

Board Of Water Works
REGULAR CALLED MEETING MINUTES
May 22, 2018

Board Members Present:

Mr. Creighton Mershon, Chair
Dr. Sundeep “Sunny” Dronawat
Mr. Paul Esselman
Mr. Craig Willman

Not Present:

Mayor Greg Fischer
Dr. Sharon Kerrick
Ms. Tierra Kavanaugh Wayne

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
Dr. Tom Luckett, Vice President and Chief Information Officer
Ms. Lynn Pearson, Vice President, Finance and Treasurer
Mr. Terrence Spence, Vice President, Human Resources and Labor Relations
Mr. Michael Tigue, Vice President, Compliance, General Counsel and Corporate Secretary
Mr. Larry Bryant, Director, Production Operations
Ms. Leslie Faust, Director, Risk Management
Mr. Jim Grunow, Director, Engineering
Mr. Kevin Kastensmidt, Director, Information Technology
Ms. Kim Reed, One Water Liaison
Mr. Ralph McCord, Program Manager, Strategic Projects
Mr. Laura Armistead, Manager, Technical Services
Ms. Tonya Taylor, Manager, Business Operations
Ms. Jenni Adwell, Supervisor, Operations, Field Customer Service
Mr. Bruce Mingus, Meter Shop Leader
Ms. Beverly Soice, Paralegal

Visitors: Kim Swinford, Badger Meter, Inc.

The regular called meeting of the Board of Water Works (“BOWW”) was held on Tuesday, May 22, 2018 at the Louisville Water Company (“Louisville Water” or “Company”) located at 550 South Third Street, Louisville, Kentucky. Chair Creighton Mershon called the meeting to order at 11:13 a.m.

Minutes of the Previous Regular BOWW Meeting Approved

Mr. Paul Esselman moved to approve the Annual and Regular Called Meeting Minutes of April 17, 2018, seconded Mr. Craig Willman by and the motion was unanimously carried.

Mr. Mershon introduced Ms. Kim Swinford with Badger who addressed the Board concerning a new Badger water meter.

Report Provided by the President/Chief Executive Office

Mr. Spencer Bruce announced that Louisville Water ranked number one on J.D. Power's 2018 Water Utility Residential Customer Satisfaction Study for the Midwest Region.

Mr. Bruce advised that over the past several years, staff has updated the Board on efforts to minimize the risk of lead entering our drinking water. Our approach includes three components. First, the work starts at the treatment plants with research and corrosion control. Next, in the field, we have an aggressive strategy to eliminate our remaining known lead service lines by the end of 2020. Finally, a communication program informs customers of the risks of lead in drinking water. It also explains Louisville Water's role and the customers' role in protecting public health.

The Environmental Protection Agency (EPA) will highlight our work in a "Leaders in Lead Services Line Replacement" story map that includes a website where utilities can see best-practices. This opportunity arises as Louisville Water's work around lead is also featured in the two issues of *Opflow*, the technical publication for drinking water professionals. Produced by the American Water Works Association, the publication is available to the 55,000 members of the peer organization. The April issue featured an article authored by Vice President Kelley Dearing Smith on developing communication models for lead service line replacement programs. The May issue highlighted Scientists Emily Fritz's work with local schools for voluntary testing of drinking water fixtures.

Mr. Brent Hershberger, Region 6 Vice President of AFSCME Council 25 and Secretary and Treasurer of Greater Flint AFL-CIO spoke to a group of Louisville Water employees about the drinking water crisis in Flint, Michigan. He gave a brief background on how elevated lead levels in the Flint's drinking water caused an emergency for the city and discussed steps that could have been taken to prevent this type of crisis. Mr. Hershberger also talked about the city of Flint's lead service line replacement program that resulted from the crisis, plus other long-term planning that is taking place.

During the Kentucky Derby, Louisville Water worked closely with Louisville's mayor and economic development leaders to highlight the value of water. Guests of the Mayor each received a "liquid asset" gift at their room in the Omni hotel. The gift focused on hydration and Louisville's advantage with water in attracting and expanding businesses. Our water was also featured at the Mayor's Oaks event at city hall.

Mr. Mershon asked to take the industrial controls/cyber security presentation out of order.

Industrial Controls / Cyber Security Presentations Given

Mr. Larry Bryant provided a high-level overview of Louisville Water's Industrial Control Systems (ICS) and Supervisory Control and Data Acquisition (SCADA) Security system to the Board. He reviewed the number of redundant servers that are currently in place, as well as the number of workstations and Programmable Logic Controllers (PLCs).

Mr. Bryant also provided information on potential external threats through connections via firewall and at remote sites, and internal threats such as unintentional connections to the internet or vendor / system integration issues.

Mr. Bryant advised that Louisville Water is a member of the Water Information Sharing and Analysis Center (WaterISAC). WaterISAC was authorized by Congress in 2002. Its mission is to keep drinking

water and wastewater utility managers informed about potential threat and risks to the nation's water infrastructure from all hazards, such as intentional contamination, terrorism and cyber crime, and to provide knowledge about response and mitigation.

