

**Board Of Water Works  
REGULAR CALLED MEETING MINUTES  
October 17, 2017**

**Board Members Present:**

Mr. Creighton Mershon, Chair  
Dr. Sundeep “Sunny” Dronawat  
Dr. Sharon Kerrick  
Ms. Tierra Kavanaugh Wayne  
Mr. Craig Willman

**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  
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 Tighe, Vice President, Compliance, General Counsel and Corporate Secretary  
Ms. Sue Purdy, Director, Finance and Accounting  
Ms. Kim Reed, Director, One Water Liaison  
Ms. Jenni Schelling, Director, Internal Audit  
Mr. Adam Carter, Union President  
Mr. Andrew Winslow, Supervisor, Budget, Rates and Analysis  
Ms. Meghan Starnes, Budget Specialist, II  
Ms. Beverly Soice, Paralegal

**Visitors:**

The regular called meeting of the Board of Water Works (BOWW) was held on Tuesday, October 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 11:09 a.m.

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

Dr. Sunny Dronawat moved to approve the Regular Called Meeting Minutes of September 19, 2017 and the Special Called Meeting Minutes of September 28, 2017 seconded by Mr. Craig Willman and the motion was unanimously carried.

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

Mr. Spencer Bruce advised the city of Louisville is the featured profile destination in Delta Airlines’ October Sky magazine which is included on every Delta flight during the month. The profile highlighted Louisville Water’s regionalization efforts and tourism opportunity with the WaterWorks Museum.

Louisville Water has completed the required EPA testing for the lead and copper rule with an impressive achievement. For Louisville Water, the EPA requires lead and copper testing every three years. As part of the testing requirements, utilities work with customers who live in homes with either a known lead service line or a lead solder copper line. Customers collect the water sample and return to our lab for analysis.

For 90 percent of its samples, Louisville Water recorded a level of less than 4.7 ppb (parts per billion) for lead, which was well below the EPA Action Level of 15 ppb. This level also met Louisville Water's own stricter 2017 goal of less than 5 ppb for lead for 90 percent of its samples. This is a great accomplishment since a community with a lead level of less than 5 ppb is considered "lead-risk free."

For 90 percent of its samples in copper analysis, Louisville Water recorded a level of 43 ppb, which was also well below the EPA Action Level of 1,300 ppb for copper. Both recorded results for lead and copper were lower than the Company's previous years' results.

While lead has been in the headlines during the last few years in other parts of the country, it is not a water quality concern in Louisville. The drinking water does not contain lead or copper when it leaves the treatment plant. Lead and copper can enter drinking water through plumbing materials.

Louisville Water has a multi-pronged approach to managing potential lead risk that includes proactive customer education, maintenance of distribution mains, and elimination of our remaining lead service lines by 2020. More importantly, Louisville Water has been committed to maintaining excellent water quality through treatment optimization including corrosion control and continual research. The Louisville Water Foundation also has a pilot program that will help customers fund the cost of replacing private water service lines that are made of lead as well.

While the EPA rules requires sampling every three years, Louisville Water does continual research on lead and copper and has partnerships with school districts and daycares for voluntary testing in those facilities. We also offer free analysis to homeowners and work with the Louisville Department of Public Health and Wellness for education. Several Louisville Water staff are also part of state and national efforts for best-practices around treatment strategies, communications and lead service line replacement.

Louisville Water is considered a national leader for its work in minimizing the risk for lead in drinking water and communicating with customers and stakeholders.

### **Contract Awarded for Project No. 15180 – Condition 2018 – Raw Water Feed From Zorn to Crescent Hill**

Mr. Tim Kraus provided a summary of the progress made to date on the above referenced project.

Louisville Water's Prestressed Concrete Cylinder Pipe (PCCP) Condition Assessment Program was initiated to perform electromagnetic condition assessment on Louisville Water's inventory of large diameter PCCP transmission water mains. Timely assessment results in the repair, rehabilitation, and/or replacement of distressed PCCP pipe sections in advance of catastrophic failures. The program also replaces or rehabilitates valves, air valves, and drain assemblies to ensure these critical appurtenances are functioning properly. With the advancement of technologies to inspect ferrous materials, Louisville Water has transitioned to include projects assessing large diameter plant piping and associated appurtenances. Louisville Water owns and maintains approximately 48,000 feet of 36", 48", and 60" raw water mains between the Zorn Pump Station and the Crescent Hill Reservoir ranging in age from 50 to 125 years old. These interconnected mains follow the same route and are the only method of bringing the raw water supply to the Crescent Hill Water Treatment Plant.

Keeping in line with past condition assessment projects, two contracts are issued for each project. One contractor handles the condition assessment, inspection, leak detection, and failure risk analysis, and the other contractor handles all of the appurtenance repair, tap installation, valve replacement, and site assistance.

Multiple contracts allow Louisville Water to coordinate and direct all activities. During the initial pilot projects for the PCCP Condition Assessment Program, Louisville Water experimented with bidding the projects with all work performed by one general contractor with multiple subcontractors. This arrangement led to increased costs for Louisville Water as the contractor had to include all unknowns in the bid price, and issues arose with chain of command decision making and scheduling during the assessment of the pipelines. To better control costs, management decided to proceed with multiple master agreements allowing Louisville Water to do the work at cost and allow Louisville Water the flexibility to mix and match contractors based on experience and scheduling needs.

The project's inspection and condition assessment bid estimate was \$2,910,678.21. On October 10, 2017, a quote was received from Pure Technologies U.S., Inc., utilizing Louisville Water's existing Master Agreement 12-119, Electromagnetic Inspection and Leak Detection of Large Diameter Water Mains. The quote was \$337,601.38, or 11.60% lower than the bid estimate. A local contractor assisting in the site preparation and appurtenance repair will be selected utilizing Louisville Water's existing Master Agreement 13-15, Transmission System Repairs and/or Capital Improvements.

