

**Board Of Water Works
REGULAR CALLED MEETING MINUTES
December 19, 2023**

Board Members Present:

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

Not Present:

Mayor Craig Greenberg

Others Present:

Mr. Spencer Bruce, President and Chief Executive Officer
Ms. Dana Mayton, Louisville Metro, Deputy Mayor
Mr. Dave Vogel, Executive Vice President, Customer Service and Distribution Operations
Ms. Kelley Dearing Smith, Vice President, Communications and Marketing
Mr. Jeff Knott, Vice President, Information Technology
Mr. Tim Kraus, Vice President, Engineering and Chief Engineer
Ms. Lynn Pearson, Vice President, Finance and Treasurer
Mr. Terrence Spence, Vice President, Human Resources and Labor Relations
Mr. Michael Tigue, Vice President, Compliance, General Counsel and Corporate Secretary
Mr. Adam Carter, Union President, Local 1683 of the AFSCME, AFL-CIO
Mr. Jordan Basham, Director, Infrastructure Planning
Ms. Sue Purdy, Director, Finance
Ms. Jenni Schelling, Director, Internal Audit
Mr. Brad Hart, Manager, Safety and Emergency Preparedness
Mr. Andrew Winslow, Manager, Finance
Mr. David Mulloy, Manager, Infrastructure Planning
Mr. Brian Sturgeon, Computer Network Administrator
Ms. Beverly Soice, Paralegal

Visitors:

The meeting of the Board of Water Works (BOWW) was held on Tuesday, December 19, 2023 at Louisville Water Company Corporate Headquarters located at 550 S. Third Street, Louisville, KY. Chair, Dr. Sunny Dronawat called the meeting to order at 11:04 a.m.

Minutes of the Previous Regular BOWW Meeting Approved

Bill Summers moved to approve the regular monthly meeting minutes of November 21 2023. Paul Esselman seconded, and the motion unanimously carried.

President/CEO Report Given

Spencer Bruce advised that Louisville Water celebrated the season of giving by giving back to our employees and to our community.

The Employee Activities Committee (EAC) hosted a Thanksgiving lunch for everyone in early November.

The week of Thanksgiving, Local 1683 and Louisville Water CORE Council members participated in Bikes or Bust, an event that collected 1,000 bikes for local children. Our employees loaded bikes for delivery. As in years past, both the union and company made financial contributions.

Also in November, the Louisville Water Service Board announced it was bringing back the Salvation Army Angel Tree campaign. This year, 55 Angels were adopted. Many employees also donated their time at the Salvation Army to either prepare the Angel bags for pickup or distribute them to families. Employees at Crescent Hill and B.E. Payne continued their tradition of “adopting” families at Field Elementary and shopping for them.

Five-Year Capital Improvement Plan Reviewed and Long Range Financial Plan Approved

Five-Year Capital Improvement Plan

Tim Kraus advised that input from various plans are used to develop the Five-Year Capital Improvement Plan (CIP), including the Strategic Business Plan, Facility Plan, Biennial Inspection Plan, Economic Development and guidance from Company Leadership.

Mr. Kraus reviewed the focus of prior years’ CIP.

Leadership is now shifting focus to major plant and production investments including the Crescent Hill Pump Station Discharge System Improvements (CHPS), B.E. Payne Water Treatment Plant Upgrade (BEPWTP), and Crescent Hill Water Treatment Plant (CHWTP) Residuals Conveyance System; and investing to support regional partnerships (Hardin County Water District #2, North Nelson Water District / City of Bardstown, and exploring other potential partnerships).

Mr. Kraus discussed accommodations that can be made for this five-year planning cycle which include reducing MRRP spending, reducing railroad crossing rehabilitation spending, adjusting/deferring/phasing in portions of major projects, and increasing the completion time on other projects.

Mr. Kraus then discussed each of the above referenced projects which will need approval by the BOWW.

