

Board Meeting

~ Minutes ~

Wednesday, October 18, 2023

8:30 AM

Board Room

CALL TO ORDER AND OPENING REMARKS:

Vice Chair Pohlman

The meeting was called to order at 8:29 a.m.

PLEDGE OF ALLEGIANCE:

Vice Chair Pohlman

The Pledge of Allegiance was recited.

ROLL CALL:

Dana Jeanes

Attendee Name	Title	Status	Arrived
Michael Pohlman	Vice Chairman	Present	
Cheryl Pesce	Board Member	Present	
Carl Person	Board Member	Remote	
Mitch Graves	Board Member	Present	
Leon Dickson	Chairman	Absent	
James Lewellen	Advisory Board Member	Present	
John Butler	Advisory Board Member	Present	

APPROVALS:

Motion To: Approve Minutes from the Meeting of October 4, 2023.

RESULT: ADOPTED [3 TO 0]
MOVER: Mitch Graves, Board Member
SECONDER: Cheryl Pesce
AYES: Michael Pohlman, Cheryl Pesce, Mitch Graves
ABSENT: Leon Dickson
AWAY: Carl Person

Commissioner Person joined the meeting remotely therefore he did not vote.

CITY COUNCIL ACKNOWLEDGEMENTS & UPDATE:

Dana Jeanes

Receipt of Certified Copies of City Council Resolutions dated October 10, 2023, Items 14 through 17. (See Minute File No. 1486)

PRESENTATIONS:

(None)

GENERAL STATEMENT(S) FROM THE PUBLIC:

Ray Bauer - 2000 North Parkway - Co-Founder of customer advocacy watchdog group, 21st Century Memphis or Bust – Ms. Bauer came before the Board questioning the proposed 12% rate increase to be spread out over the next three years. Ms. Bauer mentioned past rate increases and expenditures for infrastructure and questioned where the money was spent. Ms. Bauer stated that commercial customers were given a break on their water usage and proposed that they be charged the same as residential customers. Ms. Bauer stated that people living in Memphis and Shelby County have a high utility burden and asked the Board to table the approval of the Budget until more information is provided.

Maxine Thomas-Marsh - 1343 Ridgeway Street, Memphis, TN 38106 asking the Board to pretend that they live where she lives, and then treat her the way that they would want to be treated. Ms. Thomas-Marsh states that Memphis has money to make and keep Memphis a great city. Ms. Thomas-Marsh stated that we have to do something about the utilities going off and on. Ms. Thomas-Marsh says we have to have backup. She asked what was wrong with solar energy and why can't we have that? Why can't we treat people the way we want to be treated? She asked that the Board think about the decision they are making. Ms. Thomas-Marsh stated that she was also a member of CORE and MCAP.

Leonard Earl Thomas - 1343 Ridgeway Street, Memphis, TN appeared before the Board to ask why if we are looking to purchase 65 acres are we proposing to put a gas plant in a predominantly black area. He asked if we had done any research of pollutants that would come from a gas plant and their side effects. He asked the Board how they would feel if this was in their neighborhood.

Keshaun Pearson - 1110 Star Line, Memphis, TN - President of Memphis Community Against Pollution, an environmental justice organization here in Memphis, Tennessee – Mr. Pearson stated that one-fifth of Memphians have an energy burden of 6% or more of their salaries. MLGW does have some of the lowest rates in the country, however, they don't compliment what our city is going through. Mr. Pearson stated that the rate hike would substantially increase that burden for those that are already struggling to make ends meet. TVA proposes a Gas Plant that would continue to pollute a community that we call home. He is asking for the Board's support in stopping them from continuing to affect black lives and black communities in this way.

