

**PERU UTILITIES
MINUTES OF THE PERU UTILITIES SERVICE BOARD MEETING OF
DECEMBER 14, 2016**

The Peru Utilities Service Board held a meeting at the Peru office at 335 East Canal Street, Peru, Indiana, on Wednesday, December 14, 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, J. Crawshaw, MD and J. Edwards. Others present: J. Pandey, B. Tillett, L. Starkey, J. Chance, J. Beisiegel, J. Languell-Council Liaison, and A. Lombardi-Peru Tribune.

1.) APPROVAL OF BOARD MINUTES OF NOVEMBER 30, 2016:

On a motion from Dr. Crawshaw, seconded by Ms. Costin the minutes from November 30, 2016, were approved. The motion carried unanimously.

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.

3.) NEXT REGULAR MEETING:

The next regular meeting will be held Wednesday, December 28, 2016, at 4:00 p.m. in the Utility Service Boardroom.

4.) OLD BUSINESS:

A.) APPROVAL OF REVISED GENERAL MANAGER JOB DESCRIPTION:

Mr. Pandey reported the general manager job description was revised to remove the language about the signatory authority; the revised description eliminates the General Manager's authority to sign other than for easements or vacating easements. It was discussed at some length at the previous meeting who can sign contracts on behalf of Peru Utilities; Mr. Pandey checked with Attorney Roberts who concluded that it is okay for the Chairman to sign contract/agreements. The Board Delegation Policy of 8/6/94 was also revised to reflect these terms.

Ms. Costin referenced Page 3 of the General Manager job description: *Business and Political Alliances*. She voiced her concerns pertaining to utility involvement and membership in local organizations such as MCEDA and the Chamber of Commerce. She felt supporting the United Way was okay it is up to the employee. There was a discussion and Mrs. Edwards, Dr. Crawshaw and Mr. Ward pointed out a number of reasons where Peru Utility involvement with economic development would benefit the community and the rate payers. Mr. Akers concern was as to what amount.

Mr. Pandey had included the Chamber of Commerce dues since several weeks prior the Board had voted non-unanimously to support a Gold Membership. He currently sits on that Board, which meets monthly during the lunch hour, he is also a Board member of the United Way which meets over the noon hour

on a monthly basis. There is an annual fee of \$75 per Board member which covers the cost of provided meals.

Mr. Pandy referenced the recent MCEDA presentation to the Peru Common Council which explained retail marketing strategies. He noted that the city listened to MCEDA analyzing the retail needs of the community; the city had assisted MCEDA with paying 50% of the \$110,000 fee charged by Retail Strategies, which is the company who provided the information.

Mr. Pandy stated that being a part of economic development activity benefits our ratepayers, improves our load factor which in turn improves our business. Every utility that he had worked for in the past wanted the General Manager to be involved. Included in the 2017 Budget is \$1,400 for MCEDA which approximates what other utilities in surrounding regions are providing.

Dr. Crawshaw made a motion to approve the revised General Manager job description as presented; seconded by Mrs. Edwards. Those in favor, Mr. Akers, Mr. Ward, Dr. Crawshaw and Mrs. Edwards. Ms. Costin cast a dissenting vote. The motion passed with 4 votes in favor and 1 against.

5.) NEW BUSINESS:

A.) APPROVAL OF 1ST QUARTER ELECTRIC RATES – TRACKER ADJUSTMENT:

It was noted the tracker for the 1st Quarter 2017 increased an average of \$.000811 per kWh over all of our electric customer rates. The residential customer rates will see a decrease of \$.005111 per kWh, the power/commercial customers' electric rates will increase \$.000181 per kWh and the demand customer rates will increase \$.004966 per kWh.

Mr. Ward made a motion to approve the 1st Quarter Electric Rates – Tracker Adjustment, seconded by Ms. Costin. The motion passed.

B.) APPROVAL OF TREE TRIMMING CONTRACT FOR 2017:

Mr. Pandy requested that the Board approve the Tree Trimming Contract to All Reliable Services for the fiscal year 2017. A number of firms were asked to bid for the next 12 months, which included local contractors. We received two responses; one was from Townsend Tree Service, declining to bid but wishing to remain on our contact list. The other bid received was from our current contractor All Reliable Services Corp., of St. Augustine, Florida. All avenues of advertisement were executed in the proper manner. ARS Corp's bid is \$111.24 per hour to trim a minimum of five of our distribution circuits. We want to retain ARS Corporation services for the year 2017 and have budgeted accordingly. They hire local people and for the most part use a two-person crew; the tree trimmer has to be certified to work on electric lines. It was noted that they have performed well for us in the past.

Mr. Ward made a motion to accept the bid from All Reliable Service Corp. for tree trimming services for 2017 from January 1 to December 31. Ms. Costin seconded the motion and the motion carried.

C.) APPROVAL OF 2017 – 2019 LABOR CONTRACT:

The new Contract between Peru Utilities and AFSCME Council 62, Local 1030 expires on December 31, 2019; it is a three-year contract.

Mr. Pandey discussed the changes made to the union contract for 2017-2019. He noted that the significant changes in the contract were, from one year to a three-year contract; wage increases are 2% across the board for all union employees for 2017, 2018 & 2019, and 3% in 2017 for the line workers to keep them competitive with other line workers within the region. The Lineman will receive a 2% increase for 2018 and 2019. There is an addition of one holiday (Election Day) each year. There were other semantic word changes within the document; nothing of major consequence. The Union voted earlier to approve and accept the new agreement. Mr. Pandey and Mr. Ward commended the negotiating committee and the union for a job well done.

