

MINUTES OF REGULAR MEETING
CLEVELAND UTILITIES BOARD
August 25, 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; and Councilman David May, Jr., Cleveland Utilities Board.

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; Tennille Jobe, Customer Service & Billing Manager; Tom Wheeler, former CU General Manager; Councilman Ken Webb, former CU President/CEO; Mayor Kevin Brooks, Utility Authority Board Member; Councilman Dale Hughes, Utility Authority Board Member; and Tim Siniard, *Cleveland Daily Banner*. Following the Pledge of Allegiance to the American Flag, Tennille Jobe delivered the invocation.

WELCOME & OPENING REMARKS

Henderson recognized and expressed appreciation to former General Managers Tom Wheeler and Ken Webb who were in attendance for the first Utility Authority Board Meeting to be held at the conclusion of this municipal meeting. Additionally, new Utility Authority Board Members Mayor Kevin Brooks and Councilman Dale R. Hughes were welcomed. Henderson expressed appreciation to the board members for their service and leadership. He then provided background information on the history of Cleveland Utilities and the process to obtain approval from the City Council for the formation of the Authority in April 2023. Board member Eddie Cartwright provided some additional comments regarding the establishment of the Board of Public Utilities of Cleveland, TN, in 1981. Councilman Hughes added a comment about the process CU went through to obtain authorization to form the Utility Authority and provide broadband services. He stated CU staff did it right by holding a Public Forum meeting and presenting the plan to the City Council. On the day of the vote (April 10, 2023), board member Eddie Cartwright was in attendance to show support. Hughes stated the approach, professionalism and expertise of CU staff was terrific. Henderson expressed appreciation to Councilman Hughes for sharing these comments.

MANAGER'S UPDATE AND ANNOUNCEMENTS

Updated Drive-Thru Hours

In June, Cleveland Utilities implemented updated drive-thru hours for the summer months. Effective September 5, the drive-thru hours will be modified to 7:30 a.m. to 5:30 p.m. (Monday thru Friday) moving forward. The lobby hours will remain 8:00 a.m. to 5:00 p.m.

Water Taste/Odor Update

Henderson provided an update for the water taste/odor and reviewed the latest sampling results. The MIB has reached a level where it's now undetectable in the water supply. CU is pleased the water taste/odor issue has resolved and is shifting back to normal operation with the filtration process.

Epicor Paperless Workflow Solution

In early 2022, CU obtained board approval and began the conversion to the Epicor paperless workflow system for purchase orders. This has really streamlined the purchase order process for the organization. Stinnett advised this has been a long, detailed journey and expressed appreciation to the board for their support in this endeavor. Epicor recently published a customer success story for Cleveland Utilities which was included in board packets. CU is also looking at potentially automating the new service application and engineering workflow process in the future.

Labor Day Holiday

CU offices will be closed Monday, September 4, in observance of Labor Day. The Call Center will be open, and crews will be on standby to respond to any service-related issues or outages.

CU Annual Family Picnic

Cleveland Utilities' Annual Family Picnic is scheduled for Thursday, October 19, 2023, at Fletcher Park beginning at 5:00 p.m. Food trucks will be onsite providing the food. The picnic was paused during COVID, and CU is excited to announce the return of this event.

CONSENT AGENDA

Councilman David May, Jr., made a motion to approve the following items from the Consent Agenda. The motion was seconded by Eddie Cartwright, and the Utility Board voted unanimously to approve the Consent Agenda.

- A. Approval of the minutes from July 28, 2023
- B. Approval of the following written Financial, Electric, and Water/Wastewater Division Reports:

