

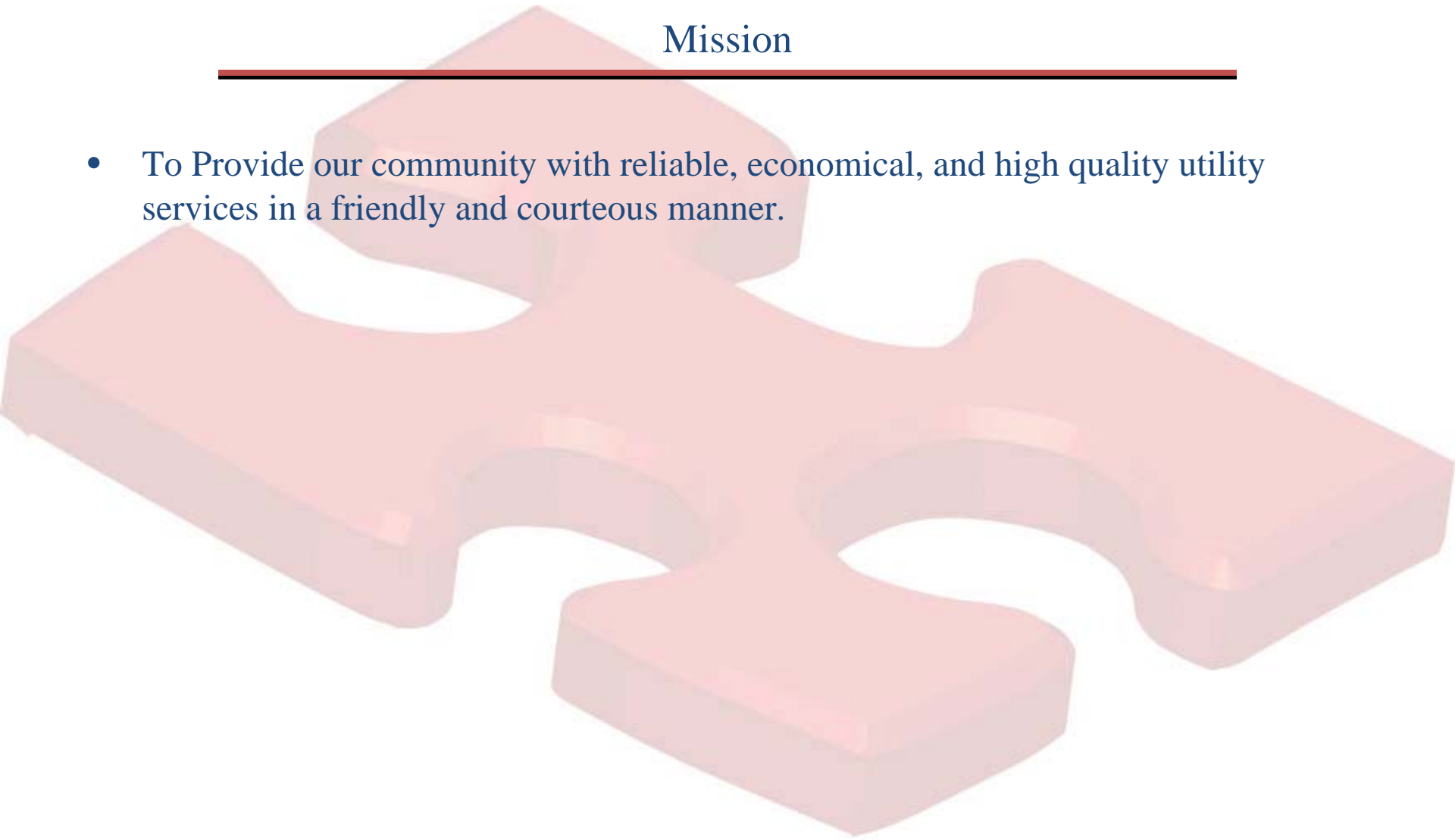
Lebanon Utilities



Working together to build our future.

Mission

- To Provide our community with reliable, economical, and high quality utility services in a friendly and courteous manner.



Vision

- Lebanon Utilities will be recognized throughout the region as a utility that has achieved a level of excellence in customer service distinctive from peers both large and small.
- It will be known as a utility that is in relentless pursuit of creating the WOW factor among its customers to whom it provides utility products and services through an energized work force.
- Its employees will enjoy a atmosphere which accentuates the positive, promotes the free flow of innovative customer responsive ideas, and is imbued with the values that create a spirit of uplift for all that come in contact.
- Lebanon Utilities will provide a key leadership component in transitioning the community it serves into the third millennium and beyond.

