

MINUTES OF REGULAR MEETING
CLEVELAND UTILITIES BOARD
MARCH 26, 2021

The Board of Public Utilities met at 12:30 p.m. in the Tom Wheeler Training Center (TWTC).

The following were physically present: Aubrey Ector, Chairman; Joe Cate, Vice Chairman; Eddie Cartwright, Cleveland Utilities Board; Councilman David May, Jr., Cleveland Utilities Board; Debbie Melton, Cleveland Utilities Board; 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; Rachel Burris, Customer Billing Supervisor; and Tim Siniard, Cleveland Daily Banner.

In light of COVID-19 and pursuant to Governor Lee's Executive Order 78, the meeting had live audio capability and a recording was made available at www.clevelandutilities.com following the meeting. The following was present through teleconference: Tim Rader.

Following the Pledge of Allegiance to the American Flag, Rachel Burris delivered the invocation.

MANAGER'S UPDATE AND ANNOUNCEMENTS

COVID-19 Update

Henderson advised CU is still managing well through the pandemic with limited impacts. Vaccines are now available for utility workers. The lobby reopening is going smoothly, and Henderson offered a walk-through of the area for interested board members.

East Parking Lot Addition Completion

The new parking area at the east end of the Power Service Center was recently completed and will greatly benefit the security of CU's fleet and employees working after-hours.

United Way Charlotte Thorogood Woman of Impact Award

Mrs. Deanna Hitch was recently presented the Charlotte Thorogood Woman of Impact Award from the United Way (UW). CU has always led at a high level with the UW by being a pacesetter company, and Deanna has been instrumental in facilitating this effort. CU is very proud of Hitch and how she has poured her heart into the campaign over the years.

Good Friday Holiday

Cleveland Utilities' offices will be closed Friday, April 2, 2021, to observe Good Friday. The Call Center will be open and regular emergency and standby services will be maintained.

Comments from Board Member Eddie Cartwright

Cartwright expressed deep gratitude to Cleveland Utilities on behalf of Life Bridges for use of the TWTC over the last several months for their monthly board meetings during the pandemic to allow for appropriate spacing.

CONSENT AGENDA

On motion by Joe Cate and seconded by David May, Jr., the Utility Board voted unanimously to approve the following items from the Consent Agenda.

- A.** Approval of the minutes from February 26, 2021

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

FINANCIAL REPORT

1. **Electric Division February 2021** - During February, the cost of purchased power as a percentage of retail sales was 74.3 percent and can be compared to the budgeted percentage of 76.1 percent for FY 2021. The results for February are electric sales revenue of \$8,106,033, which was offset by a purchased power expense of \$6,025,225. This resulted in an operating margin of \$2,080,808. This is compared to a budgeted margin of \$2,173,259. Operating expenses for February were \$1,763,561. This is compared to a budgeted operating expense of \$1,858,928. These revenue numbers were driven by a customer base of 32,266. The net income for the month was \$493,987 and can be compared to a budgeted net income of \$483,496.
2. **Water Division February 2021** - For February, water sales revenue was \$1,289,068. This is compared to the budgeted amount of \$1,253,610. Other revenue sources contributed an additional \$165,659. These revenue numbers were driven by a customer base of 32,789. Operating expenses for the month were \$1,331,213. This is compared to the budgeted amount of \$1,340,390. The division recorded an operating income of \$123,514, which is compared to a budgeted operating income of \$32,544.
3. **Wastewater Division February 2021** - For February, wastewater treatment revenue was \$1,096,868. This is compared to the budgeted amount of \$1,074,554. Other revenue sources contributed an additional \$157,326 for the month. These revenue numbers were driven by a customer base of 19,739. Operating expenses for the month were \$1,022,155. This is compared to the budgeted amount of \$1,072,328. The division recorded an operating income of \$232,039, which is compared to a budgeted operating income of \$85,511.

