

**PERU UTILITIES
MINUTES OF THE PERU UTILITIES SERVICE BOARD MEETING OF
JUNE 29, 2016**

The Peru Utilities Service Board held a meeting at the Peru office at 335 East Canal Street, Peru, Indiana, on Wednesday, June 29, 2016. The meeting was called to order by Mr. Akers at 4:00 p.m. 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. Pandy, L. Starkey, B. Tillett, J. Languell and T. Alley-City Council Liaisons.

1.) APPROVAL OF BOARD MINUTES OF JUNE 15, 2016:

Mr. Ward moved to accept the Board minutes of June 15, 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, July 13, 2016, at 4:00 p.m. in the Utility Service Boardroom.

4.) OLD BUSINESS: None

5.) NEW BUSINESS: None

6.) CITY ADMINISTRATION UPDATE:

Ms. Costin inquired if the Mayor's office had yet announced a candidate to finish the Peru Utility Service Board term vacated by Mr. Richter's recent resignation. Mr. Akers noted that a few weeks back there was a possible interested party, but he had asked if the Board would change the meeting time. The Board consensus was to keep the meeting time as is, which caused the candidate to withdraw his name. Mr. Pandy stated that yesterday the Mayor's office requested a list of the Peru Utilities Service Board members and their terms. Mr. Pandy felt that the fact the Mayor's office requested the information, suggested to him that the Mayor is reviewing the list for a replacement Board member.

7.) MANAGER'S REPORT:

IMPA RESOLUTION 16-04:

Mr. Pandy distributed copies of IMPA Resolution 16-04 to the board members, noting that presently IMPA has not passed the resolution, but whenever IMPA adopts it, he will be recommending the Board adopt a similar resolution. He explained that according to the Public Utility Regulatory Policies Act (PURPA) if someone wants to (co-generate) sell electricity within the service area of an IMPA member, then the Member must purchase the electricity at the utility's avoided cost. By adopting a similar resolution, IMPA then becomes our negotiating agent with the co-generator. Mr. Pandy felt it logical that IMPA would be the responsible party on our behalf

because our Power Sales Contract states that we are required to purchase our total requirements from them. PURPA requires that we have a plan; IMPA is saying that they will be the agent for any IMPA members that want them to. Mr. Pandy stated that as an IMPA member it is not mandatory to adopt a similar resolution, but with our lack of experience and expertise in price negotiating, he felt it would be a good idea to proceed.

There was discussion and Mr. Pandy explained that the Public Utility Regulatory Policies Act (PURPA) is a federal act and that we would have to pay our avoided cost, which is about \$75 a megawatt hour. IMPA’s avoided cost is whatever the Midcontinent Independent System Operator is paying for power on an annual basis, which is lower than our avoided cost.

Mrs. Edwards inquired why co-generation is becoming more popular. It was noted that Indiana is similar to other states in that we are constructing more renewables. Mr. Pandy said that that co-generation is very demanding due to the many environmental rules and regulations towards cleaner generation. Then you have to take into consideration the risks of what fuel prices will be and what the EPA will implement next. He noted that during his career he had talked to several individuals who had thought about co-generation until they figured what the cost would be.

Mrs. Edwards had read about universities, schools and hospitals investing in renewable energy resources, so that if they lost power they would have their own generation source available. Mr. Pandy said that the Federal Government is encouraging military installations, hospitals and other properties that are controlled by them to invest in the renewable energy market.

Mr. Pandy said that Grissom Air Force Base is in the inquiry stages about the construction of a solar park across from Grissom Air Force Base on a site that is currently backfilled with concrete. It is not sure whether or not it’s our service territory or REMC’s. We have informed IMPA in regards to the inquiry. It was noted that we have a strong interest in the site for a solar farm and that it would be good for our community.

IMPA MARKET OPERATIONS CHART:

Mr. Pandy referenced an IMPA chart regarding member billed demand and member billed energy. It was reported that last month the demand had increased, but the energy usage had decreased. Mr. Pandy reported that supposedly it was the warmest May on record worldwide; but the IMPA data in Indiana showed that the cooling days during the month of May, had decreased.

