206 to perform 11,085 feet of 8-inch and 305 feet of 10-inch mainline sewer rehabilitation by CIPP lining and excavation. This contract also includes 11 point repairs, renewal of 78 service laterals, installation of 78 cleanouts, and 1,410 vertical feet of manhole lining. The 2022 Cleveland Rehabilitation Project will be performed in the Candies Creek and South Cleveland basins. This is the third project performed fully under SRF loan 2018-417-01. This loan does not include loan forgiveness but has a long-

term interest rate of 0.73 percent. The loan amount is \$10,000,000. This project is budgeted for FY 2023 and FY 2024.

- I. Approval to execute Amendment No. 3 for Engineering Services with LJA Engineering for the Durkee Road Sewer Annexation Project. The project had been separated into two design projects. However, the projects have now been combined into one. This Amendment No. 3 reallocates funds from the now-closed project to the original contract. This Amendment No. 3 also increases the original contract amount by \$3,237.50. The project is budgeted for FY 2023 and FY 2024 and will be funded by the SRF.
- J. Approval of a purchase order with the City of Cleveland in the amount of \$97,250 for reimbursement of funds associated with the water main relocation along Pleasant Grove Church Road due to the city's Local Interstate Connector (LIC) North Project. This project was bid and awarded by the city in December 2021 and originally budgeted in the FY 2022 budget.
- K. Approval of a purchase order with Southern Pipe & Supply in the amount of \$77,100 for the purchase of 600 5/8" x 3/4" Neptune water meters. These meters will be installed for new construction which includes houses, townhomes, apartments, and duplexes. The meters are budgeted for FY 2024.
- L. Approval of a purchase order with G&C Supply in the amount of \$254,100 for the purchase of 10,500 feet of 6-inch ductile iron pipe. The pipe will be installed in new subdivisions and be reimbursed by the developer.
- M. Approval to execute Amendment No. 2 for Engineering Services with Stantec for the SR 60 (Georgetown Road) Utility Relocation Project for a unit price cost of an additional \$18,472. This brings the revised total contract to \$324,872. This amendment includes design services for the boring under the proposed Georgetown Road for a new gravity sewer interceptor line near the new bridge being constructed. The project is budgeted for FY 2023 and FY 2024 and may be funded by the SRF.

NEW BUSINESS

Resolution to Provide Broadband Services Subject to Approval of the City Council

Henderson reviewed the many steps taken for staff to be able to recommend to the Utility Board that CU be authorized to provide broadband services to the fullest extent permitted by law. The most recent step was the Public Hearing held on Wednesday, March 8. There were 66 attendees (21 spoke), CU staff and board. In addition, there was an opportunity for questions at the end. 19 emails or voicemails were also received. Henderson noted there was positive support from both the City and County Mayors. A detailed description of this information was provided to the board in a separate packet and is also posted to CU's website. Henderson then revisited key items about the ability to strengthen the electric grid through fiber.

Upon a motion by Councilman David May, Jr., and a second by Eddie Cartwright, the board voted unanimously to approve Resolution 2023-02 authorizing Cleveland Utilities

to provide broadband services to the fullest extent permitted by Tennessee Code Annotated, Title 7, Chapter 52, Part 6 and other applicable law subject to the approval of the City Council of the City of Cleveland, Tennessee. This resolution is dependent upon the creation of an Energy Authority by the City Council, which is requested in Resolution 2023-03 below.

Resolution to Request the Cleveland City Council to Approve Formation of Energy Authority

CU's staff has determined an authority model will provide an optimal business structure for broadband and CU's existing electric, water, and wastewater services. Henderson noted the formation of an authority will be a positive move for the community, CU and the city, without relinquishing authority or ownership by the City of Cleveland. The authority model will allow CU the flexibility to establish public-private partnerships (solar, EV's, renewables, etc.), which will allow CU to meet the emerging utility needs of citizens. Changes will be unnoticed by customers and employees. The organization will continue to go by the name Cleveland Utilities. CU's debt and budgetary approval would be assigned to the authority board, and the city would have the ability to provide feedback and comment on CU's budget through City Council representation.

Upon a motion by Councilman David May, Jr., and a second by Debbie Melton, the board took action to unanimously approve Resolution 2023-03 to request the City Council of the City of Cleveland, Tennessee approve the formation of an energy authority to assume the operations of Cleveland Utilities.

Chairman Ector expressed appreciation to Henderson and staff for the diligent and detailed process along with the information provided for the board to come to these decisions. Other board members echoed these same comments.

OTHER BUSINESS

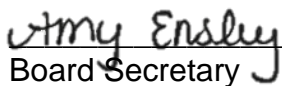
Future Board Meeting Dates


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

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

Adjournment

There being no other business, Vice Chairman Joe Cate made a motion to adjourn the meeting. Councilman David May, Jr., seconded the motion, and the board unanimously voted to adjourn the meeting at 1:09 p.m.


Board Secretary


Board Chairman

April 28, 2023
Date