ELECTRIC REPORT

1. An update was provided for the ongoing Cherokee Gateway Substation Project:
Bus Connections: The crews have been installing jumpers to connect the breakers and transformers to the bus work. The 13.2 kV side of the station is complete, and the 69 kV side is nearing completion.
Electrical Wiring: After the above work is finished, crews will begin installing the wiring between the control house, breakers, and transformers.
Settings for the Overcurrent Relays: Engineering is working with the consulting firm Power Centric to determine the settings for the substation relays. The settings should be ready by the end of March.
Underground Cable and Pole Risers: Line crews have pulled in all the underground 13.2 kV cables between the substation and the overhead line in front of the substation. In March, the crews will install the terminators on the wire and have them prepared to connect the 13.2 kV distribution lines outside the substation.
2. In reference to the Lang Street Substation Upgrade Project, operations personnel are presently assembling bid documents for the site grading, which is expected to be bid by the end of March and awarded in April. Grading is anticipated to begin in late spring or early summer. The power transformer bids have been received and evaluated with the low bid being from Delta Star, Inc. This is a consent agenda item with the details awarding the purchase through the factory representative, KMS Electrical Products.
3. CU completed the last action item at Cannon Automotive for the service to be energized in February. This included programming the primary meter and inserting the overcurrent relay

settings into the switchgear. In mid-February, the switches at the primary meter were closed and the incoming side of the switchgear was energized. This met the deadline requested by the customer. A few days later, one of the outgoing ways was energized per the request of the customer which heated one of the customer-owned 3000 kVA transformers. The customer has been using the service connected to this transformer for power inside the building and testing of equipment. There is a lot of construction left on the building, and it will be several months before any production begins. As the building progresses, the electrical contractor will test equipment as needed, and CU crews will assist with energizing and de-energizing the electric service as needed.

4. In February, Cleveland State personnel selected their desired option and committed to pay CU for converting the overhead line along Adkisson Drive to underground to accommodate their new walkway bridge. CU began ordering the needed material, which included a primary meter cabinet and underground conductor. The lead time is short; however, CU feels confident the material will arrive in time for the conversion to begin in May. This will allow for the structure over Adkisson to begin in June as Cleveland State has scheduled. CU engineering has also been working with Cleveland State's electrical contractor regarding installation of the needed conduit for the underground lines. The plan was finalized in early March, and the contractor should begin this work by the end of March. CU engineering will be releasing a work order to do some preliminary work before the conduit is installed.
5. A work order was released to connect the electric service for a new medical office building at 2020 Westland Drive SW. A single-phase underground primary line and a 50 kVA transformer were installed a few months ago when construction began and used for temporary power. The building is nearing completion and ready for the permanent electric service. The building will have a 1000-amp service and the expected demand is between 40 kW and 50 kW. Therefore, the 50 kVA transformer at the site will be left in service, and CT's will be installed in the transformer to meter the electric service. CU crews will connect the electric service to the transformer and connect the CT wiring.
6. Engineering released a work order to connect the electric service for a new building at Beaty Fertilizer on Michigan Avenue Road NE. The company is expanding their operation, and this building will be used to mix and store fertilizer. The expected demand is 90 kW to 120 kW. CU will be installing a new 150 kVA, 277/480-volt pad-mount transformer and connect the electric service.
7. Contractors of the new Remember Me Assisted Living Facility on North Lee Highway at King Den Drive contacted CU engineering requesting the electric services to some of the buildings be connected. In February, CU engineering released work orders to connect the electric services to the seven buildings on the complex. There are five main buildings where the residents will stay, a maintenance building, and an office building. The five main buildings will each have an 800-amp, 120/240-volt, single-phase service and the other two buildings will have a small single-phase service. The underground primary and single-phase transformers were installed several months ago. The only remaining requirement is to connect the service in the transformers and connect the CT wiring for the meter. The buildings will be connected as they pass electrical inspections.
8. Engineering released a work order to connect the electric service to a new office building for Men and Women of Action on Barnes Street NE. This building is near Lee University and will be used as an office for planning and group meetings. The contractor ran the electric service

to a nearby pole. CU crews will connect the electric service to an existing transformer, which has plenty of capacity to serve the expected 15 kW demand.

