

UTILITY SERVICE BOARD
APRIL 29, 2014
MINUTES OF THE MEETING

Chairman Jay King called the meeting to order at 7:00 p.m. All members were present except for Mr. Martin Monahan, who was on vacation. Others in attendance were Mayor Ted Franklin, City Attorney Randy Head, and several City Council Members. Many visitors, along with LMU employees, were also at the meeting. Media personnel from *The Pharos Tribune*, Hoosier 102 Radio Station and Channel 18 News were also present.

The first order of business was **Approval of Minutes**. As there were no questions or comments, Mr. Dan Slusser moved for approval. Mr. Don Strasser seconded the motion and minutes were unanimously approved.

Approval of Claims was next on the agenda. As there were no questions, Mr. Slusser moved to approve all claims as presented. Mr. Todd Miller seconded the motion which passed 4-0.

Under **Superintendent Comments**, Mr. Hartman suggested rearranging tonight's agenda as Mr. Al Stong of *Commonwealth Engineers* would be arriving late. The Board agreed.

Superintendent Hartman then announced a timeline of meetings regarding the Purchased Power Agreement (PPA) and the Development Agreement (DA) for the Power Plant Project, and explained what meetings and steps would follow. (Attached) Everyone was also told when and where information could be obtained.

There were no **Old/Unfinished Business** issues on the agenda; therefore the first item under **New Business/Specific Issues** was Resolution 2014-02. After Mr. Miller read the resolution, Mr. Slusser made a motion to approve it. Mr. Miller seconded his motion and discussion followed. Superintendent Hartman explained that as suggested by the State Board of Accounts during their yearly audit, the purpose of this resolution was for clarification and for the Board to ratify his signature on four addenda to the contract with *William-Lynn-James, Inc.*, for assistance with LMU's Rate Stabilization Initiative. Mr. Miller asked for confirmation that LMU has only paid the amount of \$250,000, which was approved at the November 2012 USB meeting and Mr. Hartman assured him of that fact. The board then voted 4-0 to pass Resolution 2014-02.

At that time Mr. John Skomp of *Crowe Horwath* distributed information on an Electric Cost of Service Analysis (Attached). He discussed the preliminary draft analysis of what a realignment of rates might look like if there was no increase in the total overall revenues of the utilities. He went on to state that the January 2013 report, which is based on an Aug. 2012 test year, was adjusted to result in a revenue-neutral outcome.

The Board was also apprised that impacts in the Jan 2013 report were much different since the tracking and fuel cost factors were included; while a new study would be more of a realignment of the *base rate analysis* and would remove subsidy excess. How customers would be affected and what modifications are expected, were outlined by Mr. Skomp. He advised that the category of “Outdoor Lighting and Municipal Street Lighting” would have substantial rate increases (26-27%).

It was also pointed out that incremental steps would be allowed to smooth the transition of higher rates. Mr. Skomp concluded that this information presented in this particular study could be a tool to decide whether or not a complete revenue-neutral rate study is warranted, but not to pass a new rate schedule. Board members asked several questions and were told the estimated completion date for the proposed study would be July, at an approximate cost of \$50,000. Another option offered by Mr. Skomp was to wait until changes are made regarding LMU’s power production and having a study done at that time. The board agreed, by consensus, to proceed with the study which would hopefully be completed for presentation at the July USB meeting.

The third item under New Business was a presentation from Mr. Al Stong of *Commonwealth Engineers, Inc.*, concerning the upcoming project at the Wastewater Plant to meet requirements mandated by the Long Term Control Plan (LTCP). Mr. Stong explained that this project addresses both the Wet Weather mandates and the upcoming stringent phosphorus standards on the effluent at the Wastewater Plant. USB members were told that they should see substantial cost savings on the LTCP. Copies of the Power Point pages are attached.

Mr. Stong replied to questions by reaffirming that this project is crucial to meet Federal and State regulations; specifically the EPA Clean Water Act, and IDEM’s response addressing EPA standards. Mr. Slusser asked if other alternatives had been explored to which Mr. Stong replied that they have; however the proposed plan is the most economical option available.

The Superintendent advised that there is approximately \$4 million in the Depreciation & Replacement Fund for this type of project. As the impact on the rate would be 3%, there will not be much effect on the wastewater rates. As various components of this project and the LTCP were discussed, it was stated that the Wastewater Department would be required to fund 10% of the cost towards the phosphorus removal requirement, which is estimated to be \$780,000. Mr. Miller moved to approve paying 10% of the project cost, estimated at \$780,000, from the Wastewater Department. Mr. Slusser seconded his motion which passed 4-0.