Values

- Honesty
- Trustworthiness
- Service Excellence
- Productivity
- Employee Caring
- Free Flow of Ideas
- Teamwork

Lebanon Utilities

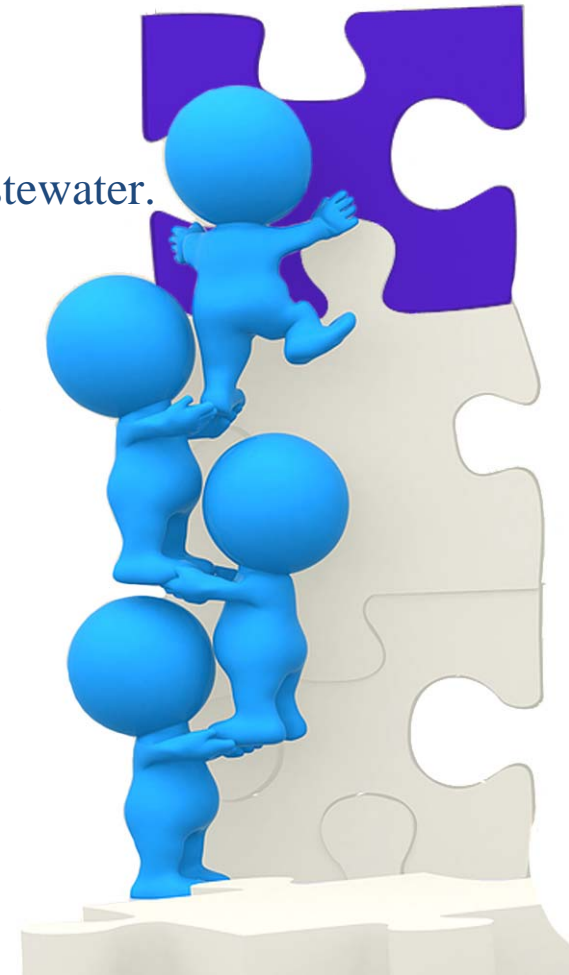


2010 Review

GOAL #1 in Review

Continue Development of the Automated Work Management System

- System now being utilized for all work involving Electric and Telecommunications.
- Water and Wastewater:
 - Reviewed the system with Water and Wastewater.
 - Licensing became an issue per IT to add Water and Wastewater.
- Building Inspector Database:
 - Integration put on hold (new inspection system created).
- Finance :
 - Material system training.
 - Material system process mapped.



GOAL #2 in Review

Complete Restructuring Of iLines and Strategic Partnership

- Pursuit of a strategic partnership for the extension of fiber optic connectivity to residential and business communities.
- Exploratory work began in restructuring the wireless business
- Completed mid-town fiber optic cross connect and thus removed fiber optic network restriction point.
- Completed fiber optic build-out for city parks, street, and north fire station facilities. Thus enhancing the quality of internet and telephone service to these facilities.
- Contract was completed in 2010 with a major customer in the Business Park for backup services over fiber optic connection to Henry Street. This service began in April 2010. This contract resulted in an additional \$4,500 in revenue in 2010 and will provide \$6,000 annually.

GOAL #2 in Review (Cont)

Complete Restructuring Of iLines and Strategic Partnership

- Contracts were completed with a major institution in the city for fiber optic connectivity at two of their facilities. Service for these facilities began in February 2010. These contracts resulted in an additional \$8,800 in revenue in 2010 and will provide \$9,600 annually.
- Contracts were completed with a public entity for internet services via fiber optic to their facilities at the annex and Camp Street. Service began 9/9/2010 at the Annex and 7/28/2010 at Camp Street. These contracts resulted in an additional \$1,125 in Revenue in 2010 and will provide \$3,000 annually.
- A contract was completed with another institutional customer to provide fiber optic connectivity and internet services. Service began 10/15/2010. This contract resulted in an additional \$363 in revenue in 2010 and will provide \$1,740 annually.