9. Construction has begun for a new Wendy's Restaurant on Stuart Road NE near Hardwick Farms Parkway. In February, engineering released a work order to install a new 3-phase, 120/208-volt, 75 kVA transformer on the property that will be immediately used for temporary service and in the future for permanent service. Based on the billing history of other Wendy's on the system, the electric demand of the completed building is expected to be 72 kW. CU also worked with the contractor to install extra conduit along the edge of this property next to Hardwick Farms Parkway to make provisions for future businesses behind this one, which will eliminate the need for CU to dig through this property in the future and disturb landscaping and driveways. The transformer and underground primary should be installed in March.
10. Engineering released a work order to replace two decaying transmission poles on E-674 just east of Michigan Avenue Road NE. These poles were identified by Osmose as needing replacement. The two poles will be replaced with 65-foot and 75-foot steel poles at an estimated cost of \$47,016.10. Additionally, engineering released another work order to replace a decaying transmission pole on E-774 just east of Weeks Drive NE, which was also identified by Osmose as needing replacement. The pole will be replaced with a 75-foot steel pole at an estimated cost of \$23,911.42.
11. A report was presented for traffic lighting:
 - Cleveland Utilities Traffic Signal Coordinator attended several training webinars: Kinetic Signals - the new Advanced Traffic Management System from Q-Free; Miovision on Managing Traffic Signal Networks with their TrafficLink platform; Smartmicro – this is radar detection technology, which is a competitor to the radar CU currently uses; and the Tennessee Transportation Assistance Program conducted training on Making Traffic Signal Data Usable for Agencies.
 - Several advanced controller features were programmed at Ocoee Street & Blythe Ferry Road. These settings have become necessary to combat higher volumes and long queue lengths at the intersection. Dynamic Max was used to allow the max timer to ramp up and down based on the number of cycles a max out occurs. Volume density settings were used to shorten the gap settings as certain approaches get closer to their max setting. Max 2 was programmed for late night hours to reduce the wait time for a detector loop that is in fault.
 - The coordination offsets along Paul Huff Parkway were adjusted to provide better traffic flow during the weekday and weekend patterns. Settings were also applied to allow some intersections to yield the coordination early to serve the side streets faster.
 - Cleveland Utilities and the City of Cleveland worked to produce a proposed signal design for North Lee Highway & Stuart Crossing. The design was provided to TDOT, which will evaluate the intersection for warrant on both volume and safety concerns. This intersection is one of the top intersections requested for signalization in the city.
 - The Traffic Signal Coordinator began working on a signal design for Harrison Pike & Freewill Road at the request of Bradley County. Currently, the intersection has a flashing warning signal. TDOT will evaluate the actuated traffic signal proposal.

WATER & WASTEWATER REPORT

1. The painting project at the Cleveland Filter Plant (CFP) is now projected for completion in April.
2. The contractor is expected to begin the CFP clearwell inspection repairs on March 30. Work is expected to last two to three weeks.
3. CU is presently receiving bids to replace the MCC drive for the raw water pump #1 at the CFP.
4. The Bell Road SE water line extension is 96 percent complete.
5. The bid request for the Hensley/Freewill Road water main extension was advertised on February 19. All bids were rejected.
6. The Spicer Road water main extension has been completed in the total amount of \$9,005, which has been paid to the contractor. The customer is responsible for 100 percent of the project costs.
7. The Baugh Springs Road water main project is complete and final payment of \$8,952 has been made to the contractor. CU will fund 50 percent of the project and the customer will fund the other 50 percent.
8. The notice to proceed for the 2019 Annexation Sewer Service to Prospect/Hensley Road Project was issued for May 10, 2021.
9. The design for the Eldridge Lane sewer main extension is approximately 25 percent complete.
10. Engineering is reviewing plans for Powell Meadows PUD, Phase 1, on Durkee Road. The development consists of 62 lots, approximately 1,992 feet of 8-inch PVC sewer, 870 feet of 8-inch PVC water main, and 1,047 feet of 6-inch PVC water main.
11. Engineering approved plans for Fulbright Crossing, Phase 2, at Shady Lane & Weeks Drive. This is a 15-unit apartment development with roughly 265 feet of 8-inch DIP water main. Blake Allison is the developer.
12. The following developments under construction have been completed:
 - Lacy Street Townhomes with a total of 220 feet of 2-inch water main.
 - Sun Ridge (formerly Timber Ridge Subdivision) comprising 23 lots, 871 feet of 8-inch gravity sewer main and 665 feet of 6-inch water main.
 - Stone Creek Subdivision, Phase 5, on Finnell Road with a project scope of 500 feet of 2-inch PVC force main and 392 feet of 6-inch DIP water main.
13. An update was provided for the ongoing Wastewater Rehabilitation Project:
 - In reference to the Phase 3 Rehabilitation Project, the contractor has completed CCTV of sewer main/laterals and has begun installing cleanouts. Mainline CIPP is scheduled to begin March 29.
 - Materials for the Candies Creek Force Main improvements are on-site. The bore beneath the off-ramp is complete, and the bore beneath the interstate began on March 24.
14. The Meter Department set 40 meters through February 2021 compared to 24 for February 2020 and 27 for February 2019. Of the 40 sets, 28 were single family homes, 3 were townhomes, 7 were apartments, 1 was irrigation and 1 was commercial.
15. The total amount of rainfall recorded at the CFP as of March 26, 2021, was 7.50 inches for the month. A total of 16.24 inches has occurred this calendar year and can be compared to 29.64 inches for the same period in 2020.

