

**PERU UTILITIES
MINUTES OF THE PERU UTILITIES SERVICE BOARD MEETING OF
February 15, 2023**

The Peru Utilities Service Board held a meeting at the Peru office at 335 East Canal Street, Peru, Indiana, and through video conferencing via Teams Meeting, on Wednesday, February 15, 2023. Chairperson, Mary Costin called the meeting to order at 4:00 p.m. pursuant to notice as required by law. The following Board members were present Chris McKinney, Richard Donoho, Jami Edwards. Others present Joshua Chance, Alice Hartley, Jamin Beisiegel, Michael Biesenbach, Wayne Brindle, Lee France, Tom Gustin-City Council Liason, Dustin Kern-Attorney and Mayor Miles Hewitt. Public: Don Sturch Absent: Board member Dave Van Baalen and Kathleen Plothow-City Council Liason

1.) APPROVE BOARD MINUTES OF FEBRUARY 1, 2023:

Board member Richard Donoho moved that the minutes of February 1, 2023 be approved. Board member Chris McKinney seconded the motion. The vote was unanimous, motion passed. Jami Edwards abstained from voting.

2.) PAYMENT OF CLAIMS:

Board member Chris McKinney made a motion to approve the claims as presented. Board member Jami Edwards seconded the motion. The vote was unanimous, the motion passed.

3.) NEXT REGULAR MEETING:

The next regular meeting will be held on-site Wednesday, March 1, 2023, at 4:00 p.m. in the Team-Teaching Room. Teams Meeting video conferencing is available for the public.

4.) PUBLIC COMMENT: None

5.) OLD BUSINESS: None

6.) NEW BUSINESS:

A.) APPROVE 2nd QUARTER 2023 ELECTRIC RATE TRACKER ADJUSTMENT:

Mr. Chance explained that the quarterly Electric Rates Tracker Adjustment reflects the increases/decreases in Peru Utility’s cost of purchased power charged by our supplier, Indiana Municipal Power Agency. The fluctuation in the Power Cost Adjustment is caused by changes in the energy market. The chart below reflects the local area providers rates, Peru Utilities customer charge/facilities charge is \$4.22.

Current Rates - Local Area Energy Providers

Local Area Energy Providers	Residential Charge for 1000 kWh energy	Cost per kWh	Customer Charge/ Facilities Charge	Total Charge for 1000 kWh	Effective Rate per kWh	% difference From P.U.
Duke Energy	\$177.14	\$0.177145	\$10.54	\$187.68	\$0.187685	57.20%
Heartland REMC (Wabash)	\$124.83	\$0.124827	\$20.00	\$144.83	\$0.144827	21.30%
Miami Cass Remc	\$118.80	\$0.118798	\$25.75	\$144.55	\$0.144548	21.07%
Peru Utilities	\$115.17	\$0.115172	\$4.22	\$119.39	\$0.119392	

Mr. Chance stated that the 2nd Quarter Tracker residential and commercial customers will experience an increase. He asked for acceptance of the 2nd Quarter 2023 Electric Rates-Tracker Adjustment.

Rate Class	Apr. 2023 Adj. Rate per kWh	Increase or (Decrease) Per kWh
Residential Service (RS-1)	\$0.046604	\$0.004029
General Service (GSA-1)	\$0.045628	\$0.004751
Power Service (PS)	\$0.043302	\$0.002909
Security Lighting Service (SL-1)	\$0.019680	\$(0.002000)
Municipal Street Lighting Service MSL-1	\$0.019661	\$(0.001961)
Traffic Signal Service (TL)	\$0.016881	\$(0.005938)

The above factors represent an average increase in its schedule of rates for electricity sold in the amount of \$0.003452 per kilowatt-hour (kWh). Residential customers will experience a slight increase of \$4.02 per 1,000 kilowatts. Commercial customers will experience a decrease of \$2.91 per 1,000 kilowatt-hours.

The 2nd Quarter 2023 Electric Rates Tracker Adjustment filing will be on the City Council’s March 6th agenda for their consideration.

Board member Jami Edwards made a motion to accept the 2nd Quarter 2023 Electric-Rates Tracker Adjustment. Board member Richard Donoho seconded the motion. The vote was unanimous, the motion passed.

