

**PERU UTILITIES
MINUTES OF THE PERU UTILITIES SERVICE BOARD MEETING OF
JUNE 1, 2016**

The Peru Utilities Service Board held a meeting at the Peru office at 335 East Canal Street, Peru, Indiana, on Wednesday, June 1, 2016. The meeting was called to order by Mr. Akers at 4:00 p.m. following an executive session pursuant to notice as required by law. The following Board members were present: S. Akers, M. Costin, G. Ward, and J. Edwards. Others present: P. Roberts-City Attorney, J. Pandey, L. Starkey, B. Tillett, M. Dahlquist, M. Walsh, L. France, S. Hines, T. Alley - City Council Liaison, and B. Yankey-Peru Tribune.

1.) APPROVAL OF BOARD MINUTES OF MAY 11, 2016:

Mr. Ward moved to accept the Board minutes of May 11, 2016, meeting as mailed. The motion was seconded by Mrs. Edwards. The motion carried.

2.) PAYMENT OF CLAIMS:

A motion was made by Ms. Costin to approve the claims as presented, seconded by Mr. Ward. The motion carried.

3.) NEXT REGULAR MEETING:

The next regular meeting will be held Wednesday, June 15, 2016, at 4:00 p.m. in the Utility Service Boardroom.

4.) OLD BUSINESS: None

5.) NEW BUSINESS: None

6.) CITY ADMINISTRATION UPDATE: None

7.) CITY ATTORNEY'S UPDATE:

Mr. Roberts said that he is reviewing several claims and would report his findings to the Board at a later date.

8.) MANAGER'S REPORT:

REQUEST FOR AGENDA TIME FORM:

Mr. Pandey presented the Board with a draft form; "Request for Agenda Time", which he was accustomed to using for public meetings. The form is designed to give both the Board and staff the opportunity to prepare necessary information in advance pertaining to any issue or request to an individual planning on attending a meeting. If someone would like to be placed on an agenda to talk about a subject at a board meeting, they would need to fill out a request form and submit to the General Manager's office prior to an upcoming board meeting. The form will contain pertinent information, person's name, address, phone number, e-mail address along with the issue that they would like the board to consider. A person wanting to attend the meeting would not necessarily have to complete the form. Individuals could still attend a meeting without filing a form in advance. The Board indicated that they were all in favor of using the request form. Mr. Akers inquired how a person would

obtain the form. Mr. Pandy said that they could call him, or get in touch with Brenda; the form can be mailed, or e-mailed.

MIKE DAHLQUIST’S RESIGNATION:

Mr. Pandy reported that Mike Dahlquist has submitted his resignation letter to join another company to better his career. Mr. Pandy said that he accepted his resignation with regret and that Mike would be missed, he is a great asset to the team. Mr. Dahlquist thanked the Board and Peru Utilities for the opportunities given to him along with educational assistance. Mr. Akers stated that the Board was sorry to lose Mr. Dahlquist’s talents and extended well wishes to him in his new endeavors.

JUNE 6, PERU CITY COUNCIL MEETING:

Mr. Pandy confirmed that he will attend the June 6th Peru Common Council meeting. On the June 6 agenda is: Resolution 8, 2016 - 3rd Quarter 2016, Electric Rates Tracker adjustment, Ordinance 6, 2016, establishing the schedule or rates and charges for the services rendered by the Municipal Water Works of the City of Peru, and Resolution 7, 2016, appointing a new commissioner (Mr. Joe Pandy) to the Indiana Municipal Power Agency.

2015, CCR ANNUAL WATER CONSUMER CONFIDENCE REPORT:

Mr. Pandy noted that a copy of the annual 2015 Water Consumer Confidence Report has been sent to all of our customers.

SENIOR STAFF MEETING:

Mr. Pandy said that the senior staff had met on Thursday, May 26, 2016, to gain insight into what each division is doing. The staff made the decision to meet on Thursdays, prior to Board meeting dates.

TOUR OF PERU UTILITIES:

Mr. Pandy noted that he had toured the facilities with all the superintendents and is favorably impressed with the operation and maintenance of the utility systems; along with the employees. He noted that he had not found anything of serious concern and that it had been an intense couple of weeks.