- C. Approval of a purchase order to Delta Star c/o KMS Electrical Products in the amount of \$1,408,624 for two 15/20/25/28 MVA power transformers to be installed at Lang Street

Substation as part of the rebuild project. These units will replace three existing single-phase units from the late 1950's. Delta Star submitted the low bid meeting CU's minimum specifications. Similar units have been installed in other substations across CU's electric system. This is a budgeted item.

- D. Approval of a purchase order to Terex Utilities in the amount of \$279,203 for a 2022 cab/chassis equipped with a 65-foot aerial device. This unit is a budgeted fleet addition and will be identified as unit #111. The existing unit #108 (a 55-foot bucket truck) will be retained and utilized as a spare. Terex submitted the low bid meeting CU's minimum specifications.
- E. Approval of a purchase order to CHM Industries, Inc., in the amount of \$231,043.73 for 44 galvanized steel poles ranging in heights from 40 to 90 feet. These poles will be used for the transmission line upgrade project from APD-40 & South Lee Highway towards Payne Gap Substation and the remainder will be spares. CHM Industries submitted the low bid.
- F. Approval of a purchase order to Transportation Control Systems, Inc., in the amount of \$63,435 for four mast-arm poles. These poles will be installed at the intersection of Paul Huff Parkway & Mouse Creek Road. The City of Cleveland requested that CU purchase these poles for a future widening project where dual left lanes will be added to Mouse Creek southbound and Paul Huff eastbound. Additionally, dual left lanes and a combination right turn/straight through lane will be added to Mouse Creek northbound. The traffic signal infrastructure at this intersection will be completely rebuilt. Transportation Control Systems submitted the low bid.

OLD BUSINESS

Update to Previously Approved S&ME, Inc., Contracts

Cleveland Utilities had entered into contract with S&ME, Inc., with several sewer collection system related projects. Key staff at S&ME, Inc., left that organization and went to LJA Engineering, Inc. As such, all existing contracts with S&ME, Inc., were assigned to LJA Engineering, Inc., with the consent of Cleveland Utilities. LJA Engineering, Inc., will be completing the remaining scope of work for the agreed upon fee under the same terms and conditions previously agreed with S&ME, Inc.

Update to Previously Approved Eminent Domain Proceedings

Cleveland Utilities was able to successfully acquire the easements from property owners Brandon Chad McKeel & Karen Elizabeth Wittum; Gary & Brenda Voytik; and David & Andrea Rahamut for the TDOT Highway 60 Road Widening Project where eminent domain proceedings were previously requested.

NEW BUSINESS

Presentation and Approval of FY 2022 Budget

President/CEO Tim Henderson opened the budget presentation by commending the executive team and employees for putting together a strong and progressive, but conservative budget. Stinnett also expressed appreciation to the entire team who participated in the budget process. He pointed out there is very little change from last year's projections. The consumption numbers were reduced slightly, which is not indicative of the tremendous amount of growth currently happening in the community but is due to conservation. A comprehensive financial summary of the FY 2022 budget was then presented.