GOAL #2 in Review (Cont)

Complete Restructuring Of iLines and Strategic Partnership

- A two-year contract was finalized with another major customer in the Lebanon Business Park for fiber optic connectivity, wireless backup, and maintenance services. The extension of this fiber optic run will cost approximately \$12,000, however, it will allow us the opportunity to offer service to several other adjacent businesses. Over the two-year period the net revenue is projected to be \$15,839 which consists of a monthly fiber charge of \$590 and a monthly wireless back-up charge \$69.95. Service will begin in the first quarter of 2011.
- A contract was finalized with a utility in a local community in December, 2010 for iLines to place wireless equipment on their water tower. Presently, technical assessments are planned to determine whether this will be utilized as expected to serve a major institution and possibly potential customers in that community.
- ILines notified BPL customers of intent to discontinue service in January, 2011. Sixteen customers are involved with annual revenue of \$8,967.

GOAL #2 in Review (Cont)

Complete Restructuring Of iLines and Strategic Partnership

- A net of 52 wireless customers were added in 2010. Annual revenue for wireless grew by \$26,432 in 2010.
- The monthly fiber optic revenue increased by approximately \$47,000 in 2010. There was a one time fiber installation charge in 2009 of \$63,835.
- iLines is projected to complete the year with \$470,000 in revenues, \$496,000 in expenses, and a net margin of (\$26,000). Included in the negative net margin is depreciation expense which is estimated to be approximately \$58,000.
- Approximately \$22,000 was repaid to the other utilities thru November 2010.
- iLines was profitable in six months out of the ten months that have been completed and had positive cash flow in five months out of the ten months.



GOAL #3 in Review

Achieve Financial Objectives for the Utilities

- Utilities received approval for a water rate increase of 8% to 9% per year over a five-year period (8% in 2010/2011 and 9% in 2012 thru 2014). This followed a series of meetings with City Officials and public hearings held both at the City Building and at Lebanon Middle School.
- Revenue and O&M are projected to be within the + or – 10%. Current levels are projected to be:
 - Revenue: -4.9% Electric, +/- 1% iLines, +/- 1% Wastewater, and +10.6% water (1/2 year rate increase).
 - O&M: +1.2% Electric, -8.3% iLines, -6.4% Wastewater, and -2.3% Water.
- Implemented major budget cuts in 2010 to alleviate upward pressure on rates and to mitigate cash flow and net income impacts from revenue reductions. To date in 2010 the following capital expenditures have been made in comparison to budget:
 - Electric – 109%, however, taking into account the I65 Annexation which was not budgeted would have resulted in 35%.
 - Water – 49%.
 - Wastewater – 30%.
 - Telecommunications – 90%.

GOAL #3 in Review (Cont)

Achieve Financial Objectives for the Utilities

- Monthly financial reporting was provided to staff and quarterly reporting was provided to the Board. These reports included balance sheets, income statements, cash flows, budget to actual and financial ratios.
- 2011 Capital and Operating Budget including one-year and five-year projections was completed and approved by the Board in December.
- Achieved a clean financial audit for 2009 as reported by the State Board of Accounts in 2010.



GOAL #4 in Review

Accomplish Customer Service, Caring, and Energy Efficiency Programs

- Customer Service communicated through bill inserts, articles were placed in the newspaper, and public meetings were held at the City Municipal Building and at Lebanon Middle School to communicate the water rate increase. Also, separately from these, some individual meetings were conducted.
- Red Flag Program was initiated and is being addressed to meet identity theft issues in accordance with federal law. One example of this is our new payment processing system allowing our customers access to a secure system.
- Change over in credit card system accomplished.
- Accounts and billing for refuse in the annexed area has been set-up and implemented.

GOAL #4 in Review (Cont)

Accomplish Customer Service, Caring, and Energy Efficiency Programs

- Billing was set-up and implemented for fire protection sprinkler services.
- LED street lighting replacements for Cobra-Heads implementation was initiated:
 - Ordinances were approved by City Council and an energy efficiency grant was obtained by IMPA for LED street lighting replacements for Cobra-Heads.
 - In concert with IMPA a billing procedure was designed including IMPA's billing of Lebanon Utilities and Lebanon Utilities' billing of the City for the charges involving this program.
 - Street light plan and design was completed.
 - Materials were ordered.
 - 155 LED lights have been installed to date.
 - ROAM lighting maintenance program was implemented utilizing wireless technology for monitoring and control.
 - One ROAM gateway and 225 ROAM nodes have been installed.