Mr. Bryant also provided an overview of the backup plans in place should communication failure or disruption take place between our plants or within in plants.

Ms. Laura Armistead provided a high-level overview of Louisville Water's Information Technology (IT) Security which has multiple layers.

Ms. Armistead advised that Louisville Water has established the following configurations with regard to its computer applications: Firewalls/Intrusion Protection System, Logical Access Control, Vulnerability Management, Anti-Virus and Encryption Software, and Least Privilege Model.

Over the last several months, IT has implemented a Cisco Umbrella, a System Center Configuration Manager, has entered into a Managed Security and Network Service agreement and has engaged Microsoft's Advanced Threat Protection.

Currently, IT staff is in the process of implementing an Automated Linux Patch Management system, two factor authentication, Identity Services Engine – Awareness of everything being connected to network with the ability to restrict. In addition, IT will be providing User Awareness Training to all Louisville Water employees.

Ms. Leslie Faust provided an overview of Louisville Water's Cyber Insurance coverage.

Ms. Faust advised that Louisville Water first purchased cyber insurance in 2014. The insurance currently in place for cyber exposures is with Beazley Insurance Company, Inc. which is an A.M. Best Company Rated AXIII Stable Admitted Carrier. The policy provides an aggregate limit of \$5,000,000 with a \$50,000 deductible and covers cyber exposures such as cyber extortion, data recovery, business interruption, media liability and information security and privacy liability.

Beazley Insurance Company also provides value added services such as access to webinars and white papers related to cyber liability, emergency response plan review, and a 24/7 claim response hotline.

Ms. Faust advised that Louisville Water has additional coverage through its property insurer for the physical loss or damage to data, programs or software caused by malicious introduction of code or instruction and other peril.

The Board thanked Mr. Bryant, Ms. Armistead and Ms. Faust for their presentations and for their work in keeping Louisville Water protected.

Mr. Mershon asked about security of Louisville Water's facilities such as access to the water treatment plants, office buildings, and booster pump stations. Mr. Bruce stated that security of Louisville Water's physical facilities was not included in today's presentation. He advised that he will make arrangements for a presentation on the security of the Company's physical facilities in the next couple of months.

Revisions to Service Rules and Regulations Approved

Mr. Jim Grunow advised that staff annually reviews Louisville Water's Service Rules and Regulations to determine if any changes should be made. Staff recommends changes in the service rules to incorporate new initiatives and to provide clarification to existing regulations. Mr. Grunow reviewed the proposed

change as they relate to engineering. Mr. Dave Vogel reviewed the changes that concern customer service.

Mr. Willman moved to approve the proposed revisions to the Service Rules and Regulations. Dr. Sunny Dronawat seconded and the motion unanimously carried.

2018 Payment Assistance Funding to the Louisville Water Foundation Authorized

Mr. Vogel stated in 2010, Louisville Water Company initiated a Payment Assistance Program. The program provides assistance to low income customers in helping them pay their water and sewer bills. Funding for the program has been based on 10% of the HomeServe revenues provided to Louisville Water from the previous year. The Louisville Jefferson County Metropolitan Sewer District (MSD) and HomeServe have also contributed to the overall funding of the program. Since the inception of this program, more than 4,000 families have received assistance.

To fund this effort for 2018, the BOWW must first approve a donation to the Louisville Water Foundation. Once this donation is made, the Louisville Water Foundation will then be solicited for the annual Payment Assistance Program grant. Based on the methodology used in the past, 10% of the Home Serve funds would amount to \$239,901. It is anticipated that the amount solicited from the Louisville Water Foundation for the Payment Assistance Program will be similar to the historical funding levels which will enable the Louisville Water Foundation to consider donations to other water-related charitable activities going forward.

Mr. Willman moved to donate \$239,901 to the Louisville Water Foundation to fund the 2018 Payment Assistance Program and other water-related charitable activities. Seconded by Dr. Dronawat and the motion unanimously carried.

Compensation and Benefits Committee Meeting

These minutes were included for records purposes only. A verbal report was provided to the BOWW at it May 22, 2018 meeting.

Audit Committee Meeting

Mr. Willman provided a summary of the items reported at the Audit Committee meeting held on April 18, 2018. Items covered during the meeting included the System Sanitary Survey for Crescent Hill and BE Payne, Routine Inspection for Crescent Hill and BE Payne, Information Systems External Penetration Assessment Audit, Information Systems Annual Web Security Audit, Louisville Water Foundation Audit, End User Security Reviews, Follow-up of Audit Corrective Action Plans, 2017 President & CEO Business Expenses, Executive 2017 Travel & Training Expenses and Executive 2018 Proposed Travel & Training Expenses, Audit Committee Charter Review, Internal Audit Charter Review and approval of the 2018 Audit Plan.

Availability Study Report Given

Mr. Michael Tigue advised that Louisville Water issued a Request for Proposal for an Availability Study which would provide an evaluation of the Certified Minority Business Enterprises(CMBE) and Certified Women Business Enterprises (CWBE) located in the Louisville Metropolitan Statistical Area (MSA) that are available to provide goods and services, professional services, construction and/or construction related services needed to fulfill the specific needs of the Company. A contract was awarded to Griffith & Strong, P.C.(Griffith).

