

Board Of Water Works
REGULAR CALLED MEETING MINUTES
January 17, 2017

Board Members Present:

Mr. Creighton Mershon, Chair
Mr. Glenn Sullivan, Vice Chair
Dr. Sundeep “Sunny” Dronawat
Dr. Sharon Kerrick
Mr. Craig Willman
Ms. Marita Willis

Not Present:

Mayor 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
Mr. Jim Grunow, Interim Vice President, Production Operations and Chief Engineer
Mr. Tim Kraus, One Water, Director of Business Transformation
Dr. Tom Luckett, Vice President and Chief Information Officer
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, General Counsel and Corporate Secretary
Mr. Kevin Kastensmidt, Director, Information Technology
Ms. Jenni Schelling, Director, Internal Audit
Ms. Beverly Soice, Paralegal

Visitors: Tony Parrott, Executive Director, MSD
Media / Cameraman

The regular called meeting of the Board of Water Works (BOWW) was held on Tuesday, January 17, 2017 at the Louisville Water Company (Louisville Water) located at 550 South Third Street, Louisville, Kentucky. Chair Creighton Mershon called the meeting to order at 11:04 a.m.

Mr. Michael Tigue was sworn in as Vice President, Compliance and General Counsel of the Louisville Water Company.

Minutes of the Previous Regular BOWW Meeting Approved

Mr. Craig Willman moved to approve the Regular Called Meeting Minutes of December 13, 2016, and the Special Called Meeting Minutes of December 28, 2016, seconded by Ms. Marita Willis and the motion was unanimously carried.

MSD Communication

Mr. Tony Parrot, Executive Director of the Louisville/Jefferson County Metropolitan Sewer District, provided an overview and PowerPoint of its Critical Repair & Reinvestment Plan that followed an extensive analysis of its wastewater, stormwater and flood protection systems. The Plan addresses challenges posed by aging infrastructure, some of which dates back to the civil war. The Plan is available online as well as to review in person in each of the Louisville Public Library branches. MSD is asking for the community's input and will accept comment until March 1, 2017.

Report Provided by the President/Chief Executive Officer

Mr. Spencer Bruce reported that as part of our Liquid Asset strategy, Louisville Water is working with Kentucky United, a statewide group of business and industry leaders who are focused on bringing jobs to Kentucky.

In December, Louisville Water was part of an event in Atlanta to showcase the city to site selectors, developers and real-estate agents. After the event, Louisville Water and Louisville Forward (the city's economic development group) hosted a unique offering for Atlanta leaders to learn what our city can offer. The event featured a "bourbon and branch" experience sprinkled with information on Louisville's economy, opportunities and outstanding water. Louisville Forward's Brittany Allison, a certified bourbon steward and ambassador, shared the city's rich history and bourbon through a selected tasting flight. At the same time, Ms. Kelley Dearing Smith offered information about our abundant water supply, best-in-class quality and low rates through a sampling of Louisville pure tap®. For the Atlanta tasting, staff brought a few gallons of Louisville pure tap® that was chilled, frozen and infused. Guests enjoyed a tasting of Louisville pure tap® along with the bourbon flight. The frozen pure tap was added to the bourbon samples as part of the tasting. Feedback from this event was overwhelming positive and Louisville Water is working with our economic development partners to offer this experience in other venues both locally and around the region.

Each year the Louisville pure tap® program reaches over 500,000 people at events around the city where our drinking water is served. The communication's team was part of nearly a dozen events in December including an appearance by Tapper with Mayor Fischer at the city's holiday skating rink.

The Louisville pure tap® program also includes branding at drinking water fountains. Guests to the Yum! Center will notice new signage at fountains. The Yum! Center is one of over a dozen locations that feature branded fountains. We plan to add signage on new fountains at Louisville International Airport in the first quarter of 2017.

Budget Increased for Project No. 14338 – Algonquin Parkway and Story Avenue Main Replacement

Mr. Jim Grunow advised the 2016 Capital Improvement Plan includes a project to replace approximately 1,070 lineal feet of 8-inch ductile iron water main along Story Avenue between Brownsboro Road and Frankfort Avenue. During project design, it was determined that MSD had proposed a similar construction project that included the installation of 900 lineal feet of new 20-inch sewer force main on this same road. In the spirit of One Water, Louisville Water and MSD discussed conducting a joint utility project in an effort to benefit the public by limiting the amount of disturbance in the area and providing cost savings by reducing the restoration requirements of multiple projects.

