

**Board Of Water Works  
REGULAR CALLED MEETING MINUTES  
February 21, 2023  
Louisville Water Company**

**Board Members Present:**

Dr. Sundeep “Sunny” Dronawat, Chair  
Mr. Paul Esselman, Vice Chair  
Mr. Greg Dearing  
Ms. Jennifer Fust-Rutherford  
Dr. Sharon Kerrick  
Mr. William E. Summers, IV

**Not Present:**

Mayor, Craig Greenburg

**Others Present:**

Mr. Spencer Bruce, President and Chief Executive Officer  
Mr. Dave Vogel, Executive Vice President, Customer Service and Distribution Operations  
Mr. Jeff Knott, Vice President, Information Technology  
Mr. Tim Kraus, Vice President, Engineering and Production Operations, Chief Engineer  
Ms. Lynn Pearson, Vice President Finance and Treasurer  
Ms. Kelley Dearing Smith, Vice President, Communications and Marketing  
Mr. Terrence Spence, Vice President, Human Resources and Labor Relations  
Mr. Michael Tigue, Vice President, Compliance and General Counsel  
Mr. Adam Carter, Union President, Local 1683, AFSCME  
Mr. Jordan Basham, Director, Infrastructure Planning  
Mr. Pete Goodman, Director, Water Quality and Research  
Ms. Jenni Schelling, Director, Internal Audit  
Ms. Shannon Tivitt, One Water Executive Director  
Mr. Chris Bobay, Manager, Water Quality and Compliance  
Mr. Brian Sturgeon, Computer Network Administrator  
Ms. Beverly Soice, Paralegal

**Visitors:**

Jonathan Ingram, Raftelis

The meeting of the Board of Water Works (BOWW) was held on Tuesday, February 21, 2023 at Louisville Water Company corporate headquarters located at 550 South Third Street, Louisville, Kentucky. Chair, Dr. Sunny Dronawat called meeting to order at 11:10 a.m.

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

Paul Esselman moved to approve the regular monthly meeting minutes of January 24, 2023. Seconded by Jennifer Fust-Rutherford and the motion unanimously carried.

**Report of Chief Executive Officer Given**

Spencer Bruce reported that throughout the year, we will celebrate diversity within Louisville Water. February is Black History Month so this marks our first 2023 diversity celebration.

In February, we are recognizing two longtime African American employees and you can learn about their contributions on [LouisvilleWater.com](https://LouisvilleWater.com).

Louisville Water has established an employee led Culture, Ownership, Respect and Engagement (CORE) council to increase employee participation and ownership in ensuring a culture of respect. This month, CORE will launch an initiative to celebrate various communities that represent our diverse employees and customers. The council will display banners and provide educational links to help celebrate our rich diversity. They will begin this month with banners celebrating Black History and then celebrate other cultures each month at each Louisville Water location.

Louisville Water has also made strides in ensuring better utilization of minority and women-owned businesses. We now have 77 small businesses, many of whom are minority or women-owned businesses to bid on “sheltered market” bids. In 2022, we awarded \$5.2 million to these small businesses and \$16.2 million to minority and women business in total. This represents 25.9% of our construction and professional services spend.

Mr. Bruce advised that staff will now provide a short briefing on the environmental event that occurred on February 3 following a train derailment in East Palestine, Ohio near the border of Pennsylvania. Mr. Bruce introduced Pete Goodmann, Director of Water Quality and Chris Bobay, Manager of Water Quality.

Mr. Bobay stated that East Palestine, Ohio sustained a major environmental event but the same was not true of the Ohio River. Some of the train cars were carrying chemicals and low levels of butyl acrylate. This chemical is used to produce plastic and resins. This chemical can cause the water to smell bad. Soon after the train derailment and spill, our scientists got to work looking at how we can detect the chemical and how it should be treated, if treatment is needed at all.

Mr. Bobay shared a timeline of the Ohio River contamination spill. Louisville Water staff collaborated with the Ohio River Valley Sanitation Commission (ORSANCO). ORSANCO was on the river every day collecting samples. It was decided that to treat the water with Powdered Activate Carbon (PAC) as a preventive measure.