Mr. Tigie provided a high-level overview of the findings of the Availability Study and advised that Louisville Water is working with Griffith to develop a small business program in addition to the current Good Faith Effort Program, as well as proposed future amendments to the Good Faith Effort Program to improve its efficiency, which has been in place for several years. Mr. Tigie advised a draft program will be presented to the Board in coming months.

First Quarter 2018 Certification of Projects & Change Actions

Mr. Bruce certified that the following Projects and Change Actions were authorized during the First Quarter of 2018 in accordance with the Capital Projects Authorization Policy and Procedures.

CPAC Quarterly Board of Water Works Report						
Project Proposals Requiring Board Approval:						
Project Number	Project Name	Requested Total Estimate	Contribution	LWC Net Cost	Current Year Estimate	
15325	Storage - Tank Coating Program 2018 - Parkridge	\$535,000	(\$20,000)	\$515,000	\$515,000	
15326	CHFP Replace Sodium Hypochlorite Cells	\$360,000	\$0	\$360,000	\$360,000	
Total		\$895,000	(\$20,000)	\$875,000	\$875,000	
Project Change Actions/Admin Notifications Requiring Board Approval:						
Project Number	Project Name	Previously Approved Total	Change In Total	Requested Total Estimate	Change In Current Year Estimate	
14634	Lead 2016 - Frankfort Ave area	\$1,748,130	\$458,004	\$2,206,134	\$308,056	
15314 ¹	48" Leak Grinstead Dr	\$205,000	\$70,000	\$275,000	\$70,000	
Total		\$1,953,130	\$528,004	\$2,481,134	\$378,056	
Project Proposals Approved by the President:						
Project Number	Project Name	Requested Total Estimate	Contribution	LWCNet Cost	Current Year Estimate	
15314	48" Leak Grinstead Dr	\$205,000	\$0	\$205,000	\$205,000	
15334	ZPS ZPS#3 Pump Rebuild	\$159,352	\$0	\$159,352	\$159,352	
15343	Apple Patch Tank Drain Improv	\$107,125	\$0	\$107,125	\$0	
Total		\$471,477	\$0	\$471,477	\$364,352	
Project Change Actions Approved by the President with Total Estimate Changes:						
Project Number	Project Name	Previously Approved Total	Change In Total	Requested Total Estimate	Change In Current Year Estimate	
14635	Lead 2016 - Grinstead Dr area	\$960,000	\$204,200	\$1,164,200	\$204,200	
15163	MRRP 2018 - Blankenbaker Pkwy	\$220,000	\$205,000	\$425,000	\$139,000	
15171	BEP Rebuild High Service Pump #3	\$97,500	\$61,000	\$158,500	\$61,000	
Total		\$1,277,500	\$470,200	\$1,747,700	\$404,200	
Project Change Actions Approved by the President with no change Total Estimate Changes:						
Project Number	Project Name	Previously Approved Total Estimate	Change In Total Estimate	Requested Total Estimate	Change In Current Year Estimate	
14099	Condition 2014-PCCP Grade Ln & Preston Hwy	\$2,870,000	\$0	\$2,870,000	\$120,000	
15180	Condition 2018 Raw Water Feed	\$10,000,000	\$0	\$10,000,000	\$153,922	
Total		\$12,870,000	\$0	\$12,870,000	\$273,922	