At the time Louisville Water and MSD identified the joint utility project opportunity, Louisville Water had already bid our portion of the project; therefore, we propose to add MSD's project scope by change order to our project. The original budget for Louisville Water's project was \$511,975 and the original contract amount for this work was \$422,000. MSD has provided a cost estimate for the additional work in the amount of \$500,000 and TSI Construction Inc. has provided a change order request in the amount of \$437,640 for this work. The work is 100% reimbursable by MSD; therefore, Louisville Water's net cost increase for the additional work is zero.

Dr. Sharon Kerrick moved to increase the contract with TSI Construction Inc. by \$437,640 for a total revised contract amount of \$859,640, and to establish a new budget of record of \$949,615 of which \$437,640 is reimbursable from MSD to LWC for Project No. 14338 –Algonquin Parkway and Story Avenue Main Replacement Project. Dr. Sunny Dronawat seconded and the motion unanimously carried.

Unbudgeted Water Main Extension Project Approved for Halls Hill Road Between Glenarm Road and 4,500 Feet Northeast and Approve the Tapping Fee Amount for the Project

Mr. Grunow advised that Halls Hill Road is a public road off of Highway 329 in Oldham County that has approximately 12 unserved residents. In 2011, the Oldham County Board of Education announced plans to build a new school campus on Halls Hill Road between Highway 329 and Glenarm Road, which would have extended a water main down a portion of Halls Hill Road. The remaining portion of Halls Hill Road, extending approximately 4,500 feet northeast from the intersection of Glenarm Road, was evaluated using the Two-Thirds Majority Tapping Fee Extension method to provide service to 11 unserved customers. The results of this analysis indicated that the cost per customer would be approximately \$25,000, which was not affordable for a majority of residents at that time.

Louisville Water met with Oldham County Water District (OCWD) and other Oldham County officials to discuss alternative ways to extend water on the remaining portion of Halls Hill Road northeast of Glenarm Road, which abuts OCWD's service area. As a result of these discussions, a plan was developed to relinquish a portion of our territory to OCWD, provide an interconnection between the two water utilities, and allow OCWD to serve this portion of Halls Hill Road. Later in 2012, the Oldham County Board of Education put plans on hold to build the school campus. Subsequently, Louisville Water and OCWD were unable to agree on an arrangement for providing water service to this portion of the road.

Discussions with Oldham County officials indicate that it is probable that the new school on Halls Hill Road will be resurrected in the next five years. A new school would bring sanitary sewers to the area which would increase the likelihood that large tracts of land off Halls Hill Road will be developed. Staff recommends that we retain this area in Louisville Water's service territory and that we construct an 8-inch water main on Halls Hill Road extending 4,500 feet northeast of Glenarm Road to provide service to the unserved residents. Therefore, Louisville Water proposes that a water main extension be funded using the System Development Charge with a portion of the investment being reimbursed by tapping fees collected from each customer that obtains service from this main. The main extension is estimated to cost \$500,000 and would provide service to 11 of the 12 residents. A service through private easement waiver could be used to provide service to the 12th resident. We propose that the tapping fee on this project be established at \$25,000 and that a minimum of two-thirds of the 11 residents, or eight residents, agree to participate in this project before it is initiated. Recent feedback from the residents on Halls Hill Road indicates that two-thirds of the residents (eight residents) are now in favor of this project with a tapping fee of \$25,000.

Following Louisville Water’s Two-Thirds Majority Tapping Fee Extension method, residents would be able to finance the tapping fee with a 20-year loan at 5% interest from Louisville Water. Tapping fees could generate \$275,000 of the total project cost, if all 11 residents participate, with Louisville Water funding the remaining portion of the project not covered by tapping fees. If the project costs are lower than estimated, the tapping fee would remain the same and Louisville Water’s contribution would be reduced correspondingly. Louisville Water would benefit from the upside potential for additional growth in the future.

Ms. Lynn Pearson summarized the return on investment (ROI) approaches for evaluating possible returns on investment.

Ms. Willis moved to establish an unbudgeted water main extension project on Halls Hill Road between Glenarm Road and 4,500 feet northeast with a budget of record of \$500,000, contingent on at least 8 property owners agreeing to payment of the established tapping fee, and establishing a tapping fee for this project in the amount of \$25,000. Dr. Dronawat seconded and the motion unanimously carried.