Mr. Willman moved to award a contract in the amount of \$2,573,076.83 to Pure Technologies U.S., Inc., for the construction, inspection, leak detection, and condition assessment work associated with Project 15180 – Condition 2018–Raw Water Feed from Zorn to Crescent Hill. Dr. Dronawat seconded and the motion unanimously carried.

#### **Audit Committee Report Given**

Mr. Craig Willman reported that the BOWW Audit Committee met on Tuesday, October 3, 2017 at which time staff presented the results of the 2017 Biennial Inspection, results of the 2017 Physical Inventory, results of Insurance and Risk Management Audit, results of Results of Workers' Compensation Third Party Administrator Audit, results of Workers' Compensation Simulated Premium Assessment, results of American Water Works Association (AWWA) Water Audit, results of International Water Association (IWA) Water Audit, and the results of Code of Conduct & Code of Ethics Compliance Certification.

#### **Compensation and Benefits Committee Report Given**

Ms. Sharon Kerrick provided a summary of the items discussed at the BOWW Compensation and Benefits Committee meeting held on Tuesday, October 10, 2017.

Ms. Laura Mooser with Mercer provided a review of compensation trends for forecasts for 2018 salary, presented a new 2018 Proposed Merit Matrix and a proposed Compensation Structure.

Ms. Tierra Wayne Kavanaugh moved to approve an overall 2% structure movement, Dr. Dronawat seconded and the motion unanimously carried.

Dr. Kerrick moved to approve a 2% structure movement and an overall 3% merit increase for front-line, non-union employees for budget purposes. Dr. Dronawat seconded, and the motion unanimously carried.

Mr. Matthew Griffith provided a summary of the Mid-Year 2017 Performance Goals which included Executive Shared Operating Goals, the Management Incentive Goals and the Corporate Performance Goals. Overall Achievement was 12 out of 13 goals are currently being met.

The Board took a short break for lunch at 12:02 p.m. and reconvened at 12:16 p.m.

## 2018 Preliminary Operating and Capital Budget

Ms. Pearson and Mr. Tim Kraus provided highlights of the proposed 2018 Operating and Capital Budget with the Board. The presentation included an overview of the budget process and timetable along with a look at Louisville Water's 2018 funding priorities with key drivers and assumptions for operating revenue and expenses. Key capital projects planned for 2018 were reviewed and a summary of the budgeted capital by category was presented.

### Third Quarter Certification of Projects & Change Actions Authorized

Mr. Bruce certified that the following Projects and Change Actions were authorized during the Third Quarter of 2017 in accordance with the Capital Projects Authorization Policy and Procedures.

<b>PROJECT PROPOSALS REQUIRING BOARD APPROVAL</b>					
<b>Project Number</b>	<b>Project Name</b>	<b>Requested Total Estimate</b>	<b>Contribution</b>	<b>LWC Net Cost</b>	<b>Current Year Estimate</b>
15156	Reloc-Broadway & Dixie/18th Realignment	\$334,000	\$0	\$334,000	\$7,000
15162	ZPS - Rewind ZPS#3 (2750 HP, 13.8KV) Motor	\$560,000	\$0	\$560,000	\$560,000
15180	Condition 2018 - Raw Water Feed from Zorn to CH	\$10,000,000	\$0	\$10,000,000	\$2,000,000
15179	CHFP Water Quality Laboratory Renovation	\$334,200	\$0	\$334,200	\$334,200
<b>TOTAL FOR PROPOSALS</b>		<b>\$11,228,200</b>	<b>\$0</b>	<b>\$11,228,200</b>	<b>\$2,901,200</b>

<b>PROJECT CHANGE ACTIONS/ADMIN NOTIFICATIONS REQUIRING BOARD APPROVAL</b>					
<b>Project Number</b>	<b>Project Name</b>	<b>Previously Approved Total Estimate</b>	<b>Change in Total Estimate</b>	<b>Requested Total Estimate</b>	<b>Change in Current Year Estimate</b>
15075	Fleet Program 2017 <sup>1</sup>	\$1,867,895	\$85,000	\$1,952,895	\$85,000
14545	Transmission - I-64, I-64 Clark Station Rd to Hwy 55	\$13,539,300	\$2,641,000	\$16,180,300	\$0
<b>TOTAL FOR CHANGE ACTIONS</b>		<b>\$15,407,195</b>	<b>\$2,726,000</b>	<b>\$18,133,195</b>	<b>\$85,000</b>

<b>PROJECT PROPOSALS APPROVED BY THE PRESIDENT</b>					
<b>Project Number</b>	<b>Project Name</b>	<b>Requested Total Estimate</b>	<b>Contribution</b>	<b>LWC Net Cost</b>	<b>Current Year Estimate</b>
15163	2018 MRRP - Blankenbaker Parkway	\$220,000	\$0	\$220,000	\$5,000
15172	Pine Tavern Road Master Meter Renovation	\$215,000	\$0	\$215,000	\$215,000
17999	Prelim Engr -Cond 2018 - Raw Water Feed	\$177,000	\$0	\$177,000	\$177,000
15177	IT Windows 10 Upgrade	\$222,400	\$0	\$222,400	\$222,400
<b>TOTAL FOR PROPOSALS</b>		<b>\$834,400</b>	<b>\$0</b>	<b>\$834,400</b>	<b>\$619,400</b>