B.) APPROVE 2023 PERU WATER ANNUAL CPI-U ADJUSTMENT:

Mr. Chance explained that the Indiana Utility Regulatory Commission (IURC) provides a method to adjust Peru Water rates annually to include the factors that trend with inflation. The City Ordinance #28, 2016, which addresses Peru Water’s current rate structure, calls for the review and adjustment of the Peru Water Utility rate based on a formula recommended by the IURC. The formula applies a CPI-U adjustment to select allowable expenses in the rate study, as applied to the prior year’s Operating Revenue. The formula resulted in an incremental increase in Peru Water’s rates of 4.8%. The average customer who uses 3,000 gallons of water will see an increase of \$1.27 in their monthly bill. The 2023 Peru Water Rates annual CPI adjustment filing will be on the city council’s March 6th agenda for their consideration.

Board member Chris McKinney made a motion to accept the Peru Water Rates annual CPI-U adjustment of 4.8% effective April 1, 2023. Board member Richard Donoho seconded the motion. The vote was unanimous, the motion passed.

C.) APPROVE 2023 GRISSOM WATER ANNUAL CPI-U ADJUSTMENT:

Mr. Chance requested acceptance of the annual Consumer Price Index (CPI) Grissom Water Rates adjustment addressed by City Ordinance #24, 2019, and based on a formula recommendation endorsed by the Indiana Utility Regulatory Commission. Baker Tilly has also reviewed the rates. If accepted the Grissom water rates will increase by 4.8%. The average customer who uses 3,000 gallons of water will see an increase \$1.54 in their monthly bill. The 2023 Grissom Water Rates annual CPI-U adjustment filling will be on the city council’s March 6th agenda for their consideration.

Board member Richard Donohoe made a motion to accept the Peru Water Rates annual CPI-U adjustment of 4.8% effective April 1, 2023. Board member Jami Edwards seconded the motion. The vote was unanimous, the motion passed.

D.) APPROVE 1ST QUARTER 2023 UNCOLLECTABLE ACCOUNTS/BAD DEBTS:

	<u>Peru</u>	<u>Grissom</u>	<u>Total</u>
Electric	\$10,871.62	-	\$10,871.62
Water	1,274.27	3,767.55	5,041.82
Wastewater	22.27	-	22.27
Stormwater	4.00	-	4.00
Trash	15.00	-	15.00
Total	\$12,187.16	\$3,767.55	\$15,954.71

The bad debt write-offs from July 1, 2022 – September 30, 2022, reviewed and Mr. Chance request permission to write-off the delinquent accounts. YTD 2022 Bad Debt/Write off Recoveries as 9/30/22 was 0.046% out of a 33 million dollars’ worth of revenue. Typically, the standard write-off is 2.0% and it is a standard procedure that we write off bad debts after trying to collect them.

Board member Chris McKinney made a motion to grant permission to write-off the delinquent accounts for July 1, 2022, through September 30, 2022, for \$15,954.71. Board member Richard Donoho seconded the motion. The vote was unanimous, the motion passed.

E.) BAKER TILLY ELECTRIC RATE STUDY PRESENTATION: Mr. Chance researched past electric rate studies and found that in 1992 there was a 4% increase, 2006 a 10.5% increase over two years. At that time, we still had the power plant and was getting a capacity payment from IMPA up to 3 million per year. During 2006 through 2012 a 0% overall increase or net zero on revenue. In 2012 there was a 0% net increase to the revenue, and a rate study took the burden from one class to another. We had a 4% increase over two years for residential, streetlights, security lights and a decrease of 8% over the two years on the industrial side. In 2015 they shuttered the power plant and that gave us a decrease of .20% in revenue. Mr. Chance gave an in-depth report of the increases and decreases of the rates for the electric utility in the past several years. Mr. Chance stated that there has not been an increase in Peru Utilities electric net revenue since 2006 and that is why Baker Tilly is here today. January CPI was 6.4% increase overall and energy inflation on average for 2022 was up 25.47%. The average

employee cost and wage growth for the last 10 years was up 5% and in 2021-2022 it was up 10%. Peru Utilities net margin has been in the negative for 2018-2019, in 2020 -\$11,000 positive, and \$500,000 negative in 2021 and \$622,000 negative for 2022. Peru Utilities cost to operate is up 67% since 2008. Mr. Chance stated he will bring the electric rate study to the board for approval at the March 1st utility board meeting.