Construction

13-15 15314	48- Inch Main repair at Grinstead Drive- CHANGE ORDER # 1 MAC Construction & Excavating, Inc.		\$117,901
13-15 15314	48- Inch Main Break at 2014 Grinstead Drive MAC Construction & Excavating, Inc.	Estimate	\$97,070
13-15	Condition 2018 - Raw Water Feed from Zorn to Crescent Hill (P1502-AS-15) – Assignment To Master Agreement - Transmission System Repairs and/or Capital Improvements - CHANGE ORDER #2 MAC Construction & Excavating, Inc.		\$158,517
15180	34th street MRRP CHANGE ORDER #1 MAC Construction & excavating, Inc.		\$109,940
14-25 assign#3 15043	48-Inch Main Leak at 3822 Southern Parkway MAC Construction & Excavating, Inc.	Estimate	\$63,914
17-150 18921-01	Glenmary Avenue 48" Joint Leak Repair - Assignment to Master Agreement for Transmission Repairs Garney Companies, Inc.	Estimate	\$58,288
18921	680 Plan - Highway 42 Water Main Installation Cleary Construction Inc.		\$559,900
17-156 15060	Blankenbaker Parkway Water Main Replacements TSI Construction Inc.		\$178,500
17-159 15163	Glenmary Avenue Area Lead Service Renewal Trico Energy, LLC		\$344,075
18-03 15274	Macon Avenue Area Lead Service Renewals C Squared, Inc.		\$394,000
18-04 15298	Hawthorne Avenue Area Lead Service Renewals Miller Pipeline		\$474,049
18-05 15299	West Oak Street Lead Service Renewals TSI Construction Inc.		\$440,000
18-06 15300	Forrest Street Area Lead Service Renewals Basham Construction & Rental Co. Inc.		\$495,000
18-07 15296	South 4th Street Area Lead Service Renewals C Squared, Inc.		\$411,900
18-08 15268	Rivercrest Drive MRRP Garney Companies		\$897,500
18-09 15254	Virginia Avenue Area MRRP Basham Construction & Rental Co., Inc.		\$825,000
18-10 15264	Farmington Avenue Water Main Replacement Project Excel Excavating, Inc.		\$315,000
18-11 15257	Seelbach Avenue Area Water Main Replacement Project Flynn Brothers Contracting Inc.		\$902,665
18-12 15259	Long Run Park Road and Shelbyville Road Grid-Tie Project Garney Companies, Inc.		\$387,833
18-16 15061	Shelburn Drive Area Water Main Replacement Flynn Brothers Contracting		\$879,628
18-17 15258	Southwestern Parkway Area Water Main Replacement Project MAC Construction & Excavating, Inc.		\$965,000
18-20 15260	Rustic Way Area Water Main Replacement Project Basham Construction & Rental Co, Inc.		\$867,000
18-21 15262	Eastern Parkway 48-inch Transmission Main Rehab Phase 2B MAC Construction & Excavating, Inc.		\$4,919,000
18-25 14321	Woodlawn Avenue Area Lead Service Renewals Project Seven Seas Construction (CMBE)		\$527,940
18-26 15272	Central Avenue Area LSR Tom Brown Construction Company		\$458,350
18-27 15273	Emil Avenue Area Lead Service Renewals Tom Brown Construction		\$365,750
18-29 15269	Distribution System Repairs & Capital Improvements Basham Construction & Rental Co, Inc.	Unit Price Contract/Estimate	\$768,215
18-31	I-64 36 Inch Steel Impressed Current Cathodic Protection System Installation MAC Construction & Excavating, Inc.		\$1,861,468
18-49 15037	Environmental Works, Inc.		\$104,360
SUM BY BIDS AND AWARDS CATEGORY			\$18,947,763

Procurement of Materials and Services

	Employee Group Dental Insurance		
	Delta Dental		\$358,488
	Employee Group Disability Insurance		
	Voya Insurance		\$115,667
	Employee Group Life Insurance		
	Voya Insurance		\$57,302
	Retiree Group Medicare Insurance		
	Anthem		\$38,500
	Temporary Hire		
	Modis Inc.	Estimate	\$66,560
08-144	Customer Identification Verification Services		
	Experian Information Solutions, Inc.	Estimate	\$60,000
11-11	Oracle SOA Applications Architect		
	Sierra-Cedar	Estimate	\$462,600
12-05	2018 PPI Contract Extension: Cold Water Meters used for measuring the amount of water delivered to a service.		
	Badger Technology		\$447,459
	Neptune Technologies		\$496,061
13-01	Electro-Mechanical Work		
<i>15021</i>	Walter B. Diecks Electric Company, Inc.	Estimate	\$58,215
13-101	Print Utility & Mail Services- 3rd CPI renewal		
	Utilitec	Estimate	\$1,163,803
13-116	Gate and Wheel Valves - 4th & Final PPI Renewal		
	Mueller Company	Estimate	\$520,679
13-169	Commercial Diving Services - 2nd CPI Renewal		
	Marine Solutions, Inc.	Estimate	\$50,000
13-48	Insurance Brokerage Services- 4th CPI renewal		
	Assured Partners NL (fka) Neace Lukens		\$47,892
14-03	Purchase of Compensation Consulting Services-3rd renewal		
	Mercer	Estimate	\$70,756
14-115	Vehicle/Equipment Body Shop Services. 4th & Final Renewal		
<i>Metro Contract 3201</i>	Auto Body & Frame, Inc.	Estimate	\$30,000
14-144	Steel Casing Boring & Jacking - 3rd CPI Renewal		
	Southern Pipeline	Estimate	\$119,881
14-44	Plumbing Services- 4th and Final CPI Renewal		
	Merrick Company (WBE)	Estimate	\$29,414
	Southern Plumbing	Estimate	\$97,760
14-51	Laboratory water testing supplies		
<i>N/A</i>	Idexx Distribution, Inc.	Estimate	\$42,789
15-29	Site Restoration - 3rd CPI Renewal		
	Class A Landscape	Estimate	\$44,473
15-32	Grounds Maintenance and Snow Removal for LWC - 3rd CPI Renewal		
	Class A Lawn & Landscape - Grounds Maintenance Site 2	Estimate	\$55,694
	Greenway Landscape - Snow Removal Site 2	Estimate	\$88,923
	Ward Brothers Mowing & Tree Service - Grounds Maintenance Site 1, 3, 4	Estimate	\$106,431
15-99	LWC Contract Purchase (2) 2019 Freightliner Crew Truck Cab & Chassis.		
<i>15275</i>	Kentucky Truck Sales		\$215,787
16-126	Contingency Contract for Pump Repairs		
	Layne	Estimate	\$35,650
16-126	Removal and Reinstallation of ZPS#3 Pump - Assignment from Master Contract for Contingency Pump Repairs		
	RPM, Inc.	Estimate	\$43,428
16-175	Ready Mix Concrete and Flowable Fill - 1st PPI Renewal		
	Smyrna Ready Mix	Estimate	\$539,643
16-48	Skid Mounted Air Compressors - 2nd PPI Renewal		
	Brandeis Machinery	Estimate	\$72,710
17-1128	Key Access Control System		
	Morse Watchman's, Inc.	Estimate	\$60,000
17-32	Transportation and Disposal of sludge from Central WTP at Ft. Knox, KY facility.		
	B&H Environmental Services, Inc.	Estimate	\$130,000