Mr. Bobay advised Louisville Water’s WQ staff is trained and equipped to handle spills of this type.

Kelley Dearing Smith then provided a summary of the state and local media outlets which accurately and fairly represented the situation. On the other hand, social media was full of misinformation and rumors that the water was not safe to drink.

Ms. Dearing Smith advised that one lesson learned was that we should have shared our data with the public earlier and we need a better coordination on messaging.

Dr. Dronawat thanked them for their handling of the event.

### **Contract Awarded for Fire Hydrants**

Dave Vogel requested BOWW authorization to award a contract for the purchase of fire hydrants used in Louisville Water’s distribution system. He advised that over 24,000 fire hydrants are active across its system and new hydrants are needed to replace old, nonfunctioning hydrants as well as providing hydrants for system expansion. Three bids were received. American Cast Iron Pipe Company, aka American Flow Control, came in with the low bid of \$1,988,175.

Dr. Sharon Kerrick moved to award the contract to American Flow Control in the amount of \$1,988,175. Greg Dearing seconded and the motion unanimously carried.

### **Contract Awarded for Construction Inspection Services**

Tim Kraus advised that Louisville Water's Construction Inspection staff is key to the success of our capital program. Construction inspectors ensure contractor compliance with the Company's technical specifications, material specifications, and safety standards, and work to minimize customer disruption during pipeline construction and replacement. Quality construction inspection services help generate the greatest return on our capital investment.

Louisville Water currently has a total of 27 inspectors. The current Construction Inspection Services contract with RA Consultants provides six inspectors to the Construction Inspections department, four inspectors to the Managing Distribution Operations department (MDO), and seven inspectors to the Metering Services department. The remaining 10 inspectors are full time employees.

Since the current construction inspection services contract expired on January 31, 2023, it was advertised for bid. RA Consultants provided the lowest evaluated bid in the amount of \$2,277,734.40 for a period of one year with the option to renew up to four additional years. The bid was 0.5% lower than the project manager's estimate of \$2,290,117.60 and is 17.7% higher than their 2022 contract.

In 2023, Louisville Water may utilize up to 18 contract inspectors (seven construction inspectors, four MDO inspectors, and seven AMI inspectors) from this contract.

Following a short discussion, Mr. Dearing moved to approve the contract for RA Consultants in the amount of \$2,277,734.40. Ms. Fust-Rutherford seconded, and the motion unanimously carried.

### **Unbudgeted Project Approved and Budget of Record Established for the Yorkshire Blvd and Richland Ave Low Flow Hydrant Mitigation Project**

Mr. Kraus requested the BOWW authorize an unbudgeted capital project and to establish a new budget of record in the amount of \$741,000 for the Yorkshire Blvd and Richland Ave Low Flow Hydrant Mitigation Project.

Louisville Water's data currently indicates that there are four low-flow hydrants located on Richland Avenue and Yorkshire Boulevard. This project was created to address this issue. The project scope includes the replacement of approximately 1,390 linear feet of unlined cast-iron pipe with PVC pipe, replacement of five fire hydrants, and renewal of 37 services. This work is recommended in order to bring the identified streets into compliance with the Jefferson County fire hydrant ordinance. The current estimated cost of the project is \$740,931.30.

Mr. Esselman moved authorize the unbudgeted Yorkshire Blvd and Richland Ave Low Flow Hydrant Mitigation project and to establish a budget of record of \$741,000. Dr. Kerrick seconded and the motion unanimously carried.

### **Investment Report Given**

Lynn Pearson provided an update on investments held in Louisville Water's portfolio as of December 31, 2022.

The BOWW took a short break at 12:05 p.m. The meeting resumed at 12:28 p.m.

### **Planning and Resource Assessment Report Given**

Mr. Bruce introduced Jonathan Ingram with Raftelis who provided an update on the Strategic Assessment and Prioritization Process.

Mr. Ingram advised the goals were to validate the Strategic Business Plan, reflect new trends in the Strategic Business Plan, prioritize the work needed to be done, and align resources with those priorities. While it was not the purpose of this initiative, management needs to be open about the need for additional resources. He also discussed the three phases of the process.

