

Board Of Water Works
REGULAR CALLED MEETING MINUTES
July 18, 2017

Board Members Present:

Mr. Creighton Mershon, Chair
Dr. Sundeep “Sunny” Dronawat
Dr. Sharon Kerrick (via video teleconference)
Mr. Craig Willman

Not Present:

Mayor Greg Fischer

Others Present:

Mr. Spencer Bruce, President and Chief Executive Officer
Mr. Dave Vogel, Executive Vice President, Customer Service and Distribution Operations
Ms. Kelley Dearing-Smith, Vice President, Communications and Marketing
Mr. Tim Kraus, Vice President, Production Operations and Chief Engineer
Dr. Tom 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
Ms. Jenni Schelling, Director, Internal Audit
Mr. Jim Smith, Director, Regional Development
Ms. Kay Ball, Program Manager, Advanced Treatment Technology
Ms. Patti Kaelin, Program Manager, Regional Development
Mr. Matthew Griffith, Strategic Planning & Performance Specialists
Mr. Adam Carter, Union President
Ms. Beverly Soice, Paralegal

Visitors: Retired Judge John Potter

Retired Judge John Potter briefly spoke to the Directors concerning Louisville Water’s contract with HomeServe USA.

The regular called meeting of the Board of Water Works (BOWW) was held on Tuesday, July 18, 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 11:22 a.m.

Minutes of the Previous Regular BOWW Meeting Approved

Mr. Craig Willman moved to approve the Regular Called Meeting Minutes of June 20, 2017, seconded by Dr. Sunny Dronawat and the motion was unanimously carried.

Report Provided by the President/Chief Executive Office

Mr. Spencer Bruce advised that recently, Louisville Water played an important role in Greater Louisville Inc.’s (GLI’s) Familiarization Tour for site selectors, business consultants and regional economic development professionals. The Familiarization Tour, or “FAM Tour,” is an economic development event

focused on showcasing Louisville's assets to business consultants from different cities with the hopes of bringing new businesses and investment to our community.

Louisville Water was featured in a Bourbon Tasting Reception at Genscape during the FAM tour. The attendees were given the opportunity to taste some of the region's finest liquid assets, bourbon and water. Louisville Water staff guided the group through a "water tasting" that included information about the Company's water supply, rates and quality. In addition, the attendees toured UPS, several of Louisville's unique attractions and diverse neighborhoods and the River Ridge Development Authority (RRDA) in Southern Indiana. RRDA is home to the only economic development mega site in the Louisville Metropolitan Statistical Area. Louisville Water has a contract to operate the water treatment facility at the RRDA business park.

In addition, Mr. Bruce advised that several Louisville Water employees presented research and best-practices at the Kentucky-Tennessee Water Professionals Conference which was held in Lexington during the week of July 10. This annual event includes more than 1,400 water professionals. Louisville Water also competed in a taste-test competition with nine other utilities where the judges chose Hardin County Water District No. 2 as the winner. Our men and women's tapping teams also competed to see how quickly they can tap a pressurized water main and connect a copper service. The men's team finished second behind Northern Kentucky Water District. The women's team did not have competition.

By Laws Approved

Mr. Michael Tighe reviewed proposed edits with the directors. Dr. Dronawat moved to approve the proposed changes to the bylaws, Dr. Sharon Kerrick seconded and the motion unanimously carried.

Unbudgeted Preliminary Project No. 342-17-0039: 18th and W. Broadway 20-inch Water Main Relocation Project Approved

Mr. Tim Kraus advised that Metro Public Works is proceeding rapidly to relocate 18th Street at the intersection of West Broadway in an effort to make way for redevelopment of this area. This site is often referred to as the former Phillip Morris site and was recently an unsuccessful site proposed for a Wal-Mart. Current plans for redevelopment of this area include the Passport Health Plan campus just west of 18th Street and a \$28 million YMCA just east of 18th Street. Metro Public Works plans to realign 18th Street south of Broadway with 18th Street north of Broadway.

Louisville Water has a 20-inch cast iron water main within 18th Street that was installed in 1913 and was cleaned and cement lined in 1988. Metro Public Works has indicated that the road project has no funds for relocation of utilities. Staff believes it is most cost effective to relocate the 20-inch water main now as part of the road work so that restoration of new curb, sidewalks and pavement is not necessary. The water main relocation costs are estimated to be \$334,000.