CHPS – Discharge System Improvements

Mr. Kraus explained that this project includes renovation of the Crescent Hill Pump Station discharge system. In 2023, a Construction Manager At Risk (CMAR) was selected to collaborate with Louisville Water and Hazen & Sawyer on this project. Crescent Hill Pump Station discharge is critical to our customers. To provide redundancy and reduce risk with this project, a new Secondary CHPS Pump Station will be constructed. The Secondary CHPS will provide 105 MGD total capacity with three pumps. Conceptual design is in progress and is due January 1, 2024. Final design is due January 2025.

Jennifer Fust-Rutherford asked if other utilities have this type of redundancy. Mr. Bruce stated that some do and others may not; it just depends on the system.

Mr. Bruce advised that each expenditure for this project will come back to the Board for approval based on requirements of our procurement policy and procedure.

Authorization was requested from the BOWW to increase the total project budget from \$20,000,000 to \$96,200,000 for project 15609 - Crescent Hill Pump Station Discharge System Improvements.

B.E. Payne WTP Upgrades

Mr. Kraus reported that B.E. Payne was constructed in the late 1970's. The last major renovations to the existing plant occurred 20 years ago. This project was created to prepare and expand the Plant from 60 MGD to 75 MGD. He advised that to prepare for potential expansion, the entire facility was evaluated in 2023.

The Detailed Plant Evaluation was completed by Black & Veatch Engineers and generated three categories of projects: Rehabilitation and Renovation, Redundancy and Ease of Operation, and Plant Upgrade and Expansion. Black & Veatch and Louisville Water staff then collaboratively prioritized the projects into three phases.

This project's budget request is for projects in Phase 1 and Phase 2 and will occur over the next five years to maintain and improve plant operations. While not officially increasing capacity, the projects in Phase 1 and Phase 2 will be designed for minimum 75 MGD. Phase 3 projects are primarily related to capacity expansion and will become projects when capacity expansion is deemed necessary.

The original project budget was based upon a planning level cost estimate. Additionally, substantial scope has been added to the project including generator improvements, chemical feed improvements and PAC. This project will be sized to allow for a 75 MGD treatment capacity.

Authorization is requested from the BOWW to increase the total project budget from \$29,730,000 to \$74,000,000 for Project 16350, the B.E. Payne Water Treatment Plant Upgrade project.

CHWTP Residuals Conveyance System

Mr. Kraus stated that the CHWTP Residuals Conveyance System project includes various improvements to Louisville Water's residuals transfer system. The current system operates by pumping treatment process residuals from the waste tanks at Crescent Hill to the B.E. Payne lagoons. The system was installed in 1971 and includes no redundancy so the pipeline cannot be taken out of service for cleaning or maintenance.

Project improvements include installation of an air release valve on the existing pipeline (construction complete), assessment of an existing abandoned raw water main for potential repurposing (construction underway), tank mixers in existing solids holding tanks (awarded), segment 1 and 2 of a new pipeline from CHWTP to B.E. Payne WTP (design ongoing).

The original project budget was based on a planning-level cost estimate that was completed in 2014. At that time, there was little definition in the required project scope to install a new pipeline between the two treatment plants.

Authorization is requested from the BOWW to increase the total project budget from \$16,960,000 to \$77,000,000 for CHWTP Residuals Conveyance System project.

Mr. Kraus reviewed the Annual Capital Budgets and Executive Rates for the past few years.

Mr. Kraus also reviewed the amount of funding and the major areas of the Capital Budget for the

2024-2028 CIP. Infrastructure Renewal makes up the largest portion of capital projects at \$413.7 million (58.2%), followed by Growth-Related Improvements at \$185.7 million (26.2%). New Technology and Facilities at \$85.9 million (12.1%), Self-Financing Improvements at \$24.8 million (3.5%) and Intangible Assets at \$277,500 (0.0%).

Long Range Financial Plan

Ms. Pearson advised that costs related to these three “generational” projects will mean substantially higher overall capital expenditures over the next several years. The higher capital costs will have a significant impact on our long-range financial plan: (1) The planned 2025 bond issuance will be for a much higher amount than past issuances, (2) Financial metrics, particularly Debt Service Coverage will be negatively impacted, and (3) Water rate increase assumptions incorporated into the long-range financial plan are higher than recent historical averages to manage these impacts.