One Water Update Given

Mr. Tim Kraus provided a summary of recent activity and work that has been completed as a part of the One Water initiative.

Louisville Water and MSD agreed to temporarily delay the transitioning of MSD employees in Customer Service, Information Technology (IT) and Communications to Louisville Water, scheduled for January 1, 2017. The decision was made to allow more time to work through the various details of the transition. MSD is currently preparing a draft agreement to address the obligations and responsibility of the EPA Consent Decree as well scope, performance metrics, cost allocation and performance standards. The objective is to have a draft agreement for the One Water Board to consider at the meeting on January 26, 2017.

Fourth Quarter 2016 Certification of Projects & Change Actions Authorized

Mr. Bruce certified that the following Projects and Change Actions were authorized during the Fourth Quarter of 2016 in accordance with the Capital Projects Authorization Policy and Procedures.

PROJECT PROPOSALS REQUIRING BOARD APPROVAL					
Project Number	Project Name	Requested Total Estimate	Contribution	LWC Net Cost	Current Year Estimate
15010	Cow Branch Road to Skyview Road Grid Tie	\$371,300	\$0	\$371,300	\$23,450
15011	Dixie Hwy BPS	\$516,000	\$0	\$516,000	\$9,000
TOTAL FOR PROPOSALS		\$887,300	\$0	\$887,300	\$32,450

PROJECT CHANGE ACTIONS/ADMIN NOTIFICATIONS REQUIRING BOARD APPROVAL					
Project Number	Project Name	Previously Approved Total Estimate	Change in Total Estimate	Requested Total Estimate	Change in Current Year Estimate
14517	Condition 2016-PCCP - Greenwood, Tyler-Durrett, Palatka	\$5,294,331	\$538,911	\$5,833,242	(\$813,442)
13512	ZPS Slate Roof Replacement and Masonry Improvements	\$6,427,000	\$726,000	\$7,153,000	\$0
14325	CHFP Chemical Building and Lab Fire Protection	\$2,900,000	\$675,000	\$3,575,000	\$0
14536	IT Work and Asset Management System WAM	\$9,904,000	\$12,976,319	\$22,880,319	\$2,342,884
14536	IT Work and Asset Management System WAM	\$22,880,319	\$1,898,681	\$24,779,000	(\$1,609,648)
TOTAL FOR CHANGE ACTIONS		\$47,405,650	\$16,814,911	\$64,220,561	(\$80,206)

PROJECT PROPOSALS APPROVED BY THE PRESIDENT					
Project Number	Project Name	Requested Total Estimate	Contribution	LWC Net Cost	Current Year Estimate
14660	690 Plan - Grid Tie National Turnpike and South Park Road	\$210,700	\$0	\$210,700	\$3,000
15065	JLH Building Standby Generator	\$500,000	\$0	\$500,000	\$0
14658	Ashby Green Section 2 Grid Tie	\$159,100	\$76,500	\$122,200	\$159,100
TOTAL FOR PROPOSALS		\$869,800	\$76,500	\$832,900	\$162,100

PROJECT CHANGE ACTIONS APPROVED BY THE PRESIDENT WITH TOTAL ESTIMATE CHANGES					
Project Number	Project Name	Previously Approved Total Estimate	Change in Total Estimate	Requested Total Estimate	Change in Current Year Estimate
14430	Transmission - Mellwood Ave C&L, Main St to Frankfort Ave	\$1,783,694	\$50,682	\$1,834,376	\$50,682
14634	Lead 2016 Frankfort Avenue Area	\$1,500,000	\$232,500	\$1,732,500	\$0
14614	Metering LWC Interconnect Master Meter Vault for HCWD1	\$300,015	\$121,985	\$422,000	\$100,485
14567	MRRP 2016 Preston Hwy Area	\$1,382,575	\$141,600	\$1,524,175	(\$120,400)
14544	Storage - Brooks Hill Tank	\$1,200,000	\$230,000	\$1,430,000	\$0
14511	Storage Tank Coating Program 2016	\$1,350,000	\$168,730	\$1,518,730	\$168,730
14116	Raymond Road Grid Tie ¹	\$204,000	\$8,000	\$212,000	\$8,000
14531	IT CHFP, BEP, and Allmond Intercom System Replacement	\$272,897	\$189,523	\$462,420	(\$272,897)
13364	Blue Lick Rd Phase 1 Relocation	\$4,294,486	\$73,658	\$4,368,144	\$180,375
xxxxx	MDO Point Capital 2016	\$2,835,800	\$185,000	\$3,020,800	\$185,000
TOTAL FOR CHANGE ACTIONS		\$15,123,467	\$1,401,678	\$16,525,145	\$299,975