Mr. Willman moved to approve the unbudgeted Preliminary Project No. 342-17-0039 - 18th and W. Broadway 20-inch Main Relocation be approved in the amount of \$334,000, Dr. Dronawat seconded and the motion unanimously carried.

Project Budget Increased and Contract Awarded for Project No. 14555 – Demolition 2016 – Crescent Hill Chemical Silos

Mr. Kraus reported that the Crescent Hill Chemical Silo project was initiated in 2016 to remove 12 silos previously utilized to house chemicals in the water treatment process. Louisville Water's treatment process

has evolved over many years, leaving these processes and assets obsolete. This project is in preparation for Project No. 14325 Chemical Building and Lab Fire Protection and Office Space Improvements, which will optimize available floor space and alleviate any conflicts between the two projects within the Chemical Building structure. The history of this building dates back to 1902 where plans depict an elevator shaft being constructed up to the 4th floor. A later drawing in 1934 shows work for the lime solution feeders and much of the original wood roofing and silos are still in place. The sensitive nature of the original wooden roof demands that stringent means and methods be implemented by the selected contractor during the demolition in order to adequately mitigate risks. Due to these associated risks, Louisville Water utilized an evaluated bid process to select the most qualified contractor to perform the demolition. Other significant considerations for the project include the fact that the silos are covered in lead paint, and four silos still contain over 100,000 lbs of Aluminum Sulfate that must be removed prior to demolition.

In reviewing the bid specifications, Louisville Water's insurer's requested that after daily demolition activities the fire watch be extended from an industry standard 30 minutes to a full hour. Additionally, all electrical switch gear for the plant chemical feed operations are housed on the 3rd floor of the chemical building directly under five (5) of the silos. Due to the risk associated with potential fire hazards, it was determined that the commercial general liability insurance requirements would be increased on the prime and sub-contractors to no less than \$10 million dollars. Louisville Water has also hired a Safety Contractor to act on the Company's behalf as an independent fire watch, as well as perform oversight of construction safety. These added measures were determined and finalized during the review process, and thus were not included in the Engineer's original demolition estimate.

Louisville Water received five (5) submittals in response to the request for proposals. Upon review of the submittals, O'Rourke Wrecking Company was selected as the most qualified firm to complete the project. Their approach to the demolition was well defined and tactics to address the extensive areas of risk were well thought out. Upon opening their cost, it was determined that O'Rourke's cost of demolition is \$769,000. The previous engineer's estimate was \$436,000. Increases in insurance requirements, added length to fire watch, limits on the demolition methods, as well as additional specifications to minimize Louisville Water's exposure to risk mentioned above, all contributed to the increased contractual cost. The critical nature of the chemical building and the electronic system feed controls it houses are a necessity for the daily operations of the Crescent Hill Water Treatment Plant. Therefore, a technical contractor that is both well-versed in environmentally sensitive interior demolition, and competently capable of dealing with risks pertaining to critical/sensitive surroundings, is essential for this project.

Dr. Dronawatt moved to increase the project budget \$311,000, and to move forward with the award of the contract to O'Rourke Wrecking Company, seconded by Mr. Willman and the motion was unanimously carried.

Surplus Declared and Disposal Authorized of Properties located at 10705 Coogle Lane, 332 Possum Path, and 10311 Whipps Mill Road

Mr. Kraus advised Louisville Water owns three tracts of land: 0.45 acre tract at 10311 Whipps Mill Road, which was acquired from the city of Anchorage in 1996; 0.51 acre tract at 10705 Coogle Lane, which was acquired in 1966 as part of the acquisition of the Auburndale-Fairdale Water District; and, 0.25 acres at 322 Possum Path, which was purchased in 1996 as the result of a claim that resulted from a landslide from a water main break abutting the property. Staff has determined that these properties are no longer necessary for existing or future operations of Louisville Water and may be declared surplus and sold. Hazen and Sawyer, the Company's Engineer of Record, has evaluated this matter and has issued a letter concurring with Staff's recommendation that these properties be declared surplus and sold.