17-75	Ongoing Hosting and Application Support for H2info's Elcom Platform - Assignment from H2info Intranet Upgrade & Improvements Master Agreement ServerSide, Inc.	Estimate	\$21,000
18-02	Temporary Personnel & Direct Hire Placement services Category A: Diverse Staffing Services, Inc.	Estimate	\$400,000
18-13	Stone, Soil and Sand Earth First of Kentuckiana - Soil	Estimate	\$146,000
	Irving Materials - Manufactured Sand	Estimate	\$51,150
	Irving Materials - Stone	Estimate	\$151,598
	Nugent - Course Concrete Sand	Estimate	\$31,188
	Quality Stone - Course Concrete Sand	Estimate	\$31,188
	Quality Stone - Manufactured Sand	Estimate	\$51,150
	Quality Stone - Stone	Estimate	\$151,598
18-14	Copper Tubing - Spot Purchase & Staggered Delivery Plumbers Supply		\$278,456
18-15	Ductile Iron Pipe Restrained Joint Gaskets Ferguson Waterworks	Estimate	\$97,602
18-46	10 Acres - Shepherdsville, KY (Buffalo Run Road & Ohm Drive) Sperry Van Ness	Estimate	\$51,000
18-47	MJ Restraint Joint Adapters C.I. Thornburg	Estimate	\$73,291
GSA Contract <i>GS-35F-181GA</i>	Upgrade and Improve Oracle Identity Management Solution - Phase 2 SysDataLogics	Estimate	\$91,176
KY State Contract MA-758-1700000973-3N 15275	John Deere Gator off Road Utility Vehicle XUV825M S4 & Trailer Louisville Tractor		\$24,820
KY State Contract <i>KYMA# 7581400000876</i>	Cisco Umbrella Subscription ProSys		\$38,100
KY State Contract <i>KYMA# 758-1700000973-3N</i>	John Deere Gator off Road Utility Vehicle XUV825M S4 & Trailer Louisville Tractor		\$24,820
KY State Contract <i>KYMA# 758-1800000180</i>	Purchase of 2 Ford Explorers to replace current vehicles Paul Miller Ford		\$74,673
KY State Contract MA-758-06000001126 <i>Contract # 9914660</i>	Laptop Purchase Dell		\$38,750
KY State Contract MA-758-1300000671 15275	2017 John Deere 544K-II Loader Meade Equipment		\$148,074
KY State Contract MA-758-1800000017	Software-as-a-Service for Security and Networking Software Information House		\$163,795
MA-605-1600000600 15275	KY State Contract Purchase (2) Freightliner (108SD) Tandem Dump Trucks Kentucky Truck Sales Inc.		\$238,316
MA-758-1800000180 15075	KY State Contract Purchase (14) 2018 Ford F150 XL (2WD V8) Paul Miller Ford		\$428,946
MA-758-1800000180 15275/15075	KY State Contract Purchase (2) 2018 Ford Escape S Paul Miller Ford		\$36,168
Metro Government <i>Contract# 322247</i>	VMware vSphere License CDWG		\$48,941
WKU PCT2014-337A	Statement of Work for ECIS Hosting (legacy billing) Western Kentucky University Agreement Software Information Systems (SIS)	Estimate	\$25,756
SUM BY BIDS AND AWARDS CATEGORY			\$8,644,121

Procurement of Professional Services

	IT Security Audit			
	Crowe Horwath	Estimate	\$29,500	
	Professional Services Contract ZPS #3 Restoration			
13512	TriEco, LLC		\$47,625	
	Social Media Strategy and Management			
	Inmode Marketing		\$27,000	
	Zorn Pump Station #3 Restoration/Air & Dust sampling for lead			
13512	TriEco, LLC		\$36,004	
09-21	CHFP Chemical Bldg & Lab Fire Protection & Office Space Improvements (P0578-AS-10) - Assignment to Master Agreement - Architectural & Facility Engineering Design Services - CHANGE ORDER #1			
14325	JRA Architects		\$176,440	
14-09	Professional Legal Services - 3rd CPI Renewal			
	Bond Counsel / Bond Issuance - Stites & Harbison PLLC	Estimate	\$43,723	
	Business Services / Corporate Law - Zielke Law Firms, PLLC, Stites & Harbison PLLC, and Middleton Reutlinger	Estimate	\$58,150	
	Construction - Zielke Law Firm, PLLC and Hall Render Killian Heath & Lyman	Estimate	\$58,150	
	Employment / Labor - Stites & Harbison PLLC, Dinsmore & Shohl LLP, And Fisher & Phillips LLC	Estimate	\$49,428	
	Personal Injury/Property Damage - Benson, Risch & Lange, PLLC, Middleton Reutlinger and Zielke Law Firm, PLLC	Estimate	\$48,908	
14-21	CHWTP Standby Generators - Construction Services			
14330	CDM Smith		\$968,698	
Professional Service	KYTC Dixie Hwy BRT Station Water Main Relocation			
15174	HDR Engineering, Inc.		\$50,000	
RFP 14-21	Provide Engineering Services for Final Design and Contract Administration for Backflow Prevention Upgrades at ZPS and BEP.			
15241	Gresham Smith and Partners		\$57,247	
RFP 15-47	Perform a design and topographic survey including all underground utilities to aid in Design 6,700 feet of transmission main along Old Henry Road.			
17999	BTM Engineering, Inc.		\$36,505	
	SUM BY BIDS AND AWARDS CATEGORY		\$1,687,378	

