

**PERU UTILITIES
MINUTES OF THE PERU UTILITIES SERVICE BOARD MEETING OF
MARCH 6, 2019**

The Peru Utilities Service Board held a meeting at the Peru office at 335 East Canal Street, Peru, Indiana, on March 6, 2019. The meeting was called to order by Mr. Akers at 4:00 p.m. pursuant to notice as required by law. Board members present S. Akers, M. Costin, D. Van Baalen, M. Burnell, and J. Edwards. Others present Attorney D. Kern, J. Chance, B. Tillett, B. Hall, J. Beisiegel, M. Svantner, B. Zartman, L. France, L. McGuire and J. Clark.

1.) BOARD MINUTES OF FEBRUARY 20, 2019:

The minutes of February 20, 2019, meeting were approved upon the motion of Mr. Burnell and seconded by Mrs. Edwards. Ms. Costin abstained from voting because she was not present at the meeting. Motion carried.

2.) PAYMENT OF CLAIMS:

A motion was made by Ms. Costin to approve the claims for payment as presented. Mr. Burnell seconded the motion. Motion carried unanimously.

3.) NEXT REGULAR MEETING:

The next regular meeting will be held on Wednesday, March 20, 2019, at 4:00 p.m. in the Utility Service Board room.

4.) PUBLIC COMMENT: None

5.) OLD BUSINESS: None

6.) NEW BUSINESS:

A.) APPROVE SRF DISBURSEMENT REQUEST #55 AND OCRA CLAIM VOUCHER FOR THE PERU WATER UPGRADES:

The Board considered the following disbursement request #55 and OCRA claim voucher for the Peru Water Upgrades.

Disbursement #55, Wessler Engineering, for professional services, for \$17,830 and OCRA Claim Voucher, for \$4,000 for the Peru Water Upgrades.

Mrs. Edwards made a motion to approve SRF Disbursement Request #55 for \$17,830 and the OCRA Claim Voucher for \$4,000 for the Peru Water Upgrades. Mr. Burnell seconded the motion. Motion unanimously carried.

7. CITY ADMINISTRATION UPDATE: None

8. CITY ATTORNEY’S UPDATE:

Attorney Dustin Kern reported he is working with Mike Walsh to the contract with Cingular completed. When our end is finalized it will be forwarded to SBA.

9. MANAGER’S REPORT:

MARCH 4 CITY COUNCIL MEETING:

Mr. Chance reported that at the March 4 City Council meeting the Council passed the 2nd Quarter Electric 2019 Electric Rates – Tracker Adjustment and the Annual CPI Adjustment for Water Rates.

QUARTERLY COMMUNICATIONS BREAKFAST:

Mr. Chance invited the Board to the Quarterly Communications Breakfast on Tuesday, March 12, 2019, at 7:30 a.m. at the Dutch Café.

LEAD AND COPPER:

Mr. Chance said since we failed our test three months ago, every quarter IDEM has required us to include the following verbiage on our billing: *“Peru Water Department found high levels of lead in drinking water in some homes. Lead can cause serious health problems. For more information, please call us at (765)473-6681 or visit our website at www.peruutilities.com.”* Mr. Beisiegel explained that this will continue until test results indicate satisfactory numbers. We have to perform sixty tests this time. He said that Peru Utilities is working closely with customers to ensure that they fully understand the testing protocol. Mr. Beisiegel noted that IDEM would like us to add a phosphate chemical additive treatment, which will line the pipes and reduce the risk of contamination even further. This will not be done before the testing. Mr. Akers inquired how we compared with other utilities in the state with regard to this matter. Mr. Beisiegel stated that a lot of Indiana utilities had the same issue, in fact, Ft. Wayne had issues at the same time we did. IDEM mandates that lead levels in drinking water should not exceed 15 parts per billion, our exceedance level was 18.6 ppb.

DECEMBER 2018 FINANCIAL UPDATE:

ELECTRIC:

Electric revenues have been steady to previous years. We purchased 5% more kilowatt hours from IMPA last year but revenues were steady because our wholesale rates have decreased. Mr. Chance explained that weather always impacts daily utility operations. Operation costs were close to the same as the previous year. Net Margin shows a negative (-\$2,658,850) due to the remainder of power plant demolition costs that were written off at the end of 2018. The actual year-to-date net margin was a positive \$141,477.

PERU WATER:

2018 gross revenue for Peru Water increased by 1.5% through December. We anticipate an increase in revenue when all of the new meters have been in use for twelve months. Residential revenues received were less than budgeted by \$328,679. Operating expenses were within \$26,000 of expected. Net margin before capital contributions was \$705,612, which is \$181,543 less than the expected margin of \$887,155.

PERU WASTEWATER:

Revenue received was less than budgeted by \$475,176 partially due to AMI struggles. Operating expenses were \$58,196 higher than expected. Net margin before capital contributions was \$685,699, \$327,077 less than the expected margin of \$1,061,083. We spent \$357,000 on capital projects in 2018. Peru Wastewater has a positive net margin of \$44,583.

