

MINUTES OF THE SPECIAL MEETING OF THE CITY COUNCIL OF THE CITY OF CLARKSVILLE,
ARKANSAS, HELD IN THE CONFERENCE ROOM OF CITY HALL ON APRIL 09, 2024, AT 6:00 P.M.

PRESENT: Mayor David Rieder and City Clerk/Treasurer Barbara Blackard.

ALDERMEN PRESENT: Patrick Baker, Eddie Bradley, Susan Edens and Christel Thompson.

ALDERMEN ABSENT: Eddie King and Robert Risinger.

Alderman Edens made a motion to approve the agenda which Alderman Baker seconded.
Vote aye: Baker, Bradley, Edens, Thompson.

Clarksville Footwear Munro Company

Mayor Rieder presented the contract with Clarksville Footwear Munro Company located at 401 Cline Road, Clarksville, Arkansas consisting of 10.09 acres more or less plus buildings. Economic Developer Stephen Houserman stated there were some structure issues with the property. The roof being the primary concern; secondary was the HVAC system. After requesting quotes, it looked to be about a \$1.5 million project. The building itself was not holding value. They had tried to find funds that could accommodate that and provide a lease for the new client that would make sense for both the city and the client. They received a phone call earlier this week, and they think the funds may be available. The state has run a CVA on the project itself, and they see it as a high value project not only for Clarksville but also for the State of Arkansas. There is a financial support arm built into that. They would have the exact idea of what that looks like on Thursday. They have an opportunity to not only save the building but to save the jobs that are currently working out of there and expand to 143 positions over the course of three to five years. Mayor Rieder asked for the appraisal on the building. Stephen Houserman stated the building had appraised at about \$615,000.00 which seemed like a fair market price, but after inspecting the roof and HVAC that obviously was not the case. Working with the property owner currently they are amenable to \$300,000.00 which is the contract amount. Alderman Thompson asked why the company that was going to move into the building was not just purchasing it. Stephen Houserman stated we were in competition with another community that was recruiting them there, and it is a battle between who can provide the better offer. They currently have operations in another state that has a building in similar size and scope that is already owned by that city, and they are paying little to no lease on it. This would keep us competitive, and we would still be able to work out a lease arrangement with them where we could set up a maintenance fund. Alderman Thompson asked if the city would be able to wait until we have exact information about funding for the \$1.5 million improvement grant. Stephen Houserman stated he felt that was appropriate; what they were trying to accomplish tonight was conveying an interest with contingency that if and when it is available the city would have an appetite to acquire the property. Mayor Rieder stated the other drawback to that is their timeline to get shifted from the current location to where they want to go. It was not only our timeline, but we have had roofing and HVAC companies look at the project, so we were confident in what it was going to take to get the project up to code. Mayor Rieder stated it is an economic development project with 105 jobs and an average salary of \$52,000.00 which was a pretty good investment. Stephen Houserman stated they ran a couple of CBAs with different figures. One with \$800,000.00, that was when they were looking at doing the entire purchase, and the return on the investment with 133 jobs would be 6 to 7 years. The economic actualization of their activities here pushes it back to 9 to 10 years. Alderman Edens stated we would be meeting for the regular meeting on Monday since it had to be moved. The meeting with the state was on Thursday. It just seems logical to see what comes out of the meeting on Thursday to have a more complete picture. Mayor Rieder agreed to wait until Monday. No action was taken.

Ordinance Authorizing CCU Purchase Power Agreement

Mayor Rieder introduced an ordinance entitled: AN ORDINANCE AUTHORIZING CCU TO EXECUTE A 30-YEAR PURCHASE POWER AGREEMENT WITH SPADRA HOLDINGS 1.0, LLC; WAIVING FORMAL BIDDING, DECLARING AN EMERGENCY; AND FOR OTHER PURPOSES. The clerk read the ordinance in its entirety. Clarksville Connected Utility (CCU) Attorney Jason Carter stated that the CCU Commission had just finished discussing this purchase power agreement. Consistent with what the ordinance is showing, the CCU Commission has voted to request your authorization as is reserved under the authority that establishes the CCU Commission. They ask for your permission to enter this agreement according to the key terms that you see before you. The final document may be tweaked along the way, and the board identified some things they wanted to change within the contract, specifically some upgrade charges that they want to discuss and get ironed out before they are done. The key terms will remain unchanged: that the generation output would be in the realm of 13 to 26 megawatts measured as direct