Procurement of Sole Source Materials and Services

	Cameras, access control and other security functions			
	Advance Global Communications	Estimate	\$69,128	
	Crescent Hill Water Treatment Plant Standby Generators			
14330	Louisville Gas & Electric	Estimate	\$49,081	
	LOJIC Capital and Operations Cost for 2018			
	Louisville/Jefferson County MSD (LOJIC)		\$423,136	
	Oracle Unlimited License Agreement Maintenance Renewal			
	Oracle		\$372,665	
	Renewal of Oracle Sun Server Maintenance-Sole Source			
	Oracle		\$23,873	
	Renewal of T.C. Technology Software License and Maintenance Agreement			
	T.C. Technology		\$26,677	
	Replace 6 sodium hypochlorite generation system cells that are showing signs of Deterioration.			
15326	Denora Water Technologies	Estimate	\$331,410	
	Riverbank Filtration Program - US Geological Survey Monitoring Groundwater Resources Network			
	US Geological Survey, Department of the Interior		\$34,800	
N/A	CHWTP Standby Generator Substation Work			
14330	Louisville Gas & Electric	Estimate	\$43,505	
Sole Source	De Nora (fka Severn Trent) Cell with Plate Assembly			
	De Nora Water Technologies LLC	Estimate	\$56,100	
Sole Source	Enhancement of Louisville Water Company's Main Website			
	Net Tango (WBE)	Estimate	\$165,500	

Sole Source	Modification and Extension of LG&E's underground and overhead electric for CHWTP Standby Generators	
14330	Louisville Gas & Electric (LG&E)	\$182,040
Sole Source	On-Site Chlorine Generation System - CHFP & BEPP - Maintenance Contract	
	De Nora Water Technologies LLC (fka Severn Trent)	\$54,125
	SUM BY BIDS AND AWARDS CATEGORY	\$1,832,040
	GRAND TOTAL	\$31,111,302

Financial Report Given

Ms. Lynn Pearson advised the completion of the financial statements for December and full year 2017 is pending the release of final audited pension liability and related balances by the state. Once the audited GASB 68 report is received, we will work with our external audit team to finalize our 2017 audited financials.

Total consumption and water revenue for April 2018 came in slightly lower than budget. Operating expenses also performed unfavorably to budget in April. These unfavorable budget variances are only partially offset by favorable variances in other operating revenue, non-operating income and non-operating expense. As a result, net income for the month is \$228,000 lower than budgeted. Details of the Company's financial performance as compared to budget and prior year follows.

Consumption of 2.4 billion gallons for April 2018 is 12.4 million gallons lower than budget, but is 259 million gallons higher than April 2017. All customer classes are under budget in April with the exception of wholesale and private fire services. Year-to-date consumption remains over budget and prior year, by 3.6% and 4.9% respectively, with residential, commercial and wholesale customer classes driving the favorable variance.

Water Revenue for April 2018 is \$62,000 lower than budget and \$1.9 million above prior year. Water revenue through April surpassed budget by \$919,000 and is \$3.5 million more than last year. Higher consumption is a key factor driving increased water revenue for the year-to-date period as compared to both budget and prior year levels.

Other Operating Revenue for April is \$86,000 higher than budget and \$145,000 higher than year-ago levels. Through April, other operating revenue is under budget by \$16,000, but exceeds prior year by \$226,000. The year-to-date variance to budget is primarily attributable to disconnect fees and contract operations revenue coming in lower than expected, partially offset by favorable variances in late fees and service line protection revenue. The year-to-date variance to prior year is driven by higher service line protection and sewer billing revenue.

Operating and Maintenance Expenses for April of \$6.3 million are \$56,000 higher than budget and \$330,000 higher than April 2017. The April variance to budget is primarily in overtime, equipment maintenance, fleet and insurance reserves, offset by lower materials and supplies and labor and labor related costs. Timing issues were largely responsible for the unfavorable variances in equipment maintenance and fleet. Fleet was also impacted by a higher percentage of costs charged to O&M than anticipated. Insurance reserves were over budget due to a particularly large workers compensation claim reserved in April. April year-to-date operating and maintenance expenses are \$507,000 over budget and \$2.4 million over year-ago levels. The majority of the year-to-date unfavorable budget variance is in labor and labor related expenses, power, equipment maintenance, contractual services and insurance reserves, offset by lower materials and supplies and memberships. The large number of main breaks earlier in the year negatively impacted labor costs and a number of other categories. Materials and supplies and memberships are lower mainly due to the timing of purchases.