**PROJECT CHANGE ACTIONS APPROVED BY THE PRESIDENT
WITH NO CHANGE IN TOTAL ESTIMATE - CASH FLOW OR CONTRACT ONLY**

Project Number	Project Name	Previously Approved Total Estimate	Change in Total Estimate	Requested Total Estimate	Change in Current Year Estimate
14534	I.T. Oracle Utilities CCB, MWM Enhancements	\$3,500,000	\$0	\$3,500,000	\$228,000
14321	Eastern Pkwy 48" Rehab	\$25,761,000	\$0	\$25,761,000	\$1,552,715
14568	Goldsmith Lane Area MRRP	\$1,123,960	\$0	\$1,123,960	\$125,776
14515	CH Yard Piping and Valves	\$7,000,000	\$0	\$7,000,000	\$454,737
TOTAL FOR CASH FLOW CHANGES		\$37,384,960	\$0	\$37,384,960	\$2,361,228

STATUS OF OPEN PROJECTS WITH TOTAL ESTIMATE OVER \$2,000,000

Project Number	Project Name	Total Estimate	Total Cost to Date	Status	Year Opened
10415	Westport Rd 660 30" to BPS	\$ 4,492,558	\$ 6,196,395	Work in Progress	2004
11264	Cardinal Hill Second Supply 2B	\$ 3,708,490	\$ 125,621	Pending Capital	2006
11310	Renovate BEP #3 Sludge Lagoon	\$ 7,272,800	\$ 4,226,216	Work in Progress	2006
11615	Gene Snyder Frwy transmission 1B	\$ 9,133,000	\$ 379,994	Design in Progress	2007
11616	Gene Snyder Frwy transmission 2A	\$ 6,641,500	\$ 64,331	Pending Capital	2007
13109	ZPS - Standby Generator	\$ 9,500,000	\$ 511,220	Pending Capital	2011
13264	CHPS Slate Roof replacement and Masonry	\$ 6,137,000	\$ 215,725	Pending Capital	2012
13274	AMR and AMI - Jefferson Co	\$ 58,500,000	\$ 58,568	Pending Capital	2012
13364	Blue Lick Rd Phase 1 Relocation	\$ 4,368,144	\$ 3,614,805	Work in Progress	2012
13512	Zorn Slate Roof and Masonry Improvement	\$ 7,153,000	\$ 244,578	Design in Progress	2013
13523	Preston Hwy - Collins Hill, Rolling Fork	\$ 5,796,879	\$ 5,725,033	Work in Progress	2013
13526	860 PZ-English Station tank II	\$ 9,700,000	\$ 7,674,260	Work in Progress	2013
13650	Preston Hwy Corridor transmission and distribution	\$ 3,655,000	\$ 1,101,224	Work in Progress	2013
14099	Grade Ln, Preston Hwy PCCP Condition Assessment	\$ 2,750,000	\$ 2,556,606	Work in Progress	2014
14122	Hwy 42 16" transmission main	\$ 2,128,003	\$ 2,125,276	Completed Not Closed	2014
14215	Chapeze Ln transmission	\$ 2,057,303	\$ 2,057,884	Completed Not Closed	2014
14321	Eastern Pkwy 48" Rehab	\$ 25,761,000	\$ 1,805,039	Design in Progress	2015
14325	CHFP - Chemical Building and Lab Fire Protection and Office	\$ 3,575,000	\$ 102,865	Design in Progress	2015
14330	CHWTP Standby Generator	\$ 11,723,392	\$ 211,690	Design in Progress	2015
14515	CH Yard Piping, Valves Condition Assessment	\$ 7,000,000	\$ 260,826	Work in Progress	2016
14517	Condition 2016 - PCCP mains	\$ 4,793,367	\$ 2,343,371	Work in Progress	2016
14524	ATT RBF for CH	\$ 221,905,253	\$ 4,973,962	Design in Progress	2016
14530	Business Intelligence Expansion-Financial and Human Resources	\$ 2,267,127		Pending Capital	2016
14534	Oracle Utilities CCB, MWM Enhancements	\$ 3,500,000	\$ 1,492,658	Work in Progress	2016
14536	Work and Asset Management (WAM)	\$ 23,526,488		Pending Capital	2016
14542	Urton Ln transmission	\$ 5,271,500	\$ 151,539	Design in Progress	2016
14543	Bardstown Rd elevated storage tank	\$ 6,500,000	\$ 46,187	Design in Progress	2016
14545	I-64 transmission to Hwy 55	\$ 13,539,300	\$ 418,843	Design in Progress	2016
14553	Minor Lane Grid Tie	\$ 2,191,500	\$ 108,342	Design in Progress	2016
14558	Oak St area MRRP	\$ 2,054,550	\$ 1,159,440	Work in Progress	2016
14559	Portland Ave area MRRP	\$ 2,301,750	\$ 842,788	Work in Progress	2016