Mr. Ingram discussed Louisville Water's key strengths and briefly discussed cultural transformation, leveraging technology & expertise, data, performance and continuous improvement, products, services and partnerships, and brand integrity and communications.

Next steps will include a targeted and prioritized implementation of the work needed to be done over time with minimal impact to budget and building initiatives into annual workplans.

### **Public Affairs and Customer Satisfaction Committee**

Mr. Dearing provided a summary of the item discussed during the Public Affairs and Customer Satisfaction Committee meeting held on February 10, 2023.

### **Financial Report Given**

Ms. Pearson advised that field work for the audit of the 2022 financials will commence early next month. The ultimate completion date of the audit and the year-end financial statements is uncertain as it is dependent upon the timing of the release of the audited pension report by the state. This report provides 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.

Ms. Pearson then provided an overview of financial results for January. Results must be considered preliminary until the audit of the 2022 financial statements is complete.

The year started out on a positive note, with total consumption and water revenue for January coming in significantly higher than budget. Other operating revenue, total operating expense and non-operating income and expense also performed favorably to budget. As a result, net income for the month exceeded budget by \$2.1 million.

Consumption of 2.7 billion gallons for January is 351 million gallons more than budget, and 334 million gallons higher than January 2022. The budget overage was primarily in the residential and commercial customer categories and to a lesser extent wholesale. The extreme winter weather in late December was the driver of the budget overage. The cold and snowy weather resulted in a delay in meter reads, moving consumption from December to January. Also, many customers turned on faucets to prevent pipes from freezing which increased water consumption billed in January.

Water Revenue for January 2023 is \$1.6 million higher than budget and \$2.2 million higher than the prior year. Higher consumption is the key factor driving higher water revenue for this period

as compared to budget. All customer classes are over budget with the exception of industrial and Metro government.

Other Operating Revenue for January is \$103,000 higher than budget and \$79,000 above year-ago levels. The variance to budget is mainly due to higher late charges and service deactivation fees. The increase over prior year is mainly driven by revenue from service deactivation fees and sewer billing charges, slightly offset by lower revenue from contract operations.

Operating and Maintenance Expenses for January of \$7.7 million are \$27,000 higher than budget and \$664,000 above January 2022. The January variance to budget is primarily due to higher labor related, chemical and materials and supplies costs offset by lower contractual services, insurance reserves and bad debt. Much of the shortfall in contractual services is timing related and we anticipate that will turn around in future months. The unfavorable variance to January 2022 is spread across many categories reflecting the significant impact of inflation. Labor and labor related, chemical, contractual services, equipment maintenance and insurance costs are all exceeding prior year levels.

Non-Operating Income for January is \$662,000 which is \$254,000 higher than budget and \$651,000 higher than January 2022. The favorable variance to budget is due to market interest rates that are higher than anticipated. The variance to prior year is due to higher market rates, along with a higher dollar amount invested due to the bond issuance proceeds received in late 2022.

### **Communication and Marketing Report Given**

Ms. Dearing Smith advised Louisville Water reached more than 75 million people through earned media with stories on 2023 water rates and a new children's book featuring Tapper.

In January, staff was at four out-of-county schools with hands-on water education. This work was part of 30 engagements in January with 2,000 people. The team continues the "book tour" with *Tapper's Big Adventure*, through visits at Louisville Free Public Library branches.

In 2023, Louisville Water will build on the success of "Water Grows KY," a campaign to highlight water's value to Kentucky's growing economy.

In January, a video series included testimonials from key stakeholders in Hardin and Nelson counties talking about the importance of water to recent economic development announcements. Ms. Dearing Smith shared the video with the Board.

In January, Water Quality & Compliance Manager Mr. Bobay joined Ms. Dearing Smith for a water tasting at Moonshine University, an education center for the distilling industry. Instructors include Louisville Water's story in their class material for the hundreds who complete coursework.

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

Dave Vogel advised that there were no OSHA recordable injuries or preventable motor vehicle accidents in January. The first few days of the month were focused on completing residual work following the deep freeze the region experienced.

