



Lebanon Utilities

2008 Goals in Review

GOAL#1

Complete Performance Contracting Initiative

Results

- Johnson Controls (JCI) completed the project development phase of their work during 2008 and presented that work to the Board on June 18th of 2008
- Johnson Controls' study indicated that operational savings could be derived over a 15-year period by implementation of an AMR build-out program in an 18-month time frame utilizing performance contracting.
- JCI's study showed that the Hunt technology that the company was presently deploying in its pilot program to read electric and water meters and the Aclara technology that JCI has installed in Anderson were both feasible and economical with the Aclara solution being slightly more economical. They reported that the MainNet technology did not have a proven solution involving water and electric meters.
- JCI study of the cross-town interceptor option utilizing performance contracting was not pursued as studies by Umbaugh and Associates indicated that it was not financially feasible to complete in one phase without rate adjustments.
- Having the results of JCI's project development work, ISC performed an analysis comparing a company self-performance build-out plan for AMR versus a contractor like JCI performing this service and determined that savings would be achieved by company self performance versus performance contracting. A payback would be achieved in 6.5-7 years. ISC ascertained that this could best be achieved utilizing the Hunt/Badger technologies that had been successfully deployed in the pilot program wherein electric and water meter reads are transmitted back to the main office.
- It was determined that over a 6 year period of 2009-2014 this could be funded out of cash reserves from the electric, sewer and water utilities.
- ISC determined that at a later date AMI features of the Hunt technology could be activated by retrofitting for demand-side management and other applications associated with two-way read capabilities. The economics of the retrofits could be analyzed at a later date.
- The six-year program for build-out of AMI was commissioned by the Board at the October 8th meeting.
- The achievement of this major technology deployment decision was reached through the aforementioned extensive analysis as well as successful testing through a pilot program. Visits by staff to sites where AMI technology has been deployed by Board member visits and discussions during and prior to 2008.

GOAL#2

Develop Utility Strategic Plan for 2009-2013

Results

- Examined feasibility of conducting a strategic planning exercise in 2008
- Sought and received recommendation from IMPA as to consultants most proficient in conducting such exercises and plan development. John Miner and his firm Collaborative Learning, Inc. was the recommendation. Mr. Miner has extensive experience carrying out such assignments with municipally-owned utilities throughout APPA and has background in management with public power utilities.
- Discussions were held by phone with Mr. Miner and a proposal received.
- Utility Attorney advised that qualification-based selection process could be utilized.
- During an APPA Conference in Indianapolis in-person discussions were held with Mr. Miner.
- Based on these various communications, management determined that the collaborative process that Mr. Miner outlined involving the Board, Management, Mayor, Council and Customers would be most effective and should be pursued.
- However, the aforementioned process involved extensive time commitments on the part of management that would not be available in 2008 given the number of key projects now underway. This process would be examined for possible launch in 2009 or 2010.

GOAL #3

Develop Broadband Operations

Results

- Wireless services were provided to Witham Hospital at its Jamestown Medical facility (wireless). The wireless residential customer revenue equivalent is 11 per month. 30% of installation costs were covered by the customer. A contract was secured to provide wireless services to the Witham Medical facility in Thorntown. Extension of the service awaits the development of an access point as the previous negotiations with the grain elevator fell through. Plans to utilize the Zionsville fire department tower to serve the Witham Medical facility in Zionsville did not materialize as AT&T provided services at a substantial discount rendering the deal uneconomic for iLines at that price.
- 4.2 miles of fiber optic was extended. This loop passed utility facilities and key potential service points throughout the city. All substations except Lau are now accessible to fiber optic once the electric system refurbishment program is completed at each substation i.e. the North substation work will be completed in the first quarter of 2009 and at that time fiber optic will be tied into that substation. Work on West substation will follow.
- The Lebanon Community School Corporation did not have in its 2008 budgets funds for tying its facilities with fiber optic. That budget funding is now available for 2009 as it was provided for by School Board action in 2009. iLines in 2008 readied plans to pursue that business.
- Fiber optic services have now been provided to American Ultraviolet and Kaufman Engineering in the Business Park, Net Tec Computers on the Square and to Home National Bank on the north side of the city. Wireless services were also extended to the NorthPark Credit Union branch at Krogers. This is equivalent to 29.4 residential customers in monthly revenue. 96% of the installation cost is covered by the customer.
- Meetings were held with Whitestown Utilities regarding the provision of wireless services to them but economic opportunity once explored did not seem feasible.
- Implemented Broadband and IT customer contact, tracking, and helpdesk system including processes and software and integrated with customer service processes and systems.