Joe B. Kent - 5111 Flamingo, Memphis, TN - joining 21st Century Memphis or Bust also a proud local conspiracy theorist and Founder of Taxpayer Justice Institute – Mr. Kent stated that he has proven a number of local conspiracies. Mr. Kent believes that excessive contracts are being approved by this Board to pad the MLGW budget to justify the hefty 12% electrical rate increase. He suspects there are likely other contracts than the ones he mentions, but to start, the \$227 million tree trimming

contract, the \$18 million customer service contract after Doug McGowen noted improved wait times in the range of three minutes. He believes in light of that improvement that the \$18 million contract is unnecessary. Mr. Kent stated that he did not know why we needed a \$16 million paving contract when the City of Memphis also has a paving contract. Mr. Kent states that perhaps it would have been more cost effective to team up with the City of Memphis and also asked what exactly are we paving.

Dennis Lynch - 347 N. McLean, Memphis, TN - Civil Engineer and Mechanical Engineer - Sierra Club Conservation Chair and was on the MLGW Power Supply Advisory Team – Mr. Lynch asked about the process to get approval for the investments in new methane gas burning turbines? What is the purpose of these proposed new turbines? Is it to generate more base load electricity over and above the current capacity of Allen Gas Plant or is it to provide increased peak capacity? Mr. Lynch states that he has not seen a daily energy demand occur in any of the reports that MLGW or its consultants have done. Mr. Lynch states that is when we need to look at the peak. Mr. Lynch states he has also not seen any peak saving strategy. You don't just spend your money for solutions to every problem. Has TVA met the environmental requirements? What are the forecasting assumptions here at MLGW?

Representative Justin Pearson - 1110 Starline Road, Memphis, TN 38109 - stated that a gas build out during a climate crisis is not wise. Representative Pearson believes there should be equitable rates across the county and believes that if the rate increase is to attract companies, then he does not believe the cost should be bore by the residents. Representative Pearson also believes that the proposed gas plant will increase pollution problems, stating that Shelby County has an "F" in air quality. He stated that both of his grandmothers lived in South Memphis and they both passed away from cancer. Representative Pearson on behalf of Sarah Houston, Executive Director of Protect our Aquifer, mentioned the U of M Aquifer Study that revealed a strain on our water system in South Memphis and stated that a gas plant would increase that strain. Also, new industrial customers will increase the strain on the system and they should be responsible for that strain.

Mary Catina Jackson - 514 E. Gage Avenue, Memphis, TN 38106 - lives two miles from the gas plant that is releasing toxins into the air. States that she just lost her mom to cancer, and she does believe that contributed to that. She also discussed the utility bills. She states that she pays her bill down to zero every month no matter how much. She states that the estimation needs to stop. They need to come out and read the meters like they used to.

Glenda Hicks - 3090 Woodthrust Drive - 21 Century Memphis or Bust - discussed past budgeted improvements and discussed how they did not help improve the utility services. Ms. Hicks also spoke of the delayed and estimated bills and poor customer

service. Ms. Hicks stated that MLGW is a publicly owned utility company and asked that its customers be given the respect of investors.

PRESIDENT'S BRIEFING

Review of Regular Agenda – President Doug McGowen

The original of the resolutions and documents relating to each item is filed in the vault of the fifth floor of the MLGW Administration Building, 220 South Main. The original documents shall control in the event of any conflict between the description and these minutes and the original documents.

(President's Briefing Continued on Page 117)

REGULAR AGENDA **(Items 1 through 4)**

President McGowen thanked the public for coming down and voicing their opinions and concerns. President McGowen stated that he has met with many and corresponded with others through emails sharing information about their concerns. President McGowen continued by stating that the focus and effort of the FY24 Budget is reducing the frequency and duration of electrical outages as well as maintaining the quality and reliability of our water and gas utilities. President McGowen stated that this budget does propose several bold initiatives over and above the initiatives that were put into place in the Way Forward Plan. The FY24 Budget builds on top of the investments that were made there. President McGowen stated that the MLGW reliability and resilience roadmap anticipates expenditures of \$1.2 billion through FY28 to build a distribution system that is more reliable today and can meet the challenges of tomorrow. President McGowen stated that the FY24 Budget will invest \$229 million to advance the reliability and resilience roadmap. President McGowen noted that some of the significant improvements and initiatives that are proposed to be funded by this budget in FY24 are the continued replacement of aging substation, transformers and circuit breakers, replacement of wooden poles, replacement of underground cable, installation of distribution automation switches, build out of PLTE infrastructure, build out of ADMS with FLISR, build out of new SCADA/System Operations/USC, and architectural and engineering and procurement for generation and storage initiatives. President McGowen gave a more in-depth overview of initiatives in Electric, Gas and Water as well as how we are positioned in each. President McGowen stated that he has looked at every way to fund the budget without rate increases.