In fiscal year 2022, electric sales volume is projected at 972,900,566 kilowatt hours, water sales volume at 2,767,003,634 gallons and wastewater sales volume at 1,853,511,415 gallons. Total revenue for the electric division is forecast at \$96,089,058. Water and wastewater are collectively \$19,076,116 and \$14,134,537. A breakdown of expenses for the new budget year includes \$92,701,399 in electric, \$17,393,224 in water and \$13,285,714 in wastewater. Fiscal year 2022 reflects net incomes of \$3,387,659 in electric, \$1,682,892 in water and \$848,823 in wastewater. Stinnett noted the net income for wastewater is slightly down from last year's projections; however, this was known and expected due to CU foregoing a rate increase that was projected at this time last year. Investment in new facilities is budgeted at \$11,006,068 in electric, \$9,323,123 in water and \$13,805,913 in wastewater. These numbers are up and part of the progressive year for CU's capital program Henderson alluded to especially in water and sewer. However, Stinnett noted this is the best time to take advantage of extremely low interest rates and should pay dividends to the community in the long term.

Debt at the beginning of FY 2022 is projected at \$14,669,447 in electric, \$26,564,436 in water and \$32,948,723 in wastewater (updated as of the end of last year). New debt is expected to be added in the amounts of \$4,750,000 for electric, \$7,000,000 for water and \$10,000,000 for wastewater. Stinnett added these figures are larger than last year and due to borrowing costs being at a point where it makes sense to borrow the money instead of funding some of these items from existing operations. Payments made on existing debt will total \$1,186,721 for electric, \$2,331,123 for water and \$2,526,652 for wastewater. Debt at the end of FY 2022 is projected to be \$18,232,726 for electric, \$31,233,313 for water and \$40,421,621 for wastewater.

Also in the fiscal year 2022 budget, the number of budgeted equivalent employees is projected at 216. The proposed budget includes a 3.5 percent merit increase for eligible employees with a successful performance evaluation; CU will work with the city on this as they move forward in their budget process. Total payroll for 2022 is calculated to be \$16,902,893.

Next, Stinnett highlighted information for rate increases forecast in the FY 2022 budget. There are no internal rate increases projected in electric for FY 2022. Currently, TVA has not given any indication of a rate increase in their budget. In the water division effective July 1, 2021, a 5.00 percent internal rate increase applied across all customer classes is forecasted, as well as a proposed 1.13 percent pass-thru increase from Hiwassee Utilities Commission for purchased water (this number will get adjusted if HUC adjusts their increase). The rate increase in water equates to an average monthly increase of \$1.12 (based on the projected rate changes on an average residential bill and an average number of units of water). As projected last year, there are no internal rate increases in wastewater proposed in the FY 2022 budget.

Lastly, Stinnett reviewed graphs representing bond coverage for years 2021 to 2031. All years projected for electric, water and sewer are above the mark of 1.25 for most rating agencies and CU's conservative estimate of 1.40.

Next, Jimmy Isom reviewed major electric capital projects in the proposed 2022 budget totaling \$11,006,068. Categories for commercial load additions, industrial load additions, residential (overhead and underground) and street lighting are budgeted based on trending history. The electric budget includes \$600,000 for the double conductor of SC-624, Phase II, from APD-40 & South Lee

Highway to Payne Gap Substation. This phase will include replacing the existing poles and framing for parallel #556 AAC primary conductor to increase capacity on the transmission system. Another major item in electric is replacement of "The General" Unit #117, an existing 2012 model digger derrick truck with 37,072 miles, 7,783 hours, at an estimated amount of \$400,000. Although this unit has fairly low mileage, it has a lot of hours as these trucks sit and idle a great deal of time while being operated. Isom added there will be a long lead time associated with this purchase. Henderson also noted having this heavy-duty piece of equipment in the fleet has been a huge asset over the years and enabled CU to save money by being able to do work that CU would typically have to hire contractors to perform. Another significant project is the Lang Street Substation remodel, Phase II, in the amount of \$2,500,000 (this cost includes the power transformers and the physical substation structure). Lang Street Substation was built in 1956 and completed in 1957 by TVA. CU purchased the substation from TVA. The plan is to build the new substation next to the old one. Once the new station is complete and in service, the old substation would be removed.