GOAL #4 in Review (Cont)

Accomplish Customer Service, Caring, and Energy Efficiency Programs

- State-wide Energy Efficiency Program has been delayed due to IURC Order - a vendor to implement the program was selected by the Utility Task Force advising the IURC but one intervener objected to the selection so it has been set for hearing to discuss the selection. IMPA is discussing with another vendor implementation of some Energy Efficiency Programs ahead of the IURC Program.



GOAL #5 in Review

Review and Implement As Necessary Water and Wastewater Improvement Programs

- Prioritized water source options:
 - A Water Resource Study was carried out by Greeley and Hansen. Options and projected costs were determined and areas have been pinpointed to secure real estate.
 - Well #2 was upgraded on the south side. All three wells there are now capable of pumping 500gpm. Well #4 at the Chicago Street plant was also increased by 100gpm.
 - Meetings have also been held with neighboring Utilities and availability to connect to those systems has been confirmed. Timing is driven by commercial growth.
 - Budgets for 2011 and the 2012-2016 Capital and Operating Program were prepared to reflect the options and the timing for water resource additions and improvements in the context of the 2010 water rate adjustment.

GOAL #5 in Review (Cont)

Review and Implement As Necessary Water and Wastewater Improvement Programs

- Improvements made in collection system:
 - Completed replacement and lining of pipe infrastructure in areas of downtown along Prairie Creek and Green Street.
 - Manhole rehabilitations were completed in the same areas as the Lining Projects.
- Vactor Solids Handling Building was completed in November, 2010. The Project came in at budget but took three months longer than expected.



GOAL #5 in Review (Cont)

Review and Implement As Necessary Water and Wastewater Improvement Programs

- Developments continued with the Storm Water Utility as Lebanon Utility staff continued to support the City's Storm Water Management Board (SWMB):
 - The Lebanon Utility staff submitted a 2011 and five-year Capital and Operating Budget that were approved by the SWMB.
 - Technical standards were completed which coincided with those of Boone County.
 - Review of daily operations and cost enabled reduction in the storm water bill to the City.
 - Lebanon Utility staff engaged in another round of training and gained certification from the State thus enabling us to educate job superintendents in order to comply with Federal, State and City requirements.
 - Repaired and replaced a dozen brick catch basins and manholes.
 - Performed quality and quantity monitoring as we tested Prairie Creek at Grant, East, Patterson, and Sam Ralston to establish if there are any changes in quality as storm water passes through the City.
 - Outfalls were monitored for illicit discharge and none were found.
 - Performed various types of sampling e.g. ammonia, e-Coli, PH and suspended solids.

GOAL #5 in Review (Cont)

Review and Implement As Necessary Water and Wastewater Improvement Programs

- Equalization Basin Lining Project was completed in July, 2010 following review of specifications, rebidding, and selection of vendor.
- Received a new Wastewater Treatment Plant NPDES Permit for April 1, 2010 to March 31, 2015.
- Received new Land Application Permit for Period July 21, 2010 to June 30, 2020.
- In conjunction with HNTB developed a Copper Compliance Plan to meet NPDES Permit and submitted to IDEM.
- Worked with the City and INDOT in the I-65 Project.



GOAL #6 in Review

Review and Implement Necessary Electric Engineering and Operations Projects

- Completed North Substation Project by consummating 69kV buss work.
- Investigated options for mobile transformer and determined spare transformer out of the question due to unit height, but arrived at a rental price.
- 4kV to 12kV conversion continued for west and central substation circuits.
- Completed circuit coordination for Elmwood, Shaker Square II, and Chadwick.
- Completed capacitor study wherein needs and placement of capacitors was determined.
- Electric line training was completed including substation operations, fork lift operations, line series progression, and CPR and first aid training.

GOAL #6 in Review (Cont)