GOAL #3 *continued*

Develop Broadband Operations

Results

- Target revenue of \$282,435 was planned and \$231,124 was achieved through October, 2008. If the October, 2008 revenues of \$23,817 were repeated in the final two months of 2008 (these figures do not include American Ultraviolet, Kaufman Engineering or Home National Ban), the 2008 revenues would be \$278,758 compared to the \$282,435 target (98.6% of goal).
- Targeted customer base for 2008 was 432 customers. Through December 31, 2008, there were 403 customers (93% of goal). The customer equivalent at \$49.95 for 2009 was 154.13 or 12.84 per month.
- Target O&M expenses were not to exceed \$529,746. Through September, 2008 expenses were \$374,096. If the last three months of 2008 were repeated at September 2008 levels, the O&M expenses would be \$485,906 coming in under target by 8%.
- An extensive restructuring plan of Broadband Operations was completed in 2008 which included a payoff of the iLines loan by the electric, water and wastewater utilities. The State Board of Accounts agreed with the handling of the transaction as a Notes Payable item for iLines and notes receivable item for the three Utilities—electric, sewer, and water. Through October, 2008, the Notes payable amount for iLines stood at \$1,587,243.70.
- Losses between June 2008 and September 2008 average out to be \$12,470. If you add back depreciation which is a non cash entry on the income statement the average loss becomes \$7,745. At 49.95 per customer, iLines would need to obtain approximately 155 more residential equivalent customers to offset the losses without depreciation and 250 customer equivalents to offset total losses. These losses do not include offsetting revenues from the three new fiber optic customers added which would trim the losses by the equivalent of about 22 residential customers. The cash shortages at the end of each month are divided equally among the electric, water and wastewater utilities as a note receivable.
- The restructuring involved suspending any new additions of BPL except for what is available from inventory and continued expansion of wireless and fiber optic services.
- In the Board meeting held on June 4th to consider whether to continue with iLines, 25 customers spoke in favor of continuing the service. Business leaders within and outside the city were among the speakers.

GOAL #3 *continued*

Develop Broadband Operations

Results

- It was determined by legal counsel that by June, 2008, iLines would need to file for a Certificate of Territorial Authority (CTA). Previous CTA's granted by IURC have required that money transferred from the electric utility to the telecommunications utility requires such transfers to be classified as a loan e.g. Auburn. Lebanon Utilities and iLines have through its restructuring accomplished those objectives.
- The Board established a task force to work with the General Manager in strategic discussions with private vendors involving iLines where private financial and intellectual capital could be adjoined with the Utilities initiatives in telecommunications. Some of these vendors were in attendance and spoke at the June 4th Board meeting. These strategic discussions have been extensive and quite fruitful. Banks have been brought in and involved in the discussions. The talks are now at the stage of site visits with the Board, Mayor and City Council and the establishment of principles for an operational arrangement.
- Received approval from City Council for broadband rates and charges involving unbundled services and rate changes for some existing broadband services.

GOAL # 4

Complete 2008 Electric Infrastructure Development Projects

Results

- System improvement initiatives resulting from the 2006 Electric Distribution Planning Study recommendations due to end of useful life (facilities aged beyond or at end of life expectancy and/or obsolete) or capacity improvements to maximize facility usage (sweating assets).
 - 4 kV to 12 kV circuit upgrades completed at the North substation.
 - Sheltered aisle switchgear and control house, 69 kV potential transformers, substation battery and charger ordered, labor contract awarded, and further construction work completed at the North substation. The refurbishment of the substation and all associated work is targeted for completion in February, 2009. Capacity upgrades will be accomplished including not only for transformers but high voltage circuit capability (at 12 kV versus 4 kV). In addition, improved system protection will ensure higher reliability of service through high speed communications and fault detection capabilities.
 - Delivery of 69-kv breakers and potential transformers for the Lebanon substation (Duke/IMPA delivery point) were achieved and substation walk up cabinet ordered for the substation. This work is targeted for completion in February, 2009. With this project, capacity upgrades are achieved for more reliable service and system protection enhanced for high speed fault protection and operation.
- Training of electric crews provided and distribution capacitors were installed as part of the capacitor installation program study previously completed in 2007.
- Fiber optic communications constructed to all substation sites (except Lau which will be complete in 2009) to support improved system protection, SCADA and device communications.

GOAL # 5

Complete 2008 Sewer and Wastewater Infrastructure Development Projects

Results

- Supply-demand studies completed for review of the need for the southside water plant. Studies determined that based on projected growth levels, the plant can be delayed from the five-year plan. Should demand levels pick up beyond expectations, the plant could be constructed and brought on line in 18 months.
- Abner Longley Park well contract awards, construction and tie into the Chicago Street plant was completed in 2008 except for punch-list items and system control improvements. This project serves to utilize well capacity intended for the southside water plant until such time as additional plant treatment capacity is required.
- Well exploration at Sugar Creek was delayed due to easement and plat issues with the site owner and continues in negotiation.
- Sewer Lining and manhole rehabilitation project was completed in Edgewood.
- A construction recovery agreement was executed with the Home National Bank and service completed to the bank.
- Sewer and water services were extended to Cold Storage, and the Duke Business Park Expansion.
- Master Plan was completed for the West and South Territories.