The Call Center operations received 24,756 calls in January with an abandonment rate of 15.4%. Call handle times were impacted in January by House Bill 8 tax related questions as well as higher than normal disconnect activity. New Service Applications completed 140 applications in January

which is down 24% from last year. Mr. Vogel advised that staff will monitor this to see if it turns out to be a trend. Currently, there are approximately 8,000 customers on active payment plans. Work continues on the transition to a new payment processor and lock box provider. We are also getting to the final stages of selecting an omni channel vendor.

Mr. Vogel advised that through January, 143,928 AMI endpoints have been installed. Cycle 34 customers received their first monthly bill in January, and we have now converted 78,000 Jefferson County customers to monthly billing.

Mr. Vogel provided a safety message and distributed fire extinguishers to the Board members.

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

Mr. Kraus advised that 2022 year end Capital Program results must be considered draft as they are unaudited. However, through December, Capital Program expenditures totaled \$105,295,718, which is \$10,850,199 or 11.49% higher than the same period last year. These expenditures equate to 94.41% of the 2022 total Capital Program of \$111,534,377.

2023 Capital Program expenditures through January totaled \$2,791,697, which is \$1,285,076 or 85.3% higher than the same period last year. These expenditures equate to 2.29% of the 2023 total capital program of \$121,781,334. The 2023 total Capital Program is the Board approved plan of \$117,113,968, plus the 2022 carryover of \$4,667,367.

Mr. Kraus took a moment to commend the Water Quality staff for their dedication and diligence responding to the environmental event that originated in Ohio.

All water quality goals for January 2023 were achieved. No water quality violations were incurred.

### **Human Resources Report Given**

Terrence Spence provided a summary regarding 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).

- Two active grievances filed by the Union.
- Union and Company leadership conducted their monthly Labor Management meeting to review various on-going and future joint initiatives and status updates.
- The Company posted three temporary and one regular full-time classified Union positions.
- Company and Union leadership reconvened at the recommendations of the Union's international office to further negotiate a collective bargaining agreement scheduled for a union body re-vote on February 21, 2023.

Louisville Water's CORE Council kicked-off the Company's celebration of Black History Month by providing banners of observance at each facility location.

Louisville Water's employee scholarship committee selected Erick Ballard as this year's \$10,000 "Thomas Family Scholarship" award recipient. Erick is a graduating senior from duPont Manual High School who participates in the YMCA's Youth Black Achiever's Program. He intends to pursue an engineering degree at the University of Kentucky.

Louisville Water's Human Resources Department coordinated two employee Virtual Go365 Wellness Kick-off session. Each event was hosted by a Humana's Wellness representative that

provided an overview of the wellness program, enrollment procedures, digital application utilization, and various ways on how to maximize monetary program rewards.

The Human Resources Department hosted New Employee Orientation for recently hired employees. The employees toured each of Louisville Water's facility locations, gained historical and current information about the Company. Employees also participated in a Q & A session with the Company's Executive Leadership Team (ELT).

Human Resources sent all employees a personalized 2022 Total Compensation and Benefits Statement highlighting the total investment value made by the Company on behalf of each employee including pay, benefits, incentives/bonuses, and other contributions.

### **Information Technology Report Given**

Jeff Knott advised that IT staff has implemented a more sophisticated email filter product to protect against phishing and ransomware emails. This filter has been implemented and it effectively blocks many spam and phishing attempts that Microsoft missed. IT is continually adjusting settings to further fine tune the filter. The SD-WAN product has been configured and should be fully implemented by the end of the first quarter.

Final demonstrations for the PeopleSoft replacement will be held this month and plans for implementation will follow.

Staff has been working on options for migrating on premise Oracle applications to Oracles Cloud Infrastructure (OCI) in an effort to improve our solution as well as reduce our operating costs year over year. Over the last month we have finalized proposals from two firms and will be ready next month to propose a timeline and budget requirement for this work.

There being no further business, the meeting adjourned at 1:10 p.m.

Respectfully submitted,



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