Dr. Dronawat moved to declare the subject properties surplus and authorize the sale of the properties in accordance with Louisville Water's purchasing policy, seconded by Mr. Willman and the motion unanimously carried.

Easement Condemnation Authorized for Project No. 14542: I-64 Transmission Main

Mr. Tighe advised the I-64 Transmission Main Project was designed to install a transmission main on the property owned by Jorita, LLC located at 1198 Joyes Station Road, Shelby County, Kentucky. The project requires the Louisville Water to secure an easement on the property.

After numerous discussions with the owner, the requested easement is the least intrusive measure needed to achieve the foregoing objectives. The Company conducted good faith discussions over the course of the past year to acquire the easement at a fair market value, but the parties have not been able to reach a suitable agreement. Time is of the essence and the project now needs to move forward. The easement is necessary for the public purpose of providing adequate fire protection and a reliable potable water source for the residents in this area.

Dr. Dronawat moved to adopt the condemnation resolution authorizing the commencement of eminent domain proceedings including the submission of a Petition for Condemnation to obtain the easements, seconded by Mr. Willman, and the motion unanimously carried.

RESOLVED, that it is hereby determined to be necessary that the Louisville Water Company, acting through the agency of the Board of Water Works, obtain a permanent easement on certain land located at 1198 Joyes Station Road, Shelby County, Kentucky (such land being more particularly described in Exhibits A and B attached hereto) for the purpose of using such land for installing, operating, monitoring, maintaining, repairing, and upgrading a water transmission main and related water facilities, which will provide a more reliable potable water supply, enhance water quality and improve fire protection service; it being the determination of the Louisville Water Company that such land is needed from:

Jorita, LLC

1198 Joyes Station Road

**Deed Book 507, Page 861
Parcel ID: 031-00-007**

Or so many of those who have not or will not convey their statutory interest in such property and any or all other lawful owners of such property, the need for such land being to allow the Louisville Water Company to fulfill the public use and purpose as set forth herein for the residents of Shelby County, Kentucky and surrounding areas, the Louisville Water Company being hereby authorized, if reasonable efforts to purchase the necessary easements having failed, to bring a condemnation action against the owners of such land pursuant to Kentucky Revised Statutes 416.540 *et. seq.* and any and all other lawful statutory and common law rights to do so.

Easement Condemnation Authorized for Project No. 14542: I-64 Transmission Main

Mr. Tighe advised this project was designed to install a transmission main on the property owned by Norfolk Southern Railway Corporation located along Joyes Station Road, Shelby County, Kentucky. The project requires the Louisville Water to secure an easement on the property.

After numerous discussions with the owner and its representatives, the requested easement is the least intrusive measure needed to achieve the foregoing objectives. The Company conducted good faith discussions over the course of the past year to acquire the easement at a fair market value, but the parties

have not been able to reach a suitable agreement. Time is of the essence and the project now needs to move forward. The easement is necessary for the public purpose of providing adequate fire protection and a reliable potable water source for the residents in this area.

Mr. Willman moved to adopt the condemnation resolution authorizing the commencement of eminent domain proceedings including the submission of a Petition for Condemnation to obtain the easements, seconded by Dr. Dronawat, and the motion unanimously carried.

RESOLVED, that it is hereby determined to be necessary that the Louisville Water Company, acting through the agency of the Board of Water Works, obtain a permanent easement on certain land located along Joyes Station Road, Shelby County, Kentucky for the purpose of using such land for installing, operating, monitoring, maintaining, repairing, and upgrading a water transmission main and related water facilities, which will provide a more reliable potable water supply, enhance water quality and improve fire protection service; it being the determination of the Louisville Water Company that such land is needed from:

**Norfolk Southern Railway Corporation Joyes Station Road Deed Book 331, Page 203
Parcel ID: 022-00-005,
022-00-006 & 031-00-006**

Or so many of those who have not or will not convey their statutory interest in such property and any or all other lawful owners of such property, the need for such land being to allow the Louisville Water Company to fulfill the public use and purpose as set forth herein for the residents of Shelby County, Kentucky and surrounding areas, the Louisville Water Company being hereby authorized, if reasonable efforts to purchase the necessary easements having failed, to bring a condemnation action against the owners of such land pursuant to Kentucky Revised Statutes 416.540 *et. seq.* and any and all other lawful statutory and common law rights to do so.