GOAL # 6

Complete Automated Work Management System

Results

- Staker Software and Server installed and tested.
- GIS integration with Staker software was completed.
- Graphic user interface for work management system was extended to 80% completion
- Integration with Harris Service Order System was expanded to a level of 65% completion.
- Some output deliverables from Staker were shared with Electric Operations and process improvements made.
- Improvements in manual work order packages and processes were made based on experience between engineering and the field. The intent is that no project be initiated until a work order is generated.

GOAL # 7

Enhance Customer Satisfaction by Improving Existing Programs and Services, Implementing New Value-Added Programs, and Benchmarking with the Industry

Results

- Storm Water Billing was initiated in January, 2008. This was an extensive data management and integration undertaking and was accomplished successfully with minor bugs having been for the most part worked out.
- Process improvements were made with the internet billing. Fewer discrepancies resulted between the Telecommunications Help Desk and billing.
- Customer satisfaction surveys conducted in 2008 by IMPA continue to show good to very good responses from customers as to service levels being provided.
- AMR process and data integration continues to be successfully achieved.
- Metrics will continue to be tracked in 2008 including customer payment methods, outgoing and incoming phone calls, move-in and move-outs, bills processed, delinquent and collection information, and disconnects. Metrics show more of virtually everything in 2008 compared to 2007 except disconnect which were down some and incoming internet calls were reduced in number. Web payments were up to 3,484 for the year through mid December compared to 2,687 from last year.

GOAL # 8

Review and Implement Employee-Caring Initiatives and Enhance Organizational Development

Results

- Salary and wage recommendations completed.
- Benefit reviews completed.
- HR training for Managers and Supervisors were carried out.
- Employee awards banquet held.
- Employee benefit summaries prepared and issued.
- Updates made to the Employee Handbook.
- Company-wide hiring process completed and issued to Managers.
- Quarterly leadership training for Managers conducted.
- Quarterly updates for employees carried out successfully by management
- Engineering and Operations merged on a trial basis to improve work management and achieve process improvements and customer service.

GOAL # 9

Track and Report Financial Performance

Results

- Monthly financial reporting was provided to staff and quarterly reporting to the Board. This reported included balance sheet, income statements, cash flow, budget-to-actual, financial ratios, and capital tracking.
- Financial metrics were also reported to the Board on a quarterly basis.
- 2008 Capital and Operating and Maintenance budgets including one year and five year projections were prepared by staff and approved by the Board for electric, water, sewer and telecommunications.
- Financing and rate reviews completed for performance contracting.
- Business portal readied for internal dissemination.

GOAL # 10

Complete Development of the Storm Water Utility

Results

- Storm Water budget developed and submitted to the Storm Water Management Board (SWMB).
- Storm Water Technical Standards developed and approved by the SWMB.
- Storm Water Master Plan was completed and approved by the Storm Water Management Board.
- Storm Water Mapping System was further extended.
- Lafayette Avenue Storm Water Extension Project was initiated.
- NPDES reporting was conducted.

GOAL # 11

Assist City and County with Strategic Initiatives

Results

- Engaged in extensive analysis, evaluation, and negotiations with REMC on electric territorial boundary changes including all areas annexed over the years both recent and in the distant past except for portions of the Business Park that are under separate contract. Valuation of facilities and agreement on such, customer identification and valuation, and filing requirements with the IURC were determined. Documents were completed and filed with the IURC on December 23, 2008. Advertisements were submitted to the local newspaper. If approved by the IURC, all areas within the City except for portions of the Business Park under separate contract will be served by the City's electric utility.
- Supported the City in its I65 annexation through study work in the annexation task force, and public statements at hearings involving electric, sewer, and water facilities.
- Assisted the City in its successful launch of its new website.
- Assisted the City lighting committee in development of a plan for street light enhancements.
- Completed with the City the annual joint sharing of cost determinations for City and Utilities budgeting.
- Assisted the City and EDC in various economic development initiatives some of which came to fruition e.g. Cold Storage and others which are in progress or were unsuccessful. Support involved electric, sewer, water and telecommunications.
- Met and discussed with the County various strategic initiatives involving the City.

GOAL # 12

Develop A Integrated Company Emergency Response Plan

Results

- Procedures were tightened up for hazardous spills.
- The company was involved with IMEA in the development of a plan for mutual aid involving telecommunications. That plan is in process.
- Further review and integration of plans is necessary.