current; that the location will be on city property; that there is an expectation within this contract that the city property is being provided at a nominal lease, meaning it will be like \$10 a year and other good and valuable consideration; that it is low cost, that is important for you. There will be a lease that will be brought to you that will have those terms with the property description. That will be key to having this contract move forward. The price is \$0.499 per kilowatt hour and has a 2.5 percent escalator per year. The term would be for thirty (30) years. Those were the terms they were asking you for approval of on behalf of the CCU Commission. The resolution was approved by the commission by 4 votes for, no votes against, and 1 abstention. That is the request being presented. Brian Brogan addressed the council via Zoom. Brian presented a PowerPoint presentation (copy attached). Mayor Rieder stated that recently the city paid to have a study done to find out if there was enough power to power the actual data center. The study came back that there was no power out there. If you cannot turn the lights on, you cannot create jobs because there is no power out there. In the end this will be creating excess power beyond what we need. A friend had told him that life was about risk management, and particularly for a utility that is so complex. CCU has to deal with the risk management. A lot of the risk can be mitigated, but the overarching thing here is the power supply we have in Clarksville is as much as we will ever grow. When we turn the power on to Munro Shoes and Hanes Brand we are tapped out. At what point do we change that and take hold of our own future? Figure out how CCU can become a generation source and collect revenue for every kilowatt they send down their line. On a 250-kilowatt plant at three tenths of a penny for every kilowatt that goes down their lines that is about \$7 million a year. We are currently at a roadblock with power. These folks have the answer if we can just figure it out. The CCU commission along with Jason's help has gotten us to the point where most of the risk is mitigated. But is this the way we really want to go is the question. From his stance we have no choice. Alderman Thompson asked if someone from CCU could speak to the draft. Jason Carter asked if there were particular questions. Alderman Thompson asked when they said it was in draft form could you give a timeline on when it would be presented to CCU and who would approve it. Jason Carter stated the agreement was substantially complete, and it was modeled off of a similar agreement between TPI and North Little Rock so most of the terms are pretty clear. In presenting this agreement to the CCU Commission they had some questions that they had some different expectations than there were in North Little Rock, especially with the interconnection costs, so they still needed to get that sorted out. Other than that, most of the terms are uniform and apply normally, so that could come back to the commission pretty quickly. Alderman Thompson asked if he foresees the questions that CCU had questions about being able to be resolved? Jason Carter stated he thought they were resolvable, but they would not know until they presented that. You have to put the issue on the table and see how it is received. They would negotiate with the counterparties, present the issues, explain why they have that issue, and see how they respond to it. The bulk of the terms are well negotiated except for a couple of differentiating points the commission pointed out. Some were pointed out by Roy Young, the General Manager, and they would make sure they got those addressed before they proceed. Alderman Bradley asked Roy Young if he felt good about this. Roy Young stated he did if the changes were made. Alderman Thompson asked if the ordinance would be authorizing us to accept as it is in final form. Mayor Rieder stated no, when we rewrote the ordinance establishing the CCU Commission the one thing we did was the council took control of all the indicia of debt. It used to be they could do contracts with OMPA or anybody else and not bring it before the council, but that affects rates, so the language that was put in requires the council give them authority to sign any indicia of debt that would affect the rates. If they are buying power now for \$0.05 a kilowatt-hour, then they sign one for \$0.07, that effectively changes the rate, and you do not have anything to say about it. That was changed, and they cannot sign that without council authority. This gives them the authority to sign an agreed-upon contract. Jason Carter stated what the commission was requesting, pursuant to the authority that has been withheld by the council, is that you would approve the execution of a power purchase agreement according to those key terms. It was going to be substantially similar in form and content to the agreement that you have attached. There may be differences, but they are working them out as they go forward. The difference you can hear from the conversation are going to be CCU specific differences with interconnection and things that do not involve the city as much. He did request they pay attention to the provision of lease of a piece of city property at a nominal rate. That would involve the city; it would be a lease agreement coming back to you. This agreement contemplates that we would enter into such a lease. Mayor Rieder stated that Gordon Wilbourn was working on the lease agreement, the PILOT program, through Stephen just like we did with Tyson. Alderman Edens asked about section 2 in the ordinance, the bidding waived, which was also an unusual situation. Normally we would have the bidding, so this was just unique to this situation. Jason Carter stated that was where you can see that he had described 14-58-104 (9) that talks about how wholesale purchases, we are purchasing power for retail, which may be exempt from bidding. Overall, this is important to disclose that, but it is a decision for the city council to make. We did not go through a traditional bidding process. If we were procuring any purchase power agreement, he would not go through a traditional bidding process. Something else would be used as a solicitation method is what he would prefer to do. This is unique because it is a project that is tied into and contemplates a greater economic development effort that has been presented to you tonight. That is the