Review and Implement Necessary Electric Engineering and Operations Projects

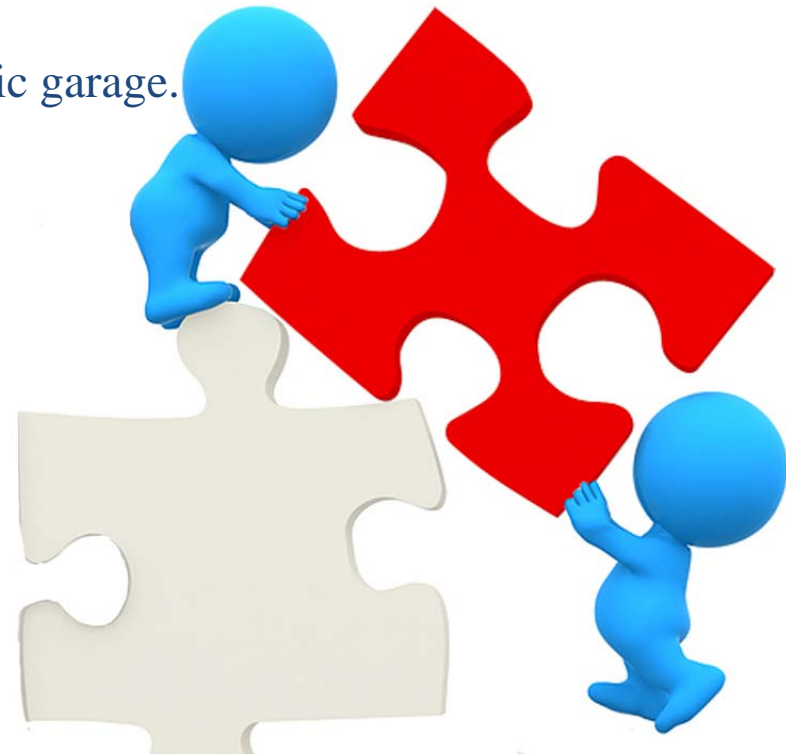
- Portions of the Electric Distribution Study were completed including recommended projects and reliability and growth trend analysis. No new recommended projects other than those existing and maps reflect existing and planned configurations.
- Improvements were made in security at the West Main Street property.
- Moved AMR/AMI build-out to the 62% completion level for electric meters and the 58% completion level for water meters i.e. 5,247 out of 8,391 for electric meters and 3,662 out of 6,330 for water meters.
- Extended fiber build-out to substations including the completion of AMR/AMI communications and phase 1 for substation communications.



GOAL #6 in Review (Cont)

Review and Implement Necessary Electric Engineering and Operations Projects

- Completed West Substation 69kV buss work, breaker 6904 upgrade. Corrected 4kV bank oil leak and LTC malfunction.
- Chadwick Subdivision reliability improvement - replace oil filled vault switches and failing sectionalizing cabinet with switchgear devices.
- Added SCADA and weather streaming in electric garage.



GOAL #7 in Review

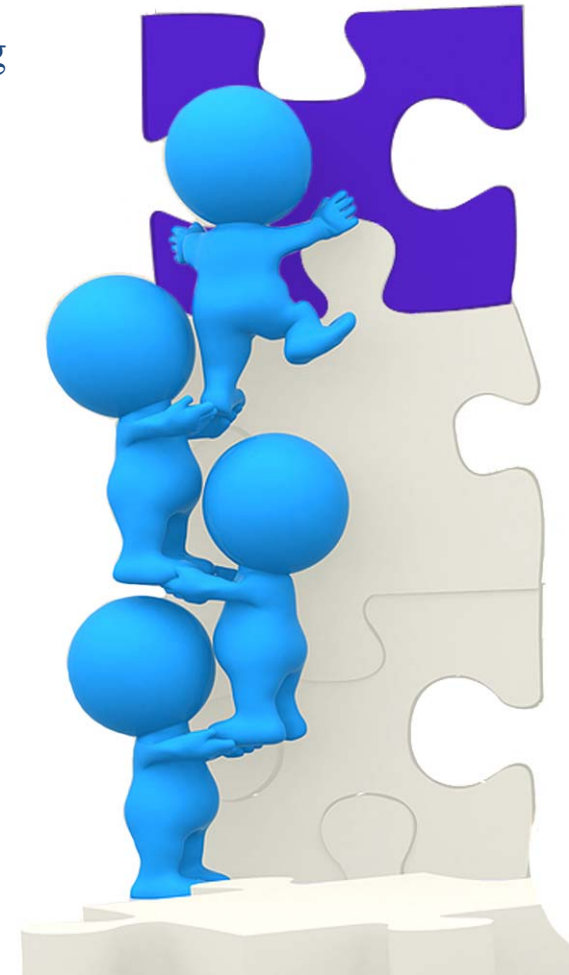
Implement Organizational and Employee Caring Initiatives

- Employee Recognition Program conducted in December in the Conference Center of the Municipal Building.
- 2011 Benefit Programs except for the health plan were reviewed by staff and approved by the Board. 2010 health plan benefit carrier change recommended by staff and approved by the Board in January, 2010 effective February 1, 2010. Saved over 30% with the carrier change.
- 2009 performance reviews were conducted in the first quarter of 2010. No annual salary and wage increases were implemented.
- General Manager conducted quarterly updates for employees during 2010 and held United Way meetings.