FINANCIAL REPORT

1. **Electric Division June 2023** - During the month of June, the cost of purchased power as a percentage of retail sales was 70.0 percent and can be compared to the budgeted percentage of 74.1 percent for FY 2023. The results for June are electric sales revenue of \$9,793,334 which was offset by a purchased power expense of \$6,857,581. This resulted in an operating margin of \$2,935,753. This is compared to a budgeted margin of \$2,123,310. Operating expenses were \$973,697. This is compared to a budgeted operating expense of \$1,937,524. This large variance in operating expenses was due to a negative adjustment in recognizing the amortization of the market gains/losses related to the year-end pension entries. The division serviced 33,444 customers. The net income for the month was \$2,270,640 and can be compared with a budgeted net income of \$364,339.
2. **Electric Division Fiscal Year 2023** - The results for FY 2023 are electric sales revenue for the year of \$113,015,627, which was offset by a purchased power expense of \$85,120,286. This resulted in an operating margin of \$27,895,341. This is compared to a budgeted margin of \$25,121,795 for the FY 2023. Operating expenses were \$21,349,255. This is compared to a budgeted operating expense of \$22,947,536. The net income for FY 2023 was \$9,829,854; this can be compared with a budgeted net income of \$4,301,614. This variance was driven by the additional credits received via the TVA Pandemic Relief Credit, aided in reduced

expenditures due to timing across fiscal years related to the pension and other post-employment benefit adjustments for year end.

3. **Electric Division July 2023** - During the month of July, the cost of purchased power as a percentage of retail sales was 72.6 percent. This can be compared to the budgeted percentage of 74.5 percent for FY 2024. The results for July are electric sales revenue of \$10,840,846, which was offset by a purchased power expense of \$7,868,742. This resulted in an operating margin of \$2,972,104. This is compared to a budgeted margin of \$2,327,033 for the month of July. Operating expenses were \$1,912,432. This is compared to a budgeted operating expense of \$1,998,917. The division serviced 33,495 customers. The net income for the month was \$1,380,120 and can be compared with a budgeted net income of \$605,975.
4. **Water Division June 2023** - For the month of June, water sales revenue was \$1,780,095. This is compared to the budgeted amount of \$1,762,451. Other revenue sources contributed an additional \$203,615 for the month. The division serviced 33,956 customers. Operating expenses were \$316,338. This is compared to the budgeted amount of \$1,624,782. This large variance in operating expenses was due to a negative adjustment in recognizing the amortization of the market gains/losses related to the year-end pension entries. The division recorded an operating income of \$1,667,373, which is compared to a budgeted operating income of \$282,586.
5. **Water Division Fiscal Year 2023** - The results for FY 2023 are water sales revenue for the year of \$20,112,519. Other revenue sources contributed an additional \$2,439,570. Operating expenses for FY 2023 were \$17,667,761. This is compared to a budgeted operating expense of \$18,791,483. The net operating income for FY 2023 was \$4,884,328 and can be compared with a budgeted net income of \$2,302,142.
6. **Water Division July 2023** - For the month of July, water sales revenue was \$1,864,885. This is compared to the budgeted amount of \$2,095,842. Other revenue sources contributed an additional \$239,466. The division serviced 34,021 customers. Operating expenses for July were \$1,641,550. This is compared to the budgeted amount of \$1,736,167. The division recorded an operating income of \$462,801, which is compared to a budgeted operating income of \$543,553.
7. **Wastewater Division June 2023** - For the month of June, wastewater treatment revenue was \$1,254,688. This is compared to the budgeted amount of \$1,265,890. Other revenue sources contributed an additional \$223,569 for the month. The division serviced 20,606 customers during the month. Operating expenses were \$300,259. This is compared to the budgeted amount of \$1,266,453. This large variance in operating expenses was due to a negative adjustment in recognizing the amortization of the market gains/losses related to the year-end pension entries. The division recorded an operating income of \$1,177,997, which is compared to a budgeted operating income of \$87,497.
8. **Wastewater Division Fiscal Year 2023** - The results for FY 2023 are wastewater treatment revenue for the year of \$14,827,962. Other revenue sources contributed an additional \$1,624,641. Operating expenses for FY 2023 were \$13,495,821. This is compared to a budgeted operating expense of \$14,813,072. The net operating income for FY 2023 was \$2,956,782 and can be compared with a budgeted net operating income of \$990,638.