Ms. Pearson noted that Louisville Water’s new money borrowings have been relatively consistent over the past few bond issuances, however the bond issue planned for 2025 will be higher because of the increased capital expenditure levels. She anticipates borrowing approximately \$200 million in 2025. Leadership hopes to receive grant funding for some of the projects mentioned by Mr. Kraus, but we are not counting on it. Ms. Pearson noted that the long-range financial plan only includes the grant money that we know we will receive.

Ms. Pearson advised that a \$200 million borrowing will result in an estimated \$50 million Annual Debt Service. This is substantially higher than the current level and as a result, water rate increases will need to be higher beginning in 2026. Increases in excess of five percent are incorporated into the financial plan in 2026 through 2028. Ms. Pearson reminded the Board that additional grant funds received would mitigate these higher increases.

Ms. Pearson advised that it is required that the Board approve the Resolution to adopt the Long Range Financial Plan.

Changes to Existing Projects Requiring Board Approval

Mr. Kraus requested authorization from the Board to increase the Budget of Record for the projects listed below:

Project Number	Project Name	Current Approved Budget	Proposed Budget to be Approved	Increase	Board Action Required
15609	Crescent Hill Pump Station - Discharge System Improvements Project	\$20,000,000	\$96,200,000	\$76,200,000	Approval to establish budget of record above Board of Water Works approval threshold of \$500,000. Increase overall project budget per recent estimate with cost escalations.
16350	BE Payne Water Treatment Plant Upgrades	\$29,730,000	\$74,000,000	\$44,270,000	Approval to establish budget of record above Board of Water Works approval threshold of \$500,000. Increase overall project budget per design revisions and cost escalations.
15619	Crescent Hill Water Treatment Plant - Residuals Conveyance System	\$16,960,000	\$77,000,000	\$60,040,000	Approval to establish budget of record above Board of Water Works approval threshold of \$500,000. Increase overall project budget per design revisions and cost escalations.

Dr. Dronawat expressed concern with the possibility of raising the water rate increase to over 5%. Mr. Bruce explained that this is not typical for Louisville Water but we need to fund the projects discussed. He added that water rates increases have been as high as 6.9% in the past.

Mr. Esselman stated the projects and potential growth is very exciting. Kelley Dearing Smith added that she and her staff are working on communication plans for these projects.

Following a brief discussion, Mr. Esselman moved to approve the following resolution. Dr. Dronawat seconded, and the motion unanimously carried.

RESOLVED, that the 2024-2033 Financial Plan submitted by staff on December 19, be adopted as the approved Financial Plan.

Mr. Bruce explained that the Board is only being asked to approve the overall budgets for these projects, not the individual expenditures at this time.

Mr. Esselman moved to approve the following requests. Dr. Dronawat seconded, and the motion unanimously carried.

1. Increase the project budget and establish a new budget of record of \$96,200,000 for Project 15609: Crescent Hill Pump Station Discharge System Improvements.
2. Increase the project budget and establish a new budget of record of \$74,000,000 for Project 16350: B.E. Payne Water Treatment Plant Upgrade project.
3. Increase the project budget and establish a new budget of record of \$77,000,000 for Project 15619: CHWTP – Residuals Conveyance System.

The Board took a short break for lunch at 12:00 pm and resumed the meeting at 12:16 pm.

2024 Tariff and Cost of Service Approved

Ms. Pearson advised that at its November 21, 2023 meeting, the Board adopted the 2023 Annual Budget and staff was directed to prepare rate schedules with an average rate increase of 4.8%, effective for water service beginning January 1, 2024 and thereafter.

The proposed 2024 Tariff and Water Rate Schedule was developed in accordance with a cost of service study based upon the methods promulgated in the American Water Works Association Manual M1, Water Rates.

Staff is recommending retail water rates increase January 1, 2024 and wholesale rates July 1, 2024. The wholesale rates will require approval by the Public Service Commission (PSC) for utilities that are under its jurisdiction. Upon Board approval, staff will meet with wholesale customers and begin the process of obtaining approval from the PSC.