IMPA ENERGY EFFICIENCY PROGRAM:

Mr. Pandy passed out colored brochures to the Board from IMPA, in regards to the IMPA Energy Efficiency Program, which goes into effect June 1, 2016. The program offers IMPA member’s residential customers to earn rebates on qualifying heating,

ventilation, and air conditioning installations, along with commercial and industrial rebate incentives. Mr. Pandy noted that the rebate per unit is cash money; IMPA will write a check to customers who install more energy efficient equipment. Recently, Mr. Chance was trained in Key Accounts and is now equipped to communicate the tools and incentives for commercial and industrial customers to reduce energy use and save money. Unless the Board objected, Mr. Pandy will see to it that the program is offered to our customers. The Board had no reservations and approved the program.

INDIANA MUNICIPAL ELECTRIC ASSOCIATION MEMBERSHIP:

Mr. Pandy briefed the Board that IMEA had recently solicited us to join their membership. We used to belong, but we haven't belonged for a number of years. Mr. Pandy felt that IMEA is duplicative of IMPA; we already have IMPA's voice in regards to proposed legislation. Mr. Pandy was not in favor of paying membership dues to IMEA. The Board was in agreement.

IDEM INSPECTION DIVISION OF WATER MANAGEMENT:

Mr. Pandy reported that IDEM had recently performed a Compliance Evaluation Inspection, and conditions were found to be satisfactory.

FINANCIAL REPORT:

Mr. Pandy updated the Board on the May financials: Electric Utility year-to-date has a negative net margin of (\$352,878), Peru Water Utility year-to-date has a negative net margin of (\$115,227), Peru Wastewater Utility year-to-date has a positive net margin of \$298,356, Stormwater Utility year-to-date has a positive net margin of \$57,364, Grissom Water Utility year-to-date has a positive margin of \$13,730, and Grissom Wastewater Utility year-to-date has a positive net margin of \$60,898. Mr. Akers inquired as to why there were negative margins. Mr. Pandy explained that it is the slow time of year for the utilities; the real revenue stream, particularly electric will increase during the summer months.

MAIN BREAK – MEXICO ROAD:

Mr. Pandy reported that we had a 14-inch water main break this past Tuesday that occurred on the east side of Mexico road. The cause of the main break was found to be a huge boulder resting atop of the pipe. We hired Bowyer Excavating to excavate the work site so that our crews could repair the line. Mr. Pandy provided pictures of the location and noted that the past contractor that had backfilled the pipe twenty years ago didn't fill it with all sand, and eventually, the pipe became damaged. Mr. Kline and crews worked until 3:30 a.m. that morning restoring the main. Since there were only two businesses affected, we notified them directly of the Boil Water Order.

4TH JULY:

Mr. Pandy said that he would be out of the office the week of July 4th and return to work on Monday, July 11th. He can be reached by cell phone if needed or should there be an emergency, he would return as soon as possible. Mr. Walsh will be serving as acting General Manager during his absence.

SALE OF 22-MEGAWATT STEAM TURBINE GENERATOR:

Mr. Pandy reported that Orville Ohio Utilities had declined to bid on the sale of our steam turbine. They informed us that their insurance is only going to pay for the rewinding of their generator and their finances were short.

8.) CITY ATTORNEY'S UPDATE:

INDIANA STATUTES:

Mr. Roberts said that in anticipation of the sale of the 22-megawatt steam turbine, he had reviewed Indiana Statutes and found some of the procedures had changed. In effect, all equipment is owned by the city and Common Council and approval is required prior to the sale or disposal of any surplus equipment. If it comes to light that we would sell the 22-megawatt steam turbine he recommended that the Common Council pass an ordinance to authorize the sale of the surplus equipment, to be passed on the first reading. It was also noted that if at some point in time the decision is made to demolish the power plant, the utilities will need to coordinate that decision with the Common Council.