Under **Visitor Comments**, Mrs. Mercedes Brugh of 1315 E. Market Street addressed the board and updated them on a recent forum she organized regarding public power options. She again explained several benefits of belonging to *Indiana Municipal Power Association (IMPA)* and urged the Board to seek an official proposal from IMPA. Mrs. Brugh’s comments are attached.

A second visitor to address the board was Mr. Jim Brugh, also of 1315 E. Market Street. He rebuked board members and LMU management; accusing them of shirking their duties, not working as a group, and not keeping the public apprised of important information. He also told the Board that they are being reckless and not prudent; and advised them to proceed with caution. Mr. Brugh asked that they reconsider recommendations in the engineering report from *Lutz, Daily & Brain*.

The next person to address the Board was Mayor Ted Franklin of 315 S. Hillcrest Avenue. He offered a rebuttal to Mr. Brugh's accusations and reminded everyone that the previous speaker offered one man's opinion. The Mayor briefly explained how aspects of the proposed Power Plant Project can significantly boost Logansport's economy by providing much greater benefits than IMPA or any other competitor could offer.

Mayor Franklin retorted that the most knowledgeable consultants have poured countless hours into creating the absolute best option to meet our energy needs and to revitalize our community. He went on to state that a team of legal experts from *Barnes & Thornburg, LLP* have endorsed and assured legal accuracies of every action; and the highest court in Indiana, the Indiana Supreme Court, declared that all actions have been handled in an open and transparent manner.

The advantages of IMPA were also noted by Mr. Franklin, and he encouraged everyone to stay positive and to study the information that will be provided on the City's and LMU's websites.

At that time Councilman Joe Buck, of 325 Burlington Avenue, came forward and stated that he has been a citizen of Logansport since 1974 and has seen no growth here, and has watched this town continually die. He believes this Power Plant Project is an exciting opportunity that will revitalize our community, and the only solution to the unattainable coal regulations. Mr. Buck summarized his observation of the recent Public Power Forum on April 23rd by saying the lecturers seemed to bolster the case for the proposed plant by providing information which confirms that this is the best solution.

A second member of the City Council, Mr. Charlie Hastings of 824 Wheatland Avenue, took the floor and explained that he has been on the council for 11 years and is confident that the Board is making the soundest decisions by moving in the direction of the new plant.

Under **Board Member Comments**, Mr. Miller encouraged everyone to keep the dignity of our community and citizens in tact by striving to stay positive as we work together in this endeavor.

Vice Chairman Slusser read information from *The Kiplinger Letter* which predicted steep hikes in both coal and natural gas prices during the next two years. He advised that as a result, the highest electric rate increases since 2008 are expected, and provided details to Board members.

Mr. Slusser then wished to publically thank the *Citizens Alliance for Responsible Energy (CARE)* for organizing the question-and-answer presentation at McHale Auditorium on April 23rd. He stated that the forum was quite informative and he agreed with the experts and others in attendance that LMU is spot-on with the product that they produce. Mr. Slusser added that we owe a great debt of gratitude to LMU management and employees.

Mr. Slusser then made reference to IMPA, stating that the 52 Indiana cities that are members of IMPA, which owns 4% of the Prairie State Coal facility, an Illinois coal-fired plant. These cities share \$5 billion of debt related to Prairie State alone. They do not use any refuse-derived fuels, as they still burn coal. They are still doing what President Obama declared he will change in 2016 by closing thousands of coal plants. Mr. Slusser continued by saying that IMPA and Prairie State continue belching out tons of dioxins to produce electricity, which will then be sent to Indiana; and he has a problem with that.

Mr. Slusser continued and emphasized that the PPA currently being considered meets all criteria required in the November, 2012 RFP process. He added that it's time to reverse the direction of Logansport by embracing the only opportunity presented that appears to be workable. He thanked everyone involved for their efforts in this endeavor.

Chairman King commented that this has been a long negotiation process, and like all negotiations, had to be done in private; however, all information will be made available to the public on Friday, May 2, 2014. He informed everyone that any questions for the consultants may be submitted to the Superintendent via the email address listed on the website. Mr. King went on to urge everyone to be courteous and civil, and to move forward together to examine this proposal, as we are trying to find what's best for everyone in Logansport.

As there were no other comments, Chairman King adjourned the meeting at 8:25 p.m.