Pending - An approved project that has not yet begun. Some projects may go to Design and back to Pending if put on 'hold' with no construction.

Design - The project is currently in Preliminary or Final Design, but a contract has not yet been awarded for construction.

Work in Progress - Project has full approval to move forward, construction has begun, and a contract has been executed, if applicable.

Complete Not Closed - Construction is complete, assets are in-service, but the project has not yet been closed due to various reasons.

Contributed Capital is excluded from the Total Cost.

¹ Approval required based on cumulative increase

Fourth Quarter 2016 Certification of Contracts & Bids Awarded

Mr. Bruce certified that the following contracts were awarded during the Fourth Quarter of 2016 in accordance with the Purchasing Policy and Purchasing Procedures.

Construction

12-106	Carbon Fiber-Reinforced Polymer Repairs on Large Diameter Water Mains - 4th & Final CPI Renewal		
	Fibrwrap and Structural Preservation Systems, LLC	Estimated	\$1,028,046
12-118	External Post-Tensioning Repairs of Large Diameter PCCP Water Mains - Assignment to Master Agreement - Condition 2016 - PCCP		
14517	Fibrwrap Construction Services, Inc.		\$743,615
12-118	External Post-Tensioning Repairs on Large Diameter PCCP Water Mains - 4th & Final CPI Renewal		
	Fibrwrap Construction Services, Inc.		
13-15	Condition 2016 - Crescent Hill Yard Piping and Valves - Assignment from Transmission System Repairs and/or Capital Improvements		
14515	MAC Construction & Excavating, Inc.		\$1,303,826
14-25	Bellflower and Final Drive Grid-Tie - Assignment from Distribution System Repairs & Capital Improvements		
14203	Basham Construction & Rental Co., Inc.		\$83,000
15-124	Transmission-Mellwood Avenue 30" Clean and Cement Lining Project - CONTRACT CHANGE		
14430	MAC Construction & Excavating Inc.		\$50,682
16-105	Westport Rd & Oak Hill Tank Coatings Renovation - CHANGE ORDER #1 - Ratification		
14511	American Suncraft Company Inc.		\$168,730
16-142	Frankfort Avenue Area Lead Service Renewals		
14634	Basham Construction & Rental Co., Inc.		\$1,300,000
16-144	Southside Drive Area Water Main Replacement Project		
14642	T & C Contracting, Inc.		\$896,100
16-146	Mt. Washington Highway 44 Master Meter		
14156	Basham Construction & Rental Co., Inc.		\$147,000
16-97	Preston Highway Water Main Replacements - CHANGE ORDER		
14567	Pace Contracting, LLC		\$141,600
	SUM BY BIDS AND AWARDS CATEGORY		\$5,862,599

Procurement of Emergency Materials and Services

Certificate of Emergency	Vacuum Truck Work - Chemical Cross Contamination		
	Badger Daylighting Corp.		\$34,752
	SUM BY BIDS AND AWARDS CATEGORY		\$34,752

Procurement of Materials and Services

08-95	Locating Services - Contract Extension - 2nd CPI Renewal		
	USIC Locating Services	Estimated	\$994,415
11-129	Weld Seam Failure/Discharge Head - BEPP High Service #3 Pump - Assignment from Bid # 11-129 Contingency Contract for Pump Repairs		
	Layne (fka Reynolds, Inc.)	Estimated	\$54,700
12-139	Fire Hydrants - 4th & Final PPI Renewal		
	American Flow Control	Estimated	\$1,051,923
13-113	Ready Mix Concrete & Flowable Fill - 3rd PPI Renewal		
	Kentucky Concrete of Indiana	Estimated	\$752,555
13-156	Complete Rewind of BEPWTP High Service #3 Motor - Assignment to 13-156 / Contingency Contract for Motor Repairs		
	Mohler Technology, Inc.		\$76,298
14-04	Louisville WaterWorks Event Assistants (Louisville Water Tower Venue) - Contract Extension		
	Event Assistants (McGoffney & Neal)	Estimated	\$20,000