9. **Wastewater Division July 2023** - For the month of July, wastewater treatment revenue was \$1,315,429. This is compared to the budgeted amount of \$1,405,628. Other revenue sources contributed an additional \$146,629 for the month. The division serviced 20,619 customers. Operating expenses for the month of July were \$1,201,986. This is compared to the budgeted amount of \$1,328,372. The division recorded an operating income of \$260,072, which is compared to a budgeted operating income of \$203,515 for the month.

ELECTRIC REPORT

1. An update was provided for the ongoing Lang Street Substation Project. In July, electric engineering worked with Power Centric Consultants on finalizing the settings for the overcurrent breaker relays in the substation. It was proposed that the relay settings be set in a way to plan for future downline overcurrent devices. (Future downline devices will be installed as distribution automation progresses). This required more upfront work by Power Centric but should prove to be beneficial in the future. By the end of July, the settings were finalized and sent to engineering. Operations will upload the settings and begin testing the devices in the shop over the new few weeks. Once the tests are complete, the devices will be installed at the substation (probably in early fall 2023).
2. In July, Operations began installing the electric facilities for the new IronCraft Manufacturing facility on 20th Street NE. A new 50-foot steel pole at the front of the property and a new primary meter cabinet near the building were installed. A 75 kVA transformer was also upsized to a 500 kVA at the site. The tasks took approximately two days. In September, operations will also install a 2000 kVA transformer on the property to provide service to building 3, which will have new manufacturing equipment installed in late 2023. The company is planning to begin production in building 3 in early 2024. A fourth building is also under construction, which will be much larger than the first three. Sometime in mid-to-late 2024, two to three 2000 kVA transformers are planning to be installed for building 4. Cleveland Utilities is providing two of the 2000 kVA transformers for the site and the underground primary cable going to each. The rest of the equipment is being paid for by IronCraft. The total cost of the electric utility facilities to be installed on the site is estimated to be between \$250,000 to \$300,000 when the project is complete. Cleveland Utilities will be contributing approximately \$150,000, and IronCraft will pay the remaining.
3. CU engineering was notified in July that SK Food Group on Innovation Drive SW will now need three (3) 2000 kVA transformers for the future facility. CU will be providing two (2) of the transformers which have been ordered. SK Foods paid a 50 percent deposit to order the third transformer for the site. They will pay the remaining 50 percent after installation. The total cost of the new transformer is \$55,500. The transformers are not expected to be needed until the fall of 2024.
4. Grade work began at the new Zaxby's Restaurant site on Stuart Road. Engineering also received the load report for the new restaurant in July. The demand of the restaurant is anticipated to be 75 kW. A plan was developed by engineering to install a new transformer on the east property line bordering a vacant lot. This way the transformer can also be used to provide service to a future customer next door. Electric engineering has provided the contractor with a transformer concrete pad drawing and details on where and how to install the conduit for the new transformer.

The contractor plans to use a permanent transformer for temporary construction power. By the end of July, the contractor was still working on grade work, and the concrete pad had not been poured. The temporary power is expected to be connected in August.