GOAL #7 in Review (Cont)

Implement Organizational and Employee Caring Initiatives

- Managerial training was conducted quarterly by Richardson Communications.
- A summary of benefits was provided to employees including total compensation values for each component.
- Employee Handbook was updated.
- Two quarters of HR Training for managers and supervisors were conducted.



GOAL #8 in Review

Develop An Emergency Response Plan

- General Manager and Water and Wastewater Manager attended a county-wide emergency response session conducted by county consultants and involved Leaders from various segments of Boone County.
- Consultants discussed elements of a plan which among others includes the City and Utilities.
- An exercise was conducted involving response by all Boone County parties to an ice storm.
- Various preparations that need to be made were identified.
- This information will be utilized in Lebanon Utilities' plan preparations.

GOAL #9 in Review

Assist City and County with Strategic Initiatives

- In January, 2010, the IURC awarded electric boundary changes to the Utilities to serve the South I-65 area.
- Severance payments were approved by the Board and made to Boone REMC.
- Utility staff met with Boone REMC to develop plans for transitioning to Lebanon Utility service. It was agreed that this would take place in phases over the next ten months.
- Further filings with the IURC were prepared at year-end to consummate the transition and extend the boundary to include five other customers. These filings will be made in January, 2011.



GOAL #9 in Review (Cont)

Assist City and County with Strategic Initiatives

- Began discussions in conjunction with other Boone County communities to examine joint options for water sourcing.
- Worked with City in pursuit of strategic options for fiber optic assets into the community.



GOAL #10 in Review

Complete IT Initiatives

- Completed VMware hardware and software infrastructure build-out in preparation for migration project.
- Transitioned Microsoft Exchange email system to virtual environment.
- Additional storage hardware was implemented to meet utility needs.
- Implemented networking and storage system for police in-car camera system.
- Upgraded Finance Department PC's to Windows 7. Upgraded Utilities financial management system software. Transitioned financial system into virtualized environment.
- Began initial upgrades to Northstar Customer Information System.

GOAL #10 in Review (Cont)

Complete IT Initiatives

- Successfully upgraded PC's for Mayor's, Clerk Treasurer's, and City Planning offices.
- Transitioned Utilities to new printer maintenance contract.
- Implemented change in bandwidth provider. Agreement negotiated increased bandwidth from 30 Mbps to 100 Mbps and reduced monthly costs by 37%.
- Assisted City with changes in Channel 19 implementation.
- Completed Security Camera implementation for the Parks Department and Utilities Customer Service Department.



Lebanon Utilities



2011 Goals

GOAL #1

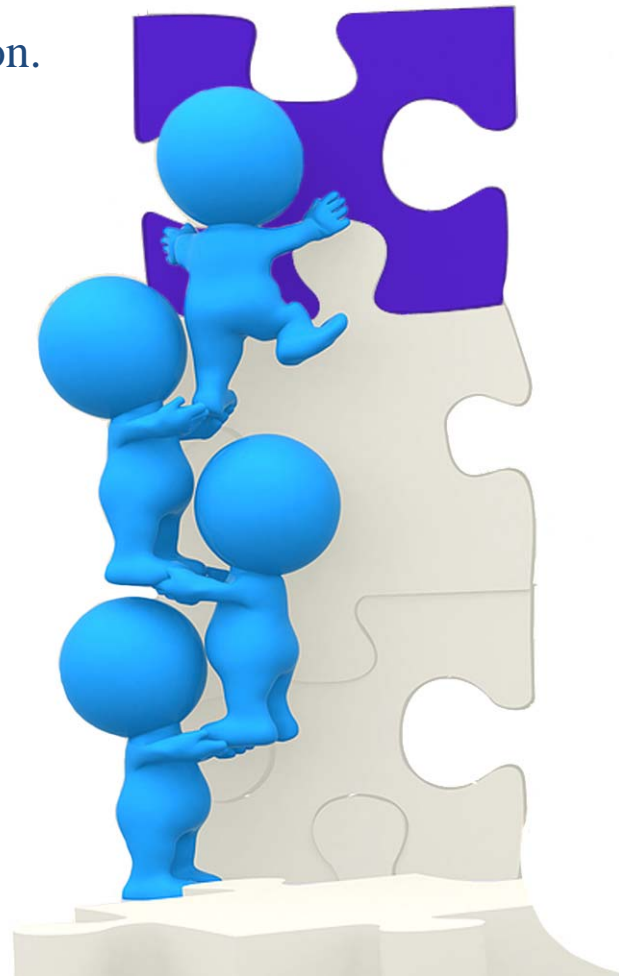
Initiate Study of Electric Company Financial Performance

- Hire firm to carry out financial analysis.
- Present analysis to the Board for examination.
- Take further actions as appropriate.