<b>PROJECT CHANGE ACTIONS APPROVED BY THE PRESIDENT WITH TOTAL ESTIMATE CHANGES</b>					
<b>Project Number</b>	<b>Project Name</b>	<b>Requested Total Estimate</b>	<b>Contribution</b>	<b>LWC Net Cost</b>	<b>Current Year Estimate</b>
14544	Storage - Brooks Hill Tank	\$1,430,000	\$540,000	\$1,970,000	\$500,000
14360	Allmond - Replace Cement Silo <sup>2</sup>	\$70,000	\$36,000	\$106,000	\$36,000
15075	Fleet Program 2017	\$1,659,895	\$208,000	\$1,867,895	\$208,000
14099	Condition 2014 - PCCP Grade Lane and Preston Hwy	\$2,750,000	\$120,000	\$2,870,000	\$121,393
14543	860 PZ Bardstown Road Elevated Storage Tank	\$6,500,000	\$200,000	\$6,700,000	\$0
14503	PRV Constantine Renovation	\$263,350	\$136,650	\$400,000	(\$20,000)
15065	John L Huber Bldg Standby Generator	\$500,000	\$123,045	\$623,045	\$0
15138	N Buckeye Ln Main Ext & Little Goose Creek	\$413,325	\$213,158	\$626,483	(\$386,029)
<b>TOTAL FOR CHANGE ACTIONS</b>		<b>\$13,586,570</b>	<b>\$1,576,853</b>	<b>\$15,163,423</b>	<b>\$459,364</b>

**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	\$671,379
15035	Condition 2017 - PCCP	\$7,495,160	\$0	\$7,495,160	\$2,567,068
14524	ATT RBF for CH	\$221,905,253	\$0	\$221,905,253	\$150,000
<b>TOTAL FOR CASH FLOW CHANGES</b>		<b>\$236,400,413</b>	<b>\$0</b>	<b>\$236,400,413</b>	<b>\$3,388,447</b>

**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	\$6,210,924	Completed Not Closed	2004
11264	Cardinal Hill Second Supply 2B	\$3,708,490	\$125,621	Pending Capital	2006
11310	Renovate BEP #3 Sludge Lagoon	\$7,272,800	\$5,441,274	Work in Progress	2006
11615	Gene Snyder Frwy transmission 1B	\$9,133,000	\$380,938	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	\$4,198,144	\$3,862,867	Work in Progress	2012
13512	Zorn Slate Roof and Masonry Improvement	\$6,569,000	\$866,679	Work in Progress	2013
13523	Preston Hwy - Collins Hill, Rolling Fork	\$5,863,521	\$5,829,282	Completed Not Closed	2013
13526	860 PZ-English Station tank II	\$9,103,928	\$8,817,409	Completed Not Closed	2013
13650	Preston Hwy Corridor transmission and distribution	\$3,655,000	\$1,167,084	Work in Progress	2013
14099	Grade Ln, Preston Hwy PCCP Condition Assessment	\$2,870,000	\$2,510,973	Work in Progress	2014
14321	Eastern Pkwy 48" Rehab	\$25,761,000	\$7,795,352	Completed Not Closed	2015
14325	CHFP - Chemical Bldg and Lab Fire Protection and Offi	\$3,575,000	\$168,274	Design in Progress	2015
14330	CHWTP Standby Generator	\$11,723,392	\$619,208	Design in Progress	2015
14498	13.8 KV Switchgear Rehab	\$2,174,287	\$1,521,575	Work in Progress	2016
14515	CH Yard Piping, Valves Condition Assessment	\$7,077,492	\$3,253,792	Work in Progress	2016
14517	Condition 2016 - PCCP mains	\$4,754,949	\$3,483,330	Work in Progress	2016
14524	ATT RBF for CH	\$221,905,253	\$5,308,483	Design in Progress	2016
14530	Business Intelligence Exp-Financial and HR	\$2,267,127	\$0	Pending Capital	2016
14534	Oracle Utilities CCB, MWM Enhancements	\$3,500,000	\$2,009,979	Work in Progress	2016
14536	Work and Asset Management (WAM)	\$23,526,488	\$5,432,811	Work in Progress	2016
14542	Urton Ln transmission	\$5,297,725	\$158,391	Design in Progress	2016
14543	Bardstown Rd elevated storage tank	\$6,700,000	\$99,561	Design in Progress	2016
14545	I-64 transmission to Hwy 55	\$16,180,300	\$1,138,220	Work in Progress	2016
14553	Minor Ln GT transm	\$2,191,500	\$743,325	Work in Progress	2016
15035	Condition 2017 - PCCP	\$7,495,160	\$3,676,931	Work in Progress	2017
15036	Reservoir Yard Piping, Valves	\$5,000,000	\$47,367	Design in Progress	2017
15060	Hwy 42, Greenmere to 13450	\$2,644,000	\$25,211	Design in Progress	2017
15180	Condition 2018 - Raw Water Feed from Zorn to CH	\$10,000,000	\$1,167	Design in Progress	2017

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 BOWW Approval required due to accumulative increase of \$293,000

2 President approval due to the new estimate exceeding \$100,000

## Third Quarter Certification of Contracts & Bids Awarded

Mr. Bruce certified that the following contracts were awarded during the Third Quarter of 2017 in accordance with the Purchasing Policy and Purchasing Procedures.

Mr. Bruce noted one exception. An assignment was required for Repairs for High Service Pump #6 from the Contingency Contract for Pump Repairs. Upon review, it was determined that this work should be awarded through the Bids and Awards Committee and President. The contract award was subsequently processed through the Bids and Awards Committee and President in the amount of \$31,869.