Second Quarter Certification of Projects & Change Actions Authorized

Mr. Bruce certified that the following Projects and Change Actions were authorized during the Second Quarter of 2017 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
3999	I.T. Automic ELA 2017	\$986,000	\$0	\$986,000	\$986,000
15138	North Buckeye Lane Main Extension	\$330,000	\$0	\$330,000	\$330,000
15139	Lead 2017 Oxford Place Area	\$350,000	\$0	\$350,000	\$286,000
15140	Lead 2017 N. 25th Street Area	\$700,000	\$0	\$700,000	\$572,000
15141	Lead 2017 Bluegrass Ave Area	\$700,000	\$0	\$700,000	\$572,000
15142	Lead 2017 Atwood Street Area	\$700,000	\$0	\$700,000	\$572,000
TOTAL FOR PROPOSALS		\$3,766,000	\$0	\$3,766,000	\$3,318,000

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
15011	Dixie Highway BPS	\$516,000	\$784,000	\$1,300,000	\$0
14555	Demolition 2016 - Crescent Hill Chemical Silos ¹	\$700,200	\$311,000	\$1,011,200	\$100,000
TOTAL FOR CHANGE ACTIONS		\$1,216,200	\$1,095,000	\$2,311,200	\$100,000

PROJECT PROPOSALS APPROVED BY THE PRESIDENT					
Project Number	Project Name	Requested Total Estimate	Contribution	LWC Net Cost	Current Year Estimate
15150	Reloc-Renaissance Bus park Tr 6 Minor Ln	\$191,750	\$330,700	\$176,750	\$191,750
TOTAL FOR PROPOSALS		\$191,750	\$330,700	\$176,750	\$191,750

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
14655	Relocation 2016 - Bradbe Road Water Main	\$95,720	\$17,810	\$113,530	\$17,810
TOTAL FOR CHANGE ACTIONS		\$95,720	\$17,810	\$113,530	\$17,810

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
14515	Condition 2016 - CH Yard Piping and Valves	\$7,000,000	\$0	\$7,000,000	\$120,000
TOTAL FOR CASH FLOW CHANGES		\$7,000,000	\$0	\$7,000,000	\$120,000

17-07 15038	Bardstown Road Area Lead Service Renewals Basham Construction & Rental Co., Inc.	\$416,000
17-33 14307	West Shelby Master Meter Advanced Paving and Construction Co., Inc.	\$257,800
17-39 15049	Nichols Drive Area Main Replacement Martin Contracting Inc.	\$687,060
17-44 14187	Rose Island Pressure Reducing Valve Station TSI Construction	\$553,000
17-48 15052	Tenny Avenue Area Water Main Replacement Project TSI Construction Inc.	\$713,000
17-66 14522	Crescent Hill Masonry Improvements - Chemical, Lab, Main Office Buildings Badgett Constructors	\$386,800
17-67 14339	Prospect & Prospect II PRV Stations Pace Contracting, LLC	\$979,000
17-73 15031	Rose Island / Rose Wycombe Water Main Installation Project Dan Cristiani Excavating Co., Inc.	\$388,876
17-87 15139	Oxford Place Area LSR TSI Construction	\$255,000
17-88 15142	Atwood Street Area Lead Service Renewals Basham Construction & Rental Co., Inc.	\$335,000
17-90 15045	Eastern Parkway Area Water Main Replacement Project Basham Construction & Rental Co., Inc.	\$327,000
SUM BY BIDS AND AWARDS CATEGORY		\$6,611,497