Q3

Q4

Q4



GOAL #2

Complete Transition of South I-65 Annexed Area Electric Service from Boone REMC

- Design project phases: Q1
 - Lebanon Utilities projects.
 - Contractor projects.
- Order and stage material. Q1-Q2
- Schedule project phases. Q1
- Build project phases. Q1-Q3
- Close project phases. Q3-Q4



GOAL #3

Complete Restructuring of and Transition iLines to next Phase and Complete Key iLines Projects

- Complete strategic pursuits for extension of fiber connectivity to the community. Q1
- Implement as appropriate. Q1
- Develop standalone business plan for iLines. Q1
- Analyze strategic opportunities and make decision on wireless business. Q2
- Develop business plan for iLines based on strategic choices. Q2
- Complete key fiber optic and wireless projects: Q1

GOAL #3 (Cont)

Complete Restructuring of and Transition iLines to next Phase and Complete Key iLines Projects

- Remove unused BPL equipment. Q1-Q2
- Upgrade Wireless Infrastructure:
 - Increase wireless backhaul bandwidth capability. Q1
 - Evaluate tower equipment in conjunction with industry standards. Q2
 - Replace aging wireless tower and customer equipment with lower cost and/or higher performing options. Q2-Q4
 - Sell any functional wireless equipment that is replaced during upgrade process. Q4

GOAL #4

Complete Replacement of Cobra-Head Streetlights with LED

- Continue with project design process. Q1-Q2
- Order and stage material. Q1-Q2
- Schedule project phases. Q1-Q2
- Build project phases. Q1-Q2
- Close project. End Q2



GOAL #5

Achieve Financial Objectives for Utilities

- As indicated in Goal #1 perform financial analysis of electric utility performance for 2009-2010. Q1
- Achieve net margin targets for all Utilities as per 2011 budget. End Q4
- Hold capital, operating, and maintenance expenditures to +/- 10% of budget. End Q4
- Implement business portal for internal users. Q4

GOAL #5 (Cont)

Achieve Financial Objectives for Utilities

- Complete customary financial reporting:

Q1-Q4

- Balance Sheet - Monthly
- Income Statement - Monthly
- Cash Flow - Monthly
- Budget-to-Actual - Monthly
- Ratios - Quarterly
- Capital Tracking - Monthly

- Complete 2012 budget.

Q4



GOAL #6

Accomplish Customer Service, Caring, and Energy Efficiency Programs

- Work with IMPA and the IURC in the development and rollout of energy efficiency programs. Q1-Q4
- Implement new billing to City for LED street light program. Q2
- Begin billing of customers in South I-65 area as they are transitioned from Boone REMC. Q2
- Complete training, complete processes, and utilize upgraded Northstar CIS. Q2

GOAL #6 (Cont)

Accomplish Customer Service, Caring, and Energy Efficiency Programs

- Continue to track customer service performance. Q1-Q4
- Continue to implement Red Flag program as regulations emerge. Q1-Q4
- Update customer service policies and processes. Q1-Q4
- Energy efficiency – ROAM implementation: Q1-Q2
 - Purchase software.
 - Software training.
 - Implementation.



GOAL #7

Review and Implement Water and Wastewater Improvement Programs

- Prioritize Water Resource Options:
 - Continue Boone County community discussions on water sourcing. Q1-Q4
 - Investigate system connection and extension issues with Whitestown. Q1-Q4
- Revise Industrial Ordinance. Q1-Q4
- Improve Collection System: Q1-Q4
 - Prioritize replacement or lining of piping infrastructure (between Elm/SR39 and Noble over to Indianapolis Avenue).
 - Carry out manhole rehabilitation in conjunction with lining project.
 - Jet and camera 1/5 of the system.