### Construction

<b>14-25</b>	<b>34th Street MRRP - Assignment from Distribution System Repairs &amp; Capital Improvements Master Agreement</b>		
15043	MAC Construction & Excavating, Inc.		\$259,009
<b>15-127</b>	<b>Frames &amp; Covers &amp; Monitor Castings - 2nd PPI Renewal</b>		
	General Foundries, Inc. (CMBE)	Estimated	\$299,647
<b>17-104</b>	<b>Halls Hill Water Main Extension</b>		
13219	C-Squared		\$235,770
<b>17-107</b>	<b>Allmond Distribution Center Security Building and Entrance Improvements</b>		
	Martin Construction Company (CMBE)		\$619,000
<b>17-109</b>	<b>Thierman Lane (Westport Road to Lyndon Lane) Water Main Transmission Project</b>		
15062	Flynn Brothers Contracting, Inc.		\$291,917
<b>17-111</b>	<b>Cement Silo Replacement</b>		
14360	Scott & Ritter		\$139,999
<b>17-116</b>	<b>Oak Hill Booster Pump Station</b>		
15025	Dugan & Meyers LLC		\$348,000
<b>17-119</b>	<b>N. Buckeye Lane Main Extension &amp; Little Goose Creek Crossing at Barbour Lane</b>		
15138	Excel Excavating, Inc.		\$474,000
<b>17-120</b>	<b>Bank Stabilization at Collector Well #5</b>		
14626	E-Z Construction Co., Inc.		\$113,645
<b>17-42</b>	<b>2017 Crescent Hill Silo Demolition (RFP 75% Technical, 25% Cost)</b>		
14555	O'Rourke Wrecking Co.		\$769,000
<b>17-74</b>	<b>Roy Wilkins Avenue Area Lead Service Renewals</b>		
14636	Miler Pipeline		\$402,054
<b>17-92</b>	<b>North Shelby II Master Meter</b>		
14518	Advanced Paving & Construction Co., Inc.		\$271,000
<b>17-93</b>	<b>Bluegrass Avenue Area Lead Service Renewals</b>		
15141	Tom Brown Construction		\$378,500
<b>17-94</b>	<b>N. 25th Street Area LSR</b>		
15140	TSI Construction		\$348,500
<b>17-96</b>	<b>Bethany Booster Pumping Station</b>		
15011	MAC Construction & Excavating, Inc.		\$972,000
<b>Change Order #2</b>	<b>Dixie Hwy Levee AAV Installation</b>		
15097	Basham Construction Co.		\$22,200
<b>Metro Louisville</b>	<b>Clearwell Rehabilitation</b>		
Contract #297530	Schickel Masonry Restoration (CWBE)		\$602,225
<b>One Water</b>	<b>Blue Lick Rd. Water Main Relocation - Change Order #4</b>		
13364	Metropolitan Sewer District (MSD)		\$118,693
	<b>SUM BY BIDS AND AWARDS CATEGORY</b>		<b>\$6,665,159</b>

### Procurement of Materials and Services

<b>10-100</b>	<b>Construction Inspection Services - Contract Extension</b>		
	R.A. Consultants	Estimated	\$324,480
<b>11-03</b>	<b>Lockbox Services - 2017 Contract Extension</b>		
	Fifth Third Bank		\$153,444
<b>12-46</b>	<b>Brokerage Services for Medical, Dental, Medicare, HMO/Supplement, Short/Long Term Disability &amp; Life Insurance (Group, AD&amp;D, Supplemental &amp; Dependent 5th CPI Renewal</b>		
	AON Risk Service	Annual	\$44,662

12-89	<b>Louisville Water Company - Property Protection - 6-month CPI Contract Extension</b> Frederick Asset Protection		\$195,475
13-01	<b>Rebuild 20: Cone Valve on BE Payne High Service #3 - Assignment from Electro-Mechanical Work for Water Treatment or Distribution Facilities</b> Ward Engineering	Estimated	\$86,850
13-109	<b>Spoils Dumping / Hauling Services - 3rd and Final CPI Renewal</b> Black Haq Enterprise (CMBE)	Estimated	\$170,800
	Terry Gollar Trucking (CWBE)	Estimated	\$128,000
13-145	<b>Inspection, Maintenance, Repairs of HVAC System - 4th &amp; Final CPI Renewal</b> ACCO, Inc.	Estimated	\$41,767
15-06	<b>Water Pressure Regulators - 1st PPI Renewal</b> Ferguson Waterworks	Estimated	\$73,082
15-113	<b>Compostable Cups, 8 oz. and 12 oz. - 2nd PPI Renewal</b> Baumann Paper Co.	Estimated	\$56,390
15-38	<b>Water Bottles - 16 oz. and 22 oz. - 2nd PPI Renewal</b> Authentic Promotions.com	Estimated	\$99,530
15-82	<b>Brass Fittings &amp; Valves - 1st PPI Renewal</b> AY McDonald	Estimated	\$96,540
16-04	<b>Auto Part &amp; On-Line Store (Metro Louisville Bid) - 3rd Metro Renewal Period</b> NAPA Auto Parts	Estimated	\$536,630
16-119	<b>Water Treatment Chemicals for Ft. Knox - Contract Extension</b> Mississippi Lime - Quicklime	Estimated	\$90,480
	Umicore - Powdered Activated Carbon (PAC)	Estimated	\$48,000
16-126	<b>High Service #6 Pump Head Repair - Assignment from Contingency Contract for Pump Repairs</b> Layne Christensen Company		\$31,869
16-126 *	<b>Well Pump / Motor Work for RBF Well Pump #3- Assignment from Contingency Contract for Pump Repairs - Change Order</b> Layne Heavy Civil	Estimated	\$56,176
16-154	<b>Plate Trucks 0 1st PPI Renewal</b> Kentucky Truck Sales, Inc.	Estimated	\$226,616
16-159	<b>Water Treatment Chemicals - Liquid Carbon Dioxide - CONTRACT EXTENSION</b> Airgas USA, LLC	Estimated	\$53,460
17-10	<b>Right Hand Drive Utility Vehicles (Two Door and Four Door Models) - Four (4)</b> Bales Motor Company		\$136,387
15075.04			
17-101	<b>Electrical Switchgear Cleaning / Inspection / Repair &amp; Associated Electrical Work</b> Eaton Corporation	Estimated - Annually	\$50,000
17-53	<b>Emergency Response (RFP 75% Technical, 25% Cost)</b> Purvis Professional Cleaning (CMBE)		\$100,000
17-61	<b>Rewind of Zorn #3 Motor - Assignment to Contingency Contract for Motor Repairs</b> Horner Industrial	Estimated	\$418,850
17-65	<b>Plastic Meter Vaults &amp; Extension Rings - 2-year contract</b> Ferguson Waterworks	Estimated	\$457,540
17-75	<b>Redesign &amp; Implement Home Page &amp; Master Page / Revamp Navigation/Menu - Assignment from H2info Intranet Upgrade &amp; Improvements Master Agreement</b> ServerSide, Inc.	Estimated	\$22,200
17-99	<b>Water Treatment Chemicals</b> Airgas Specialty Products - Aqua Ammonia	Estimated	\$101,696
	BHS Specialty Chemicals - Fluorosilicic Acid	Estimated	\$163,863
	Calgon Carbon Corporation - Powdered Activated Carbon PAC (Taste & Odor)	Estimated	\$170,580
	Chemical Resources - Liquid Sodium Chlorite	Estimated	\$21,502
	Gunther Salt Company - Sodium Chloride	Estimated	\$468,366
	Kemira Water Solutions - Liquid Ferric Chloride	Estimated	\$1,080,246
	Kemira Water Solutions - Liquid Ferric Sulfate	Estimated	\$940,430
	Mississippi Lime - Quicklime	Estimated	\$971,601
	Polydyne - Poly (diallyldimethylammonium chloride)	Estimated	\$99,750
	Shannon Chemical - Liquid Sodium Permanganate	Estimated	\$42,020
<b>GSA Contract</b> GS35F495AA	<b>Oracle Database Administrator Resident Extension - 6-month</b> V-Soft Consulting (MBE)		\$102,690
<b>GSA Contract</b> GS-35F181GA	<b>Upgrade and improve Oracle Identity Management Solution</b> SysDataLogics	Estimate	\$108,373

