

**PERU UTILITIES
MINUTES OF THE PERU UTILITIES SERVICE BOARD MEETING OF
SEPTEMBER 28, 2016**

The Peru Utilities Service Board held a meeting at the Peru office at 335 East Canal Street, Peru, Indiana, on Wednesday, September 28, 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, Dr. J. Crawshaw and J. Edwards. Others present: J. Pandy, B. Tillett, L. Starkey, J. Beisiegel, J. Chance, L. France, S. Hines, J. Languell, and B. Yankey-Peru Tribune.

1.) APPROVAL OF BOARD MINUTES OF SEPTEMBER 14, 2016:

Mr. Ward moved to accept the Board minutes of September 14, 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. Mr. Ward seconded the motion and the motion carried unanimously.

3.) NEXT REGULAR MEETING:

The next regular meeting will be held Wednesday, October 12, 2016, at 4:00 p.m. in the Utility Service Boardroom.

It was noted that Mr. Ward will not be able to attend the next meeting.

4.) OLD BUSINESS: None

5.) AMEND AGENDA:

Mr. Ward made a motion to amend the agenda, adding under New Business, Item "D" – Consideration of Peru Water Rate Revision. Ms. Costin seconded the motion and the motion carried.

6.) NEW BUSINESS:

A.) APPROVAL OF SALE OF OBSOLETE POLES TO AT & T:

Mr. Pandy presented the issue of the disposal of surplus utility poles. We have 19 poles that we want to sell in accordance with our Pole Attachment Agreement with AT & T. Several years ago Peru Utilities converted the overhead 7,200 and 12,470 volts' electrical infrastructure in Well's Addition, along Airport Road to underground service. These poles are no longer occupied by our organization. Mr. Pandy asked for the Board's authorization to sell the 19 poles to AT & T for the amount of \$1,181.87.

Mr. Ward made a motion to authorize Mr. Pandy to sell the 19 utility poles to AT & T per our Pole Attachment Agreement for the amount of \$1,181.87. The motion was seconded by Mrs. Edwards and carried unanimously.

B.) RECOMMENDATION FOR ENGINEERING AND DESIGN ENGINEERING WORK FOR THE PER FOR THE PERU DRINKING WATER PROJECT:

Mr. Pandy updated the Board on proposals for the design engineering work and Preliminary Engineering Report for the Peru Water Project. Five proposals were received. The lowest bid was from Midwest Engineers, Inc. at \$14,750.00, HWC Engineering at \$24,500.00, United Consulting at \$25,000.00, Wessler Engineering at \$30,000.00 and Beam, Longest and Neff, LLC at \$33,800.00.

Mr. Pandy and staff recommended that Wessler Engineering be retained to do the engineering work and also have them engineer the projects in detail. Since they will be performing the Preliminary Engineering Report it makes more sense than to give it to another engineering group that may have disagreements with Wessler's PER. We would retain them for \$30,000 and keep them on the standard rates for design work. By doing so, we can begin some design work on the list of projects, while we wait on loan approval with the State Revolving Fund. However, Mr. Pandy recommended that the two river crossings not be included in the Wessler work, but be awarded to Strand Associates due to their very thorough engineering work on the two river crossings.

There was a discussion and Mrs. Edwards inquired why Wessler was selected and for what reason. Mr. Beisiegel noted that he and his staff had met with all the engineering firms listed; Wessler's team seemed the most professional and held the best interest of Peru Utilities. It was noted that Crawford, Murphy, and Tilly had performed preliminary estimate work in July for the high school line and had declined to bill us.

Dr. Crawshaw made a motion that Peru Utilities contract with Wessler Engineering for the Preliminary Engineering Work (PER) and for design work at the standard rates, for a total of \$30,000, and Strand Associates for the design of the two river crossings. Mr. Ward seconded the motion. The motion carried unanimously.