unique nature of this project. We are talking about forthcoming generation of facilities that are not just unique to the City of Clarksville but unique to the country. Mayor Rieder asked Brian to explain how project 1.0 was tailored to the other projects. Brian stated that it was a clear demonstration that a local utility and a local municipality is able to transact and move through an investment project like this. Some of the later stage projects will require cooperation and strategic energy structuring. Some have to take place in order for the economic development projects to happen. This project is a steppingstone for the demonstration of these projects and the understanding of what needs to happen, and we can point to as an investor and partner standpoint what we can get done. It is a mirror image of being able to get that through. Alderman Edens stated she had a few questions just to understand the logic. When you talk about the timeline from now until you need staff for the first phase Project 2.1, how does a small community like Clarksville, even though they are in a great location, go from talking about this to creating that seed core staff for these projects? Even though they were working in partnership to develop curriculum with area colleges, how do you actually from the very beginnings start that. Say you are ready to open the doors, but you do not have staff yet. Mayor Rieder stated that they had already had conversations with Dr. Dunsworth at U of O, and he did not know if they had talked to Arkansas Tech. Stephen could talk about the workforce development; some of the conversations had already begun. Brian stated that Clarksville had been put on the radar from an economic development standpoint by having these conversations and discussions with the leading engineers, manufacturers, suppliers, and data center customers, etc. Why that is important is you have already been put on the map by these investors, and it will be from a job standpoint once you have the large institutional players that are seeing the opportunity in front of them. It will be clear that they will continue to come. They are lining up strategical, bankable organizations, agri-parks such as the biomass project, a large publicly traded company that is leading the space. Which has already created high visibility across the board. George stated that when you build a facility like this biomass plant, it requires a certain set of skills of its employees. Fundamentality you could have built this plant next to MIT which is the most competent engineering college in the world. None of those kids would be qualified to work in this plant. When you build a plant like this, you employ the people in the early on stages so that they see the plant being erected. They see how it is put together; they have to learn how it is going to operate from inside out because once it is put together you never take it apart again. You need to understand what is going on in it not just mechanically; you need to understand which valve to turn that does what. You need to understand how it affects other vessels. The employees are hired on early to be trained. They have to understand the control systems and instrumentation. When this instrument says this, it is an uh-oh moment, and this one had better not say that. You teach the skills, and this could be on the job training. For example, there will be a lot of programmable logic controllers within the facility. It is sort of on-board computers that have to be programmed, and sometimes they need to be tweaked and reprogrammed or reset completely depending on product input and output. The manufacturers will have their staff on site training these employees as the project is being built. When this plant is operational, and we hit the go button, the entire staff is ready to go. You do not just build the plant and then recruit people; they have to be recruited and trained along the way so that they understand exactly how every piece of this process works. If you look at the picture, everything on the far left impacts everything on the far right and everything in between. It is monitored from master control stations; those guys are the heart and soul of this type of environment. You will not see 300 people running around on this site. It is heavily automated, but there will be people within certain sectors that are responsible for certain sectors of operation, and they are trained along the way. They want to instill that sort of future curriculum into the schools so that they can teach PLC programming; they can teach electronic circuits and things like that: higher level thermodynamics and the sciences that will allow them to participate and become future employees. This is phase 1, and the plant is going to grow, so right behind it there will be another and another. That is how they integrate into accumulative. Mayor Rieder asked for additional questions or comments; none were received. Alderman Bradley made a motion to place the ordinance in the second reading which Alderman Baker seconded.

Vote aye: Baker, Bradley, Edens, Thompson.

The clerk read the ordinance by title.

Alderman Edens made a motion to place the ordinance in the third and final reading which Alderman Bradley seconded.

Vote aye: Baker, Bradley, Edens, Thompson.

Alderman Thompson stated she had one more question. Could they go into detail about what this would cost CCU. Mayor Rieder deferred the question to Brian. Brian stated the power purchase agreement was designed where you are paying for the power produced per kilowatt hour. There is little risk to the city in terms of actual power generation that comes in. This is all the power that you are already currently paying for. How it is structured is your cost per kilowatt hour is less than what is currently on the market. So, there is no capital outlay for the city to do the constructive building of this project. However, you are providing the land for the project to be built upon. That is what the city is giving up, the land to build and construct upon. All of the construction has investors and parties that are owning and