Ms. Pearson noted that the Service Rules and Regulations authorize certain fees and charges for providing service to customers. Each year, staff reviews these charges and fees as part of the annual Tariff and Water Rate Schedule and recommends appropriate changes as needed.

Mr. Vogel then reviewed the proposed changes with the Board.

Mr. Esselman moved to approve the proposed rates, service installation fees, customer account charges and deposits, system development charge effective January 1, 2024. Cathe Dykstra seconded, and the motion unanimously carried.

Ms. Pearson thanked Sue Purdy, Andrew Winslow and the rest of her team for their work on the rate schedule.

Budget Increase Approved for Project 16270 : 2021 PCCP Condition Assessment - B.E. Payne 60" Transmission Main

Mr. Kraus requested BOWW approval to authorize a contract change order to Southern Pipeline Construction, Inc. for completion of pipe repairs in three locations which have been identified as part of the 2021 PCCP Condition Assessment.

This project's scope and budget currently includes four primary contract items: robotic inspection of 11 miles of 60" transmission main, construction assistance in preparation for the inspection, construction assistance for additional pipe testing as recommended by inspection, and repair of distressed pipes identified during the inspection.

The scope of this project includes installation of steel repair bands along the full length of three distressed pipes sections along N. English Station Road near the southern endpoint of the project. This area has historically been challenging for crews installing repairs due to the depth of the main and the original installation method within a trench cut into the rock. These installation conditions and the location of the repairs within and along the N. English Station Right-of-Way have contributed to a quoted price for this work of \$754,508.00.

Ms. Fust-Rutherford moved to authorize a contract increase with Southern Pipeline Construction, Inc. in the amount of \$754,508.00 for a new contract amount of \$1,048,636.59. Mr. Esselman seconded, and the motion unanimously carried.

Fourth Quarter 2023 Dividend Declared

Ms. Pearson advised that Section 508 of the Series 2009 Water System Revenue Bond Resolution provides that the Louisville Water Company will pay to the Louisville / Jefferson County Revenue Commission an annual dividend on the Louisville Water Company stock owned by Louisville / Jefferson County Metro Government, Kentucky. The dividend declared for 2022, based upon estimated net income, is required to be adjusted after completion of the annual audit to reflect any difference between estimated and actual net income. The amount of such adjustment is to be paid with or deducted from the regular quarterly dividend payments in 2023.

The annual audit has been completed. Net income of \$51,987,547 requires a total 2022 dividend to Louisville / Jefferson County Metro Government, Kentucky of \$22,438,542. The total dividends paid during 2022 were \$18,992,712. The difference between the dividend paid for 2022 and the actual dividend computed and declared for 2022 is \$3,445,830. The difference was added to the dividend payment in the third quarter in 2023 as directed by Louisville Metro Office of Management and Budget.

The 2023 Annual Budget provides for a budgeted annual dividend of \$22,230,512. Ms. Dykstra moved to declare the fourth quarterly 2023 dividend in the amount of \$5,557,628. Ms. Fust Rutherford seconded, and the motion unanimously carried.

WHEREAS, it has been the long established policy of Louisville Water Company to pay a dividend on its common stock related to its net earnings, after giving consideration to any requirements for debt amortization and bond reserve requirements, and
WHEREAS, a covenant written into the 2009 Water System Revenue Bond Resolution sets forth a formula for determining the amount of any such dividend, and
WHEREAS, such covenant requires payment of a dividend each year based on estimated annual Adjusted Net Income, with adjustment upon completion of the annual audit to reflect

any difference between estimated and actual net income, such adjustment to be made in the quarterly dividend payments of the following year, and

WHEREAS, an estimated dividend of \$18,992,712 was paid in 2022 based on estimated Adjusted Net Income of \$38,231,438 and

WHEREAS, the annual audit for 2022 has been completed which establishes the full dividend for 2022 as \$22,438,542 based on actual Adjusted Net Income of \$51,487,548 and the Board resolution of December 20, 2022 was amended on June 23, 2023 to increase the 2022 annual dividend by \$3,445,830 from \$18,992,712 to \$22,438,542, and the difference was added to the third quarter 2023 dividend payment, as directed by Louisville Metro, and