MIAMI COUNTY ECONOMIC DEVELOPMENT AUTHORITY:

Mr. Pandy will meet with the Miami County Economic Development staff this Friday, and will attend MCEDA’s Board meeting on June 8, 2016. He is working with economic development and is also thinking about different ideas as to what to do with the outdated power plant.

POWER PLANT TURBINE:

Mr. Pandy said that Orrville Ohio Utilities has a 22-megawatt steam turbine identical to ours. They had burned out the rotor on the generator and the manufacturer had informed them that we have an identical unit. Mr. Chance had been talking with them about selling our rotor. They would like to cherry pick our power plant and just purchase the rotor, which would leave the generator and steam turbine connected to it obsolete. Mr. Pandy noted that we should sell them the complete turbine, and get a decent value for it. IMPA had assisted in helping us to value the equipment. Mr. Pandy noted that in his experience he did not know of another use for the vintage equipment. It was noted that we hadn't exchanged pricing or value information with Orrville Ohio Utilities yet. Mr. Ward asked if IMPA had given us a value on our equipment yet. Five years ago the cost to rewind a 38-megawatt gas turbine generator, which is larger and not the same vintage as ours, was \$375,000.00. Mr. Pandy felt that Orrville Utilities would be interested in rewinding their existing generator at a cost of several hundred thousand dollars. In doing so, Mr. Pandy felt they would lose their generating capacity while this was undertaken over a period of 6 months to a year. They showed us pricing from two different marketers on selling a used unit that ranged from \$925,000.00 to \$950,000.00. Mr. Pandy stated our opening price would be around \$900,000.00 for our generator that Orville is showing interest in. Mr. Chance is working on the value of the scrap metal; he is having trouble finding the actual weights of the metals. Mr. Ward inquired how Orrville Utilities is able to continue to operate and meet the current environmental standards and we cannot. Mr. Pandy speculated that they probably have converted their plant to natural gas. Mr. Akers inquired if he had been involved in mothballing a power plant. Mr. Pandy said that he was involved the Ottawa Street Station mothballing in Lansing, Michigan, which had three, 25 megawatts units, similar to our units. It was noted that the historic building of the Ottawa power plant was constructed in different colors of brick, starting at the bottom of the building, which was tiered like a birthday cake, with black bricks representing coal and then higher up to red brick, blue and then yellow, so the plant looked like a flame coming up from fire. It was noted that the Lansing community embraced their power plant as a historical significant architectural design. Mr. Pandy was involved in removing the asbestos and wrecking out the salvage value of the metals. He was not successful in securing a tenant for that building. After he had left, the building was sold to Jackson National Life that determined that they wanted a presence in the downtown area on the river and now a beautiful office building. He said that old power plants are heavy steel structures built like Fort Knox. Mr. Chance had determined that there were 26,000 square feet of asbestos in the power plant, plus 230 lead-based paint samples, which will be costly to remove. Unless the Board directed otherwise, we would try to sell the steam turbine generator to Orrville Utilities for a fair price, more than salvage value. Mr. Ward noted that it sounded like a bargain to him.

Mr. Akers and the Board welcomed Mr. Pandy and noted that they were happy to have him. Mr. Pandy briefed everyone that he had purchased a house in the Golden Hills Addition and that it would take some work.

FINANCIAL REPORT:

Mr. Pandey updated the Board on the current financials: Electric Utility has a negative margin of (\$28,000.00), Peru Water Utility has a negative net margin of (\$114,000.00), Peru Wastewater Utility has a negative net margin of (\$63,000.00), and Stormwater Utility has a positive net margin of \$46,000.00. It was noted that Grissom Water and Wastewater Utilities both have positive net margins. Mr. Ward pointed out that there is currently a water rate increase pending with the Peru City Council for the June 6 meeting. Mr. Pandey noted that the negative margins weren't terrible, but there is work to be done. He thanked Leah for the great financial reports.

9.) ADJOURNMENT:

There being no further business to bring before the Board, Ms. Costin made a motion to adjourn. Mrs. Edwards seconded the motion. The meeting adjourned by unanimous consent.

Geoff Ward, Secretary Peru Utilities Service Board