Mr. Roberts also reported that in regards to the Common Council stricter internal control laws will become effective July 1, 2016. He said that the Indiana State Board of Accounts has ruled a policy on materiality because of irregular variances, losses, shortages, and thefts. He is in the process of creating an ordinance in regards to the new law for the Common Council's approval. Once passed, the Utilities will need to review the ordinance and then might want to consider creating a policy also since we have to comply. He noted that the material variance is \$500.

DONATIONS:

Mr. Roberts reported that because we are a publically owned utility, the Indiana State Board of Accounts does not allow Peru Utilities to make direct contributions or contributions in kind to outside organizations for activities that are not directly related to the operation of the utilities. Mr. Roberts stated that the Board did not need to take any action on the donation issue because the state law is clearly defined. Mr. Akers also confirmed what Mr. Roberts had said, and concluded that two people can read the same verbiage and can interpret it entirely differently.

Mr. Pandy presented his research information in regards to the Indiana Code donation issue and inquired as to Mr. Robert's opinion. He recited IC 36-10-2-4, exemptions that cities can contribute: "a unit may establish aid, maintain and operate libraries, museums, cultural, historical, scientific facilities, and programs and community restitution or service facilities. Mr. Roberts explained that the unit is the civil city and that he is aware of it because State Board of Accounts had also cited it.

Mr. Pandy stated that recently he had been made aware by the Manager of Member Services at IMPA, that IMPA can contribute donations to its members for worthy causes. IMPA budgets money on behalf of its members for community contributions that they think are worthy. IMPA prints the check and sends it out accompanied by a letter noting the contribution is from IMPA, on behalf of the name of its member utility. Mr. Pandy had inquired if IMPA had a limit or a written policy to abide by and found out that IMPA does not, but oblige their member communities that they serve within reason.

There was a discussion about forwarding donation requests for contributions to IMPA as Mr. Pandy felt were worthy. Mr. Akers stated that he felt it should remain the way that it is. Ms. Costin was in agreement. Mr. Pandy inquired if the Board was comfortable with a worthy request being suggested to IMPA or if it was the Board's wish to not take a stance on the idea. Mr. Ward stated he was in favor. Mrs. Edwards stated she was open to hearing about any community events that would service the community in a broad spectrum, with the understanding that IMPA would provide the funds and not Peru Utilities. It was noted that the other IMPA municipalities have taken advantage of this option. Mrs. Edwards inquired how IMPA supplying donations to its members affected the communities' ratepayers. Mr. Pandy stated IMPA is a public joint action agency and the monies they spend are recovered from the wholesale power cost. It was noted that the current IMPA power bill we pay supports activities in other member cities.

Mrs. Edwards and Mr. Ward felt that more information is needed before the Board could vote on it. Mrs. Edwards stated that the donation issue is now a different matter since IMPA already has allocated money for donations and other IMPA member communities are taking advantage of that option. She wondered if it was in our best interest to take advantage of what is already ours and to provide our community with some contribution, we might be missing out. Mr. Ward felt that we would have to be very judicious about what inquiries we recommend to IMPA. He is okay with Mr. Pandy presenting the inquiries to IMPA and the Board being informed after the fact. Mr. Pandy stated that he would inquire more information as to what IMPA's donation parameters are from Mr. Rao and get back to the Board and at some point, it will be put on the agenda for Board action.

It was noted that Mr. Pandy had asked IMPA's thoughts as to redeveloping the power plant since the infrastructure is already in place and is tied to the grid. It would be money saved if we could find a new use for the building, along with the electrical equipment. He said that the Richmond municipal power plant is leased; they get

credit for the capacity when it operates. Mr. Pandy felt it worth for IMPA to look at our power plant to see if there is any value to the agency, before possible demolition.

Ms. Costin inquired if Mr. Pandy had been invited to join any boards within the community. Mr. Pandy said that he is involved with St. Charles Church and has been introduced to the MCEDA, but had not been approached by any other boards. He had spoken with the Miami County Chamber of Commerce when he first arrived in Peru and had informed them that in the past he was affiliated with other chamber associations. There was a discussion and it was noted that the Board wanted to be made aware of any boards that he might want to serve on. Mr. Pandy said that he is now serving on the IMPA Budget Committee, which meets once a year.

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