5. A new multi-tenant, two-story medical office is under construction along the new Peerless Road extension behind McCalister's Restaurant. The top floor will be dedicated to a dentist office, and the bottom floor will be divided into four sections for rent. In July, electric engineering released a work order to install 1,260 feet of #1/0 aluminum underground primary cable, one (1) 3-phase sector cabinet, and a 75 kVA three-phase, pad-mounted transformer. The transformer is being installed at the beginning of the project so it can be used for temporary construction power. All work was completed by CU electric operations in July, and the temporary power was connected. CU's total expense is \$40,000.
6. Electric engineering released a work order to install a communication gateway for the Siemens Compact Modular Reclosers (CMRs) installed in the spring of 2023 on Clearwater Drive NE. The CMRs are a relatively new overcurrent device CU is testing. They can be used to isolate small sections of a feeder circuit during faults. The communication gateway will allow remote control from SCADA, and it will report device status to SCADA. The device should be installed in August.
7. Electric engineering met with the engineer of Publix at the store on Paul Huff Parkway in July to discuss installation of a back-up generator. The company has set out to install back-up generators at all their stores. The generator will be rated at 500 kW and capable of running the entire store during a long outage. Cleveland Utilities will be required to reconfigure the underground primary going to the store's transformer. The company will be paying for all labor and material required for the project. This was a preliminary meeting. It will be several months before any work is done at the site.
8. In July, two representatives from electric engineering attended a lunch and learn seminar conducted by Schweitzer Engineering Laboratories (SEL) at Lenior City Utilities. SEL manufactures overcurrent relays and data concentration devices. CU uses their relays for new substations and when renovating substations due to their high quality, reliability, and versatility. The seminar covered information about the RTAC, a data concentration device used to send data to the SCADA system in dispatch during the morning session as well as information about breaker relays in the afternoon. The event lasted about four hours and was very educational.
9. Engineering released a work order to install underground primary, services, and transformers for Building 5 of the Vintage Cleveland Apartments on Villa Drive NW. The work order calls for the installation of 425 feet of underground primary and three (3) 100 kVA pad-mounted transformers. The estimated cost of the installation is \$16,412.22.
10. Engineering released a work order to install underground primary, a sector switch, and a transformer to serve two new hangars on the north side of the Cleveland Jetport on Dry Valley Road NE. The work order includes the installation of 945 feet of underground primary and a new 50 kVA pad-mounted transformer. The estimated cost of the installation is \$11,753.20.
11. A new apprentice was hired for the Substation Department after interviewing several well-qualified candidates. The foreman position, which is vacant due to a

recent retirement, was also posted internally. This position should be filled by the end of August.

12. The Line Department sent crews to help several neighboring utilities with power outages during the recent storms. Crews were sent to aid Athens Utilities, Electric Power Board (EPB), and Sweetwater Utilities.
13. Engineering completed 81 work orders during the month of July.
14. An update was presented for traffic lighting:
 - Conduit was installed at several intersections along Inman Street for the Road Diet Project. The conduit installation will support the future mast-arm installation and pedestrian signal upgrades. The mast-arm pole foundations were also poured at Inman and Edwards Street.
 - Another knockdown of the pedestrian signals occurred at the intersection of Keith and 20th on the day repairs were scheduled for the previous one. Both ped poles will be replaced and moved to the back of the sidewalk. Once replaced, the cabinet will need to be checked for proper operation of the accessible pedestrian signals.
 - CU engineering was asked to assist in the closure of Durkee Road near Benton Pike for the installation of a sewer line. Two phases of the traffic signal were disabled throughout the two-week closure. Once work crossing Durkee Road was complete and the stop lines replaced, the traffic signal was returned to normal operation. The same project also resulted in two dig-ins of the traffic signal conductor and pull boxes. A work order was issued for the repairs and billed to Talley Construction.

WATER & WASTEWATER REPORT

1. The Ultraviolet Disinfection Project at the Wastewater Treatment Plant (WWTP) is ongoing. Morgan Construction is nearing completion on the concrete work.
2. The Sodium Permanganate Conversion Project at the Cleveland Filter Plant (CFP) Raw Water Intake is underway. Angel Construction has installed the building block. The roof framing is in progress.
3. The SRF & TDEC technical review for the CFP Sodium Hypochlorite Project is complete.
4. The CFP MCC drive replacement for the raw water pump #2 is complete.
5. The Dempsey Street Water Booster Pump Station upgrade is in construction. The site has been cleared and graded and the retaining wall installed.
6. The Rakestraw Road SW, Lead Mine Valley Road SE, and Pleasant Grove Lane SW Water Distribution Projects are currently in design.
7. Hampton Backhoe has completed the water and sewer main installations for Lone Oaks Farm Subdivision, Phase 2, on Wilkinson Road. The sewer lift station is approximately 20 percent complete.
8. Hampton Backhoe has installed the force main for the Wilkinson Road Sewer Force Main and Pump Station Project.
9. The 2010/2012 Annexation Benton Pike/Durkee Road Project is ongoing. The sewer main is being installed along Benton Pike west of Durkee Road.
10. CU has reviewed the preliminary design drawings in the field for the King Den trunk line installation. Additionally, CU has field checked the depth of the petroleum pipeline.
11. The Old Chattanooga Pike Sewer Main Extension Project is complete.

