

MINUTES OF REGULAR MEETING
CLEVELAND UTILITIES BOARD
AUGUST 28, 2020

Pursuant to Governor Lee's Executive Order 51, the Board of Public Utilities met at 12:30 p.m. electronically through teleconference. In light of COVID-19 and to help prevent its spread and in order to protect the health, safety and welfare of the public, there was not a physical location for this meeting. An audio recording was made available at www.clevelandutilities.com within two business days of the meeting.

The following were present through teleconference: Aubrey Ector, Chairman; Joe Cate, Vice Chairman; Councilman David May, Jr., Cleveland Utilities Board; Eddie Cartwright, Cleveland Utilities Board; Debbie Melton, Cleveland Utilities Board; Tim 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; and Tim Siniard, *Cleveland Daily Banner*. Following the Pledge of Allegiance to the American Flag, Marshall Stinnett delivered the invocation.

MANAGER'S UPDATE AND ANNOUNCEMENTS

Labor Day Holiday

Cleveland Utilities will be closed on Monday, September 7, in observance of Labor Day. The Call Center will be open and regular emergency/standby services will be maintained 24/7.

20 Under 40 Recognition

Marshall Stinnett was recently recognized as one of the 20 outstanding community members up to age 40 by the *Cleveland Daily Banner*. Henderson advised CU is blessed to have Stinnett on the team as he does an incredible job for the organization.

Billing System Upgrade

This weekend, CU will be conducting an important billing system upgrade which will aid in the ability to assist customers in a faster and more efficient manner. The drive thru has been operating under extended hours as a COVID-19 related measure; however, it will be closing at 5 p.m. today in order for the IT Department to begin the upgrade process. Throughout the weekend, customers will still have the ability to make payments through the website, by telephone, the mobile app and other partners (CVS & Family Dollar) who accept CU payments. The Call Center will be open, and normal operations will resume Monday, August 31.

TVA Announcement

Yesterday, TVA's Board of Directors approved further COVID-19 related funds through the Pandemic Relief Credit and Community Care Fund to be distributed in the Valley. At this point, the particulars are not known; however, CU will be meeting with a TVA representative next week to obtain further details. Henderson advised he is hopeful to have a recommendation to the board in September with how the funds can be utilized to best impact CU's customer base as a whole.

CONSENT AGENDA

Debbie Melton moved to approve the following items from the Consent Agenda. The motion was seconded by Joe Cate and unanimously passed.

- A. Approval of the minutes from the regular meeting held on August 7, 2020.

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

FINANCIAL REPORT

1. **Residential Electric Rate:** A chart tracking the kilowatt-hour cost in residential retail electric rates for the months of September 2016 through September 2020 was provided. For the month of September, the residential retail electric rate will change to 9.496 cents per kilowatt-hour, a decrease of 1.57 percent over the rate of 9.647 cents per kilowatt-hour for August. This rate change is driven by TVA's Fuel Cost Adjustment. As a continued trend, Cleveland Utilities will pass the TVA FCA along to its consumers.
2. **Electric Division June 2020** - During June, the cost of purchased power as a percentage of retail sales was 73.8 percent and can be compared to the budgeted percentage of 77.5 percent for FY 2020. The results for June are electric sales revenue of \$8,506,698, which was offset by a purchased power expense of \$6,282,192. This resulted in an operating margin of \$2,224,506. This is compared to a budgeted margin of \$1,969,830. Operating expenses for June were \$1,466,889. This is compared to a budgeted operating expense of \$1,861,382. This variance is driven by the year-end adjustment entry of GASB 68, reporting for Pensions. To date, CU is awaiting the updated GASB 75 report, reporting for OPEB, which will allow for year-end OPEB entries to be made. The updated report is expected to reflect an increased expense due to COVID-19 expenditures for FY 2020. These revenue numbers were driven by a customer base of 32,019. The net income for the month was \$910,195 and can be compared to a budgeted net income of \$260,439.
3. **Electric Division Fiscal Year 2020** - The results for FY 2020 are electric sales revenue for the year of \$98,698,755, which was offset by a purchased power expense of \$73,773,799. This resulted in an operating margin of \$24,924,956. This is compared to a budgeted margin of \$23,322,986. Operating expenses for FY 2020 were \$20,962,458. This is compared to a budgeted operating expense of \$22,028,334. The net income for FY 2020 was \$6,136,332; this can be compared with a budgeted net income of \$3,105,766. This variance was driven by the additional credits received via the Long-Term Partnership, which aided in reduced expenditures due to timing across fiscal years. Additionally, these numbers do not reflect the year-end OPEB entries, which are expected to be over budget due to COVID-19 expenditures.
4. **Electric Division July 2020** - During the month of July, the cost of purchased power as a percentage of retail sales was 72.9 percent and can be compared to the budgeted percentage of 76.1 percent for FY 2021. The results for July are electric sales revenue of \$10,018,385, which was offset by a purchased power expense of \$7,307,377. This resulted in an operating margin of \$2,711,008. This is compared to a budgeted margin of \$2,213,873. Operating expenses for the month of July were \$1,630,009. This is compared to a budgeted operating expense of \$1,828,101. These revenue numbers were driven by a customer base of 32,019. The net income for the month was \$1,246,948; this can be compared with a budgeted net income of \$556,723.
5. **Water Division June 2020** - For June, water sales revenue was \$1,479,924. This is compared to the budgeted amount of \$1,435,493. Other revenue sources contributed an additional \$148,744. These revenue numbers were driven by a customer base of 32,467. Operating expenses for the month were \$1,573,900. This is compared to the budgeted amount of \$1,348,229. This variance is driven by the year-end adjustment entry of GASB 68, reporting for Pensions. To date, CU is still awaiting the updated GASB 75 report, reporting for OPEB, which will allow for year-end OPEB entries to be made. It is expected the updated report will reflect