14-119	New Services - Secondary Supplier Basham Construction & Rental Co., Inc.	Estimate	\$200,000
15-143	Horizontal Directional Drilling Services - 1st CPI Renewal A.M. Contracting	Estimated	\$91,502
15-29	Site Restoration - 2nd CPI Renewal Class A Landscape	Estimated	\$43,580
16-119	Water Treatment Chemicals for Ft. Knox Mississippi Lime - Quicklime	Estimated	\$87,980
	Umicore - Powdered Activated Carbon (PAC)	Estimated	\$32,000
16-152	Vehicle Wash Supplies - 2 year contract Air To Ground Services, Inc.	Estimated	\$26,037
16-153	Manhole Frames & Covers - Purchase & Deliver J.R. Hoe and Sons	Estimated	\$34,700
16-154	Plate Trucks Kentucky Truck Sales, Inc.	Estimated	\$445,218
16-155	Pipeline and Ferrous Metal Detector Tracer Electronics LLC	Estimated	\$21,350
16-159	Water Treatment Chemicals - Liquid Carbon Dioxide Airgas USA, LLC	Estimated	\$53,460
16-160	Horizontal Gate Valves - (1) 48" and 3 - 60" Ferguson WaterWorks		\$642,500
16-161	Vacuum Excavating Services Badger Daylighting	Estimated	\$121,620
16-162	Hydraulic, Machine & Oils Key Oil Company	Estimated	\$49,755
16-164	Ductile Iron Pipe P&D & Additional 2016 Quantities Hayes Pipe Supply - Additional Qty & Job Site Delivery	Estimated	\$180,511
	Hayes Pipe Supply - P & D	Estimated	\$615,361
16-165	Polyvinyl Chloride Pipe (PVC) Ferguson Waterworks - P & D	Estimated	\$331,602
	Hayes Pipe Supply - Additional Qty & Job Site Delivery	Estimated	\$64,884
16-170	Stone, Soil and Sand Earth First of Kentuckiana - Soil	Estimated	\$146,000
	Irving Materials - Manufactured Sand	Estimated	\$50,375
	Irving Materials - Stone	Estimated	\$149,142
	Quality Stone - Course Concrete Sand	Estimated	\$37,500
	Quality Stone - Manufactured Sand	Estimated	\$50,375
	Quality Stone - Stone	Estimated	\$149,142
16-55 - Louisville Metro <i>RFP #3727</i>	Office Supplies Office Depot	Estimated	\$46,849
18-178	Electronic Plan Room - Contract Extension & CPI Increase Lynn Imaging	Estimated Unit Cost Contract	\$31,936
GSA Contract <i>GS35F495AA</i>	Oracle DBA Resident - Change Order - 2-month contract V-Soft Consulting (CMBE)		\$31,597
GSA Contract <i>GS-35F0119Y</i>	VMware AirWatch Green Management Suite CDWG		\$20,318
KY State Contract <i>MA01400000876</i>	3rd Floor, Lower Level Switch Stack and Additional Equipment CDWG		\$52,598
KY State Contract <i>MA7581600000757</i> <i>14512</i>	Laboratory Furnishings VWR		\$22,956
Quote	Oracle Services - Integration Pack - Current Release - Change Order Oracle America, Inc.		\$19,500
UofK Contract #UK-1575-16K <i>14512</i>	Purchase of Microscope and Imaging System W. Nusbaum, Inc		\$40,382
SUM BY BIDS AND AWARDS CATEGORY			\$6,840,621