Procurement of Materials and Services

11-11	Oracle Tax Updates for Payroll Purposes - Assignment from PeopleSoft and Oracle Application Consulting Services - Change Order #3 Sierra-Cedar	\$60,000
11-146	Notification & Collection of Delinquent Accounts - Contract Extension of 9 months The Affiliated Group (TAG)	Estimated \$175,000
13-45	Janitorial Services - 4th CPI Purvis Professional Cleaning - Site 1 Ward-Edison Professional Cleaning Service (CMBE) - Sites 2, 3, 4, 7, & 8	Estimated \$50,438 Estimated \$101,977
14-0423	Auditing Services Crowe Horwath	Estimated \$67,183
14-115 <i>Metro Louisville Contract # 3201</i>	Vehicle / Equipment Body Shop Services - 3rd Renewal Auto Body & Frame, Inc.	Annual Estimate \$30,000
14-28	Valve Boxes, Lids & Risers - 3rd PPI Renewal General Foundries	Estimated \$67,257
14-29	Spring Loaded Detector Check Valves - 3rd PPI Renewal Plumbers Supply	Estimated \$41,201
14-44	Plumbing Services - 3rd CPI Renewal Merrick Company (WBE) Southern Plumbing	Estimated \$28,812 Estimated \$95,747
15-90	Heavy Equipment Rentals - 1st CPI Renewal Construction Machinery Company - Section C & D Wayne The Cat Rental Store - Sections A, B, C, D & E	Estimated \$96,139 Estimated \$132,316
15-97	15-Ton Trailers - 2nd PPI Renewal Overbilt Trailer Company	\$96,783
15-99 14295	Crew Truck Cab & Chassis - 2nd PPI Renewal Kentucky Truck Sales, Inc.	\$215,787
16-0216	Waste Disposal - Joint MSD Bid - 1st Renewal Waste Management of Kentucky	Estimated \$39,909
16-126	Well Pump / Motor Work for Ft. Knox Well Pump #2 - Assignment from Contingency Contract for Pump Repairs Layne Christensen Company	Estimated \$34,082
16-139 <i>RAA Joint Bid</i>	Diesel Fuel (Crescent Hill) & Unleaded Fuel (Allmond Avenue & Crescent Hill) Key Oil Company	Estimated \$234,320
17-02	Overhead Intercom Paging System Unified Technologies	\$182,256

17-12	Security Services Frederick Asset Protection	Estimated	\$114,668
17-14	Ductile Iron Fittings C. I. Thornburg Ferguson Water Works	Estimated	\$26,158 Estimated \$314,709
17-17 TARC Bid # P-2684	Ultra Low Sulfur #2 Diesel Fuel James River Solution (CWBE)	Fuel Minimum	\$363,580
17-61	Motor Repair to BEPP High Service #6 Motor - Assignment to Contingency Contract for Motor Repairs Horner Industrial Group	Estimated	\$42,080
17-62	Cement Ernst Concrete	Estimated	\$91,200
17-80 - Metro Louisville Joint Bid # 170016	Office Supplies Office Depot	Estimated	\$46,849
17-82	Barricades, Cones and Lights - 2-Year Contract Lightle Enterprises of Ohio	Estimated - 2 years	\$111,602
17-89	Copper Tubing Spot Purchase & Staggered Delivery Master Supply		\$254,560
GSA Contract GS-35F-0119Y	Vmware Horizon Infrastructure Build Presidio Networked Solutions Group, LLC		\$49,352
KY State Contract MA7581600000490	EMC Support Renewal Data Strategy		\$49,530
KY State Contract MA7581300000622	Wireless Services (Cell Phone & Data) - 2nd 12-Month Renewal Verizon Wireless	Estimated	\$153,199
Metro Louisville Contract # 322247	Cisco UCS Server CDWG		\$55,964
SUM BY BIDS AND AWARDS CATEGORY			\$3,422,658

Procurement of Professional Services

09-102	Engineering Services for Distribution System Design - 6th & Final CPI Renewal HDR Engineering, Inc. Kenvirons, Inc. QK4		\$500,000\
12-119 15040	LWC Leak Detection -Frankfort Avenue 36" Cast Iron - Sole Source Assignment to Electromagnetic Inspection & Leak Detection on Large Diameter Water Mains - Master Agreement Pure Technologies U.S. Inc.		\$60,629
12-15 17999.02	AMI RFP Development - Assignment from Engineer of Record Master Agreement CH2M Hill	Estimated	\$147,955
14-21	LWC Backflow Prevention Upgrade - Assignment from Plant & Facilities Engineering Services Gresham Smith and Partners		\$44,729
16-03 14544	Brooks Hill Elevated Water Storage Tank - Assignment from Transmission Pipeline System Design Engineering Services GRW Engineers, Inc.		\$208,914
17-13	2017 Biennial Inspection - Assignment from Engineer of Record Hazen & Sawyer		\$53,431
17-13 15144	BE Payne RBF Pump Renovations - Assignment from Engineer of Record - Master Agreement Hazen & Sawyer		\$33,110
Professional Service 14555	Demolition - Crescent Hill Chemical Silos - 2017 TriEco		\$36,520
SUM BY BIDS AND AWARDS CATEGORY			\$1,085,288