WHEREAS, the 2009 Bond Resolution requires that the Board of Water Works pay a quarterly dividend based on the formula contained therein, such quarterly payments to be as nearly equal in amount as possible, and

WHEREAS, the 2023 Louisville Water Company Annual Budget reflects the 2023 annual dividend to be \$22,230,512, it would be in order at this time to declare a regular fourth quarter dividend of \$5,557,628; therefore, be it

RESOLVED, the regular fourth quarter 2023 dividend of \$5,557,628 is hereby declared, and further

RESOLVED, that the President of the Company hereby is authorized and directed to pay \$5,557,628 to the Louisville / Jefferson County Revenue Commission on December 29, 2023, this being the fourth quarterly dividend for 2023.

Contracts Approved for Phase 1 and 2 for Project No. 16377- 690 Plan – Transmission – Salt River Chapeze BPS

Mr. Kraus requested the Board increase the budget of record and award the construction contracts for the 690 Plan – Transmission – Salt River to Chapeze BPS Project to MAC Construction & Excavating, Inc. This project consists of a total of 23,174 linear feet of water main consisting of 22,174 linear feet of 42-inch, 210 linear feet of 30-inch, 725 linear feet of 16-inch, 40 linear feet of 12-inch, and 25 linear feet of 8-inch water main along the Preston Highway corridor in Bullitt County. An alternate bid, for upsizing a majority of the pipe, was also requested.

On December 6, 2023, Louisville Water received competitive bids on Phase 1 from four prequalified contractors for construction of this portion of the project. The Project Manager's estimate for the base bid was \$16,250,000 and for the alternate bid was \$17,919,000. The low bidder was MAC Construction & Excavating, Inc., with a base bid of \$12,291,000 and an alternate bid of \$14,642,000. In addition, Louisville Water also received competitive bids on Phase 2 from five prequalified contractors for construction of this portion of the project. The Project Manager's estimate for this base bid was \$10,857,000 and for the alternate bid was \$11,886,000. The low bidder was MAC Construction & Excavating, Inc., with a base bid of \$6,973,000 and an alternate bid of \$8,805,000.

The base bids were 24.4% (Phase 1) and 35.8% (Phase 2) lower than the Project Manager's estimate. In addition, the alternate bids were also 18.3% (Phase 1) and 25.9% (Phase 2) lower than the Project Manager's estimate. After a thorough review of the bid results and the impacts on the agreements with Hardin County Water District #2, the alternate bids are being selected. The increase in pipe size will increase the flow capacity of the corridor by 36.1% allowing for future growth along the corridor. Louisville Water will receive partial federal funding from the American Rescue Plan Act of 2021 in the amount of \$5,000,000 for this project.

Mr. Esselman moved to award the contract for Phase 1 to MAC Construction & Excavating, Inc., in the amount of \$14,642,000, to award the contract for Phase 2 to MAC Construction & Excavating, Inc., in the amount of \$8,805,000, and to increase the budget of record for this project to

\$28,183,000. The net cost to Louisville Water is \$23,183,000. Mr. Summers seconded, and the motion unanimously carried.

2024 Service Rules and Regulations Approved

Mr. Vogel advised that annually, staff reviews the Louisville Water Company Service Rules and Regulations to determine if any changes should be made. Staff recommend changes in the service rules to incorporate new initiatives and to provide clarification of existing regulations.

Mr. Vogel and Mr. Kraus provided a summary of the proposed changes which includes the following:

- New addition to cancellation of Customer's accounts to accommodate Lead Copper Rule Revisions.
- Verbiage changes and misspellings related to Service Discontinues.
- Minor formatting changes to existing subsections throughout the Service Rules.

Louisville Water's General Counsel has reviewed these proposed revisions and staff recommends approval by the Board, effective January 1, 2023.

Mr. Summers moved to approve the revisions as proposed. Mr. Esselman seconded, and the motion unanimously carried.