Procurement of Professional Services

12-15	East End Ohio River Bridge Project - Assignment to Engineer of Record - CHANGE ORDER		
13945	CH2M Hill		\$49,268
13-157	Operations Coordinator of the River Ridge Commerce Center & Ft. Knox Water Treatment Plant Pumping and Storage Facilities - 3rd CPI Renewal		
	Phoenix Services, LLC		\$198,170
14-09	Professional Legal Services - RFP - 2nd CPI Renewal		
	<i>Personal Injury / Property Damage</i>		
	Benson, Risch & Lange, PLLC		
	Middleton Reutlinger	Annual Estimated Cost / Group	\$47,950
	Zielke Law Firms, PLLC		
	<i>Employment / Labor</i>		
	Stites & Harbison PLLC		
	Dinsmore & Shohl LLP	Annual Estimated Cost / Group	\$48,459
	Fisher & Phillips LLC		
	<i>Business Services / Corporate Law</i>		
	Zielke Law Firm, PLLC		
	Stites & Harbison PLLC	Annual Estimated Cost / Group	\$57,010
	Middleton Reutlinger		
	<i>Bond Counsel</i>		
	Stites & Harbison PLLC	Annual Estimated Cost / Group	\$43,551
16-01	Roof Consulting Services - RFP (35% Technical, 40% Interview, 25% Cost)		
	Patrick D. Murphy Co., Inc. Architects	Unit Price Contract	
	SUM BY BIDS AND AWARDS CATEGORY		\$444,408

Procurement of Sole Source Materials and Services

12-119	Electromatic Inspection and Lead Detection on Large Diameter Water Mains - Master Agreement - 4th CPI Renewal		
	Pure Technologies U.S. Inc.		
Sole Source	AWWA Membership Renewal		
	American Water Works Association (AWWA)		\$20,492
Sole Source	Denora Cell with Plate Assembly		
	Denora Water Technologies		\$59,500
Sole Source	LOGIC Memorandum of Agreement		
	Louisville / Jefferson Co. MSD (LOJIC)	Capital / O & M	\$361,179
Sole Source	PerkinElmer NexION 350X ICP-MS with ESI prepFast Auto Sampler System		
	PerkinElmer Health Sciences Inc.		\$146,906
Sole Source	Project Tracking Maintenance Agreement for 2017		
	Jacobs Engineering Group Inc.		\$28,800
Sole Source	Water Research Foundation 2017 Subscription Renewal		
	Water Research Foundation (WRF)		\$83,627
Sole Source	WIMS - Water Quality Instrumentation Upgrade		
14512	Hach		\$35,340
	SUM BY BIDS AND AWARDS CATEGORY		\$735,844
	GRAND TOTAL		\$13,918,224

Financial Report Given

Ms. Pearson provided a summary of the Financial Report for December.

Our year-end close is underway and progressing well. Financial statements for December and full year 2016 will not be final until the annual audit by our external auditors, Crowe Horwath, is complete. The auditors are scheduled to begin final field work on January 30th, but the ultimate completion date of the audit and the year-end financial statements is uncertain, as it is dependent upon the receipt of the GASB 68 report from the Kentucky Retirement System. This report will provide updated pension liability numbers and other information that we must have in order to finalize the audit and the financial statements. Below are high level estimates based on data we have reviewed through January 12, 2017.

Total consumption for December of 2.5 billion gallons is 3.2% under budget and 1.4% less than December 2015. Total consumption for the full year 2016 is 33.4 billion gallons, which is 1.3 billion gallons or 3.9% under budget and 1.1 billion gallons or 3.3% lower than the prior year. December water sales are just above budget and prior year levels, but for the full year 2016, shortfalls in residential and commercial resulted in overall water sales estimated at \$2.7 million or 1.6% below budget. Water sales are estimated to be above prior year levels for the year by \$2.3 million or 1.5% as a result of the 3.5% rate increase that was effective January 1, 2016. While year-end results are not finalized, at this time we are projecting to meet 2016 budgeted net income, absent of required pension adjustments.

Staff is estimating approximately \$70.7 million in temporary cash and reserves for the end of December 2016, well in excess of 250 days of estimated Operations and Maintenance expense.

The Company received notification this week of a change in the taxation rules related to employees' contributions to CERS. Pursuant to an agreement between the Commonwealth of Kentucky and the Internal Revenue Service, effective January 1, 2017 taxable FICA and Medicare wages will be calculated on the employee's gross wages, no longer allowing a deduction of the employee's pension contribution. This change will affect payroll taxes paid by both employees and Louisville Water. We estimate that the Company's 2017 payroll tax expense will increase by approximately \$119,000 as a result.

Customer Service and Distribution Operations Report Given

Mr. Dave Vogel summarized the customer service report for the month of December.

Louisville Water finished 2016 with the best safety performance in Company history. There were a total of nine OSHA recordable injuries for the year, with two of those being lost time and three restricted duty. Historically, the Company's performance had been lagging behind the industry average and now we are running at a rate that is approximately half of the industry average. These results are attributable to our employees and their efforts to maintain a strong focus on safety for both themselves, as well as their fellow employees.