**INSURANCE**

**Property & Casualty Insurance**

	Assured Neace Lukens - Cyber Risk Insurance - Beazley	Estimated	\$31,497
	Assured Neace Lukens - Engineers Professional Errors & Omissions Liability Insurance - Argo/Peleus Insurance	Estimated	\$20,232
	Assured Neace Lukens - Excess Liability Insurance - 1st Layer - Allied World Insurance Co.	Estimated	\$41,763
	Assured Neace Lukens - Excess Liability Insurance - 2nd Layer - Allied World National Assurance Company	Estimated	\$52,190
	Assured Neace Lukens - Excess Liability Insurance - 3rd Layer - Berkeley/Great American	Estimated	\$65,250
	Assured Neace Lukens - Excess Workers' Compensation	Estimated	\$47,452
	Assured Neace Lukens - Management Liability (Directors' & Officers' Liability) - Starr Indemnity	Estimated	\$59,817
	Assured Neace Lukens - Property Insurance - Affiliated Factory Mutual	Estimated	\$160,365
<b>KY State Contract</b>	<b>Three (3) Ford F-350s with customization</b>		
<i>15075 Task #5</i>	Crossroads Ford Lincoln		\$207,887
<b>KY State Contract</b>	<b>130 Amia Task Chairs &amp; 36 Move Side Chairs</b>		
<i>MA758PUNC 17000007661</i>	ORI		\$79,416
<b>KY State Contract</b>	<b>Automic Implementation Services</b>		
<i>MA758PUNC1400003</i>	SHI		\$120,954
<b>KY State Contract</b>	<b>Five - Konica Minolta Bizhub Multifunction Machines (Copier/Printer/Scanner)</b>		
<i>MA7581500000977</i>	Lang Company	Estimated	\$43,807
<b>KY State Contract</b>	<b>John L. Huber Building - 1st &amp; 2nd Floor Carpet Replacement</b>		
<i>MA7581700000338 14523</i>	Mohawk Group		\$85,028
<b>KY State Contract</b>	<b>Microsoft Enterprise Agreement True Up</b>		
<i>MA758-PUNC14000003</i>	Software House International (SHI) (CMBE/CWBE)		\$28,883
<b>KY State Contract</b>	<b>Networkers &amp; Recoverpoint Professional Services Engagement</b>		
<i>MA7581600000490</i>	Dell EMC		\$84,280
<b>KY State Contract</b>	<b>One (1) 2017 CAT 305.5E2 CR Mini Hydraulic Excavators</b>		
<i>MA7581300000667 15075.09</i>	Whayne Supply Company		\$85,000
<b>KY State Contract</b>	<b>Purchase of three (3) Ford F-550s w/ Customization</b>		
<i>15075, Task #5</i>	Crossroads Ford Lincoln		\$195,351
<b>KY State Contract</b>	<b>Pure Storage Support Renewal - 20-month contract</b>		
<i>MA7581600000451</i>	RoundTower		\$34,626
<b>KY State Contract</b>	<b>Server Creation / Optimization Engagement</b>		
<i>MA 758 1400000876</i>	RoundTower Technologies	Estimate	\$50,000
<b>KY State Contract</b>	<b>Two (2) Tandem Axle Dump Trucks</b>		
<i>MA6051600000600</i>	Kentucky Truck Sales, Inc.		\$237,244
<b>KY State Contract</b>	<b>Veritas Storage Support Renewal</b>		
<i>MA758PUNC1400003</i>	SHI		\$22,438
<b>Louisville Metro Contract</b>	<b>Vmware Vsphere for Cisco Blade</b>		
<i>322247</i>	CDWG		\$32,591
<b>Metro Government</b>	<b>Metro Pavement Restoration</b>		
<i>#IFB170054</i>	Flynn Brothers Contracting	Estimated	\$1,200,000
<b>Metro Government</b>	<b>VMware Maintenance Renewal</b>		
<i>Contract #322247</i>	CDWG		\$58,515
<b>Metro Louisville</b>	<b>CHFP Cpag #6 - Concrete Work - Assignment</b>		
<i>Contract # 297530</i>	D. Schickel Company dba Schickel Masonry Restoration	Estimated	\$50,750
<b>One Water (LWC #14-189)</b>	<b>Paving Restoration</b>		
<i>Joint Bid with MSD</i>	Reid Brothers, Inc.	Estimated	\$544,453
<b>One Water (LWC #17-0807)</b>	<b>Locating Services - RFP</b>		
<i>Joint Bid with MSD</i>	One Call Concepts Locating Services	Estimated	\$1,411,050
<b>Purchase &amp; Delivery</b>	<b>Ratification of Open Market Order - 8" Polyvinyl Chloride Pipe (PVC)</b>		
	Ferguson Waterworks		\$57,200
<b>Quote</b>	<b>Oracle Services- Integration Pack - Current Release - Change Order #3</b>		
	Oracle America, Inc.		\$80,000