Total Operating Expenses for April of \$11.3 million are \$362,000 higher than budget and \$836,000 more than April 2017. Total operating expenses year-to-date are higher than budget and prior year, by 1.6% and 8.4%, respectively. The largest factor in the budget variance for the month of April is loss on disposition of property. The year-to-date budget variance is due to higher operating and maintenance and depreciation costs. Some of the budget overage in these areas is offset by a favorable budget variance in loss from disposition of property for the year.

Non-Operating Income through April is \$619,000, which is \$91,000 higher than budget and \$286,000 more than the same period in 2017. The variance to prior year is due to funds reinvested in treasury securities at a substantially higher effective rate than those which matured late in 2017. The variance to budget is due to receiving a higher rate on the new treasuries than anticipated.

Non-Operating Expense through April of \$2.3 million is \$265,000 less than budgeted and \$484,000 less than year-ago levels. Interest expense is less than prior year and budget due to higher amounts of interest capitalized. Principal payments made on bonds during 2017 also reduced interest expense as compared to prior year levels.

Net Income before Distributions and Contributions for April is \$2.5 million which is \$228,000 less than budgeted. In comparison between years, net income is \$1.4 million higher than April 2017. April year-to-date net income of \$12.5 million is \$535,000 higher than budget and \$1 million more than the four months ended April 2017.

Contributions through April of \$3 million are \$354,000 higher than budgeted and \$201,000 more than prior year.

Cash, Cash Equivalents and Short-term Investments totaled \$93.4 million at the end of April 2018, well in excess of 250 days of estimated Operations and Maintenance expense of \$57.7 million

Ms. Pearson advised every year Louisville Water allocates funds to its Infrastructure Reserve. Though it is not a requirement, it has been our practice to fund 1/12th of the annual budgeted amount each month. Management has decided to discontinue monthly deposits to the reserve and wait until the fourth quarter of the year to fund the annual contribution in order to give the Company more flexibility to amend the funding amount if needed.

Communications and Marketing Report Given

Ms. Smith summarized the Communications and Marketing report for April.

On May 8, Louisville Water kicked off a 21-week celebration to mark the anniversary of the Louisville pure tap® campaign. In 1997, Louisville Water did something no other water utility to date has done: it trademarked its tap water. The Louisville pure tap® campaign highlights the quality, innovation and value of the city's tap water, a drink that has twice earned the honor as the "best-tasting tap water in America" from the American Water Works Association. The 21-week celebration will include tours of Louisville Water facilities and lots of pure tap served at dozens of community events — as well as the remake of a 1997 song about Louisville's drinking water, "You Can't Top the Tap."

The Louisville pure tap® campaign began at a time when bottled water sales and home treatment devices were gaining in popularity. The results of a local blind taste test of bottled waters ran in *The Courier-Journal* in 1996, and Louisville's chilled tap water scored higher than the bottled brands. Louisville Water thought if the water was so good, why not give it a name?

The Louisville pure tap® campaign started with an empty bottle and the message that if you want great, high-quality bottled water, all you need is the bottle. The campaign has evolved from focusing on the container to the product itself. Today, the Louisville pure tap® campaign reaches more than a million people through events, education and social media. Some of the most popular tweets are from college students who miss the taste of the water when they leave home. The kick-off event garnered thousands of impressions in earned media locally, regionally and nationally.

The Kentucky Derby Festival is the largest partner of the Louisville pure tap® campaign. Louisville Water coordinates 15 water stops for the mini and marathon races and provides water during several other events. During May, Louisville Water was part of over a dozen community events including Waterfront Wednesday concerts, the Locust Grove Gardner's Fair and the American Red Cross "Sound the Alarm" campaign. This campaign focused on fire prevention in the Portland neighborhood. On Saturday, May 12, dozens of volunteers visited homes, checked for working smoke detectors and installed new ones. Fire protection is part of our focus as Louisville Water maintains over 24,000 public fire hydrants. Leading up to the event, our crews checked the hydrants in the Portland neighborhood and during the campaign we supplied the volunteers with Louisville pure tap® and reusable bottles.

Customer Service and Distribution Operations Report Given

Mr. Vogel summarized the Customer Service and Distribution Operations report for April.

The Call Center operations received 30,634 calls in April with an abandonment rate of 8.3%. Year-to-date the abandonment rate is running at 10.5% which is approximately 22% better than last year and 40% better than the five-year average. The average speed of answer came in at 4:09 m:s for the month which is higher than last year and lower than the five-year average. Staff continues to focus on maintaining optimal staffing levels in order to achieve our operational goals and maximize customer satisfaction.