The Call Center operations received 37,738 calls in December with an abandonment rate of 14.9%. The average speed of answer came in at 8:14 m:s for the month and was adversely affected by a few extremely busy days. Additional staffing completed training and began taking calls late in the month. This was the first influx of CSRs since early in 2016. Our third-party payment processor went live with a new IVR in December. Staff had worked closely with them on these improvements and also tested the system prior to implementation. The system is much easier to use and we have received a number of compliments from our customers.

The fourth quarter saw a slight dip in our customer satisfaction levels which, overall, had been increasing throughout the year. Total CSI was down six index points to 845 and saw drops in four of the five component scores (only price/value was up). The Serviced CSI was down 13 index points to 791 and was driven by declines in the customer service and information components.

December estimations increased due to resource limitations resulting from holidays and employee vacations. While estimations in December were up (3.93%), the estimations for the year are lower than last year and the five-year average. Billing accuracy finished the year at 99.86%, which is higher than previous periods.

The main break activity was higher than normal for December with 89 breaks. This is over twice the number of breaks from 2015 and 24% higher than the five-year average. For the year however, our main break numbers are slightly lower than last year and the five-year average. One significant break did occur on Frankfort Avenue that required several days to repair. During this time, traffic along Frankfort Avenue was impacted while crews performed the repair and restored the road.

Engineering and Production Operations Report Given

Mr. Grunow summarized the engineering and operations report for the month of December.

Year-end capital program data was not available at the time of printing.

The amount of water produced and delivered to the system in December 2016 was 102.5 MGD, which was 0.7% lower than December 2016 and 1% lower than the December five-year average. For year to date, the amount of water delivered to the system is 4.6% lower than 2015, and 3.2% lower than five-year average.

Staff collected 280 regular distribution samples in December. There were no positive total coliform or e-coli bacteria detected in these samples. All of Louisville Water's internal water quality goals were also met. Staff also sampled for 79 main break repairs in the month, of which five (5) localized boil water advisories were issued due to field conditions.

Sliplining of the 48-inch transmission main on Eastern Parkway with a 42-inch steel pipe continues to progress smoothly. The sliplining work, which began just east of Beargrass Creek and has progressed in an eastwardly direction, has been completed to a point just east of Bardstown Road. The Bardstown Road crossing was completed without shutting down this busy intersection as originally anticipated. Work is on schedule and over 4,700 lineal feet of new main has been installed, which is slightly more than half of the project scope. Crews are currently working on Willow Avenue and will progress to Cherokee Parkway in the coming month.

Information Technology Report Given

Mr. Tom Luckett advised Louisville Water has hired a security administrator. His name is Kaleb Brown, and his employment starts today. This position is a One Water position, so the cost will be shared equally with MSD.

Mr. Kevin Kastensmidt advised that Information Technology (IT) Department has been researching options as a result of recent discussions for the Board to utilize tablets and a file sharing solution to improve data sharing for items such as Board documents. IT is evaluating solutions based upon several criteria including Device type: Android, iOS, or Windows-based; File storage: cloud based or on-premises; security requirements including access control, logging, and reporting; Additional capabilities such as a shared calendars, voting, and communications components; and cost.

Mr. Kastensmidt stated IT staff is working with the Legal Department to review options including the potential to use software already owned and licensed, depending on requirements. Further input will be requested from the Board once evaluations are completed.

Dr. Kerrick suggested we start by simply using a drop box.

Closed Session Held

Ms. Willis moved to go into Closed Session to discuss proposed or pending litigation and personnel matters pursuant to KRS 61.810 (1)(c) and (f), respectively, at 12:55 p.m., Dr. Dronawat seconded, and the motion unanimously carried.

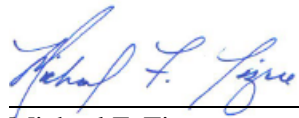
Open Session Resumed

Ms. Willis moved to return to Open Session at 1:14 p.m., seconded by Dr. Dronawat, and the motion unanimously carried.

Dr. Kerrick moved to accept Tim Kraus as Vice President, Production Operations and Chief Engineer at the salary \$170,000.00 to begin employment to be determined by the President. Ms. Willis seconded and the motion unanimously carried.

There being no further business for the Board, Dr. Dronawat moved to adjourn at 1:15 p.m., seconded by Mr. Glenn Sullivan and the motion unanimously carried.

Respectfully submitted,



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