**SUM BY BIDS AND AWARDS CATEGORY**

**\$13,158,384**



**Procurement of Professional Services**

<b>08-04</b>	<b>Zorn &amp; Crescent Hill Pump Station 13.8 KV Switchgear Rehabilitation - Assignment from Plant and Facility Engineering Services - Change Order #2</b>		
14498	CDM Smith		\$49,358
<b>11-01</b>	<b>Banking Services &amp; Investment Custodial Services</b>		
	BB&T	Estimate	\$118,000
<b>14-21</b>	<b>Clearwell Cleaning &amp; Inspection - Assignment from Plant &amp; Facility Engineering Services Contract</b>		
15057	HDR, Inc.	NTE	\$119,538
<b>14-21</b>	<b>Peaceful Valley Tank Renovations - Assignment from Plant and Facility Engineering Services</b>		
15027	HDR Engineers		\$25,693
<b>15-47</b>	<b>Condition 2018 - Raw Water Feed from Zorn to Crescent Hill - Assignment from Surveying, Platting and Mapping</b>		
17999-06	BTM Engineering, Inc.		\$40,972
17999-06	Jacobi, Toombs & Lanz, Inc. (CMBE)		\$42,200
17999-06	Sabak, Wilson & Lingo, Inc.		\$36,549
<b>16-03</b>	<b>Master Pipe Specification / Standard Details for Transmission Mains - Assignment From Transmission Pipeline System Design Engineering Services</b>		
	CDM Smith Inc.		\$39,819
<b>16-148</b>	<b>Public Affairs &amp; Business Development Professional Services - Contract Renewal</b>		
	Vince Guenther	Estimate	\$106,788
<b>17-13</b>	<b>RBF Crescent Hill WTP Treatment Scenario - Assignment from Engineer of Record</b>		
14524	Hazen & Sawyer	NTE	\$96,146
<b>17-77</b>	<b>Bardstown 3MG Tank - Assignment from Potable Water Tank Cleaning &amp; Inspection Services</b>		
14543	Tank Industry Consultants (TIC)	NTE	\$234,638
<b>Prof. Service</b>	<b>Customer Satisfaction Survey Analysis</b>		
	Robert Hurd and Associates, Inc.		\$68,000
<b>Professional Service</b>	<b>Hardin County Water District #2 Wholesale Rate Evaluation - Amendment #1 - Change Action</b>		
	Hazen and Sawyer		\$24,958
<b>Professional Service</b>	<b>John L. Huber Building Standby Generator</b>		
15065	JD Electric		\$35,550
<b>SUM BY BIDS AND AWARDS CATEGORY</b>			<b>\$1,038,209</b>

**Procurement of Sole Source Materials and Services**

<b>15-171</b>	<b>Advertising at KFC Yum! Center</b>		
	Louisville Arena Sports & Entertainment Properties (LASEP)		\$31,000
<b>Sole Source</b>	<b>Annual Maintenance for 2 Liebert UPSs at 3rd Street</b>		
	Vertiv		\$35,217
<b>Sole Source</b>	<b>Fair &amp; Expo Center - Installation/Brand Bottle Fill Stations - Five Year Contract</b>		
	Kentucky Venues		\$117,500
<b>Sole Source</b>	<b>GE Analytical TOC Analyzer System</b>		
	GE Analytical Instruments, Inc.		\$32,750
<b>Sole Source</b>	<b>HMI Control Screens</b>		
	RDP Technologies, Inc.	Estimate	\$37,740
<b>Sole Source</b>	<b>I-64 Transmission Main, I-64 Clark Station Rd to Hwy 55 in Shelby Co.</b>		
14545	Kentucky Natural Lands Trust		\$29,207
14545	Norfolk Southern		\$30,100
<b>Sole Source</b>	<b>SCADA Software - Annual Maintenance Contract</b>		
	GE Intelligent Platforms Inc. c/o Gray Matter Systems		\$26,654
<b>Sole Source</b>	<b>Three (3) TM-7 Valve Exercisers</b>		
15075.05	E.H. Wachs		\$67,830
<b>Sole Source</b>	<b>Wachs Valve Exercising Equipment &amp; Valve Maintenance Systems</b>		
14495.11	E.H. Wachs, A division of ITW		\$67,830
15075.05			

**Sole Source****Westport Water Tank - Security Cameras, Access Control & Other Security Concerns**

Advanced Global Communication

\$34,783

**SUM BY BIDS AND AWARDS CATEGORY****\$510,611****GRAND TOTAL****\$21,372,363**

*\* Noted Exception to Purchasing Procedures*

**Financial Report Given**

Ms. Pearson summarized the Financial report for September.

Financial results in September 2017 were driven by consumption and water sales that were under budget and were under prior year levels, though a significant portion of the deficit is due to a timing issue. Other operating revenue was also slightly less than budget, contributing to an overall shortfall in operating revenue of 8.3%. Operating expenses and non-operating income and expense, however performed favorably to budget for the month, offsetting a portion of the operating revenue shortfall. As a result, net income for the month was 19.3% lower than budgeted. Details of the Company's financial performance as compared to budget and prior year were provided.

