

MINUTES OF REGULAR MEETING
CLEVELAND UTILITIES BOARD
DECEMBER 3, 2021

A regular meeting of the Board of Public Utilities was called to order at 12:30 p.m. at the Cleveland/Bradley Chamber of Commerce.

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; John Corum, Administrative Services VP; Amy Ensley, Utility Board Secretary; Jimmy Isom, Electric VP; Craig Mullinax, Water & Wastewater VP; Marshall Stinnett, VP/CFO; Walt Vineyard, Executive VP; Chris Wilds, Manager of Treatment Facilities; Mark Lay, Wedgewood Accounting; and Tim Siniard, *Cleveland Daily Banner*. Following the Pledge of Allegiance to the American Flag, Chris Wilds delivered the invocation.

MANAGER'S UPDATE AND ANNOUNCEMENTS

Employee Retirements

Henderson announced three CU employees are retiring. Tony Burns, a Foreman in the Wastewater Collections Department, finished out his career with 31 years of service. Tim Delk, Meter Lab Supervisor, has 34 years of service; and Misty Shelton, a Customer Service Representative in the Collections area, completed a 12-year career with CU. Henderson publicly expressed appreciation for their dedicated service and wished them a blessed retirement.

New Customer Service Offering

A new customer service offering has recently been implemented where cards will be distributed to customers containing their account number, due date, easy ways to pay, as well as general office information. An employee in the Call Center recognized the need, and Stinnett's team followed through to make it happen. Stinnett expounded on the potential for greater use of the cards with technology improvements. He has been in conversations with the Information Technology group about the opportunity to integrate bar codes for customers to access their account at one of CU's kiosks as well as a QR code that could direct them to payment sites. CU currently accepts payments online, through the mobile app, by telephone, kiosks, in-person, and at Bank of Cleveland locations (there are no service charge fees for these payment methods). Additionally, payments are accepted at CVS and Family Dollar stores (these retailers charge a service fee).

United Way Campaign Report

CU's annual United Way campaign wrapped up in early November. This year's campaign goal was \$58,250; however, CU exceeded that amount by raising \$61,039. The Banner recently ran an article about CU being a Pacesetter company. Henderson stated he is very appreciative of the employees who donate their money and give back to the community.

Christmas Luncheon Food Truck Event

Two food trucks, Food NV and Hungry Hippie, will be onsite to serve boxed lunches to employees in lieu of the annual Christmas luncheon due to the ongoing pandemic. Board members were invited to attend.

Holiday Closures

Cleveland Utilities will be closed Thursday, December 23, and Friday, December 24, for the Christmas holiday and Friday, December 31, and Monday, January 3, in recognition of New Years. The Call Center will be open and regular emergency/standby services will be maintained 24/7.

CONSENT AGENDA

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

A. Approval of the minutes from October 22, 2021.

B. Approval of the following written Financial, Electric, and Water/Wastewater Division Reports:

FINANCIAL REPORT

1. **Electric Division October 2021** - During the month of October, the cost of purchased power as a percentage of retail sales was 73.0 percent and can be compared to the budgeted percentage of 74.1 percent for FY 2022. The results for October are electric sales revenue of \$7,562,841, which was offset by a purchased power expense of \$5,518,844. This resulted in an operating margin of \$2,043,997. This is compared to a budgeted margin of \$1,873,814. Operating expenses for the month were \$1,688,834. This is compared to a budgeted operating expense of \$1,882,858. These revenue numbers were driven by a customer base of 32,339. The net income for the month was \$530,863; this can be compared with a budgeted net income of \$126,184.
2. **Water Division October 2021** - For October, water sales revenue was \$1,478,568. This is compared to the budgeted amount of \$1,450,787. Other revenue sources contributed an additional \$173,482 for the month. These revenue numbers were driven by a customer base of 33,123. Operating expenses for the month were \$1,416,398. This is compared to the budgeted amount of \$1,439,747. The division recorded an operating income of \$235,652, which is compared to a budgeted operating income of \$146,599.
3. **Wastewater Division October 2021** - For October, wastewater treatment revenue was \$1,125,281. This is compared to the budgeted amount of \$1,071,753. Other revenue sources contributed an additional \$75,841 for the month. These revenue numbers were driven by a customer base of 19,900. Operating expenses for the month were \$1,090,946. This is compared to the budgeted amount of \$1,092,449. The division recorded an operating income of \$110,176, which is compared to a budgeted operating income of \$55,447.

ELECTRIC REPORT

1. An update was provided for the Lang Street Substation Project:

Site work: The grade work at the site was completed in October. There were small revisions required to the plans and some dirt had to be brought in, but the project went well overall.

Foundations: Engineering provided the concrete foundation drawings for the steel structure, transformers, and breakers to operations personnel. CU sent out a bid request to local contractors for the pouring of the foundations during October, and Black Construction was awarded the bid. At this time, a date has not been scheduled for the work to commence.