GRISSOM WATER:

Revenues received were within \$7,301 of the budget. Revenues are 1% higher and operational expenses have increased by 8%. Net margin is a negative (-\$66,367), which is \$4,048 less than the expected \$62,319. Last year we only did the necessities at Grissom, we are still working on the Grissom Water Rate Case Study.

GRISSOM WASTEWATER:

Revenues received were within \$17,284 of the budget, operating expenses were over budget by \$56,836. Net margin before capital contributions was a negative (-\$24,253), \$46,451 less than expected positive net margin of \$22,199. Grissom Wastewater still has substantial cash reserves. Mr. Chance noted there had been issues at Grissom Wastewater because it was near capacity with sludge to be disposed of. However, the operation has been changed and it is hoped that it will level out. We also have received a land application permit.

STORMWATER:

Revenues received were \$2,914. Operating expenses were under budget by \$4,656. Net margin was \$79,569 which is \$14,183 more than the expected positive margin of \$65,386. In 2018 a dump truck was purchased out of the Storm Water account.

Mr. Chance reported the top three electric and water customers in terms of revenue as follows:

Peru & Grissom Top 3 Electric & Water Customers for 2018 are:

Armour-Eckrich	\$2,707,952.28-11% of our total revenue
Miami County Corrections	\$1,380,648.57-5.7% of our total revenue
Dukes Hospital	\$ 640,632.47-2.6% of our total revenue

Peru Water:

Dukes Hospital	\$ 431,695.03-15% of our total revenue
Armour-Eckrich	\$ 381,767.17-13% of our total revenue
Blair Ridge Health	\$ 177,293.45-6.3% of our total revenue

Grissom Water:

Miami County Corrections	\$ 278,021.18-43% of our total revenue
GAFB	\$ 69,523.84-10% of our total revenue
Aperion Care	\$ 10,149.34-1.5% of our total revenue

Two customers at Grissom equal 50% of the total revenue.

Residential Electricity Rate Comparisons per 1,000 Kilowatts:

Peru Utilities	\$106	\$ 4.22 Customer charge
Miami Cass REMC	\$118	\$25.75 Customer Charge
Duke Energy	\$114	\$ 9.00 Customer Charge
Heartland REMC	\$121	\$25.00 Customer Charge

Mr. Chance noted because our customer charge is low, we are not able to cover our infrastructure investment.

Residential Water Rate Comparisons per 1,000 Gallons:

Peru Utilities	\$4.50/per 1,000 gallons
LMU	\$4.99/per 1,000 gallons
American Water	\$8.15/per 1,000 gallons

Residential Fire Protection Comparisons:

Peru Utilities	\$11.27
LMU	\$ 2.60
American Water	\$ 4.54 they also have a Distribution System Improvement Charge on top of that, their minimum charge is \$14.23 and you still pay for the water. They charge \$8.15 per 1,000 gallons. Their bill is significantly higher than ours, American Water also charges for the city water hydrants.

Mr. Chance said that Peru Utilities electric rates are high on the industrial side. There was a discussion among Board members and staff about the rates that were presented and Mr. Van Baalen expressed his concern about the situation with

regard to the Grissom water rates and aging infrastructure. He wondered if the two large customers had been informed of these impending increases. Mr. Chance responded that they haven't been informed yet because of the fact we don't know what the new rate will be. Mr. Chance went on to explain that is why we have obtained the services of Wessler Engineering to provide us with a good plan as far as the infrastructures that we need to upgrade. After Wessler Engineering presents their plan to us we will be in a better position to make an informed decision and sometime after that, we will pursue the financial part of the process. Then we will be able to establish a clear view of the impending rate increase and we will then present the information to our customers. In the future, it is hoped to establish an annual CPI water increase for Grissom.

EACH DEPARTMENT SUMMARIZED THEIR 2018 ACHIEVEMENTS:

DWM:

Mr. Beisiegel discussed the three major projects last year, the Peru water plant rehab, water main replacements, and the water meter replacements. He mentioned how much time his crews spent dealing with the contractors facilitating these projects. The upgrades to the Peru water plant often times required employees to assist in pumping down tanks to turn the water plant off, the water plant was turned off five times last year. Deichman Excavating replaced twenty-five mains in town, one in two block sections and rerouted a 16" water main around Peru High School. Staff met multiple times with Deichman Excavating involving traffic and cleaning up their work sites. Crews assisted the contractor with fixing numerous broken lines during the water meter replacement project. There were 26 main breaks repaired last year, 49-meter pits replaced, 253 feet of lead service line replaced including 90 + services from the house to the meter pit, 200 + meters were replaced, and four CSO weirs were repaired. Crews check every motor and pump, generator, lift station, and booster station daily to ensure that they are running good and have no electrical problems. Crews performed 2,000 water/wastewater locates last year and lift-station 802 at Grissom was completely refurbished. Three new employees were hired. The water line in the Line Department was dye tested and fixed. Crews fixed the force main twice last year because boring companies had drilled through it, crews also repaired a valve and line at the YMCA.