Dana Jeanes provided to the Board a budget overview stating that the overall focus of the FY24 Budget is improving reliability and resiliency specifically in electric by budgeting \$228 million for tree trimming versus \$100 million over five years, continued replacement of infrastructure and moving to a modernization of the electric grid. The

FY24 Budget also proposed a wage increase of 5% for non-bargaining unit employees and 3.5% for bargaining unit employees, an additional 116 new positions, a modest multi-year electric rate increase, and no rate increase for gas and water. Mr. Jeanes reported that the total regular labor will increase \$22.3 million which is 10% over the 2023 Budget. Wage and premium increases account for \$11.5 million of that \$22.3 million and the net new positions make up \$10.8 million of that increase. Mr. Jeanes reviewed changes from when the FY24 Budget was presented on October 4, 2023. Mr. Jeanes reported that the total operating and capital budgets for all Divisions to be \$2,311,954 billion. Mr. Jeanes continued by giving a summary for each Division. Mr. Jeanes reported that the operating margin for Electric is \$51.1 million higher than last year's budget primarily due to the proposed 4% rate action. Mr. Jeanes stated that power costs are projected to be flat due to decreasing TVA fuel cost offset by TVA rate increase action. The capital expenditure for the Electric Division is \$41 million higher than last year. Mr. Jeanes reported that the operating margin for the Gas Division is \$1.2 million higher than last year's budget due to a slight increase in sales volume, however, there are no proposed rate increases for Gas. Mr. Jeanes stated that the operating expenses have increased, and the capital expenditure is \$11.7 million higher than last year's budget. The total expenditure for the Gas Division is \$35,994 million. Mr. Jeanes reported that the operating margin for the Water Division is \$1.2 million lower than last year's budget and the capital expenditure is \$15.1 million lower than last year's budget. The total capital expenditure for the Water Division is \$27,463 million. Mr. Jeanes provided capital highlights for Electric, Gas and Water. Mr. Jeanes provided the Board with a five-year capex plan summary noting that MLGW plans to invest significant capital into each division and the total projected five-year investment for 2024 through 2028 is \$1.5 billion. Mr. Jeanes provided financial metric targets and cash flow projections for Electric, Water and Gas.

President McGowen reviewed the schedule of the Budget. President McGowen stated for the record that Commissioner Person was attending via Zoom and had been present since the beginning of meeting.

Commissioner Pesce asked about the requirement of days of cash on hand. Dana Jeanes responded. Commissioner Pesce also asked about the federal grant funds that we received. President McGowen responded.

Advisory Board Member John Butler asked about the cost to purchase and generate gas, electric and water. President McGowen and Dana Jeanes responded.

Commissioner Graves revenue adjustments for uncollectables and asked if that has gone up due to our billing issues? Dana Jeanes responded. Commissioner Graves asked what are forfeited discounts? Dana Jeanes stated those are late fees. Commissioner Graves asked about the operating expense of electric. Dana Jeanes responded that just noticed that the transmission number and the distribution number

may have been transposed. Commissioner Graves asked about the gas sales revenue declining. Dana Jeanes responded. Commissioner Graves asked if we have any concerns regarding gas prices due to what is going on in the Middle East. Dana Jeanes and Alonzo Weaver responded. Commissioner Graves asked about the A & G Expense in the Water Budget. Rodney Cleek responded. Commissioner Graves asked about Aero Derivatives. President McGowen responded. Dana Jeanes also responded to say that we have built into the budget where this could pay for itself. Commissioner Graves asked if we focused on making residencies more energy efficiency, would we even need additional power? President McGowen responded. Commissioner Graves asked about the Water Capex Plan jumping insignificantly in 2025 and 2026. Dana Jeanes responded that is mainly because of the New Allen Pumping Station Plant. We will be rebuilding the station on the same site but outside of the building that is in now, so it is a substantial project.