Steel Structure: Parts of the steel structure began to arrive in October. The large steel pieces were delivered to the site. Some of the smaller items were delivered to the shop and will be stored until needed. Most of the structure arrived in October, and the remainder should arrive in November.

Breakers: The ABB 13 kV breakers arrived in October.

2. The Cherokee Gateway Substation was switched to its “normal” configuration during the month of October. Both power transformers are energized and customers in the area are connected to their final circuits. One big change is the I-75, Exit 20 area will now be fed by the new substation. Operations personnel worked with the City of Cleveland to have guard-railing installed around the two underground dip poles outside the substation for added protection.
3. The Cleveland State Community College Project is progressing. Work to convert a section of the overhead lines along Adkisson Drive to underground continued. The contractor was able to complete most of the conduit installation. Additionally, the contractor had planned to pour the concrete pad for the new meter cabinet at the end of October; however, weather did not cooperate. It should be poured in early November. CU crews will be able to begin at the site in early November by working on the new riser poles. Once the contractor pours the concrete pad for the new meter cabinet, crews can begin installing the new underground lines, which are expected to be installed by the end of November, weather permitting.
4. Electric engineering personnel have been working with the contractor for the new oil change and car wash business located in Graystan Square Phase II at the corner of Paul Huff Parkway and Mouse Creek Road. The Car Wash will require a 277/480 volt, three-phase service and the oil change station will require a small single-phase service. CU provided the contractor a conduit layout for the property. A section of the conduit was installed in October and checked by CU electric operations. Construction of the buildings have just begun, and it will be several weeks before electric service is needed.
5. The supply shortage seen around the world has impacted the electric distribution industry. Electric engineering has been presented with interesting challenges due to the shortage and unavailability of equipment and supplies. The biggest concern now is the lack of availability for single-phase, pad-mounted transformers and sectionalizing cabinets. Engineering has been brainstorming ideas to make sure CU’s current stock is used wisely in an attempt to prevent a shortage in inventory. Engineering has also been reaching out to vendors to explore different equipment available that may not be normally used by CU but could be used for emergencies (like fiberglass sector cabinets instead of steel sector cabinets). CU has also contacted developers and are encouraging them to start building in from the entrance of the subdivision and work their way back instead of sporadically building throughout the whole development. This allows CU to install facilities in smaller segments as needed instead of building out the entire subdivision, thus conserving material. Engineering will continue to work on new solutions until the supply issue returns to normal.
6. Operations advertised for bids on the next ten percent of pole testing and treating of the system. A formal bid opening was held on October 12. Osmose Utility Services submitted the low bid and was awarded the project. Pole data for this phase has been sent and is currently being reviewed before crews are scheduled.
7. The Tennessee Department of Environment and Conservation (TDEC) and the Tennessee Valley Authority (TVA) are partnering to develop a statewide electric vehicle (EV) fast charging network to power the growth of EV’s across Tennessee and reduce barriers to transportation electrification. Specifically, the two have signed an agreement to collaborate and fund a network of fast charging stations every 50 miles along Tennessee’s interstates and major highways. The “Fast Charge TN Network” will add approximately 50 new charging locations along prioritized corridor infrastructure gaps, tripling Tennessee’s

existing fast charging network. Cleveland Utilities has identified three potential sites and have submitted the application to the State of Tennessee for grant funding.

