

**Board Of Water Works**  
**REGULAR CALLED MEETING MINUTES**  
**February 18, 2020**

**Board Members Present:**

Mr. Creighton Mershon, Chair  
Dr. Sharon Kerrick, Vice Chair  
Dr. Sundeep “Sunny” Dronawat (via video teleconference)  
Mr. Paul Esselman

**Not Present:**

Greg Fischer

**Others Present:**

Mr. Spencer Bruce, President and Chief Executive Officer  
Mr. Daniel Frockt, CFO, Louisville / Jefferson County Metro Government  
Mr. Dave Vogel, Executive Vice President, Customer Service and Distribution Operations  
Ms. Kelley Dearing Smith, Vice President, Communications and Marketing  
Mr. Tim Kraus, Vice President, Production Operations and Chief Engineer  
Dr. Tom Lockett, Vice President, Information Technology  
Ms. Lynn Pearson, Vice President and Treasurer  
Mr. Terrence Spence, Vice President, Human Resources and Labor Relations  
Mr. Michael Tigue, Vice President, General Counsel and Corporate Secretary  
Mr. Adam Carter, President, Local Union 1683 of the AFSCME  
Ms. Kim Reed, Chief Innovation Officer, One Water  
Mr. Peter Goodman, Director, Water Quality and Research  
Ms. Sue Purdy, Director, Finance and Accounting  
Ms. Jenni Schelling, Director, Internal Audit  
Dr. Rengao Song, Director, Water Quality and Research  
Mr. Andrew Winslow, Supervisor, Budget, Rates and Analysis  
Ms. Beverly Soice, Paralegal  
Mr. Brian Sturgeon, Computer Network Administrator  
Mr. Matthew Griffith, Strategic Planning & Performance Specialist

**Visitors:**

The regular called meeting of the Board of Water Works (BOWW) was held on Tuesday, February 18, 2020 at the Louisville Water Company (Louisville Water or the Company) located at 550 South Third Street, Louisville, Kentucky. Chair, Creighton Mershon called the meeting to order at 11:05 a.m.

**Minutes of the Previous Regular BOWW Meeting Approved**

Paul Esselman moved to approve the Regular Called Meeting Minutes of January 21, 2020, seconded by Dr. Sharon Kerrick and the motion unanimously carried.

Spencer Bruce introduced Dr. Rengao Song, Director of Water Quality and Research, Eric Zhu, Manager of Water Research and Development, and Mark Campbell, Scientist III of Louisville Water’s Water Quality Department.

Tim Kraus advised that a research paper coauthored by this Louisville Water Research Team was published in the Journal of Environmental Engineering and has been selected by the American Society of Civil Engineers (ASCE) to receive the 2020 Samuel Arnold Greeley Award. This award is the highest research paper award from ASCE for the “most valuable contribution to the environmental engineering profession.” Their research developed a kinetic model that can be used to help combat nitrification in drinking water distribution systems. Nitrification is a major water quality challenge that potentially has serious regulatory and economic implications for the drinking water industry. This work provides an innovative and cost-effective strategy for mitigating the issue, demonstrates our commitments to providing the highest quality water to our customers and solidify Louisville Water’s place as an industry leader.

The Board congratulated the team for this great achievement.

Mr. Bruce introduced Pete Goodman who will assume the position of Director, Water Quality later this year when Dr. Song retires.

Mr. Bruce also thanked Dr. Song for his long tenure and contributions to the Louisville Water Company. His leadership has set the standard for maintaining regulatory compliance and excellent water quality for our customers.

### **Report Provided by the President/Chief Executive Office**

Mr. Bruce advised that at its annual meeting, Greater Louisville Inc. (GLI) approved their new five-year Strategic Plan. This plan is designed to drive the Louisville region’s economic growth so that Louisville can outpace its peer cities in terms of new business opportunities, stronger research and development and diversity of talent. Mr. Bruce noted that he was a member of the Guiding Committee that specifically worked with staff to review the plan and offer recommendations before it was presented to the full GLI Board for approval. Mr. Bruce reviewed the six strategies of the plan that are designed to accelerate the economic growth of the region.

Mr. Bruce stated that GLI’s strategic plan is key to Louisville Water’s regionalization and economic development efforts. Louisville Water staff is already working closely with GLI to collaborate on economic development opportunities.

### **Project Scope Expanded, Change Order Approved and New Budget of Record for Established for Project No. 15035 – Condition 2017 – P.C.C.P.**

Mr. Kraus advised that in late 2017, Louisville Water completed the inspection of 16.92 miles of 24”, 30”, and 60” prestressed concrete cylinder pipe (PCCP) along multiple corridors. A report was received in February 2018 which indicated that 70 pipe sections were damaged. Following a thorough review, the decision was made to replace and/or rehabilitate 45 of those pipe sections deemed to be most at risk with the remaining to be monitored and re-evaluated during the next inspection cycle.