12. An update was provided for the ongoing Wastewater Rehabilitation Project:
 - The 2022 Sewer Rehabilitation Project has commenced. Contractors have completed pre-CCTV work. They have begun installing cleanouts and performed nine point repairs. Pipe bursting is scheduled to begin August 28, and CIPP lining is scheduled to begin September 4.
 13. The Meter Department set 55 meters through July 2023 compared to 65 for July 2022 and 31 for July 2021. Of the 55 sets, 49 were single family homes, 4 were townhomes, 1 was irrigation, and 1 was commercial.
 14. The total amount of rainfall recorded at the CFP as of August 22, 2023, was 3.81 inches for the month, bringing the current rainfall total for 2023 to 40.62 inches. This can be compared to 59.53 inches for the same period in 2013 (highest rainfall totals through August 1996-2023) and 18.68 inches in 2007 (lowest rainfall totals through August 1996-2023).
- C.** Adoption of the TVA Wholesale Rate Increase as a Pass-Thru to Customers.
Yesterday, the TVA Board approved a 4.5 percent wholesale rate increase effective October 1, 2023, to fund building new generation to ensure the region has the energy it needs to meet growing demand and economic development. This would equate to an adjustment to the retail rate by approximately 3 percent for all CU customers. This adjustment is strictly a pass through to cover the increased TVA wholesale bill. CU's margin that it operates on will remain unchanged. CU is proud to have not had an internal rate increase since 2019.
- D.** Approval of a contract with the Ben S. Moore, Sr. 2020 Family Trust u/a November 13, 2020, in the amount of \$500,000 to purchase the property located at the corner of Guthrie Drive and Guthrie Street NW (Parcel M-041K-G-010.04 000). This lot is being secured for future company use.
- E.** Approval of a change order with Terex Utilities in the amount of \$42,934 for a 2022 cab/chassis equipped with a 65-foot aerial device. This is for the replacement of Unit #111, which was approved at the March 26, 2021, board meeting. The original purchase order amount was \$279,203. This brings the final purchase order amount to \$322,137. Terex implemented a price adjustment on equipment currently on order as well as added a steel surcharge at time of invoicing due to price increases Terex has experienced from their suppliers. As part of the changes, CU also requested some layout, control, and accessory modifications.
- F.** Approval of a contract with CSL Services, Inc., in the amount of \$159,750 for long-term flow monitoring of 25 flow meters, which includes relocation as needed, annual maintenance, data collection and reporting (flow monitoring is a tool used to help determine where inflow is occurring and if that flow is being eliminated). CU has been under contract for the last ten years with CSL Services, Inc. Their annual unit prices have remained the same over that period. The monitoring is budgeted for FY 2024 in the amount of \$145,000.
- G.** Approval of a purchase order with K. Berry Construction, Inc. in the amount of \$109,306.40 for the rehabilitation of Spiral Lift Pump No. 206 located at the WWTP.

The project scope consists of the removal of the torque tube, sandblasting and recoating the tube and reinstallation. Additional work consists of touching-up coatings on the other five (5) torque tubes and grout repair of the concrete troughs. The project is budgeted for FY 2024.

- H. Approval of a contract with LJ&A Engineering in the amount of \$358,775 to develop a sewer model. The sewer model will be developed in conjunction with the Sewer System Master Plan and once complete will allow CU staff to evaluate flows within the collection system. This is especially important to evaluate flow conditions as new developments and projects are evaluated. This project is budgeted for FY 2024.
- I. Approval of a purchase order with The Dycho Company, Inc. in the amount of \$117,925 for the annual supply of corrosion control inhibitor for the Cleveland Filter Plant. The purchase is sole source. The chemical is budgeted for FY 2024.

OTHER BUSINESS

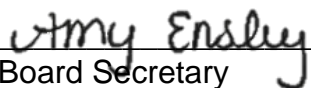
Future Board Meeting Dates

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

- Friday, September 22
- Friday, October 27

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 12:59 p.m.


Board Secretary


Board Chairman

September 22, 2023
Date