Commissioner Person via Zoom asked what the impact to the ratepayer as to the rate increases and what those funds will be invested in. President McGowen responded. Commissioner Person asked what are the risk that the average ratepayer could experience by us not spending this money. President McGowen responded. Dana Jeanes also responded. Commissioner Person asked if MLGW will still offer customers who struggle to pay their bill some type of program to assist them? President McGowen responded with a list of programs in place to assist customers.

Vice Chairman Pohlman asked the timeline for these improvements and what will Memphis look like in 2025. President McGowen responded.

Advisory Board Member James Lewellen commented.

1. Resolution to approve the proposed budgets for the Electric, Gas and Water Divisions for 2024 operating expenses and 2024 capital expenditures which includes an electric rate increase over the next three-year period. (Doug McGowen) (REQUIRES CITY COUNCIL APPROVAL)

RESULT:	APPROVED [3 TO 0]
MOVER:	Mitch Graves, Board Member
SECONDER:	Cheryl Pesce
AYES:	Michael Pohlman, Cheryl Pesce, Mitch Graves
ABSENT:	Leon Dickson
AWAY:	Carl Person

Commissioner Person joined the meeting remotely therefore he did not vote.

2. Resolution to request the City Council convene as a ratemaking body at a public hearing to consider and determine revisions in MLGW tariffs and rates. (Doug McGowen) (REQUIRES CITY COUNCIL APPROVAL)

RESULT: APPROVED [3 TO 0]
MOVER: Cheryl Pesce
SECONDER: Mitch Graves, Board Member
AYES: Michael Pohlman, Cheryl Pesce, Mitch Graves
ABSENT: Leon Dickson
AWAY: Carl Person

Commissioner Person joined the meeting remotely therefore he did not vote.

3. Resolution to approve the purchase of property totaling approximately 65 acres to establish a multi-functional Utility Support Center, municipally known as 7135 Goodlett Farms Parkway, Cordova, Shelby County, Tennessee, for the purchase price of \$31.4 million and to authorize the President or his designated representative of the Division to execute and deliver the Purchase Sale Agreement and any other documents necessary to complete the transaction. (Doug McGowen) (REQUIRES CITY COUNCIL APPROVAL)

RESULT: APPROVED [3 TO 0]
MOVER: Cheryl Pesce
SECONDER: Mitch Graves, Board Member
AYES: Michael Pohlman, Cheryl Pesce, Mitch Graves
ABSENT: Leon Dickson
AWAY: Carl Person

Commissioner Person joined the meeting remotely therefore he did not vote.

4. Resolution approving an Asset Purchase Agreement for the acquisition of a 600MHz license issued by the Federal Communications Commission to Bluewater Wireless II, L.P., with FCC call sign WRBV764, covering the counties of Shelby TN, Tipton TN, and Crittenden AR, in the amount of Twenty-Seven Million Dollars (\$27,000,000.00). (Nick Newman) (REQUIRES CITY COUNCIL APPROVAL)

RESULT: APPROVED [3 TO 0]
MOVER: Mitch Graves, Board Member
SECONDER: Cheryl Pesce
AYES: Michael Pohlman, Cheryl Pesce, Mitch Graves
ABSENT: Leon Dickson
AWAY: Carl Person

Commissioner Person joined the meeting remotely therefore he did not vote.