Procurement of Sole Source Materials and Services

12-119 14515	Condition 2016 - Crescent Hill Yard Piping & Valves - Assignment from Electromagnetic Inspection & Leak Detection on Large Diameter Water Mains - Sole Source Pure Technologies U.S Inc.		\$1,068,002
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Sole Source	4-year Enterprise License Agreement (ELA) - Automic Automic	\$986,000
Sole Source 15029	Aqualog-UV-800-C Water Quality Analysis System Horiba Instruments Inc.	\$35,413
Sole Source	Automic Automation Engine Maintenance & Support Renewal Automic	\$107,628
Sole Source	Distribution System On-Line Chlorine Analyzers Hach Company	\$39,004
Sole Source	Groundwater Monitoring Network U.S. Geological Survey (USGS)	LWC Cost \$46,400
Sole Source	HERE (fka Navteq) Mapping Data - Maintenance for Mobile Workforce Management (MWM) - 2 year contract renewal Korem	\$37,000
Sole Source	Hole Hogs - Parts & Repair (2) TT Technologies	Estimated \$25,000
Sole Source	Underground Locate Requests - Construction Activities Kentucky Underground Protection, Inc. DBA Kentucky 811	Estimated\$170,480
	SUM BY BIDS AND AWARDS CATEGORY	\$2,514,927
	GRAND TOTAL	\$13,634,370

Regionalization, Revenue and Economic Development Update

Mr. Matthew Griffith presented a presentation concerning Strategy Innovation at Louisville Water.

Employee Safety

In the interest of time this item will be deferred until next month.

Financial Report Given

Ms. Lynn Pearson summarized the Financial report for June.

June was a strong month financially for the Company, with higher consumption driving water sales that were in excess of budget and prior year. Other operating revenue and operating and maintenance expenses also performed favorably to budget, contributing to net income coming in well ahead of budget for the month. Details of the Company's financial performance as compared to budget and prior year are as follows.

Consumption of 2.8 billion gallons for June 2017 is 100 million gallons higher than budget, and 200 million gallons above June 2016. Consumption for residential, commercial, wholesale and Metro Government customer classes drove this positive variance. Year-to-date consumption is under budget 1.3%, but over prior year by 0.6%. The residential, commercial, industrial and Metro Government customer classes all contributed to the unfavorable budget variance for the year-to-date period.

Water Revenue for June 2017 is \$480,000 over budget and \$1.3 million higher than the prior year. Water revenue through June is \$360,000 lower than budget and \$3.2 million higher than last year. Lower consumption is the key factor driving lower water revenue compared to budget for the year-to-date period, though the magnitude of the shortfall to budget is much less than at the end of May thanks to the strong consumption numbers for June.

Other Operating Revenue for June is \$319,000 higher than budget and \$473,000 higher than year-ago levels. The favorable variance for the month is partially due to a timing difference in contract operations revenue related to the amount charged by the Company for cleaning the lagoons at Ft. Knox. This overage

is offset by a corresponding timing difference in operating expense. The variance in other operating revenue to prior year is driven by higher sewer billing and contract revenue offset by lower late charges. For the period-to-date, other operating revenue is \$32,000 over budget and \$722,000 over prior year. The year-to-date variance to budget is primarily due to higher late fees.

Operating and Maintenance Expenses for June of \$6.1 million are \$377,000 lower than budget and \$383,000 higher than June 2016. The June variance from budget is driven by lower labor and labor related and materials and supplies costs. The favorable variances in these areas are partially offset by higher contractual services costs, most of which is related to the lagoon cleaning mentioned above. The June variance to prior year is primarily due to higher labor and labor related costs and higher contractual services expense. These higher costs are somewhat offset by lower transportation, utilities and bad debt expense.