Consumption of 3.2 billion gallons for September 2017 is 330 million gallons lower than budget, and 219 million gallons below September 2016. However, approximately half of the budget shortfall is due to a timing difference on meter reads. This consumption will fall in October rather than September as budgeted. Year-to-date consumption is under budget 2%, but over prior year by 0.2%. The residential, commercial and industrial customer classes are the main contributors to the unfavorable budget variance for the year-to-date period.

Water Revenue for September 2017 is \$1.5 million under budget and \$542,000 lower than the prior year. As is the case with consumption, about half of the budget shortfall in water revenue is a timing difference, which should be resolved in October. Water revenue through September is \$1.9 million or 1.5% lower than budget and \$4.3 million or 3.5% higher than last year. Lower consumption is the key factor driving lower water revenue compared to budget for the year-to-date period.

Other Operating Revenue for September is essentially flat to budget, but is \$35,000 higher than year-ago levels. For the period-to-date, other operating revenue is \$75,000 lower than budget and \$899,000 over prior year. The year-to-date variance to budget is driven by lower revenue from service line protection, strategic initiatives and contract operations, offset in part by higher late fees and disconnect fees. The variance in other operating revenue compared to prior year for both the month and the year-to-date period is primarily due to higher sewer billing and disconnect fees.

Operating and Maintenance Expenses for September of \$5.8 million are \$130,000 lower than budget and \$362,000 lower than September 2016. The September variance from budget is driven by lower labor and labor related and contractual services costs, somewhat offset by higher bad debt and utilities expense. The September variance to prior year is attributable to lower contractual services, insurance reserves and bad debt expense, partially offset by higher overtime costs. September year-to-date operating and maintenance expenses are \$2.2 million under budget and \$718,000 higher than year-ago levels. The majority of the year-to-date favorable budget variance is in labor and labor related, contractual services, chemicals and materials and supplies costs, partially offset by higher bad debt expense and insurance reserves. The labor variance is a result of full and part-time vacancies along with more costs assigned to capital projects than planned. Contractual services are lower primarily due to consulting expenses in Customer Information Systems budgeted as O&M expense but classified as part of a capital project. Various other contractual services in Communications, Facilities Maintenance, Human Resources and Economic Development were also budgeted in the first nine months of 2017 but have not yet been incurred. 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 materials and supplies for communications area budgeted to be purchased earlier in the year, but now anticipated to be purchased in the last three months of 2017.

Total Operating Expenses for September of \$10.7 million are \$159,000 lower than budget and \$206,000 lower than September 2016. Total operating expenses year-to-date are 2.6% lower than budget but are 2.5% 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 September is \$63,000, higher than budget and \$27,000 more than same period through September 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 May of 2016.

Non-Operating Expense through September of \$6.3 million is \$44,000 less than budgeted and \$463,000 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 September is \$5.7 million, which is \$1.4 million lower than budget. In comparison between years, net income for September is \$334,000 lower than September 2016. September year-to-date net income of \$37.5 million is \$659,000 higher than budget and \$3.4 million more than the nine months ended September 2016. Excluding the effect of the timing difference noted above, net income through September would be approximately \$1.4 million higher than budgeted.

Contributions through September of \$6.5 million are \$1.4 million higher than budgeted and \$16,000 higher than prior year.

Temporary Cash and Reserves totaled \$72.8 million at the end of September 2017, well in excess of 250 days of estimated Operations and Maintenance expense of \$51.8 million.

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

Ms. Dearing Smith summarized the Communications and Marketing report for September.

For the first time in over 15 years, Louisville Water's customer bill has a new look. The new format launched in early October and incorporates feedback from several customer research initiatives. The new design makes it easy to locate the amount due and the due date, the charges for water, wastewater, and other services are clearly separated, and graphs highlight past water usage. A cross-functional team with Louisville Water and MSD employees worked on the redesign and testing. The communication plan includes an insert with the bill that highlights the changes, a social media campaign and direct communication with key stakeholders such as Metro Council members.

Two of Louisville Water's communication campaigns were recently highlighted in an industry publication Municipal Sewer and Water. The magazine featured our recent work with stakeholders on the Eastern Parkway water main replacement as a best practice approach. The multi-layered communication plan was well-received and has laid the foundation for how we communicate large-scale projects. The publication also featured the success of the WaterWorks Museum as an example of a utility using its assets to talk about the value of water. The museum at our original 1860 pumping station opened in 2014 and to date, over 90,000 people have visited the site for a tour or special event.

Louisville Water has wrapped up a successful partnership with Waterfront Development Corporation and WFPK. At WFPK's monthly Waterfront Wednesday concerts, Louisville Water sets up the mobile pure tap units for guests to "BYOB" (bring your own bottle) for free water. Or, visitors can purchase a reusable Louisville pure tap® container for \$2 and fill with water for free. Proceeds from the bottle sales go to WaterStep for its work to install safe drinking water systems in developing countries. This year was the most successful outreach to date (In part, due to nice weather.) An estimated 5,000 people visited the pure tap booth at each concert, many with their own reusable bottle. Proceeds from the pure tap bottle sells netted just over \$3,700 for WaterStep's work. We have worked with Waterfront Development on this outreach initiative since 2011.

Louisville Water staff was at over a dozen events the past month with the Louisville pure tap® program including NuLu Festival, the Idea Festival, Stand Down for Homelessness and the Kentucky Bourbon Festival.

Recently, Louisville Water has been part of several independent film productions where the producers want to be "green" and support the local economy. We frequently supply Louisville pure tap® coolers, cups and reusable bottles for movie sets.

On September 29, National Coffee Day, we executed a unique partnership with Heine Brother's Coffee. The first 100 guests at each of the Heine Brother locations received a Louisville pure tap® bottle.