C.) RECOMMENDATION TO INCREASE THE CAPITAL BUDGET FOR 2016 FOR THE 69 KV TRANSMISSION PROJECT AND TO AUTHORIZE CHANGE ORDERS:

Mr. Pandy requested that the Board increase the Electric Capital Budget for 2016, for the 69 kV Transmission Project by \$292,136.00 and to authorize change orders to the labor contract with L. E. Myers in the amount of \$115,945.06.

It was noted the net budget shortfall for 2015-2016 was \$190,000.00. This was because we underspent by \$102,036.00 in 2015 (the project was slow in getting started) and we overspent the budget by \$292,136.00 in 2016. The project was \$190, 123.00 (16.2%) above the two-year budget of

\$1,175,000.00, of which \$115,945.06 was change orders to L. E. Myers due to design changes and scope of work. It was also noted that the original estimate for the cost of material was incorrect, it exceeded the budgeted amount.

Mr. Crawshaw questioned the invoice of \$38,939.23 covering dead-end structures and what it covered. Mr. Pandey gave an explanation about strength of dead-end structures.

Mr. Ward made the motion to authorize an increase of \$292,136.00 to the 2016 Electric Capital Budget; which includes \$115,945.06 in change orders and budgetary shortfalls for materials. Mrs. Edwards seconded the motion and the motion carried unanimously.

D.) WATER RATE REVISION FOR PERU WATER:

Mr. Pandey presented to the Board an updated report from Umbaugh regarding the 2014 Revised Cost of Service Study that took into account the higher project costs and the new financing information for the State Revolving Fund. He summarized the new schedule of rates and charges as follows:

AVERAGE RESIDENTIAL CONSUMPTION	CURRENT*	A-Phase II	B-Phase II	B-Phase III
3,000 Gallons	\$ 8.19	\$12.93	\$10.71	\$12.93
Fire Protection	\$ 6.84	\$10.79	\$ 8.93	\$10.79
Total	\$15.03	\$23.72	\$19.64	\$23.72
Amt. Monthly Increase		\$ 8.69	\$ 4.61	\$ 8.69

- CURRENT*
- A-Phase II - takes the rate increase all at once, which is 57.8% across the board increase of present rates and charges.
- B-Phase II & B Phase III - divides the Alternative “A” amount into two phases, 2017 and 2018.

It was noted that recurring annual maintenance items added \$182,000.00 to Umbaugh’s revised analysis; plus, the two recent additional employees. The biggest factor is the \$1 million increase in high school project costs, along with the cost of borrowing, which is assumed will increase from 2% - 2.5% in 2017. Mr. Pandey explained the average water rate for surrounding communities according to the Indiana Regulatory Commission is \$46.01; at the end of Phase II our rate will be \$32.34; 1/3 below the average that the I.O.U. utilities are billing for water. He stated that there are two alternatives. Either, we do it all at once or we phase it in over two years. The latter has the same outcome, it just takes a longer time to accomplish and in the long run, will cost more. There was a lengthy discussion about the options available. Mr. Ward preferred Alternative “A” instead of “B” since the two phases will cost Peru Utility more money. Mrs. Edwards was concerned about 57.8% rate

increase. Mr. Pandy noted that it is a high percentage, but in absolute dollars, it is less than \$9.00/month. Mrs. Edwards inquired if there is another option. Mr. Pandy stated that another option to borrow \$6.5 million was taken into consideration, but if the engineer’s estimate for the high school project is correct; then he would have to return to the Board for more funding. Mr. Chance pointed borrowing \$7.5 million would only be a 50¢ increase on a customer’s bill. Most of the Board felt that Alternative “A” was the best choice because there may be more changes we have to face in the near future. Even with the increased rate; we are still \$16.00 lower than Wabash’s water rate.

Mr. Ward made a motion to accept Umbaugh’s revised Schedule of Rates and Charges for the Peru Water Rate, Phase I –Alternative “A” for borrowing \$7.5 million from the State Revolving Fund. Dr. Crawshaw seconded the motion. Mr. Akers, Ms. Costin, Mr. Ward and Dr. Crawshaw voted in favor. Mrs. Edwards cast the only dissenting vote. The motion carried.