June year-to-date operating and maintenance expenses are \$1.7 million under budget and \$1.4 million higher than year-ago levels. The majority of the year-to-date favorable budget variance is in labor and labor related costs, chemicals, materials and supplies, and contractual services, partially offset by higher bad debt expense. The labor variance is a result of full time vacancies and lower overtime costs. Contractual services are lower primarily due to projects in IT beginning later in the year than budgeted. Various other contractual services in Communications, Facilities Maintenance, Customer Information Systems, and Economic Development were also budgeted in the first six (6) months of 2017, but will be incurred later in the year. The year-to-date favorable variance in materials and supplies is due to fewer main breaks than anticipated, a lower amount of purchases of metering supplies and materials for the lab, along with various operations and safety equipment budgeted to be purchased earlier in the year, but now anticipated to be purchased in future months. Bad debt expense remains higher than budget through June, though the trend is improving.

Total Operating Expenses for June of \$11 million are \$215,000 lower than budget and \$782,000 more than June 2016. Total operating expenses year-to-date are 3% lower than budget, but are 4.4% over year-ago levels. The year-to-date budget variance is mainly due to lower operating and maintenance costs and loss from disposition of property.

Non-Operating Income through June is \$24,000 higher than budget and \$23,000 more than same period through June 2016. Interest income is above budget primarily due to higher cash position than planned and more than prior year due to investment of bond funds in April and June of 2016.

Non-Operating Expense through June of \$4.2 million is \$18,000 less than budgeted and \$421,000 less than year-ago levels. Interest expense is less than prior year due to significant payments on bonds made in November 2016.

Net Income before Distributions and Contributions for June is \$4.1 million, which is \$1 million more than budgeted. In comparison between years, net income for June is \$1.1 million higher than June 2016. June year-to-date net income of \$20 million is \$1.7 million higher than budget and \$1.7 million more than the six (6) months ended June 2016.

Contributions through June of \$4.3 million are \$1.2 million higher than budgeted and \$54,000 higher than prior year.

Temporary Cash and Reserves totaled \$69 million at the end of June 2017, well in excess of 250 days of estimated Operations and Maintenance expense of \$52.2 million.

Communications and Marketing Report Given

Ms. Kelley Dearing-Smith summarized the Communications and Marketing report for June.

On July 2, Louisville Water hosted more than 10,000 people at Louisville Water Tower Park for the “Buy Local” festival. Produced by the Louisville Independent Business Alliance (LIBA), the event promotes the value of locally-owned businesses and highlights their investment in the economy. More than 100 local businesses and food vendors participated and it was a no-bottled water event with Louisville pure tap® mobile units on site. This was the fourth year Louisville Water hosted this event for LIBA.

Louisville Water’s pure tap stations were at more than a dozen events in the past month including Shakespeare in the Park, and the inaugural Kentucky Craft Brew Festival, which featured more than two dozen breweries from across the state. Local brewers tout the value of our water as key to their production.

The WaterWorks Museum is a partner in the city’s Cultural Pass program. Every Wednesday, a child and an accompanying adult can receive free admission to the museum. This program is an excellent way to reach families with more than 200 people visiting the museum every Wednesday.

Louisville Water’s project to replace the 1930 cast iron main along Eastern Parkway was featured as a cover story for the July issue of Municipal Water and Sewer. The article focused on the partnership with engineering and communication and the success the Company has had to date.

Louisville Water’s customer outreach was featured in The Journal, produced by the American Water Works Association. Our work to educate consumers on the value of water was highlighted as a best-practice.

Digital media continues to be an effective way to tell our story and recently a social media influencer, a travel writer, noticed Louisville Water’s branding at the Bulleit Frontier Experience at Stitzel-Weller. The post on Twitter reached several thousand people and the writer changed his schedule to visit Louisville Water Tower Park.

Customer Service and Distribution Operations Report Given

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

Some of the challenges that the Call center experienced in May carried over into June. The biggest impacts for the month involved our network operations and the IT team was very focused on identifying the issues and making changes to improve performance. The temporary staff was hired in June and was heavily involved in training. This new class will begin taking calls in July. The monthly abandonment rate was 27% and the Average Speed to Answer (ASA) was 16:23 m:s.