operating which puts little risk to the city, which is how the power purchase agreement is designed. If the system does not produce, the city does not pay. The design is to limit any risk and cost exposure. Mayor Rieder stated this was designed as DC to AC conversion, and it is not going to overload any of the transformers on the west side or east side. We have more power coming in on the east side, and we are not going to overload that. It is designed to come in on the west where it can carry the load. Brian stated that was correct. The exact portion of the interconnection is something that is going to be nimble based on the most recent usage, but the intent is to design the system to match the city's load as much as possible. You will see a range of system sizes in the power purchase agreement which will be finalized as we get through the final engineering and development with CCU. Mayor Rieder stated that SunCloud would be buying the stepdown transformer on the low side of the interconnect off Massengale. Brian stated the intent of the power purchase agreement is to keep everything isolated on the property, to step it up into CCU's grid at the voltage that is necessary for that grid. That is minor engineering details that will be worked out on the specifics. CCU will not be financially responsible for the asset management of the system and any other on-going services. It is the way the power purchase agreement is designed; the system produces, and the city pays. If the system is not producing, the city does not pay, which limits any exposure. Jason Carter stated to directly answer the question as to the cost of power over a 30-year agreement, he could not tell what the cost of power will be. Alderman Thompson stated she understood that; she was asking more about the build of the site. She would not want to see CCU put out a bunch of money to build this. Jason Carter stated he had some pretty clear marching orders from the commission, and they were things they would have to work out in the agreement. This is a contract that will determine the price; it changes a variable into a known number. For the volume of power that is generated you will purchase that power, and you know how much that power is going to cost because it is in that table. What does that compare to for the market value of power for 10 years from now, 20 years from now, or 30 years? We do not know, and nobody knows. We try to plan to manage the risk, reduce the variability, and the cost of power to make the best investment that we can. If we are going to trade variable for a fixed, we want that fixed cost to be as low as we can get it. That is what we want it to be and to manage that process. Mayor Rieder asked is it a good or is it a bad deal to spend \$7 million to make \$14 million over the duration of your life? Because when you say we do not want to put a bunch of money into it, if I can spend 7 to get 14, why would I not do that? That is a two for one return, and when it is a 30-year deal, that is guaranteed \$15 million a year for 30 years. He was not saying that is actual numbers; he was just saying. Roy, if I could encourage you to spend a million dollars in terms of a revenue bond or something like that so you could make 5, then by all means do not even come ask me, just get after it. If you can spend 1 and make 5 in perpetuity, you would be silly for even asking the question. That is what these guys are dealing in. When you are talking billions of kilowatts, you are talking portions of a penny. It is a big, big bunch of money. We are drinking from a fire hydrant over at CCU. That has taught us so much because the numbers are so big his iPhone will not even calculate it; you have to use a computer. Alderman Thompson asked if any of these had been built anywhere else? Brian stated yes, he had been in the energy space for the last 15 years with cities, municipalities, tech companies; you name it. Many structured under power purchase agreements and different financing vehicles. Our partner in today's power is based out of Little Rock and has built them all over the state and throughout the region. It is one of the top builder operators in this space. That is why they are in a strategic partnership with them, and they are excited to work with them. The answer is yes. Mayor Rieder asked a question for Chadwick. How much data are you going to need? How much CCU fiber are you going to need to run the facility? Chadwick stated that was actually a broad question. Mayor Rieder asked that he just give a ballpark figure to give them an idea of how much fiber optic CCU can sell. Chadwick stated that they would end up basically funding the burying of the fiber cable because the data centers need to be supported by buried cable at least to the interconnect and then tying into the CCU fiber, so that presents an opportunity for CCU to drop additional conduit to ride along as well. So, any CCU that is above ground if it goes along the same route, it can go underground. Any additional routes that are added to the CCU footprint can be brought into the picture as well. Rob was asked how much data would be needed to run one data center. Rob stated that you would be talking about several hundred terabytes of data. You are talking about 30,000 processors. Alderman Thompson asked if this power purchase agreement would take the place of the one that we have currently, or would it be in combination with OMPA. Jason Carter stated it would be in combination with the contract with OMPA. Right now, the current version of the OMPA agreement would prohibit this contract, but they have been in conversations with OMPA and talked to them about this project. They have been given assurances that they could modify the contract they have or relook at the structure as a whole with the wholesale power contractor to be able to get the flexibility they need to be able to accommodate the projects they need. That has to fit within OMPA's operational framework. They are a non-profit municipally owned service provider. We are not Oklahoma; we are Arkansas, but they have 42 Oklahoma cities that own that organization and who they provide services to. They provide services to Clarksville and have for a long time. OMPA is proud of that, and they want to keep CCU as a customer, and they are excited about the projects that are forthcoming and want to participate and provide whatever solutions they can for the utility. Alderman Thompson stated that was good to hear.

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Mayor Rieder called for a motion to adopt the ordinance. Alderman Baker made a motion to adopt the ordinance which Bradley seconded.

Vote aye: Baker, Bradley, Edens, Thompson

Alderman Bradley moved to approve the emergency clause which Alderman Baker seconded.

Vote aye: Baker, Bradley, Edens, Thompson.

Ordinance No. 24-942 passed 4-0.

After motion and second the meeting adjourned at 7:09 p.m.

Mayor David Rieder

ATTEST:

City Clerk/Treasurer Barbara Blackard