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

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

The Call Center continued its improvement from the challenges experienced this past summer. The monthly abandonment rate was 12.4% versus 17.7% last year and 21.4% for the five-year average. The Average Speed to Answer (ASA) came in at 5:02 m:s, which is in line with last year (5:03 m:s) and significantly better than the five-year average (6:44 m:s). Staff turnover continues to be a challenge, with three employees leaving the group; two for internal positions and one for an external opportunity, in September.

After a favorable month in August, bad debt reversed its course and came in at \$222,000 for September. Analysis of the data indicated that the monthly bad debt level was driven by a large number of accounts versus a few large write offs. Staff met with the field service group on September 22 to brainstorm on what field activities could be changed to ensure customers who are turned off do not self-reconnect. The process of locking or plugging the service will be enhanced, and the employees performing the work will now be able to use their discretion for using locks when performing standard turn-offs. Additionally, a team has been created that will be looking at other ways to minimize bad debt such as changes to our Service Rules, increasing customer deposits through the use of credit scoring, and evaluating process changes for problematic properties with multiple write offs.

The new Director of Metering Services, Mark Hall, started on September 18 and has been well received by the team. Meter reading estimations continue to trend lower since the beginning of the year due to favorable weather and increased resources. Meter estimates for the month were 0.94% and are running at 2.06% year-to-date. Safety continues to be the number one priority and the team holds mandatory safety tailgates. Prevention of motor vehicle accidents (MVA) has been a major focus and the last preventable MVA occurred in April.

Louisville Water experienced 30 main breaks for the month of September, which is higher than last year (26), but lower than the five-year average (35). Staffing has been a challenge and we are operating with approximately 12 classified vacancies. The hiring team was very busy in September with interviews and recommended 14 candidates as possible general laborer hires. The target is to have a group of these candidates

start by the end of October. As long-time employees continue to retire, training other employees has become a priority. Major focus has been placed on training employees for the Emergency Turner, Heavy Equipment Operator, and Plumber Leader classifications.

### **Engineering and Production Operation Report Given**

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

2017 capital program expenditures through September totaled \$51,241,847 which is \$5,693,730 higher than the same period last year. These expenditures equate to 47.58% of the 2017 original capital program of \$107,688,879.

The amount of water produced and delivered to the system in September 2017 was 127.3 MGD, which was 4.4% lower than September 2016 and 4.4% lower than the September 5-year average. For year to date, the amount of water delivered to the system is 0.2% higher than 2017, and 3.2% lower than five-year average.

There was a total of seven chemical spills reported by ORSANCO during the month of September: six upstream and one downstream of Louisville Water's Zorn intake. Louisville Water did not need to apply activated carbon treatment for any of the reported incidents.

Staff monitored 1,177 water quality parameters of a required 1,017 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. All internal water quality goals were also met. Staff also collected 56 main break samples on 28 repairs in the month, of which nine localized boil water advisories were issued due to field conditions and zero were issued due to water quality monitoring results. There was a total of 12 water quality customer complaints, in comparison to the five-year average of 27 complaints.

Later this month, work will begin on Phase 2A of the Eastern Parkway 48-inch Transmission Main Rehabilitation project. Phase 2A, which is similar in scope to Phase 1, includes inserting a 42-inch outer diameter steel main inside of the 48-inch inner diameter 1920's vintage cast iron main. The first phase of this project rehabilitated the main beginning at Lexington Road and Grinstead Drive and proceeded in a westerly direction to Eastern Parkway at Beargrass Creek. The second phase of this project continues rehabilitation of the main in a westerly direction beginning at Beargrass Creek and extending to Interstate 65. Louisville Water hosted a stakeholder's meeting on September 20 with state and local transportation agencies, Metro Parks, elected officials and other interested parties to discuss upcoming construction activities and planned communication efforts. Construction for Phase 2A is scheduled to occur during our low water demand period beginning in late October and be completed by mid-April 2018. Construction is divided into six traffic road closures phases, all of which close the two westbound lanes, shifting 2-way traffic into the eastbound lanes. Electronic message boards will be used to inform the travelling public of upcoming traffic changes and arrow boards will be used to promote safe lane transitions.

### **Human Resources Report Given**

The following is a summary of recent and current activity between the Louisville Water Company's (the Company) 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. A proposal has been submitted to resolve two (2) of the active grievances, one (1) is in the Step 3 process of resolution and one (1) is in the Step 4 process of resolution to be reviewed in an upcoming Labor Management Meeting on October 16. The recent grievance in pre-arbitration status has been resolved and closed.

The Company and Union signed a Memo of Understanding regarding instituting and abiding by an established Arbitration Process for unresolved grievances.

The Company posted seven (7) regular full-time classified positions for union employee's internal bidding process.

The Company is in the initial stages of hiring fourteen (14) General Laborer positions. On September 18, ten (10) General Laborers began participating in the Company's Apprentice Program.

### **Information Technology Report Given**

Dr. Tom Luckett summarized the Information Technology Report for September.

Oracle Work & Asset Management (WAM) Implementation – Work continues on schedule with the Oracle WAM implementation. High-level design workshops have been completed and detailed design workshops are starting.

In conjunction with the new billing format, the new Customer Self-Service module went into production on October first. The newly-designed website aligns with the design of the new billing format and separates charges so that customers can better understand them. Some enhanced functionality was also implemented to allow customers to maintain their contact information.

The PeopleSoft 9.2 Upgrade project is proceeding very well. The second round of testing is under way and the go-live date has been moved up one week. This upgrade aligns Louisville Water Company with Oracle's Continuous Delivery Program which eliminates the need for major upgrade projects in the future.

There being no further business for the Board, Dr. Kerrick moved to adjourn at 1:40 p.m., seconded by Mr. Willman, and the motion unanimously carried.

Respectfully submitted,



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