Dr. Crawshaw made a motion to approve the 2017 - 2019 Labor Contract with Peru Utilities and AFSCME Council 62, Local 1030 expiring on December 31, 2019. Mrs. Edwards seconded the motion. All voted in favor, the motion passed.

D.) APPROVAL OF REVISED BOARD DELEGATION POLICY OF 8/6/94:

Mr. Pandey referenced the revision made to the Board Policy Statement under item #5: *The General Manager signs and executes purchase orders, easements, leases, and permits; the PUSB Board Chair is to sign all contracts.*

Dr. Crawshaw made the motion to accept the revised Board Delegation Policy of 8/6/94; Mrs. Edwards seconded the motion. The motion carried.

E.) FINAL ACTION ON WITHDRAWAL OF GENERAL MANAGER FROM PERF:

Dr. Crawshaw made the motion to continue with the withdrawal process for the General Manager position from PERF and amended his motion to include to cover the \$8,650 employer contribution toward the unfunded liability. Ms. Costin seconded the motion and the motion carried.

F.) RESOLUTION #6-2016, APPROVAL TO ESTABLISH 401A FUND IN HOOSIER S.T.A.R.T. FOR THE GENERAL MANAGER:

The Auditor of the State of Indiana requires a resolution and adoption agreement be made to start a 401A Fund in Hoosier S.T.A.R.T. for the General Manager position.

Mrs. Edwards made a motion to approve Resolution #6-2016, to establish a 401A Fund in Hoosier S.T.A.R.T. for the General Manager position. Dr. Crawshaw seconded the motion. The motion carried.

6.) CITY ADMINISTRATION UPDATE: None

7.) CITY ATTORNEY'S UPDATE: None

8.) MANAGER'S REPORT:

(1) PROPOSALS TO BUYOUT WIRELESS LEASES FROM PERU UTILITIES:

Three proposals were received for the Northwest tower and one for the SBA Tower, which is adjacent to our wastewater treatment plant. Mr. Pandey explained it will take due diligence to sort through the documents; some of the proposals were 16, 50, and 55 years in perpetuity and 15-30 pages long. The documents are real estate type of transactions; Attorney Roberts will also review the documents. There is a considerable difference in the different proposals, which brings to question how one company can bid the same item with 15 pages and another requires 30 pages. Mr. Pandey was surprised to find out that there had been prior offers in 2009, 2010, and 2013 that were on file and that the offers had increased each time at the rate of 15% per year. He stated that it is the Board's decision whether to keep the current agreement (rents are received monthly) or cash them out as a lump sum. The bids are substantial and worth evaluating, but it is hard to compare them on an apple to apple basis because they quote different lengths of time.

(2) FUND BALANCES:

We are just now receiving revenues from the summer air-conditioning electric usage which increases our revenues. Mr. Akers voiced his concerns about borrowing money for Grissom Water from Peru Electric funds. Mr. Pandey explained that there is adequate funding in electric reserves to pay for the Power Plant Demolition and other capital operations and depreciation, and to loan \$1 million for five years to Grissom Water for infrastructure.

(3) LOAN FROM ELECTRIC TO GRISSOM WATER:

Bids were solicited from three local banks, Crossroads, Beacon Credit Union and Wells Fargo, to borrow \$1 million for five years, Wells Fargo did not participate. The other two banks required that we secure a loan with a \$1 million Certificate of Deposit for a five-year term loan. A CD would earn 2.2%/year; loan at 4.2%

interest cost would be \$110.4K during the five-year term, earnings from the CD would be \$115K. Mr. Pandy then researched how the banks could make money on such a loan; he determined it is because they invest your money for five years at a higher interest rate. He noted that if we borrow the money internally from Electric for a loan to Grissom Water the money will remain within our entity; we become the internal banker and earn the interest. Board members supported the internal loan concept.

(4) LOAN AMORTIZATION SCHEDULE:

Mr. Pandy reported that we have ample reserve funds; he noted that we have \$10M dollars in loan balances that we are currently paying on three enterprises. He reviewed the amortization schedules of the Peru Wastewater, Stormwater and Grissom Wastewater loans with the Board; we have low-interest rates on all of these loans. We are able to meet our obligations annually.

(5) INSURANCE:

Mr. Pandy stated that his is pleased with overall insurance coverages that Saine Summers provides for Peru Utilities. All the type of coverages are adequate, deductibles are appropriate and premiums are fair and competitive.

(6) PRECONSTRUCTION MEETING WITH NATIONAL SALVAGE:

A preconstruction meeting was held on Tuesday with staff and National Salvage for the demolition of the power plant; National Salvage outlined that it will take nine months to complete the demolition process. Mr. Akers expressed concerns over the public reaction to the impending power plant demolition. There was a lengthy discussion and Mr. Chance explained the inefficiencies of the power plant and the forthcoming EPA regulations regarding existing power plants that we cannot comply with. Mr. Pandy noted that the war on coal is closing 450 power plants similar to ours across America; not only is it an environmental concern, but the efficiency of older equipment makes it more expensive to generate.

(7) IMPA NOVEMBER POWER BILL:

By improving our load factor (from 77.2% to 79.7%) our IMPA bill for November has decreased by \$23,000 compared to last year.

(10.) ADJOURNMENT:

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

Geoff Ward, Secretary Peru Utilities Service Board