7.) **CITY ADMINISTRATION UPDATE:** No Update

8.) **CITY ATTORNEY’S UPDATE:** No Update

9.) **MANAGER’S REPORT:**

POWER PLANT ADVERTISEMENT FOR BIDS:

The legal advertisement for the demolition/salvage/scrap removal of the power plant was published on 9/21/16. A pre-bid meeting walk/through will be held at 9:00 a.m. on 10/6/16; bids are due at 1:00 p.m. 10/21/16.

MIAMI COUNTY CHAMBER OF COMMERCE:

Mr. Pandy stated that he had been invited to be a member of the Miami County Chamber of Commerce 2016 Board of Directors. Their Annual Community and Business Celebration (100 years) Dinner will be held at Grissom Aeroplex on Thursday, October 20th from 6:00 p.m. – 8:30 p.m. If any Board member wishes to attend, Peru Utilities will purchase tickets at \$35/person or \$60/couple.

He recommended to the Board to continue membership with the Chamber of Commerce; membership dues in the past for a regular membership was \$723.00 (based on the numbers of meters we serve). He suggested increasing to the Gold Membership for an additional amount of \$600.00; for a total of \$1,323.00 annually. He noted the benefits of both a regular and Gold Membership.

He also reported that the Chamber is seeking nominations for Citizen of the Year and the United Way of Miami County is seeking nominations for Pillars of the Community. Mr. Pandy suggested nominations from the Peru Utility Service Board for both categories. Mr. Akers has agreed to be a candidate for the Citizen of the

Year Award; Mr. Pandy will compile Mr. Aker's biographical information. Mr. Pandy explained that the business purpose is to grow the revenues of Peru Utilities from the commercial activity that these organizations stimulate and the jobs they may create for our rate payers. Ms. Costin felt that with the pending water rate adjustment spending additional money could be a burden on our ratepayers. Mr. Akers asked that the Peru/Miami County Chamber be invited to attend a Board meeting to explain the benefits the Utilities has with a Chamber membership; Mr. Pandy will arrange a meeting date.

Dr. Crawshaw a motion to continue the membership with the Peru/Miami County Chamber of Commerce for a Gold Membership for the amount of \$1,323.00. Mr. Ward seconded the motion. Mr. Akers, Mr. Ward, Dr. Crawshaw, Mrs. Edwards voted in favor. Ms. Costin cast the only dissenting vote. The motion carried.

Mr. Pandy kicked off this year's United Way Campaign with "Fair Share Giving", an hour's pay per month per employee. The past two year's we had a total of four employees contributing \$1,700.00 for the year. Contributions for 2017 have increased to 11 employees for a total annual amount of \$3, 335.00.

SUMMER ELECTRIC USAGE:

This summer our wholesale bills increased over \$500,000 for June, July, and August; this is why our ratepayers are seeing increased bills. Mr. Pandy stated summer 2016 is record-hottest in the history of the planet.

PUBLIC POWER WEEK:

Mr. Pandy passed a hand-out reporting information/resources on Public Power Week, October 2 – 9, 2016; an annual celebration that recognizes the important services that community-owned utilities provide. Mayor Greer will consider a proclamation naming Public Power Week

PRESIDENT'S CLEAN POWER PLAN:

Mr. Pandy noted that the President's Clean Power Plan is before the U.S. Supreme Courte; 28 states are suing the Federal Government over Federalism. The Federal EPA mandates Clean Air Regulations but passes the cost on to the states, who in turn will charge its citizens for costs to comply. If the federal government is upheld in the courts the price of electricity will increase significantly and reliability decreases. If it prevails The Clean Power Plan will shut down 400 power plants across American.

DETRASH THE WABASH:

Mrs. Edwards noted that last weekend's river cleanup was a great opportunity. She has talked with several organizations that have offered to help with the next cleanup. Mr. Beisiegel and Mr. Chance had organized the event; prizes given to participants were donated by businesses within the community.

10.) **ADJOURNMENT:**

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

Geoff Ward, Secretary Peru Utilities Service Board