an increased expense due to COVID-19 expenditures for FY 2020. The division recorded an operating income of \$54,768, which is compared to a budgeted operating income of \$232,247.

6. **Water Division Fiscal Year 2020** - The results for FY 2020 are water sales revenue of \$15,730,815. Other revenue sources contributed an additional \$1,678,013. Operating expenses for FY 2020 were \$15,972,575. This is compared to a budgeted operating expense of \$15,524,407. The net income for FY 2020 was \$1,436,253, which can be compared to a budgeted net income of \$1,771,050. Additionally, these numbers do not reflect the year-end OPEB entries, which are expected to be over budget due to COVID-19 expenditures.
7. **Water Division July 2020** - For July, water sales revenue was \$1,582,977. This is compared to the budgeted amount of \$1,687,336. Other revenue sources contributed an additional \$154,691 for the month. These revenue numbers were driven by a customer base of 32,663. Operating expenses for the month were \$1,362,205. This is compared to the budgeted amount of \$1,429,815. The division recorded an operating income of \$375,463, which is compared to a budgeted operating income of \$418,129.
8. **Wastewater Division June 2020** - For June, wastewater treatment revenue was \$1,116,026. This is compared to the budgeted amount of \$1,119,033. Other revenue sources contributed an additional \$77,612 for the month. These revenue numbers were driven by a customer base of 19,484. Operating expenses were \$985,460. This is compared to the budgeted amount of \$1,065,329. This variance is driven by the year-end adjustment entry of GASB 68, reporting for Pensions. To date, CU is still awaiting the updated GASB 75 report, reporting for OPEB, which will allow for year-end OPEB entries to be made. It is expected the updated report will reflect an increased expense due to COVID-19 expenditures for FY 2020. The division recorded an operating income of \$208,178, which is compared to a budgeted operating income of \$140,706.
9. **Wastewater Division Fiscal Year 2020** - The results for FY 2020 are wastewater treatment revenue of \$12,720,648. Other revenue sources contributed an additional \$1,095,892. Operating expenses for FY 2020 were \$12,040,039. This is compared to a budgeted operating expense of \$12,428,779. The net income for FY 2020 was \$1,776,501; this can be compared to a budgeted net income of \$1,514,989. Additionally, these numbers do not reflect the year-end OPEB entries, which are expected to be over budget due to COVID-19 expenditures.
10. **Wastewater Division July 2020** - For July, wastewater treatment revenue was \$1,131,342. This is compared to the budgeted amount of \$1,181,866. Other revenue sources contributed an additional \$73,147 for the month. These revenue numbers were driven by a customer base of 19,653. Operating expenses for the month were \$973,198. This is compared to the budgeted amount of \$1,066,687. The division recorded an operating income of \$231,291, which is compared to a budgeted operating income of \$206,781.

ELECTRIC DIVISION

1. An update was reported for the Cherokee Gateway Substation Project:
Electrical Control Building: The building is still under construction at the factory. There are no known delays at this time and the building is due to arrive in October.
Power Transformers: The two power transformers from Delta Star arrived in July. Delivery went smoothly and the crane company was able to successfully set the transformers on the concrete pads at the site. Delta Star confirmed the motion recorders installed on the transformers at the factory did not record any impacts during transportation. Delta Star

scheduled to dress the transformers the week of August 17, where items such as the radiators and bushings will be installed, and Delta Star will conduct a final inspection.

Lightning Protection: The equipment from Lightning Eliminators is in storage at the Harrison Building. Manufacturing of the poles on which the devices will be mounted has been delayed due to complications from COVID-19. The pole manufacturer is hoping to have steel in stock mid-August to begin the process.