Water capital projects in the proposed 2022 budget totaling \$8,840,659 were then highlighted by Craig Mullinax. Key projects in engineering include the North Street water booster station upgrade budgeted in the amount of \$1,000,000. The station currently has two pumps (one rated at 350 GPM & 30 HP and the other rated at 100 GPM & 75 HP). The proposal includes the replacement of three pumps, each rated at 2100 GPM & 125 HP. This will provide additional capacity and greater redundancy. Other items in engineering include the Georgetown Road Water Relocation Project, \$400,000; the waterline relocation for the 17th & 20th Street Sidewalk Project, \$200,000; and the Lower River Road waterline replacement at \$276,000.

Mullinax then reviewed major capital projects at the Cleveland Filter Plant. The first key item includes the conversion from a chlorine gas disinfectant to sodium hypochlorite in the amount of \$580,000 in FY 2022. The plant stores up to 14,000 pounds of chlorine gas which requires compliance with federal guidelines (Risk Management Process Program) and state guidelines (Process Safety Management Program). Hazard risks will be reduced for employees and the community with the conversion to sodium hypochlorite, and it does not require compliance with the federal Risk Management Process and state Process Safety Management Programs. Other key items in the FY 2022 CFP budget include the high service pumps & electrical upgrade design in the amount of \$615,500; the filter backwash catch tank at \$1,180,246; and the Waterville Springs chlorine scrubber at \$400,000.

Additionally, key projects in wastewater were then highlighted by Mullinax. Capital requirements for the wastewater division in the proposed fiscal year 2022 budget total \$13,805,913. In engineering, the 2010/2012 annexation sewer improvements in the Benton Pike & Durkee Road area are budgeted at \$1,670,000. Another major project in engineering is the 2019 annexation of Hensley Road NW (an estimated 3,800 feet of 12-inch gravity sewer main) in the amount of \$1,856,953.

Major budgetary items in wastewater collections-SCOPE 10 are the ongoing sewer rehabilitation projects. The Sewer Rehabilitation Phase III Project (Sycamore Drive, Dalton Pike, South Ocoee Street, Rolling Hills, Edgewood Subdivision) is budgeted at \$2,098,104. Mullinax noted the phases of these projects are dictated by the SRF funding awarded by the state. Also, the Sewer Rehabilitation Phase I Project (Sycamore Drive, Wildwood Avenue and Dalton Pike areas) is included in FY 2022 in the amount of \$3,200,000. A major item at the Wastewater Treatment Plant is the alternative

disinfection project in the amount of \$2,500,000. The WWTP currently uses chlorine gas and will be converting to an ultraviolet (UV) disinfectant. Other notable budgetary items at the Wastewater Treatment Plant include an automated blower control system, \$450,000; and the administration building rehabilitation in the amount of \$140,000.

Mullinax ended his report by informing everyone about an email he received this morning from one of CU's large suppliers. The purpose of the email was to notify their customers about the demand for material and lack of supply as well as extreme price increases since July 2020. There have been some challenges with ordering certain material.

Henderson wrapped up the budget presentation by expressing appreciation to the Utility Board for their support. He stated CU has been blessed to have a trusting utility board and allowing staff to be proactive and prepared to meet future needs ahead of time. Being prepared provides a great opportunity for the utility's success and being able to keep up with the pace being seen. Henderson also advised he is proud of the staff and their vision for the future by focusing on projects that will make a difference for years to come as well as make the infrastructure better and more reliable.

Eddie Cartwright motioned and Debbie Melton seconded for the Utility Board to approve the proposed fiscal year 2022 budget as presented. Board members voted and the motion carried unanimously. The proposed budget will now be presented to the City Council for consideration in the near future.

OTHER BUSINESS

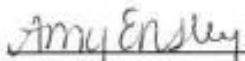
Future Board Meeting Dates


Future scheduled board meeting dates are as follows:

Friday, April 23, 12:30 p.m.

Friday, May 28, 12:30 p.m.

Friday, June 25, 12:30 p.m.


Board Secretary


Board Chairman

4-23-2021
Date