2024 Board of Water Works Regular Monthly Meeting Date Approved

Mr. Bruce advised that under the By Laws, the annual schedule of BOWW meetings are to be approved by the Board. The following dates were proposed for 2024 Board meetings: January 23, February 20, March 19, April 16, May 21, June 18, July 16, August 20, September 17, October 22, November 19, and December 17. The Annual meeting will be held immediately prior to the April Board meeting.

Mr. Summers moved to approve the proposed meeting dates as regular meetings of the Board of Water Works for 2024. The Annual meeting will be held immediately prior to the April Board meeting. Mr. Esselman seconded and the motion unanimously carried.

Audit Committee

Mr. Esselman advised the minutes of the Audit Committee meeting held on November 10, 2023 are included in the agenda book for this meeting.

Mr. Esselman moved to approve the minutes of the Audit Committee meeting held on November 10, 2023. Mr. Summers seconded, and the motion unanimously carried.

Financial Report Given

Ms. Pearson advised that the Company had another month of very positive financial results in November 2023, with water revenue and other operating revenue coming in higher than budget. Total operating expenses, non-operating revenue and non-operating expenses also performed favorably. As a result, net income for the month exceeded budget by \$1.2 million.

Consumption of 2.7 billion gallons for November is 41 million gallons above budget and 125 million gallons lower than November 2022. Residential, irrigation and Metro government customer classes are all higher than budget in November. Year-to-date consumption remains above budget and prior

year by 1.5% and 2.0% respectively, with the commercial and irrigation customer classes driving the favorable budget variance.

Water Revenue for November is \$630,000 higher than budget and \$356,000 above prior year. All customer classes exceed budget for the month with the exception of industrial and wholesale. However, the favorable budget variance results from a timing issue which will reverse in December. For the year-to-date period, water revenue is 0.7% over budget and 6.6% higher than prior year levels.

Other Operating Revenue for November is \$133,000 higher than budget and \$717,000 below year-ago levels. The variance to budget is mainly attributable to higher revenue in service line protection, late charges and disconnect fees. The decrease from prior year is mainly driven by revenue recognized in 2022 related to the release of the reserve on the east end bridge project. This negative variance is slightly offset by revenue from service line protection which is higher than prior year. Year-to-date, other operating revenue is \$684,000 higher than budget and \$249,000 higher than prior year. The year-to-date variance to budget is primarily due to increased revenue from late charges, disconnect fees, service line protection and temporary service fees.

Operating and Maintenance Expenses for November of \$8.7 million are \$27,000 lower than budget and \$632,000 higher than November 2022. The November variance to budget is primarily due to lower labor and labor-related, system support and maintenance, contractual services, bad debt and chemicals costs. These favorable budget variances are offset to a significant extent by higher materials and supplies and insurance reserves. The increased insurance reserves are mainly due to two recent main breaks. The higher costs as compared to November 2022 are a result of increases in numerous categories including chemicals, materials and supplies, contractual services, insurance reserves and labor and labor-related costs, offset to an extent by a decrease in systems support and maintenance expense. November year-to-date operating and maintenance expenses are \$1.2 million lower than budget and \$7.2 million higher than year-ago levels. Labor and labor-related, contractual services, system support and maintenance, bad debt, memberships, and travel and training costs are all lower than budget through November. These favorable variances are partially offset by unfavorable variances in utilities, chemicals and materials and supplies. The escalation in costs from prior year levels through November reflects the continued impact of inflation with higher-than-normal increases in most categories with utilities, chemicals, materials and supplies, contractual services, systems support and maintenance, insurance reserves and labor and labor-related costs having the most significant growth.

Net Income before Distributions and Contributions for November is \$4.4 million, which is \$1.2 million higher than budgeted. In comparison between years, net income for November is \$920,000 below prior year. November year-to-date net income of \$56.0 million is \$6.5 million higher than budget and \$5.1 million above prior year.