Steel Structure: The steel structure was manufactured in May 2019, and the manufacturer has graciously held the material until it was needed. As a result of the progress made over the past few months, the steel structure parts were able to be received in July and delivered to the site in early August. Operations personnel began construction of the structure this month.

Site Work: As reported, the ground grid was completed in June. Some gravel has been placed at the site for the steel structure parts; however, the remaining gravel will not be laid until the conduit is installed.

Underground Cable & Pole Risers: Engineering has been reviewing options for termination of the underground cables going to and from the substation with suppliers.

2. There are no new updates since the last report for the Lang Street Substation Upgrade Project.
3. Line crews are still in the process of setting the steel poles for the Lang Street to District transmission line upgrade. Once all poles are set, the process of transferring the transmission and distribution circuits will begin.
4. Engineering met with the contractor of the new Ocoee Regional Medical Center on Westland Drive in July. The new building will be 11,500 square feet and have an 800 amp, 120/240 volt single-phase service. The contractor installed the electric conduit in late July and operations completed installation of the primary and transformer in August. The transformer will also be used for temporary construction service.
5. A work order was released to relocate the primary lines behind Black Fox School to allow the grade behind the new addition to be sloped. This eliminated the need for a fairly tall retaining wall. In July, the conduit was installed and CU crews removed the old primary lines and installed new lines. A few weeks later, permanent service was provided to the new building. The addition is expected to have a demand of around 50 kW.
6. In July, site work began for the Graystan Square Development consisting of five commercial lots on Paul Huff Parkway as well as a large lot to the northwest of the development. Engineering provided a conduit layout to the developer. The plan is to install #350 aluminum primary from the pole on Paul Huff Parkway to a 600 amp sector cabinet. The primary lines for the three lots and the large lot next to the development will be connected to the sector cabinet. The two lots next to Mouse Creek Road will be connected to the lines along Mouse Creek Road. The schedule for the site is not known at this point; however, construction for some of the businesses is expected to begin in the near future.
7. Engineering released a work order to install a meter for a new beauty salon, Foiled Uptown Beauty Bar, at The Agora on 1st Street. The 200 amp electric service is expected to have a demand of 15 kW.
8. A new building has been constructed on North Ocoee Street to replace the VFW building destroyed by fire several years ago. The existing overhead line on the property was reused and a #4/0 aluminum triplex service was connected to serve the 400 amp single-phase service.
9. ALDI expanded its store into a large portion of the space next door formerly occupied by TJ Maxx. The company will also use a small area of their existing space. The remaining portion

of their previous space will be available for rent. The existing pad-mount transformer has plenty of capacity for the new service.

10. Spectrum is building an office on Paul Huff Parkway next to SunTrust Bank. Site work began in July and engineering released a work order to connect a temporary service. When the building is ready for permanent electric service, CU crews will install wire from the existing transformer on the opposite side of SunTrust, and the electrical contractor will install the service wire from the building to the bus cabinet.
11. Engineering released a work order to install a three-phase sector switch, underground primary, and a 500 KVA pad-mount transformer to serve the Avail Assisted Living complex on Stuart Road NE.
12. A work order was released to install underground facilities to serve the new Quail Ridge Subdivision on North Lee Highway. The development has 34 lots and an anticipated load of approximately 250 kW. Cleveland Utilities installed a 25 KVA and eight 37.5 KVA transformers.
13. Engineering released a work order to install three-phase underground primary and a 112.5 KVA pad-mount transformer to serve a new package store and three tenant retail spaces at 5200 North Lee Highway.
14. A report was provided for traffic lighting:
 - The firmware for several fire trucks was upgraded after complaints the preemption was not working regularly. Two issues were found which will require maintenance from the city's garage before correct operation of the Opticom GPS preemption can occur.
 - Settings for the Keith Street & Woodcrest intersection were changed following complaints the delay was too long when turning left out of the neighborhood. Now, the Woodcrest side receives a green light every time a left turn is made from Ocoee Crossing even if no vehicle is present on Woodcrest. Oftentimes, this allows what would be a late arrival to make the turn with almost no delay. The impact to Keith Street has been minimal.
 - Engineering inspected a fiber issue where communications were down at the Keith Street & Walmart and Keith Street & Paul Huff Parkway intersections. The problem was pinpointed to the top of a pole near the cabinet. Ervin Cable then found where an animal had chewed through the fiber and made the necessary repairs.
 - A work order was released to replace the polycarbonate traffic signal heads with aluminum ones and replace the signal conductor at Peerless Road & Raider Drive. The existing heads had deteriorated with two recent failures.