In August 2019, an 8” water main broke on Shepherdsville Road north of Whispering Hills Blvd at the railroad tracks. During the repair work, external damage was noted on the adjacent 24” PCCP main. Upon further examination, the prestressing wires and steel cylinder of the 24” main were found to be exposed. The decision was made to replace the damaged 24” pipe section. However, in order to repair the 24” water main, an 8” water main must be relocated. The 8” main is in an uncased crossing of the railroad and poses risk if it should break underneath of the tracks. A change order quote was requested from Southern Pipeline Construction to relocate the 8” main with an 80 ft railroad bore, replace a 20 ft section of the 24” main, increase traffic control devices

and associated maintenance, increase manpower and equipment estimates to repair the remaining 66 ft of 24" main, and repave sections of impacted roadways in the vicinity of the work. The change order was received in the amount of \$700,409.43 and was 19.07% lower than the Project Engineer's cost estimate. Following staff review, the change order was found to be acceptable to complete the listed items.

Mr. Esselman moved to increase the project scope to include the items listed above, to approve the change order for Southern Pipeline Construction which will establish a new contract amount of \$5,935,084.42, and to establish a new budget of record for the Condition 2017 - PCCP of \$10,665,559.68. The motion was seconded by Dr. Kerrick and unanimously carried.

### **Project Scope Expanded, Contracts Increased and a New Budget of Record Established for Project No. 15458 – Condition 2019 – P.C.C.P.**

Mr. Kraus advised that Louisville Water's 2019 Condition Assessment Project was initiated to perform electromagnetic condition assessment on 15.98 miles of 24" and 30" prestressed concrete cylinder pipe (PCCP) along multiple corridors in Louisville Water's service area. Louisville Water's condition assessment contractor, Pure Technologies, completed the inspection of the scheduled mains in late 2019. Upon review of their report, a total of 209 pipe sections were identified as being damaged. The decision was made to replace and/or rehabilitate 56 of those pipe sections deemed to be most at risk with the remaining to be monitored and re-evaluated during the next inspection cycle.

In March of 2019, it was observed that the roadway leading up to the Cardinal Hill Reservoir was failing and sliding down the hill. Mitigation measures were constructed over the course of most of 2019 and completed in December. The 60" reinforced concrete cylinder pipe (RCCP) main that serves as the main feed to the reservoir runs along the backside of this roadway, is a critical infrastructure and is the backbone of the transmission system for southwestern Jefferson County. Pure Technologies will perform an assessment and provide detailed reports on the condition of the main. As part of this change action, this inspection will be added and the budget increased \$252,000 to account for this work.

The scope of repair work is to be assigned to each Louisville Water contractor on the existing Transmission System Repairs and/or Capital Improvements Master Agreement 17-150. MAC Construction & Excavating is to be awarded the replacement work on the Gagel Ave 30" transmission main; Garney Companies is to be awarded the replacement work on the Billtown Rd 30" transmission main; and, Southern Pipeline Construction, the current site contractor, is to be awarded the replacement work on the Grade Ln 24" and the Shepherdsville Rd 30" transmission mains. As the number of repairs and/or replacements is significantly higher than anticipated, a change in project budget is being requested at this time.

Mr. Esselman moved to increase the project scope to include the items listed above, to approve the contract with MAC Construction & Excavating in the amount of \$1,506,674.05 and the contract with Southern Pipeline Construction be approved in the amount of \$1,650,721.90, and to establish a new budget of record for the Condition 2019-PCCP in the amount of \$11,653,776.33. Dr. Kerrick seconded and the motion unanimously carried.

### **Investment Report Given**

Lynn Pearson advised that Louisville Water's Investment Guidelines require that, on a semi-annual basis (as of June 30th and December 31st), an update will be provided to the Board on investments held in the portfolio.

Ms. Pearson provided an overview of Louisville Water's investment portfolio.

### **Strategic Initiatives**

Matthew Griffith provided an overview of the Company's Strategic Initiatives. He also advised that the Pure Spout™ filter is in final design and production phase and that staff will proceed with a pilot of the leak protection initiative later this year. The Board discussed the initiatives and did not object to staff proceeding with this course of action.

Sunny Dronawat exited the meeting at 12:01 p.m.

### **Water Bill Overview**

Andrew Winslow, Supervisor - Budget, Rates and Analysis provided an overview of Louisville Water's water bill to the Board. Mr. Winslow discussed service charges, consumption charges including an explanation of the tier structure, elevated vs. general pressure and monthly vs. bi-monthly bills.

### **Financial Report Given**

Ms. Pearson summarized the Financial report for January.