Unfortunately, we are off to a challenging start with safety. Year-to-date we have experienced eight OSHA recordable injuries which is higher than recent years. We have had two injuries resulting from non-preventable motor vehicles accidents, two cases of particulates in the eyes requiring medical attention beyond flushing, two strain cases, and two slip/trip cases involving stairs. Staff just completed the largest ever safety blitz with field personnel and are developing other initiatives to increase the safety focus so employees remain injury free.

The percentage of estimated bills in April came in at 0.76% which is significantly lower than last year (2.16%) and the five-year average (1.21%). Billing accuracy continues to run at all-time highs and was 99.95% for April. The team has done a nice job over the last few months reducing the disconnection backlog. Staffing is the primary challenge in the Metering Services group with several front-line retirements over the past few months, and two pending supervisor vacancies.

The preparation checklist and planning for the Kentucky Derby activities were completed and there were no Louisville Water related issues during the events.

April ended with 22 main breaks for the month, which is in line with last year (21) and the five-year average (21). Capital work continued to increase during the month including new service installations, fire hydrant replacements and installs, and valve replacements. Distribution also performed a Lead Service Renewal Project. Staffing continues to be a challenge with retirements including both union and non-union employees. A pool of General Laborers was established in April and three started in May.

Engineering and Production Operation Report Given

Mr. Tim Kraus summarized the Engineering and Production Operations report for April.

Capital Improvement Program Expenditures through April totaled \$26,026,349, which is \$6,761,976 or 35.10% higher than the same period last year. These expenditures equate to 23.46% of the 2018 total capital program of \$110,955,773.

The amount of water produced and delivered to the system in April 2018 was 108.8 MGD, which was 4.8% higher than April 2017 and 1.8% higher than the April five-year average. For year-to-date, the amount of water delivered to the system was 9.3% higher than 2018, and 4.9% higher than five-year average.

There were two chemical spills reported by ORSANCO during the month of April; both occurred upstream of Louisville Water's Zorn intake and there were no impacts on water quality and treatment.

Water Quality staff monitored 1,199 water quality parameters of a required 1,039 per federal and state regulatory requirements. There were zero violations.

Staff collected 280 compliance distribution samples. There were zero total coliform and zero *E-Coli* results. All internal water quality goals were met. Staff also collected 38 main break samples on 19 repairs in the month, of which nine localized boil water advisories were issued due to field conditions and one was issued due to water quality monitoring results. There was a total of 17 water quality customer complaints, in comparison to the five-year average of 21 complaints.

Human Resources Report Given

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

Currently, there are five active grievances: one scheduled for third party mediation, one meeting scheduled for resolution and future processes application, one motion/resolution proposed by the Union under Company review, and two at the step two process of discussion and resolution.

Union and management convened to initiate a three to five-year staffing strategy to address potential retirements of union personnel who are now approaching retirement eligibility.

Union and management representatives participated in the Company's Summer Safety Blitz on May 15 by conducting field visits to various work-crews to discuss and emphasize employee safety awareness.

Union President, Adam Carter, is coordinating the Company's annual Combined Giving Campaign fund raising golf scramble scheduled for June 29 at Iroquois Golf Course.

The Vice President of Human Resources (HR) and the Union President co-facilitated the Strategic Planning subcommittee regarding Core Values emphasizing Louisville Water as an "Employer of Choice".

The Union President facilitated the Decisions Partnership Team to address assorted topics for improvements and updates on initiatives (GPS, Training, Safety, etc.).

The Company hired three General Laborers effective May 14. Labor representatives and management will continue to recruit for General Laborers as part of the workforce planning regarding current and future retirements.

The Company posted five regular full-time classified positions for the internal union personnel bidding process.

Information Technology Report Given

Dr. Tom Luckett summarized the Information Technology (IT) Report for April.

Louisville Water staff is performing installations in preparation for the Phase 1 Cycle Tests for Oracle Work & Asset Management (WAM) Implementation. This is the initial testing of the WAM software and associated changes integrated with existing Louisville Water systems. IT staff is also working with the implementer to test and deploy mobile devices.

Staff continues to evaluate the responses to the Request For Proposal (RFP) for support of Louisville Water's Oracle software suite. Interviews with the short-listed vendors have been completed. Cost proposals are being evaluated with awards scheduled by end of May.

All Windows patches are now being deployed through System Center Configuration Manager (SCCM).

95% of Louisville Water's network environment is configured and is being monitored as part of a Managed Security and Network Service Agreement. Management dashboards are ready for management and internal staff.

Closed Session

Dr. Dronawat moved to go into closed session at 2:08 p.m. pursuant to KRS 61.810(1)(f) to discuss a personnel matter. Mr. Esselman seconded, and the motion unanimously carried.

Resume Open Session

Mr. Willman moved to return to open session at 2:43 seconded by Mr. Esselman and the motion unanimously carried. No action was taken in closed session.

There being no further business for the Board, Dr. Dronawat moved to adjourn at 2:43 p.m., seconded by Mr. Willman and the motion unanimously carried.

Respectfully submitted,



Michael F. Tighe
Vice President, Compliance, General Counsel
and Corporate Secretary