Mr. Miller from Baker Tilly Municipal Advisors presented an Analysis of Cost-of-Service Study to the Peru Utilities Service Board. They looked at calendar year 2021 financial data and analyzed that information. What do they anticipate cost in payroll and material expenses in the future and they went a step further to analyze the rate structure and how each of Peru Utilities customer classes use the system.

The agenda for the Baker Tilly presentation:

Historical and Current:

- *Statement of Income and Operations
- *Minimum Balances & Recommended Reserves

Future:

- *Utility Capital Improvement Plan
- *Comparison of Test Year and Pro Forma Expenses
- *Pro Forma Annual Revenue Requirements
- *Pro Forma Revenues at Present and Proposed Rate
- *Comparison of Electric Sales-Revenues at Present and Proposed Rate
- *Bill Comparisons

The average annual capital improvements over the next five years are estimated at \$2,396,800.00. Total capital improvements over the next five years are estimated to be \$11,984,000.00. The annual revenue requirement based on the test year 2021 amounts, pro forma annual cash operating expenses, five-year average of capital improvements, assumed at calendar year 2021 amounts, assumed at three-year historical average from 2019-2021, assumes the 3rd quarter 2022 tracking factor is rolled into the base rates. A total revenue requirement of \$28,753,174.00. Approximate increase in present rates and charges if done across the board of 16.49%. Mr. Miller reviewed the of electric sales revenues at present and proposed rates and bill comparison for street lighting, security lighting, traffic lighting, non-recurring charges, and for residential and commercial customers. The Board will need to decide at the March 1st meeting do we phase it in or no phase depending on the approval. Mr. Chance stated we need to take into consideration our local competitors and keeping Peru Utilities Electric as an asset and not a burden to the city and its residents.

- 7.) **CITY ADMINISTRATION UPDATE:** Mayor Hewitt reported that Adam Sheets the Street Departments superintendent had a heart attack this week and to keep him in your thoughts and prayers. Mayor Hewitt stated he talked to Dwayne from Schneider Electric last Thursday, and they have tested only three homes. They have made offers to buy some of the 12 homes in the area. The mayor reported he has sent a letter to the Bourne-end and

Sherwood trailer park residents concerning the new owner’s payments and the water situation. He has worked with the Health Department, Helping Hands, and other agencies to get water to the residents if the owners neglect to pay their deposit and the water service gets shut off. The Miami County Health Department Nurse sent a letter to the owners of the trailer parks to inform them if the water gets shut off again that she will have evict the residents hoping this will convince the owners to pay the deposit. Mr. Hewitt stated that the trailer parks owners live out of state so that makes the situation more complicated. Don Sturch from the public commented on the cost-of-service study analysis for the electric utility.

8.) **CITY ATTORNEY UPDATE:** Mr. Kern stated all the subjects were covered under the mayor’s report.

9.) **MANAGER’S REPORT:**

TRAILER PARK UPDATE:

The Borne-end trailer park and Sherwood trailer park has a signed account but no deposit yet. Mr. Chance informed the Miami County Health department of the intent to shut off the water on Monday, Feb. 20, 2023, if the owners do not pay their deposit. The health department has sent a letter to Mr. Parks & Mr. Fultz property owners to let them know that they will have to evict residents if the water gets shut off again.

INDOT MEETING:

Mr. Chance and Mr. Beisiegel will meet with the Indiana Department of Transportation on Friday to discuss the Highway 31 and Maugans Road sewer conflict.

TREE REMOVAL:

We will be removing all the trees out front of the Peru Utilities office building and the water plant. There are dead branches in center of trees and there is a conflict for the Water plant to perform pump maintenance. The trees are over thirty years old and have outlived their lifespan.

PROPOSED IN COMMITTEE TO REESTABLISH URT FOR WATER: Mr. Chance reported that there is a proposal in the committee to reestablish the URT for water at 1.4%. It’s for infrastructure necessary to promote economic development.

ADJOURNMENT:

There being no further business to bring before the Board, Chris McKinney made a motion to adjourn. Board member Richard Donoho seconded the motion. The motion passed, the meeting adjourned.

Jami Edwards, Secretary Peru Utilities Service Board