Field work for the audit of the 2019 financials commenced on January 28 and auditors are scheduled to return mid-March to complete their work for the 2019 audit. However, the audit and the year-end financial statements cannot be completed until the final report is received from the Kentucky Retirement System. This report will provide updated liability numbers and other information related to pension and other post-employment benefits that we must have in order to finalize the audit and the financial statements. Based on prior year's timing, we would anticipate receiving preliminary, unaudited information in mid-March.

Ms. Pearson then provided an overview of preliminary financial results for January. Results are preliminary until the audit of the 2019 financial statements is complete.

The year started out on a very strong note, with total consumption and water revenue for January 2020 coming in substantially higher than budget and prior year levels. Total operating expense and non-operating expense were also favorable as compared to budget. These variances were only offset to a small extent by unfavorable variances in other operating and non-operating income. As a result, net income for the month was \$770,000 higher than budget and \$1.3 million over prior year.

Consumption of 2.6 billion gallons for January is 69 million gallons higher than budget, and 249 million gallons higher than January 2019. Residential and commercial customer classes are the main drivers of this favorable budget variance.

Water Revenue for January 2020 is \$695,000 higher than budget and \$2.1 million higher than the prior year. Higher consumption is the key factor driving increased water revenue for this period as compared to budget and prior year.

Other Operating Revenue for January is \$10,000 lower than budget but is \$97,000 above year-ago levels. The variance to budget is primarily due to a shortfall in contract operations revenue, partially offset by higher service line protection and cross connection fees. The variance to prior

year is driven by increases in cross connection fees and service line protection.

Operating and Maintenance Expenses for January of \$6.8 million are \$82,000 lower than budget and \$411,000 higher than January 2019. The January variance to budget is primarily due to contractual services coming in lower than anticipated, mainly due to fewer main breaks, along with lower insurance reserves and chemicals, partially offset by higher labor and labor related costs.

Total Operating Expenses for January of \$12.0 million are \$114,000 lower than budget and \$754,000 more than prior year. The budget variance is mainly due to lower operating and maintenance expenses and lower loss from disposition of property than anticipated.

Non-Operating Income for January is \$182,000, which is \$31,000 lower than budget and \$65,000 higher than January 2019. The budget variance is due to lower volume of funds invested in treasuries in January than anticipated. The variance to prior year is due to a higher dollar amount invested than prior year as a result of the bond issuance in October 2019.

Non-Operating Expense for January of \$646,000 is \$2,000 less than budgeted and \$161,000 higher than year-ago levels. Interest expense is more than prior year mainly due to the interest related to the bond issuance in October 2019. Variance to budget is due to higher amounts of interest capitalized than expected.

Net Income before Distributions and Contributions for January is \$4.2 million, which is \$770,000 more than budgeted. In comparison between years, net income for January is \$1.3 million more than 2019.

Contributions for January of \$991,000 are \$730,000 more than budgeted and \$665,000 more than prior year. Several projects with contributed labor were closed in January resulting in higher contributions than normal. This should even out later in the year, although we also have a higher than average number of new services so far this year.

Cash, Cash Equivalents and Short-term Investments totaled \$71.4 million at the end of January 2020, well in excess of 250 days of estimated Operations and Maintenance expense of \$57.1 million.

### **Communications and Marketing Report Given**

Kelley Dearing Smith summarized the Communications and Marketing report for January.

American Water Works Association (AWWA) provide us advanced notice that an environmental group would be releasing a report claiming Louisville's drinking water, along with other cities, contains "potentially toxic chemicals." Staff spent considerable time and effort to proactively highlight Louisville Water's research and water quality efforts in advance of the report. A communication plan included information to employees, key stakeholders, the media and conversations with dozens of customers through social media. Based on the current available science, PFAS is not a public health concern for Louisville's drinking water.

Louisville Water received considerable positive media attention on a "handwashing blitz" in the southern part of Jefferson County. Our education team successfully executed a strategic outreach at schools, churches, and community groups with the "Clean Hands Up" curriculum.

The 2020 Kentucky General Assembly began on January 7 and will conclude on April 15. Louisville Water staff is in Frankfort each week to review introduced bills, attend committee meetings and network with legislators. Topics of interest include bills related to retirement, key infrastructure protection, procurement preferences, public advertising requirements, workplace hiring requirements and fluoride. Staff also participates in strategic outreach events with the Kentucky Economic Development Association, Kentucky Manufacturing Association and Greater Louisville Inc.

### **Customer Service and Distribution Operations Report Given**

Mr. Vogel summarized the Customer Service and Distribution Operations for January.