The Customer Satisfaction Indices both improved from the 1st quarter results. The Total CSI ended up three (3) index points from the previous quarter with an index score of 850. The individual components were mixed with the water quality index up 17 points while the price/value component was down 16 index points.

The Serviced CSI also gained 10 index points from the 1st quarter with an index score of 885. This increase was driven by the customer service and information components. The Serviced CSI index for the second quarter is at its highest level going back to 2003.

Bad debt continued to see improvement in June. Bad debt for the month came in at \$112K, which is the second lowest monthly total for 2017. Continued focus on turn-off orders being completed as well as

tweaking and enhancing some processes within the collections department has assisted with managing bad debt.

Estimates for the month were extremely low at 0.63% compared to 1.09% last year and 0.75% for the five-year average. Year-to-date, our meter reading estimations are running lower than past periods. Disconnection activity was also higher than past periods. For the month, 2,384 orders were worked which is 49% higher than last year and 19% higher than the five-year average. Billing continues to maintain stable operations even with the absence of two critical resources (Billing Lead, and Billing Associate).

We ended the month of June with 32 main breaks, which is 22% lower than last year (41) and in-line with the five-year average (33). New service installations continued to be busy for the month with approximately three to four crews plus our contractor installing new services. Nine apprentices completed their apprenticeship on June 23 and are now available for various daily work assignments and permanent job classifications. The new general laborers hired in March continue their work/training rotation; and work continues on filling key supervisor vacancies as we experience retirements in this area.

Engineering and Production Operation Report Given

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

2017 capital program expenditures through June totaled \$32,007,635 which is \$2,877,136 higher than the same period last year. These expenditures equate to 29.72% of the 2017 original capital program of \$107,688,879.

The amount of water produced and delivered to the system in June 2017 was 130.7 MGD, which was 0.8% higher than June 2016 and 2.0% lower than the June five-year average. Year-to-date, the amount of water delivered to the system is 0.9% lower than 2016, and 4.0% lower than five-year average.

There were a total of two (2) chemical spills reported by ORSANCO during the month of June, both were upstream of Louisville Water's Zorn intake. Both spills were minor and had no impact on Louisville Water.

Staff monitored 1,277 water quality parameters of a required 1,117 per federal and state regulatory requirements with zero violations, including Fort Knox and River Ridge systems.

Staff collected 280 compliance distribution samples. There were no positive total coliform or *E-Coli* results and all internal water quality goals were met. Staff also collected 54 main break samples on 27 repairs during the month, of which eight (8) localized boil water advisories were issued due to field conditions. There were a total of 13 water quality customer complaints, in comparison to the five-year average of 19 complaints.

Louisville Water's elevated water tank on Westport Road was vandalized with spray paint ("tagged"). Staff addressed the issue and it was cleaned within 48 hours.

Human Resources Report Given

Mr. Terrence Spence provided a summary of the recent and current activities between 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 four (4) active grievances filed by the Union. Three (3) of those grievances are in the final steps of resolution; one (1) grievance is in the pre-arbitration process for final resolution.

Louisville Water initiated the process of recruiting for General Laborer positions internally and with several external recruitment sources. The Company posted five (5) union classified jobs for internal bidding. Two (2) union employees retired during the month of June with another two (2) announced retirements.

Union President, Mr. Adam Carter, reported that he coordinated one of the Company's Combined Giving Campaign events, a Golf Scramble at Iroquois Golf Course on July 14. There were a record number of teams that supported the Company's four (4) charities: Water for People, Fund for the Arts, Metro United Way and the Louisville Water Foundation.

Mr. Carter summarized the remaining items on the report.

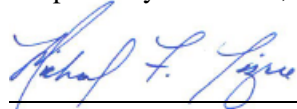
In June, Distribution System Specialist (DSS) positions were converted to Water Quality Distribution Specialists. One (1) Emergency Turner position and one (1) classified union position were added to off-set this change.

Louisville Water's men and women's tapping teams performed well at the ACE conference.

Both the Company and Union created the Daily Volunteer Listing to be posted for interested employees.

There being no further business for the Board, Mr. Willman moved to adjourn at 1:00 p.m., seconded by Dr. Dronawat, and the motion unanimously carried.

Respectfully submitted,



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