Communication and Marketing Report Given

Ms. Dearing Smith reported that as part of our Education and Outreach efforts, staff took part in 45 programs in November, reaching just over 4,000 people. The programming included education at after-school programs, libraries, community organizations and schools in neighboring counties. Additionally, our education and branding efforts were highlighted with staff presentations at the Kentucky Science Teacher Association's annual conference and in marketing classes at the University of Louisville.

Voice of Customer Research show that Louisville Water continues to see positive brand perception from customers. More than 500 people in 42 zip codes participated in the annual brand perception

quantitative survey in October. Ms. Dearing Smith reviewed Highlights of the research which include the following:

- 52% believe Louisville Water provides the “best-tasting tap water they’ve ever had.” (Down from 53% in 2022)
- There was an increase in the percentage of customers saying they have an “emotional attachment” to Louisville Water (31% in 2023 compared to 26 percent in 2022). At the same time, there was a significant decrease in customers who said they actively think about Louisville’s water “all the time” when they travel. (35% in 2023 and 48% in 2022)
- More customers rated their experience with Louisville Water with higher scores of 8, 9, or 10 compared to the past two years. Additionally, fewer customers have rated their experience as less than a 6, indicating a reduction in less favorable experiences.

Staff use the research to craft strategic communications and marketing strategies.

Customer Service and Distribution Operations Report Given

Mr. Vogel advised the first phase of the new phone system was launched on November 9 and we are seeing a reduction in handling times by 35 seconds due to the system pre-verifying customers through the IVR. The change over to a new lockbox vendor is now complete, which includes the ability for customers to make payment assistance donations on their bill. Two new employees officially started in the Cash Remittance area, which brings the department up to full staffing levels for the front line. Management is currently interviewing for a supervisor and expects to fill that role in the coming weeks.

Final items are being completed on the Winter Operations Plan in preparation for colder weather.

AMI progress continues with almost 236,000 endpoints installed to date. Approximately 144,000 Jefferson County customers have now been converted to monthly billing.

Engineering and Production Operations Report Given

Mr. Kraus advised that 2023 capital program expenditures through November totaled \$89,219,458 which is \$3,059,725 or 3.55% higher than the same period last year. These expenditures equate to 73.26% of the 2023 total capital program of \$121,781,334. Mr. Kraus estimates they will end the year with 95% execution of the program.

The amount of water produced and delivered to the system in November 2023 was 116.9 MGD, which was 1.3% higher than November 2022 and 5.4% higher than the November five-year average. For year-to-date, the amount of water delivered to the system was 1.9% higher than 2022, and 7.3% higher than the five-year average.

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

Seven chemical spills were reported upstream of the Zorn intake; none impacted water treatment.

Mr. Kraus thanked the Board members for their support throughout the year.

Human Resources and Labor Relation Report Given

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

- There are no active grievances filed by the union.
- Union and Company leadership conducted their monthly Labor Management meeting to review various on-going and future joint initiatives and status updates.
- The Company posted one regular full-time and four temporary full-time classified union positions.

Human Resources submitted the annual end of year Affordable Care Act Reporting.

Louisville Water's employees participated in the Salvation Army's Angel Tree Gift distribution to families in the community.

Louisville Water's Human Resources presented as main sponsors during the Louisville Urban League's Kentuckiana Builds Cohort heavy construction training program graduation ceremonies.

Information Technology Report Given

Jeff Knott advised that IT received feedback from the Crowe penetration test of our digital security measures. IT staff is working through the findings with Volta.

IT has successfully completed the implementation of the software-defined wide area network (SD-WAN) project. The project has significantly increased the network's resilience by adding redundant lines to each site, enabling load balancing for greater efficiency, and ensuring that multiple vendors handle the communication between sites in the event of a natural disaster.

Louisville Water is working with Arcadis to develop a digital strategy for the future of Louisville Water in alignment and support of the Louisville Water Strategic Business Plan. Phase 2b has now started and is anticipated to be completed during the first half of 2024.

Migration to the cloud environment is underway and testing is ongoing. Completion of this migration is currently on track for the end of January 2024.

There being no further business, the meeting was adjourned at 1:12 p.m.

Respectfully submitted,



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