Due to this year's favorable weather, January ended with 43 main breaks which is significantly lower than last year (77) and the five-year average (107). Capital work continued in January with service installations, fire hydrant replacements, valve replacements and service renewals. Joe Schmitt was named the new Director of Distribution Operations and Logistics, replacing Alan Reed who will be retiring, and eight general laborers started work on January 13 and completed their three-week orientation.

The Call Center operations received 27,039 calls in January with an abandonment rate of 0.4% and an average speed of answer of 0:20 m:s. Performance continues to be exceptional, driven by staffing stability and the implementation of the new IVR. Total call volume was down 22.8% versus last year and answered volume was down 8.2%. The front lobby handled 10,561 transactions for the month. Bad debt for the month of January finished at \$96K which is 30% lower than last year and 27% lower than the five-year average.

Estimations for the month came in at 0.84% versus 1.7% last year and 6.9% for the five-year average. Staff continues to fine tune our newly implemented field order system. Holiday clean-up continues as we work down higher pended and aged items reducing the Disconnect for Non-Pay (DNP) and Plug backlogs. We also hired our first Advanced Metering Infrastructure (AMI) Analyst who will start in March.

The AMI project is on track for full completion by 2022. Project operating procedures have been developed in cooperation with our contractors. Multiple Information Technology interfaces have been developed and successfully tested with ten live meters and endpoints currently in operation in the field. The new customer portal is under development and is scheduled to go live in June.

### **Engineering and Production Operations Report Given**

Mr. Kraus summarized the Engineering and Production Operations report for January.

2019 capital program expenditures through December totaled \$93,084,638 which is \$11,757,681 lower than the same period last year. These expenditures equate to 85.42% of the 2019 total capital program of \$108,979,178. 2020 capital program expenditures through January totaled \$3,740,495, which is \$1,095,966 higher than the same period last year.

The amount of water produced and delivered to the system in January 2020 was 106.8 MGD, which was 1.9% higher than January 2019 and 2.3% lower than the January five-year average. For year-to-date, the amount of water delivered to the system was 1.9% higher than 2019, and 2.3% lower than the five-year average.

All water quality goals were achieved for January 2020. There were zero water quality violations.

Staff monitored 1,160 water quality parameters of a required 1,000 per federal and state regulatory requirements. Staff collected 280 compliance distribution samples. There were zero Total Coliform and zero E-Coli detections. Staff also collected 84 main break samples on 42 repairs during the month, of which four localized boil water advisories were issued due to field conditions and zero were issued due to water quality monitoring results.

The microbiology laboratory was audited by the State on January 8th. No deviations found.

There were eight chemical spills reported upstream of the Zorn intake, none that prompted additional treatment. There were four water quality customer complaints, in comparison to the five-year average of 13 complaints.

### **Human Resources and Labor Relations Report Given**

Terrence Spence and Adam Carter provided a summary of the recent and current activity between the Louisville Water Labor Management and Local Union 1683 of the American Federation of State, County and Municipal Employees, AFL-CIO (the Union).

- There is one active grievance filed by the Union being heard through on-going arbitration for settlement.
- Union and Human Resources leadership met to discuss and coordinate an upcoming on-site employee wellness event of biometric screenings and web-based health assessments.
- Union representatives facilitated hands-on training and demonstrations to Fairdale High School students enrolled in the heavy equipment sciences and diesel technology vocational magnet program.
- Company and Union representatives participated in the New Hire Orientation/On-Boarding event as presenters and questions and answer panelist.
- Union and Company leadership conducted a first quarter team building off-sight engagement meeting at the Louisville Zoo.
- The Company posted five regular full-time classified positions for the internal Union personnel bidding process.
- Company/Union leadership continue to develop performance competencies and goals for the 2020 calendar review period.

### **Information Technology Report Given**

Tom Lockett summarized the Information Technology (IT) Report for January.

Work continues to support Phase One of the Oracle Work and Asset Management (WAM) implementation while developing Phase Two.

Testing has begun on the interfaces necessary to integrate AMI with the existing Louisville Water applications.

Staff has started planning for the upgrade of the Oracle Financial Systems. These modules

include General Ledger, Accounts Payable, Accounts Receivable, Project Management, and Financial Reporting. Support on our current systems ends at the end of 2021.

With Phase One (vacate MSD Cedar Creek Facility) complete, staff is working to implement a full failover Disaster Recovery function by the end of the year, with a maximum target recovery point of ten minutes and recovery time of one hour to be tested by a simulated failover.

Staff is currently working to replace the remaining computers still using Windows 7. The systems should be installed by the end of February. There has been a delay due to locally installed applications that will not run on Windows 10 and are being retrofitted. Extended support will be purchased from Microsoft for these units as needed.

There being no further business for the Board, the meeting was adjourned at 1:36 p.m.

Respectfully submitted,



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Michael F. Tigue, Esq.  
Vice President, General Counsel and  
Corporate Secretary