LINE DEPARTMENT:

Mr. Hall reported he started his employment on May 1 last year. Last year two lineman left Peru Utilities, one to retirement and one to another organization. An employee from the Division of Water management transferred to the line department and two apprentices were hired. One apprentice has recently reached the journeyman lineman status. Much has been accomplished in reorganizing the line department garage and also establishing a system of routine maintenance for the line department vehicles. He mentioned projects that had been completed as follows: reduced pole costs 15% by purchasing a different type, changed out

security lights to LED lights and monthly repaired between 50-60 street lights, upgraded some transformers at Smithfield Foods, changed out some of the reject poles, reworked West City Park and the Mexico Ball Field, worked on fixing hot sockets and brownouts and installed a regulator bank north of Broadway and 24 and some capacitors in Mexico to offset the added load from OP Nutrition. He said his crews spent a tremendous amount of time hanging banners and installing power boxes for the Circus and hanging Christmas lights. Mr. Hall purchased new tools for the line department to use. Linemen now attend IMPA monthly meetings for additional training. Line crews will be sectionalizing the electric line starting at Business 31 and US 31 to help minimize large outages. Crews now have tablets in their line trucks and hot spots along with Fleet Complete for productivity and safety.

TECHNICAL SERVICES:

Mr. Zartman reported Tech. Services major project for 2018 was replacing all electric and water meters with the Automatic Metering Infrastructure (AMI). It was a huge undertaking and required ongoing communication between all departments and contractors. Meter Readers and Installers were transitioned over to the Tech. Services Department. He discussed various personnel and their job duties and accomplishments. Clawson Communications is redoing the fiber system, the Peru Water SCADA System was moved to fiber. Reviewed and renewed the Inter-Local Fiber Lease Agreement. The Technical Services Department took over the job of testing the black-start generator on a monthly basis and set up a yearly inspection and maintenance program. Reviewed costs and fees associated with monthly software and annual services. He shared with the Board that he was able to negotiate a savings of \$3,600 annually for trash removal. His department will be crossing training team members to increase efficiency.

BUSINESS OFFICE:

Mrs. Clark reported that all functions of the utilities have to pass through the Business Office in some way or another. She said that she had assumed the responsibilities of the Office Manager last May and is still in the learning process. She complimented her staff for things moving so efficiently. All the departments now have process descriptions. Her office checks to see that everything is accurate and that all figures add correctly. She is looking into a new billing system that is integrated with accounting. There are 3,000 general ledger accounts, payroll processed 1,770 paychecks last year, over \$3.8 M and accounting processed 2,300 checks and 5,000 invoices.

CUSTOMER SERVICE/KEY ACCOUNTS:

Mrs. McGuire reported she manages 6 full-time and 1 part-time employees. Her office handles phone calls, new accounts, maintains deposits, returns, payment arrangements, and collections. The past year her staff processed 87,000

transactions for \$28.4 M dollars and answered about 2,100 phone calls per month, which did not include outages. She is proud that her staff is on board with using the new AMI System. There were 6,700 service orders last year along with 1,120 new deposits. Customer Service also assists customers with making payment arrangements. On average, there were 115 disconnects per month. By the end of the year, everybody in the Business Office will be cross-trained. Staff is reevaluating old procedures to become more efficient and plan to keep doing so with the new AMI. Service orders have just been changed and they are more efficient. New card readers have been installed. Mrs. McGuire presented the General Service Handbook to the Board that will be given to new customers when they sign up, we will also handout Welcome Bags. Mrs. McGuire stated that she has been attending the IMPA Customer Service meetings.

SAFETY:

Mr. France reported that there no recordable accidents last year. He organized and conducted safety training that included robbery, tornado and fire drills. Everybody now has an SDS App on all of their tablets and computers. The power plant demolition project is now completed and was \$5,000 less than what was originally contracted. The gates have been fixed. A contractor will come in and repair sinkholes and remove rocks in the green space. He completed a Certified Safety Coordinator position this past year with Tennessee Valley Public Power. He stated that IMPA is a member of TVPPA, we are an affiliate member which will reduce our cost of lineman training. Work is getting done safely in the line department since Bob Hall is on Board.

Mr. Chance handed out Peru Utilities Capital Plan to the Board members stating he will review it at the March 20 Board meeting.

10. ADJOURNMENT:

There being no further business to bring before the Board, Mr. Burnell made a motion to adjourn. Mrs. Edwards seconded the motion. The meeting adjourned.

Matt Burnell, Secretary Peru Utilities Service Board