WATER & WASTEWATER DIVISION

1. The Process Safety Management and Risk Management Plan Compliance Audits & the Process Hazard Analysis Revalidations for the Wastewater Treatment Plant (WWTP) and Cleveland Filter Plant (CFP) are complete. CU is awaiting the reports.
2. The HVAC improvements at the CFP are scheduled to be complete by the end of August.
3. CTI completed the backwash catchtank preliminary engineering report update for the CFP. The final amount of the study was \$15,500.
4. Hampton Backhoe completed the Brymer Creek Road water main extension on August 26. CU is awaiting the final invoice.
5. HL Construction completed the Villa Drive water main extension. The project comprised 180 feet of 8-inch DIP water main.

6. In reference to the 2019 annexation sewer service to the Prospect/Hensley Road area, CU has received TDOT and TDEC (ARAP and stream crossing) approval. CU is awaiting the U.S. Army Corps of Engineers approval, which is expected to be shortly after the archeological study is reviewed. CU has begun working with Attorney Travis Henry on eminent domain proceedings against the Cragos. The project will be bid next month.
 7. The Pleasant Grove Road Sewer Main Extension Project is complete with the exception of cleanup.
 8. Hampton Backhoe has completed the Robin Hood Drive sewer replacement. CU is awaiting the final invoice.
 9. An update was provided for the ongoing Wastewater Rehabilitation Project:
 - Hampton Backhoe began excavation for the 9th Street Sewer Replacement Project the week of August 3. The first 575 feet of main have been installed. The project is anticipated to last four to six weeks.
 - Plans and specifications are being compiled for the next Rehabilitation Project, Phase 3.
 10. The Meter Department set 31 meters through July 2020 compared to 52 for July 2019 and 35 for July 2018. Of the 31 sets, 25 were single family homes, 3 were irrigation and 3 were commercial.
 11. The total amount of rainfall recorded at the CFP as of August 25, was 6.33 inches for the month. A total of 56.85 inches has occurred this calendar year (18.21 inches above average).
- C.** Approval of a purchase order to Cleveland Utilities OPEB c/o First Horizon Bank in the amount of \$698,193 for the annual funding of CU's Other Post-Employment Benefits (OPEB) Trust.
- D.** Approval for Notice of Award to Hampton Backhoe Service, LLC in the amount of \$251,990 for the installation of approximately 6,855 linear feet of 8-inch high-density polyethylene (HDPE) sanitary force main, approximately 100 linear feet of 8-inch HDPE and 12-inch casing pipe. The Spring Branch Pump Station Force Main Project will connect the new industrial park to the existing sanitary sewer system. This project is budgeted for FY 2021. The total budget amount is \$300,000.
- E.** Approval of a purchase order to Pen Gulf, Inc., in the amount of \$87,750 for the rehabilitation of Spiral Lift Pump No. 202 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 torque tubes and grout repair of the concrete troughs. The project is budgeted for FY 2021 in the amount of \$65,000.
- F.** Approval for Notice of Award to Precon Corporation in the amount of \$1,225,000 for the construction of the Cherokee Gateway Boulevard Water Storage Facilities (Spring Branch Industrial Park). This project consists of the construction of a 600,000 gallon circular pre-stressed concrete ground storage tank, all associated site improvements and appurtenances and 1,130 linear feet of 12-inch diameter ductile iron pipe. This project is budgeted for FY 2021. The total budget amount is \$1,000,000.
- G.** Approval to award a project to B&W Contractors, Inc., dba Cherokee Construction in the amount not to exceed \$2,439,206 for the construction of the Cleveland Utilities' Wastewater Operation,

Information Technology (IT), and Wellness Center Building. The project has a budget of \$2,458,768 for FY 2020 and FY 2021. B&W Contractors submitted the low bid.

NEW BUSINESS

Utility Board Changes

Chairman Aubrey Ector read a letter dated August 26, 2020, from Eddie Cartwright requesting to resign as vice chairman of the Utility Board, but to remain a member of the board. Chairman Ector thanked Cartwright for his service in this position and to the board in general. He also stated he is glad Cartwright has chosen to remain on the board. On motion by David May, Jr., and seconded by Joe Cate, the Board of Public Utilities voted to accept the resignation of Eddie Cartwright as vice chairman.

David May, Jr., motioned to elect Joe Cate as vice chairman of the Utility Board. The motion was seconded by Eddie Cartwright. Joe Cate recused himself from the vote. The motion passed.

OTHER BUSINESS

Future Board Meeting Dates

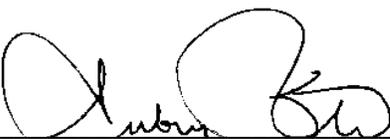
Future scheduled board meeting dates are as follows:

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

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



Board Secretary



Board Chairman

September 25, 2020

Date