Review of Consent Agenda – President Doug McGowen**CONSENT AGENDA**
(Items 5 through 12)

RESULT:	APPROVED [3 TO 0]
MOVER:	Mitch Graves, Board Member
SECONDER:	Cheryl Pesce
AYES:	Michael Pohlman, Cheryl Pesce, Mitch Graves
ABSENT:	Leon Dickson
AWAY:	Carl Person

Commissioner Person joined the meeting remotely therefore he did not vote.

VP of CUSTOMER EXPERIENCE and ENERGY SERVICES

(None)

CHIEF INFORMATION OFFICER

(None)

COMMUNITY & EXTERNAL AFFAIRS

(None)

DESIGN CONSTRUCTION & DELIVERY

5. Resolution approving a twelve-month extension of purchase order number 7008922 to Memphis Ready Mix for concrete. (Randy Orsby)

ENGINEERING & OPERATIONS

6. Resolution approving the execution, delivery and performance of an Amendment to the Natural Gas Supply Agreement with the Municipal Gas Authority of Georgia, for the sale and purchase of natural gas, and other documents respecting the natural gas prepayment transaction. (Nick Newman) (REQUIRES CITY COUNCIL APPROVAL)
7. Resolution approving Change No. 5 to Contract No. 12013, MLGW Water Engineering & Operations Generator Maintenance and Repair with Cummins, Incorporated (This change is to extend the current contract for one year in the funded amount of \$24,760.00, which reflects a 5% increase from the previous renewal due to increases in material costs.) in the funded amount of \$50,000.00. (Randy Orsby) (REQUIRES CITY COUNCIL APPROVAL)

8. Resolution approving Change No. 1 to Contract No. 12385 (solicited under Contract No. 12302), Substation Engineering Services (Transmission) with Allen & Hoshall, Incorporated (This change is to renew the current contract for the first of four annual renewal terms for the period covering December 14, 2023 through December 13, 2024) in the funded not-to-exceed amount of \$300,000.00. (Randy Orsby) (REQUIRES CITY COUNCIL APPROVAL)
9. Resolution approving Change No. 1 to Contract No. 12386 (solicited under Contract No. 12302), Substation Engineering Services (Substation) with Allen & Hoshall, Incorporated (This change is to renew the current contract for the first of four annual renewal terms for the period covering December 5, 2023 through December 4, 2024) in the funded not-to-exceed amount of \$300,000.00. (Randy Orsby) (REQUIRES CITY COUNCIL APPROVAL)
10. Resolution approving Change No. 1 to Contract No. 12302, Substation Engineering Services (Protection) with Fisher & Arnold, Incorporated (This change is to renew the current contract for the first of four annual renewal terms for the period covering November 21, 2023 through November 20, 2024) in the funded not-to-exceed amount of \$500,000.00. (Randy Orsby) (REQUIRES CITY COUNCIL APPROVAL)

PRESIDENT

(None)

SVP, CFO & CAO, FINANCE

(None)

SVP, CHIEF OPERATING OFFICER

(None)

SHARED SERVICES

11. Resolution awarding a purchase order to Automotive Tool Group for connectors in the amount of \$264,220.00. (Randy Orsby) (REQUIRES CITY COUNCIL APPROVAL)
12. Resolution awarding a twenty-four month blanket purchase order to Mueller Company LLC., for fire hydrants in the amount of \$2,055,725.28. (Randy Orsby) (REQUIRES CITY COUNCIL APPROVAL)

VP & GENERAL COUNSEL

(None)

CHIEF PEOPLE OFFICER

(None)

PRESIDENT'S BRIEFING CONTINUED**Other - Doug McGowen**

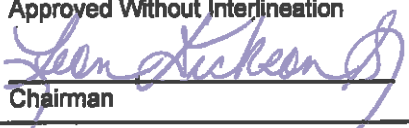
President McGowen had no further items or business to present to the Board.


COMMITTEE REPORTS:

(None)

ADJOURNMENT

There being no further business, the meeting was adjourned at 10:56 a.m. (See Minutes File No. 1487)

Approved Without Interlineation

Chairman

These Minutes Compiled by Undersigned
and are Correct

Secretary-Treasurer 