GOAL #7 (Cont)

Review and Implement Water and Wastewater Improvement Programs

- Improve Wastewater Plant and grounds. Q1-Q4

- Further Develop Storm Water: Q1-Q4
 - Expand on MS4 programs and develop budgets for such programs.
 - Develop Stormwater Master Plan for annexed area.
 - Perform upgrades to web page.
 - Expand mapping system into annexed area.
 - Perform quality and quantity monitoring.

- Install two new filters at the Sugar Creek Water Treatment Plant: Q1-Q4
 - Propose a build/design concept.

- Continue assistance with AMR/AMI program.



GOAL #8

Review and Implement Electric Engineering and Operations Projects

- Update Comprehensive Electric Distribution Study. Q3
- Carry Out Capacitor Study:
 - Determine current state of Capacitor placement. Q1
 - Determine future state relative to growth. Q3
 - Document and recommend new Capacitors. Q4
- Achieve RP3 status with APPA: Q4
 - Safety.
 - Organizational Development.
 - Reliability.
 - System Improvement.
- Continue 4kV to 12kV conversions of West and Central Substation circuits. Q1-Q4

GOAL #8 (Cont)

Review and Implement Electric Engineering and Operations Projects

- Carry out Electric line training program:
 - CPR and First Aid.
 - IMEA Line Series.
 - APPA Safety Manual.
 - Lebanon Utility Standards.
 - Work Order and Material Processing.
 - Time Reporting.
- Carry out short-range improvement plans for West Main Street Property:
 - Ongoing maintenance-buildings, weeds, gravel, etc.
 - Construct mounds.
 - Erect gates.
 - Perform landscaping improvements.

Q1-Q4



Q1-Q4

GOAL #9

Implement Organizational Development and Employee Caring Initiatives

- Develop company-wide leadership development plan. Q2
- Conduct employee recognition program. Q4
- Examine employee health plan to determine best long-term option. Q1
- Perform salary, benefit and wage reviews. Q4
- Conduct quarterly update meetings for employees. Q1-Q4
- Conduct quarterly managerial training. Q1-Q4

GOAL #9 (Cont)

Implement Organizational Development and Employee Caring Initiatives

- Provide summary to employees of benefits and associated value. Q1
- Carry out quarterly HR training for managers and supervisors. Q1-Q4
- Update Employee Handbook. Q1
- Carry out annual performance reviews. Q1/Q4
- Complete search for IT/iLines Manager. Q3



GOAL #10

Complete Automated Work Management System

- Integrate Water/Wastewater into the work management system: Q1-Q4
 - Review the system now in place.
 - Develop and implement migration plan.
 - Resolve licensing issues.
- Integrate with Building Inspector's database. Q1-Q4
- Integrate with Accounting/Financial System. Q1-Q4



GOAL #11

Complete Key Information Technology Projects

- Work with IT Task Force and Utility management to ensure service offerings align with business needs. Q1
- Work on process to track IT expenses and tie more closely with budget. Q1
- Develop IT support ticketing and asset system. Q1-Q2
- Ensure successful implementation of technology for new public safety building. Q1
- Ensure successful implementation of Northstar Customer Information System. Q2

GOAL #11 (Cont)

Complete Key Information Technology Projects

- Transition City and Utilities email communications to Microsoft Exchange 2010. Q1
- Evaluate PC systems center management software. Q4
- Evaluate alternative anti-virus client software. Q2
- Implement web security/software. Q3-Q4
- Complete VMware migration. Q3-Q4



GOAL #11 (Cont)

Complete Key Information Technology Projects

- Explore Microsoft Enterprise Software Agreement for cost improvements.

Q2-Q3

- Implement an improved technology recycling process.

Q3



GOAL #12

Development an Emergency Response Plan

- Review county-wide emergency response plan. Q4
- Review APPA emergency management check list. Q4
- Review Lebanon Utilities security measures document. Q4
- Review emergency response document for water and wastewater. Q4
- Review January, 2005 Lebanon Utilities electric operations task force final report. Q4
- Draft emergency response plan document. Q4

GOAL #13

Assist City and County with Strategic and Tactical Initiatives

- Assist City in discussions regarding county-wide water sourcing and fiber optic service coordination. Q1-Q4
- Meet with City IT Board in determining IT needs and priorities City projects. Q1-Q4
- Provide budgetary and technical support to the City in cost sharing arrangements for the Municipal Building and IT. Q1-Q4
- Provide support to City, EDC and County in Economic Development, annexation, and other strategic and tactical initiatives. Q1-Q4
- Improve coordination between the City and Utilities on infrastructure rehabilitation and development. Q1-Q4