8. There were no traffic lighting projects to report for the month.

WATER & WASTEWATER REPORT

1. A meeting to review the Preliminary Engineering Report for the Expansion of the Hiwassee River Wastewater Treatment Plant (WWTP) has been scheduled for January 2022.
 2. CTI has submitted the preliminary report for the Sodium Permanganate Conversion at the Cleveland Filter Plant (CFP) Raw Water Intake. The design is being reviewed by CU staff.
 3. The CFP Raw Water Pump #1 MCC Drive Replacement is complete.
 4. CU has provided comments to HDR for the CFP Sodium Hypochlorite Project, and final drawings are being prepared.
 5. In reference to the Hensley Road/Freewill Road Water Main Extension Project, Hampton Backhoe has completed the installation of pipe along Hensley Road (approximately 1,000 feet), and the pipe along Freewill Road remains to be installed.
 6. Wright Industrial Group has painted 371 hydrants and primed/painted 437 hydrants for Phase 1 of the project.
 7. Jacobs Engineering Group has submitted the draft report for the Walker Brow Booster Pump Station Alternatives Evaluation to CU for comment.
 8. The 17th and 20th Streets Water Main Relocations Project is complete, and the final estimate has been submitted.
 9. Hampton Backhoe has completed the 20th Street Water Main Project between Carolina Street & Charles Street. The final invoice has been submitted.
 10. HL Construction has completed 75 percent of the pipe installation for the 22nd Street Annexation Area Water Main Extension Project.
 11. The 2019 Prospect/Hensley Road Annexation Sanitary Sewer Project is complete except for punch list items and sag correction.
 12. Hampton Backhoe has completed the water and sewer main installations for Spring Creek Ridge Development (Cross Creek Court).
 13. An update was provided for the ongoing Wastewater Rehabilitation Project:
 - In reference to the Phase 3 Rehabilitation Project, the contractor completed 31 service lateral rehabilitations during this period. To date, a total of 20,344 feet of mainline rehabilitation, 218 service lateral rehabilitations, 117 manhole rehabilitations and 172 cleanout installations have been completed.
 - The contractor has sent in the 2021 Rehabilitation Project submittals for review. A preconstruction meeting was held on November 30, and the notice to proceed is set for December 6, 2021.
 14. The Meter Department set 66 meters through October 2021 compared to 65 for October 2020 and 36 for October 2019. Of the 66 sets, 54 were single family homes, 7 were townhomes, 3 were irrigation, and 2 were commercial.
 15. The total amount of rainfall recorded at the CFP as of November 30, 2021, was 1.01 inches for the month. A total of 59.12 inches has occurred this calendar year and can be compared to 74.23 inches for the same period in 2020 (largest rainfall totals thru November 1996-2021) and 28.40 inches in 2007 (lowest rainfall totals thru November 1996-2021).
- C. Approval of a purchase order to S&C Electric c/o Chas W. Ashby Company in the amount of \$51,898.50 for three 69 kV transmission line switches to replenish inventory. These switches

will be used to upgrade the transmission line system by replacing older ones that have been in service for many years. This is a budgeted item, and S&C was the only supplier to submit a bid.

- D. Approval of a purchase order with Hampton Backhoe Service, LLC in the amount of \$11,945 for additional pug mix, asphalt binder, and labor to install materials to complete the 12-inch ductile iron pipe (DIP) water main extension along 20th Street between Carolina Avenue and just east of Greenwood Avenue. The existing water main was in conflict with the City's proposed sidewalk and storm drain. The original approved purchase order was \$54,420 with the final amount being \$66,365. This project is not budgeted.
- E. Approval of a contract with LJA Engineering, Inc., in the amount of \$64,550 for the Interceptor Modeling Project. The project will collect necessary field data and analyze flow data currently being collected to prepare a model and determine dry weather and wet weather flow conditions of the main sewer interceptor line conveying wastewater from Cleveland to the Hiwassee River Wastewater Treatment Plant. The project is not budgeted.
- F. Approval of a purchase order with Tech Coat, Inc., in the amount of \$136,930 for the rehabilitation of Filter No. 1 at the Cleveland Filter Plant (CFP). The project consists of coating the filter walls, repair of the filter underdrain system, and replacement of the filter media. CFP has six filters. The other five filters have been rehabilitated in the last few years. This project is budgeted at \$300,000 for FY 2022.
- G. A Pretreatment Compliance Letter from TDEC was included in board packets for informational purposes.

OLD BUSINESS

Presentation of FY 2021 Audit Report by Mark Lay

Mark Lay, representing Wedgewood Accounting, PLLC, reviewed the Required Auditors' Communications in relation to the Fiscal Year 2021 audit report. He reported the financial statements present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Board of Public Utilities as of June 30, 2021, and 2020. Lay expressed appreciation to Stinnett and his staff for their cooperation and working diligently to provide the requested documents.

Both divisions experienced an increase in net position for the year. The increase in the Electric Division was \$8,244,698, and the Water and Wastewater Divisions was \$5,707,945.

The Other Post-Employment Benefits (OPEB) Trust grew by \$1,310,331 in FY 2021, which includes employer contributions made to the fund as well as investment income & growth. The investment income & growth was in excess of \$600,000 and did well for the period. The 2020 balance was \$1,822,568 and as of June 30, 2021, the balance was \$3,132,899. Lay applauded CU for taking steps to fund this liability.

There were no new statements this year related to the financials. Next year, statement number 87 will be out regarding leases, and for June 30, 2023, there will be statement number 96 related to subscription-based information technology arrangements that could affect Cleveland Utilities.

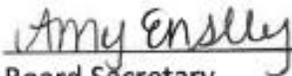
Henderson thanked Lay and his firm for the work they perform. Board members were advised to contact Lay if there are any questions. The acceptance of the audit report will be voted on at the next board meeting.

OTHER BUSINESS

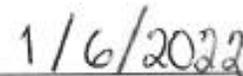
Future Board Meeting Dates

- Future scheduled board meeting date below:
 - Thursday, January 6, 12:30 p.m.
 - Friday, January 28, 12:30 p.m.
 - Friday, February 25, 12:30 p.m.

There being no other business, Eddie Cartwright made a motion to adjourn the meeting. Debbie Melton seconded the motion, and the board unanimously voted to adjourn the meeting at 12:52 p.m.


Board Secretary


Board Chairman


Date